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## EXPANSION OF INTERNATIONAL TRADE

### Statement by Baron von Platen (Sweden), Chairman of Committee III, at the Plenary Meeting on 14 November

The fourth progress report of Committee III on expansion of trade has already been distributed. On behalf of the Committee, I venture to express the hope that you have found it worthy of close and careful attention.

The report is largely self-explanatory. You will notice that the Committee so far has identified and analysed a number of commodity sectors where the less-developed countries already have, or are likely to have, under certain conditions, export capacity which cannot be put to good use if other countries, mainly the highly industrialized ones, do not modify certain of their customs duties, quota systems and/or fiscal policies. For the sake of convenience we might consider the various desiderata voiced by the less-developed countries according to the "effect velocity" which we are likely to encounter in case action follows according to the recommendations outlined in the report.

As a first category we might consider desiderata regarding removal of those restrictions which now prevent the use of already existing surplus capacity in the less-developed countries. Examples of commodities under this heading are coffee, perhaps jute and certain species of tropical timber, some vegetable oils, etc. In a great number of highly industrialized countries there would be a propensity to buy more of these goods, provided that certain internal taxes or custom duties or other artificial barriers were modified or abolished.

A second category of problems pertains to goods where we have a latent supply capacity, which could be made available within a short timespan and with but little extra effort. Under this heading we might consider cocoa, tea, sporting goods, finished leather, leather footwear and leather goods, etc. A lowering of the barriers in the potential markets would, within a short time, result in a net increase in trade in these goods between developed and less-developed countries.

Finally, we have problems involving long-term expansion plans calling for simultaneous solution of a number of more or less complex questions relating to manufacturing skill or marketing methods, investments or repayment possibilities, etc. Here might be cited as examples some of the light engineering goods, aluminium, alumina, etc.

What I have called the "effect velocity" is of course highly different in the three categories just outlined. The urgency of the problems may thus not always be considered to be quite the same. It is obvious for example that a most useful contribution, with a nearly immediate impact, would be the abolishment of internal taxes for coffee in some countries in Eastern and Western Europe. I feel justified in stressing the particular urgency in the case of coffee, because the GATT secretariat has made such a careful and penetrating analysis of the problems involved. These non-biased and conservative estimates prove with a reasonable degree of probability that coffee-producing countries might, within a short time, increase sales of coffee by \$100 million or more a year if three West European countries abolished their internal taxes on this tropical beverage. A word of caution is called for at this point. Though figures of this magnitude are impressive, they also clearly demonstrate that the three countries in question cannot, in the case of coffee, offer but a fractional solution to the global trade expansion needed. Furthermore, the attitude of the governments concerned is likely to be influenced by the fact that the net loss in taxes likely to occur is considerably higher, at least during the first few years, than the calculated net increase in coffee sales. The same impact and the same problems are likely to occur, mutatis mutandis, could certain taxes on tea and cocoa be modified or abolished.

In this connexion we may be justified in posing the question whether Committee III should not pay more attention to the quantitative implications of existing excess or latent capacity in some of the other commodities, like tea, cocoa, cotton textiles, etc., and to the relevant corresponding demand problems in the potential markets. The Committee may want to revert to this when it has had time to consider the problems and possibilities involved in this respect.

Accepting that the absence of the necessary material would oblige us to undertake this task, further studies, further work of Committee III should not, however, be taken as a pretext for not attenuating, as soon as possible, the present degree of protectionism which prevents the less-developed countries from developing their exports to the industrialized countries and their intra-trade. In this connexion I feel obliged to say that the CONTRACTING PARTIES would, to my mind, not have a complete and true picture of the problems facing Committee III, nor would they be able to deal satisfactorily with them, without being confronted with and paying attention to the wider implications of the facts, views and findings in the report. I shall set forth some of these aspects which I consider particularly relevant.

A grave concern for Committee III, for the CONTRACTING PARTIES, and indeed, for most international organizations sometimes, is how to give effect to recommendations made. We may say that the recommendations in the various Committee III reports have some effect due to their very existence. The reports are circulated to governments in all GATT countries. People in responsible positions read them and think about them. The findings may also be used as

arguments by the less-developed countries in bilateral talks with industrialized nations. Finally, some governments, pointing to the GATT reports, may remind other governments about their responsibilities in the field of international co-operation as implied in the reports.

Is this, however, enough? The lack of substantial reductions of obstacles to the expansion of imports from the less-developed countries would seem, according to the views of these countries, to provide a negative reply to this question. Personally I feel it is too soon to fall victim to pessimism. Many motives support such a belief. First, too short a time has elapsed since the publishing of the first reports of Committee III to make a fair assessment. Secondly, I have been much impressed by the obvious wish of all parties concerned to understand problems which, fundamentally, are of mutual concern, and to co-operate. Finally, many factors will facilitate action. Let me enumerate some of the reasons for this opinion:

Nearly all the countries mentioned in the report as being in a position to increase imports from the less-developed countries have a satisfactory rate of economic progress, expanding foreign trade, increasing currency reserves. We may, in short, to use a common modern, but only relatively speaking adequate, expression, call them "affluent societies". As such they are considered to have certain international obligations. The United States delegate to Committee III gave an eloquent, constructive and courageous interpretation when he said: "We must keep in mind that Committee III is not concerned primarily with promoting the actions which governments are required to take in furtherance of their obligations under the GATT or which they would take, in any event, in line with their established trade policies. It has been the hope of all of us that the work of this Committee could give impetus to an urgent, extra effort on the part of the economically developed countries to eliminate or modify their measures which may be barriers to the expansion of the trade of the less-developed countries."

However we interpret the obligations of the so-called "affluent societies", I believe we can agree upon their being able to increase imports from the less-developed countries. A number of factors emphasize the motives for the "affluent societies" to avail themselves, already, out of sheer self-interest, of the existing possibilities. The loan policy of the industrialized countries, for example, very often implies lending capital to the less-developed countries. Thus it becomes highly desirable and important, also from the point of view of the lending country, to take timely steps for expanding repayment possibilities. Such expansion would in many cases be tantamount to a shift, or, more often, an increase, in consumption in the lower income strata in the relatively richer countries, and thus would seem to be politically particularly appealing. Furthermore, a generous attitude now on the part of the industrialized countries would be a useful contribution in the field of international politics, a tangible proof of their willingness to co-operate and to facilitate a solution within a limited sector of the manifold problems facing the less-developed countries, the sector which falls within the responsibility of GATT.

We are all aware that certain difficult obstacles stand in the way of a speedy and satisfactory solution, for example, the loss in tax revenue which would occur should, let us say, some Eastern and Western European countries lower their taxes on coffee, tea and cocoa. These losses have to be compensated somehow. They may be offset, partly, by increasing tax and/or custom duty returns deriving from increased sales of the commodity mentioned and from increased tax return from exporting industries benefiting from the increased import possibilities of the less-developed countries. A mainly technical tax problem of an intricate nature, but comparatively limited in scope, remains. On balance we can perhaps agree that the lowering of protective barriers implies not only overcoming usual and well-known problems but also sometimes calls for solutions of delicate and intricate tax questions; that most industrialized countries could well afford to increase their imports from the less-developed countries and that it would be in the long-term interest of all GATT members if the industrialized countries would make every effort to overcome admittedly existing difficulties in order to implement the recommendations of Committee III. In any case the difficulties likely to beset all of us in the case of non-action seem to be of an infinitely more threatening nature and proportion.

The urgent need for action is further underlined by the fact that the degree of implementation will influence not only the international economic and political climate, but also the concept of GATT as a universal forum for international trade problems.

I believe it is only fair to say that the less-developed countries do not ask for unilateral sacrifices; but they do ask for serious efforts on the part of the potential market countries. I may have been rather too sanguine in my estimate of the possibilities for the industrialized countries to take steps within the near future. In order to counterbalance any error of judgement on my part in this respect, let me say that the contracting parties obviously must as far as possible base all and every deliberation on realistic assumptions and would be well advised to consider, individually as well as collectively, the problem of how to give optimum effect to the recommendations of Committee III. It would be most useful if the debate during the plenary session on the work of Committee III could guide not only the Committee in its future work, but the Committee and the CONTRACTING PARTIES and the Member countries of GATT individually as well, in their endeavours to find a solution to the problem of implementation.