

GENERAL AGREEMENT ON
TARIFFS AND TRADE

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GEORGE P. SHULTZ, UNITED STATES,
SECRETARY OF THE TREASURY

This is an historic meeting, and I am honoured to participate in it. We join here in the first formal step toward a major expansion and improvement of global trading relationships. While these negotiations build upon what has been achieved in the past, in the Kennedy Round and earlier, they are also a bold step beyond our past. Our present undertaking is broader in scope, more ambitious in objective and guided by a clearer view of economic and political realities.

I was told before I came that Tokyo would be the occasion for many speeches on the benefits of open international trade. I expect that will be true. And I consider it entirely appropriate that it should be true. As we embark upon a course of negotiations to last for many months and involving details of endless complexity, we should remind ourselves of the principles that should underlie our efforts. However obvious these principles may seem to us, the process of putting them into practice has always been difficult and is far from complete.

The basic principle that brings us here is simple and needs no great elaboration. When there is voluntary exchange, both parties - the buyer and the seller - gain. If they did not, one party or the other would refuse to exchange. This principle is as valid when the parties are in different countries as when they are in the same country. Obstacles that governments place in the way of trade, internally or externally, prevent people from doing business that would be beneficial to all participants.

What is involved is more than one country trading what it produces most efficiently today for what another country produces most efficiently today. Open trade forces and stimulates all of us to become more efficient. The wind of foreign competition drives businesses in all countries to more innovation, greater research and development efforts, and better adaptation to the wants of consumers.

Our generation has more cause to recognize the force of these ideas than any before us. We have been living through the greatest and most widely shared economic advance in world history, and the greatest expansion of international trade. This combination of developments is, of course, no coincidence. The growth of world output has contributed to the rise of trade, but the rise of trade has also contributed to the growth of world output. Greater access to markets has promoted specialization in production, and thereby the better use of each country's resources. Competitive pressure from foreign firms has stimulated the growth of technology and business acumen.

As a result of greater openness in the world economy, economic opportunities have been substantially broadened for the citizens of all nations and the standard of living has improved throughout the world. Freer trade has led to higher real wages for working men and women and a wide choice of goods to consumers.

One recent development in economic policy holds a useful lesson for all of us. Governments in many parts of the world, such as Australia, Japan, Canada, some European countries and the United States, have been led by compelling domestic reasons to reduce unilaterally their tariffs or quotas, without asking for reciprocal concessions from others. Although the circumstances in each case may have differed, this is a reminder that we should not think of every reduction of our own restrictions as a concession made for the benefit of others and worthwhile only if there is a greater or at least equal concession by others. The general principles that guide our work suggest that we gain from reduction of our own barriers as well as from reduction of the barriers of others.

Of course, there are qualifications to the basic ideas of trade liberalization. The participants in this conference, who live in the governmental and political process, are especially aware of these qualifications. Substantial reduction of trade barriers may cause local and temporary difficulties that cannot be ignored, however great the longer run and more general benefits may be. Transitional protection may sometimes permit the achievement of efficiencies that would not be possible without it. Other reservations can be thought of.

These qualifications constitute the case for gradualism, selectivity and mutuality. No doubt, much of the time in the negotiations now beginning will be devoted to these qualifications. But let us, as we say in the United States, keep our eye on the ball - the liberalization and expansion of trade - and seek to deal with the problems in ways most consistent with that overall objective.

I see a number of important challenges for these negotiations. In listing them, I do not mean to imply they encompass the full range of issues that we expect these negotiations to cover, nor that they will necessarily appear as specific items on the agenda for the negotiations.

Guidelines and procedures

The central challenge for these negotiations is, as I see it, to develop guidelines and procedures that will permit the elimination of barriers to trade, while preserving the ability of governments to carry out their domestic responsibilities. Many of the important barriers that still hamper international trade result from the efforts of individual governments to achieve a variety of domestic economic, social and political objectives. We must develop the means

whereby these barriers can be eliminated or minimized. Because national needs and policy preferences frequently differ, we need to develop rules that will give each government considerable leeway in forming and pursuing its own policies. At the same time, we need to encourage countries to devise policy measures that minimize disruption of the economic interests of other nations.

In an interdependent world, the policies pursued by any one government in carrying out its domestic responsibilities are bound to conflict at one time or another with the policies pursued by other governments. We therefore will have to focus on the procedures and arrangements that are designed to minimize these conflicts and effectively to resolve disputes that may arise. Our common institutions, such as the GATT, have performed this rôle well. These institutions are ageing, however, and while they may be structurally sound, it is important that we look closely at our recent experiences in dealing with trade problems to see where the rules and procedures can be updated and improved.

Safeguards against disruptive imports

Our recent experience would indicate that we need particularly to look at the rules and procedures that deal with problems of import disruption. Every country represented here has at one time or another found it necessary to limit imports temporarily in order to permit domestic industry enough time to adjust. Frequently the current rules and procedures covering such actions have proved unsuitable, and governments had to work out informal arrangements. While such arrangements have proved expedient, they have not been able to cope with all problems, and have been accompanied by an unnecessary degree of international friction. It is time that we face this issue squarely, and together design a mutually acceptable safeguard system.

Food

Another area where common action would be desirable is the area of agriculture. The current shortage in agricultural supplies and the danger that it will be repeated in the future gives great urgency to the need to find a more rational pattern of production and trade in agricultural commodities. If we take advantage of this occasion to expand opportunities for world trade in this area, we will be able to make available more food at cheaper prices for everyone. A number of thoughts have been expressed on how this might be accomplished. We are willing to examine any serious proposal.

In the past year, we have seen how international trade in agricultural commodities can help to avoid what would otherwise have been critical food shortages. The decline in world grain production was alleviated for many countries by the ability to import, especially from the United States. Despite poor growing weather and poor harvests in our own country, we have supplied greatly enlarged quantities of goods and feeds to countries in every part of the world, partly at the expense of a substantial reduction in our own stocks.

Our exports of wheat in financial year 1973 reached 32 million metric tons, almost double the amount shipped in financial year 1972, and equivalent to three fourths of United States production. Exports of feed grains jumped sharply from 21 million tons to 35 million tons. And soybean exports rose to 14 million tons, an increase over the previous year of 2 million tons. More than half of our soybean crop went into export. Indeed, all of the increase in our soybean crop was exported last season.

Although our stock position has been sharply reduced, we anticipate that an excellent feed grain and record soybean crop this season will permit us to meet foreign demand for these commodities in financial year 1974 with exports at levels higher than the record levels of last year, and that our wheat exports will be close to last season's very high level. To meet anticipated world needs this year, we have put millions of acres back into production and for 1974 all our reserve acreage has been removed from set-aside restrictions. We have proved that in the pinch, the United States is, indeed, a dependable supplier - and that its market-oriented system can be relied upon.

Regional integration and the most-favoured-nation principle

Now let me turn to a development that has been a source of increasing concern to the United States. Over the past few years we have seen a tendency to move away from the notion of a single world trading system in which all nations are treated equally. The most-favoured-nation principle has been the cornerstone of our global system. Now we are seeing that principle increasingly disregarded. At a time when the circle of nations participating in the world trading system is increasing, we need to rededicate ourselves to the ideals of a single non-discriminatory trading order.

I should say in this respect that we continue to support the many regional efforts to achieve political and economic integration. This makes sense where neighbouring countries, sharing common traditions, find their economic affairs increasingly linked. We feel compelled to insist, however, that such efforts not undermine the global system that we have built together, and from which we

have derived great benefit. It is thus important that countries in regional groupings organize themselves in such a way that they can effectively discharge as a unit the responsibilities to which they have committed themselves individually as nations.

Support for less-developed countries

We support efforts to give the less-developed countries special access to foreign markets. We believe that such arrangements will benefit the industrial nations as well as the developing nations. We also recognize that it would not be appropriate or desirable for us to insist that these countries assume the same responsibilities as we expect from those countries that have achieved a relatively high degree of economic development. At the same time, however, we do expect commitments appropriate to a nation's stage of development and to a sharing of the responsibility for the effective working of the global system. No international undertaking can succeed if those who derive a benefit from it do not contribute to it. And the system as a whole cannot work unless all nations contribute to its effective functioning.

Monetary and trade inter-relationships

Lastly, let me say a word about the relationship between our efforts here and those related to the reform of the world monetary system. We recognize the inter-relationship between monetary affairs and trade matters. A primary goal of an international monetary system, on the one hand, is to facilitate trade; that objective is seriously jeopardized when monetary relations become unstable. On the other hand, the logic is equally strong that the adjustment process in the monetary system is less effective and less responsive when trade is restricted by direct measures, and can respond only slowly, and in a partial and distorted way, to the forces of the monetary adjustment process. In short, actions in one field can, but should not be allowed to, frustrate the solutions reached in other fields. There is thus a need for simultaneous improvement in all elements of the international economic system.

Although concrete progress in one area of negotiation should not be held hostage to specific negotiations in another, overall success in one area will ultimately be dependent on success in another. Where specific overlaps do occur, work in one area ought to supplement rather than frustrate work in other areas.

Negotiating mandate of the United States

My Government believes it is important to take advantage of the opportunity presented by these negotiations and is anxious to participate vigorously. In implementing negotiated changes and in strengthening our commitment to the basic objectives, of course we will need the support, advice, and concurrence of our Congress. President Nixon submitted his Trade Reform Act to the Congress in April of this year. That bill has received thoughtful and highly constructive consideration in the Ways and Means Committee of the House of Representatives and will likely remain under consideration in the Congress for a few more months. The ranking Democratic and Republican members of that Committee issued a statement last week expressing their "hope and belief that we will complete work on the bill by 1 October". They also said, "We believe that the Committee will report a bill that will provide sufficient scope for comprehensive negotiations aimed at removing trade barriers and substantially expanding world trade. It is our hope and purpose that the Congress will act on this legislation in ample time to facilitate these negotiations".

The fact that our Trade Bill is still under Congressional review does not impede our ability to participate actively and fully at this stage. The negotiations which begin at this Conference will, at the outset, concentrate on preparing the way for the detailed bargaining process to come. We remain committed to the start of substantive work on these negotiations in late October of this year and, to the pursuit of that work on an intensive and continuous basis, without any interim delay.

I must call to your attention the fact that the attitude of the Congress toward these negotiations - and therefore, the mandate they will be willing to give our negotiators - will be influenced by the manner in which we are able to settle in coming months some outstanding issues with our trading partners. We have already reached satisfactory agreements recently with some of our major trading partners to eliminate long-standing trade restrictions inconsistent with the GATT. This has been a very positive development and clearly demonstrates to domestic observers that the GATT does work. There are, nonetheless, some other issues pending at this time. We view the settlement of these issues as an indication of the confidence we can have in the ability of the international community to reach an agreement on a more open and improved world trading order and we know that it is essential to demonstrate the basis for this confidence to the Congress.

The United States approach

In a few words, the United States approach to these negotiations will be based on the following ideas:

1. We desire to expand the opportunities for international trade, and are willing to participate fully in the common effort to eliminate or reduce barriers to all trade, agricultural or industrial.
2. We seek an agreement that will be beneficial to all the participants and recognized as such by them. This will require that the agreement be balanced from the standpoint of each participant. However, we believe that to insist on a balance in every individual component of every agreement is unnecessary and would undesirably limit what can be achieved.
3. We believe that there should be a substantial expansion of duty-free trade as well as a substantial reduction in the average tariff on the remaining dutiable items.
4. We consider it one of the main objectives of these negotiations to remove as many non-tariff barriers as possible and to reduce as far as possible those that cannot be removed.
5. Reduction of barriers to agricultural trade is a major goal and negotiations to that end should move forward together with negotiations on industrial products. We should agree that where we find domestic actions necessary to assist our own farmers, those actions should not be of a kind that injure farmers in other countries.
6. We believe that the maximum liberalization of trade will be achieved if we can agree on a multilateral safeguard system that will allow governments to take appropriate actions when a rapid rise of imports threatens to disrupt domestic production in a particular industry, but at the same time will assure that such measures will not be any broader or continued any longer than necessary for the domestic adjustment process.
7. We have an open mind about the specific techniques or arrangements to be employed in achieving the common goals of the negotiation.
8. We are eager to see the negotiation begin promptly and proceed rapidly and pledge our maximum co-operation to that goal.

Let us begin

We look to the Trade Negotiations Committee to play an important rôle in guiding these negotiations toward their desired ends. We hope that the Trade Negotiations Committee will begin its work as soon as possible, setting up procedures for sub-groups, and moving them promptly toward continuous, effective work on the substance of the negotiations. We hope that the participating governments can focus on trade negotiating plans, undertake the basic analytical work which needs to be done at the earliest possible date and begin this process in the Trade Negotiations Committee no later than 1 November. Once we have begun, we should work in earnest, continuously, so that the target of finishing in 1975 can be met.

In our view, the declaration negotiated by the Preparatory Committee in July represents a sound basis for beginning these negotiations and provides useful political guidance for our negotiators to follow. While we recognize that there are some disagreements with the declaration based on specific points of substance or emphasis, the declaration does provide a framework for achieving ends desirable to us all. To translate that declaration into change in our trade relations is the task which will be before us throughout these negotiations.

The progress we all want in these negotiations can only be accomplished by a joint effort in which all of us make appropriate contributions and receive appropriate benefits. Let this Declaration of Tokyo serve as a starting point and a point of inspiration. Let the vision which has in the past inspired nations to achieve great goals guide us in a common effort to construct a durable order that will contribute to international harmony and prosperity for us and for future generations.

IVAR NØRGAARD, PRESIDENT IN OFFICE
OF THE COUNCIL OF THE EUROPEAN COMMUNITIES

May I first of all, Mr. Chairman, say how glad I am that we shall be working under the authority of a person as courteous and experienced as yourself. That is in itself promising for the success of our endeavours. I should also like to thank the Japanese Government for our reception in Tokyo, which was in keeping with the best traditions of Japanese hospitality.

I should like, on behalf of the European Economic Community, to give some indication of the importance we attach to the multilateral negotiations and the spirit in which we shall be approaching them. I shall leave it to the Vice-President of the Commission, Sir Christopher Soames, to set out in detail the Community's position on the various matters that we shall be debating.

The international situation is at present undergoing profound changes. This process has given rise to new problems causing us concern. We must realize that we face an ever-widening gap between the industrialized and the developing countries, and that various monetary and trade difficulties have emerged endangering the economic and social progress of nations. On the other hand, international developments have demonstrated the increasing desire by every nation for international co-operation.

We view the multilateral negotiations as a means by which we can make a substantial contribution to fulfilling this desire.

The European Community has every intention of playing its full part in the negotiations, in the spirit of the programme laid down for the Community at the Paris Summit Conference in October 1972.

It will be recalled that the aim of this programme was the strengthening and development of the Community, and the Member States confirmed their intention to transform the whole complex of their relations into a European union before the end of the decade.

Thus, it will be readily understood that we find it particularly important that neither those elements basic to its unity nor the fundamental objectives of the Community's future development may be called into question during the multilateral negotiations.

This being said, it should be realized, however, that the establishment and growth of the Community have beyond all question made possible an unprecedented contribution to the development of international trade. Accordingly, we are convinced that the Community has had a trade-creating effect. Since its establishment the Community has attached great importance to multilateral trade negotiations, and it has played an active rôle first in the Dillon Round and later in the Kennedy Round.

In this tradition the Summit Meeting laid down the Community objectives in the field of external relations, at the same time as those for internal development. In particular they reaffirmed the determination of the Community to encourage the development of international trade among all countries, without exception, and to participate as soon as possible, according to the procedures laid down by the IMF and GATT, in negotiations based on the principle of reciprocity. Such negotiations should make it possible to establish, in the monetary and commercial fields, stable and balanced economic relations, in which the interests of the developing countries must be taken fully into account.

In view of recent developments it has become obvious that the policy of liberalizing world trade cannot be carried out successfully unless parallel efforts are made to set up a monetary system which will protect the world economy from the shocks and imbalances we have all experienced. There should be no doubt about the importance we attach to this question, on which Sir Christopher Soames will certainly have more to say.

I should not like to finish my statement without once more emphasizing our keen interest in the problems of the developing countries. Almost two years ago the Community set up an autonomous system of generalized preferences, which it has every intention of retaining and improving, and we do expect all other industrialized countries to do the same. In the negotiations, suitable solutions must be found in order to make an efficient contribution to an expansion of the trade of the developing countries and an increase in their export revenue. Special attention must be paid to the case of the least advanced countries.

The Community will approach the multilateral trade negotiations in the same spirit of open-mindedness it has shown since its establishment, keeping in mind the essential rôle of international trade in world-wide development and progress. One outcome of these negotiations should be both a significant reduction in customs tariffs and their harmonization.

Every one of us here is aware of the importance of the present negotiations, by reason not only of their scope but of the context in which they are taking place. Their purpose will be to establish how satisfactory solutions can be found to the problems of trade. At the same time, continued efforts must be made in other forums to re-establish a stable and fair monetary system. A complex and arduous task lies before us, and we face a crucial period for restoring order to the world's economy. A firm political resolve will be required from all the participating nations - and we hope for the widest possible participation - to bring our negotiations to a successful conclusion. We must show mutual understanding of each other's problems and - as regards the industrialized nations - maintain the greatest respect for the basic principle of reciprocity and mutual benefit.

What is at stake is the well-being and standard of living of the participating nations, and in the end of the whole world. I am confident that we can make progress in all the directions I have just mentioned and reach the goals we have set ourselves, to embark upon a new and decisive stage in the general expansion of international trade and the improvement of trade conditions of the developing countries.

SIR CHRISTOPHER SOAMES, VICE-PRESIDENT OF THE
COMMISSION OF THE EUROPEAN COMMUNITIES

Our meeting here today in Tokyo under your Chairmanship, has, I think, a double significance. First, I feel it is entirely appropriate that we should be holding this inaugural meeting to a new major round of trade negotiations in the capital of Japan which has over the last decades become a country of such great significance for the development of world economic relations. Japan as a great trading nation has already contributed much to the expansion of world trade and it is very clear from the current trends which make Japan an ever more important importer and exporter that your contribution in the future will be crucial to the development of world trading relations.

The other main significance of today's meeting, it seems to me, is that we have here united in this room representatives of countries which together conduct an enormous proportion of world trade, and we are gathering here with the purpose of formally opening a new round of negotiations which are committed to the further liberalization of trade between us and the consolidation of what has gone before. This is then an important moment. For so much of the prosperity and social development of all our peoples in the post-war period has been based on the successful endeavours of our predecessors to liberalize world trade and to reverse the protectionist trends of earlier years. The decision which we will take here in Tokyo to embark once again on a complex and difficult negotiation aimed at a further liberalization is surely of great significance to the future of prosperity of all our countries.

Mr. Norgaard, as President of the Council of Ministers, has, with his customary skill, just given you an outline of the general lines of the Community's approach to these negotiations. I shall now seek to comment further on certain aspects of the Community's position. Mr. Chairman, the European Community has, from its very beginning, been committed to the aim of world trade liberalization on the basis of mutual advantage and overall reciprocity. Its participation in previous rounds of multilateral negotiations and its contribution to them was a decisive factor in their success. Although in this process the level of the Community customs tariff was cut by well over 50 per cent, we have not taken the view that that was the end of the road. Both in the joint declaration with the United States of February 1972, and at our Summit Conference in October that year, we pledged our willingness to negotiate further. So this new enlarged Community, which has only been in existence now for nine months, is every bit as committed as its predecessor to this new round of trade negotiations. We intend our contribution to be a constructive one.

The declaration before us seems to me one which we can, and should, support. We trust that the few passages still in doubt can rapidly be settled. With that done the Community will certainly accept it. Of course it does not contain every detail which we would like to see there, but it does represent, in our view, a reasonable synthesis of the broad outline of the negotiation before us. To have gone into greater detail in the Preparatory Committee would have amounted to prejudging the issues and would have risked a failure to reach agreement at this preliminary stage. The declaration leaves a broad margin as to the appropriate techniques or methods of negotiation. Those who feel that their ideas are not fully reflected by this text should regard the declaration as the beginning of a long road, not the end of it. Everyone is and will be free to promote and press any proposal during the course of negotiations. We therefore hope that this declaration can be adopted as forming an appropriate basis for the formal opening of negotiations.

I think it may be useful if I now state briefly one or two of the points of the Community's general approach to these forthcoming negotiations. We believe that the main objectives of these negotiations should be twofold. First, to consolidate and continue the liberalization of international trade on the basis of mutual advantage and mutual commitment with overall reciprocity. And secondly, and no less important, to improve the opportunities for developing countries to participate in the expansion of world trade and to ensure a better balance of advantage as between industrialized and developing countries in receiving the benefits from this expansion. These two broad objectives will govern our approach to these negotiations throughout.

Where tariffs are concerned the Community believes that these negotiations should lead to a significant reduction of customs tariffs by means of cuts, whose depths would be related to the existing levels of duty. In general the principle would be - the higher the tariff the greater the cut. In this way we would also achieve a significant degree of tariff harmonization. I should record here that the Community emerged from the Kennedy Round with the lowest and most homogeneous tariff of all the major industrialized countries. Tariff harmonization is therefore an important objective for us. We are aware that there is room for argument as to how this objective should be achieved. No one can deny that the disparities that do exist between very high and very low tariffs do create a problem of considerable importance, and that the factors which have led us to our present view are, to say the least, compelling.

As regards non-tariff barriers, we feel that a number of different possible approaches to different sorts of non-tariff barrier may be necessary. The greatest emphasis should be given to those obstacles which have the greatest effect on trade. In cases where these barriers are of a general character, involving measures applied by many countries to a wide range of products, we believe that multilateral solutions are indicated which should seek either to achieve abolition or amendment of the measures in question or to reach international agreements on a greater degree of harmony and discipline in the procedures for their application. The precise solutions in such fields could be of a number of possible types, but the Community does not exclude the negotiation of codes of conduct or of new interpretative notes to GATT. In addition there are other non-tariff barriers, more limited in scope, or applied by only one or two countries, which demand more limited solutions. It should be possible to include these in the negotiations in such a way as to achieve balanced concessions among the participants.

Finally, agriculture. We regard this as an integral part of these negotiations. But while we accept that the general objective of the negotiations should apply in this sector as in others, we believe nevertheless that account must also be taken of the special characteristics of agriculture and agricultural products. In our view the main objective in the agricultural field should be to achieve the expansion of trade in stable world markets in conformity with existing agricultural policies. To achieve this expansion in the stability which is an essential prerequisite for it, we consider that appropriate international arrangements should be negotiated to organize trade on a more orderly basis. Such arrangements could be concluded, for example, for cereals, rice, sugar and for certain homogeneous milk products. For other products where such arrangements are less appropriate a system of joint discipline could be negotiated to ensure that exports on the world market would be organized on a more smooth-running basis. But I must make it very clear that in stating the Community's willingness to negotiate seriously on agriculture, I am not suggesting an intention to negotiate about the principles of our Common Agricultural Policy. These principles and the mechanisms which support them we consider to be a matter of internal policy and we do not consider them to be the object of international negotiation.

So far as safeguard measures are concerned, the Community confirms its strong attachment to the disciplines set out in the GATT. It is certainly not in favour of introducing changes to the rules of GATT which could result in the introduction of new restrictive measures going in exactly the opposite direction from the further liberalization of world trade. Nevertheless, so far as Article XIX is concerned, while the Community believes that its present provisions should be maintained as they are, we recognize that the effective operation of this Article has not proved easy. The Community would therefore be prepared to participate in discussions designed to explore a better application of the practical modalities of safeguard measures taken under this Article. But I should underline that it

is our view that any new modalities of application should not simply result in a relaxing of conditions under which safeguard clause action can be taken; any change of such conditions would have to be accompanied at the same time by a very precise definition of the controls over their use.

How does the European Community see the implementation of the second major objective, that is the improvement of opportunities for developing countries to participate in the expansion of world trade? We regard this objective as being an important feature throughout the negotiation and in all its aspects. In fact, the Community has declared that developing countries are entitled to expect beneficial effects from the expansion of world trade. We intend to make an active contribution in order to realize the objective set out in the declaration of securing additional benefits for them in the negotiations. More specifically, for tariffs, we see the greatest emphasis lying in the improvement of our Generalized Preference Scheme which has now already been in force for two years. Improvements could be achieved here by increasing the level of ceilings within which duty free treatment is applied to the exports of developing countries; by including a wider selection of processed agricultural products; by preserving and increasing wherever possible the margin of preference on goods already included in our Scheme; and by introducing more flexible procedures. Clearly we hope and expect that other industrialized countries will make a similar effort. If the Generalized Preference Scheme is to move forward towards the major contribution which I believe it can make in expanding the trade of the developing world, it can only do this if it is generally applied on a comparable basis throughout the industrialized countries of the world. As far as non-tariff barriers are concerned, we are ready to take particular account of the problems of developing countries, and to discuss the application of differential measures which will provide special and more favourable treatment to them, where this is feasible and appropriate. But obstacles to trade are so varied, and the possible solutions so different in character, that it is impossible to lay down any general principle or rule for special treatment to be applied over the whole field. As a counterpart we do feel that developing countries themselves should find it possible, and indeed in their interest, to make a contribution to reducing the non-tariff barriers which they maintain.

So much for our views on the various detailed subjects which are likely to form the major headings of these long and complex negotiations. But I would like now to make one more general point which is for us of major importance in these negotiations. This concerns the relationship between the further liberalization of world trade and progress in achieving greater stability in the monetary field. It is a point on which long discussions have taken place in an effort to find an acceptable form of words for the joint declaration. But let there be no misunderstanding that the EEC is convinced that the policy of liberalizing world trade cannot be pursued successfully unless parallel efforts are made to establish

a monetary system which shields the world's economy from the shocks and imbalances which have recently struck it. The trade negotiations therefore in our view imply that prospects exist for the establishment of a fair and durable monetary system. This consideration should be borne in mind by all the participants to the negotiation both at the beginning of the negotiation and throughout it. The Community for its part will assess the progress of these negotiations in the light of the progress made in the monetary field and it will take such progress into account when arriving at a final decision on the results of the negotiations.

One final word on timing. We have agreed in our declaration, I believe wisely, to set the end of 1975 as the objective for concluding these negotiations. To have set an earlier date would have been unrealistic. But to have set no date at all would have been to risk these negotiations dragging on at the technical level for a very long time. If these negotiations are to succeed, within this agreed timescale, they will certainly need firm political guidance from all parties and at every stage of the negotiation. First and foremost we must all be ready to come to the negotiating table with adequate powers and proposals before too long a period has elapsed. The Community for its part will now be taking up within its internal processes the further definition of its negotiating position. We hope that other negotiating parties for their part will be ready soon to join us at the negotiating table armed with full powers to negotiate as envisaged in the joint declaration which we are working to adopt at this meeting.

ZENTARO KOSAKA, JAPAN,
MINISTER OF STATE, DIRECTOR GENERAL OF ECONOMIC PLANNING AGENCY

I am honoured to have this opportunity to welcome all of you here today and to outline, on behalf of my Government, Japan's basic position.

The growth of world economy in the years since 1945 has been really remarkable compared with that of the pre-war period, and that rapid growth was made possible by the more rapid expansion of trade in the post-war period. The growth of trade enjoyed in this period was due, in large measure, to unremitting efforts in pursuit of freer trade, such as the Kennedy Round Negotiations, undertaken by many countries within the GATT framework based upon the principles of free and non-discriminatory trade.

We believe, therefore, that we must affirm anew the GATT principles and strengthen those activities which will contribute to the development of world trade.

The world economy today is confronted by a number of important problems; in the area of trade there may be some tending towards protectionism or regionalism. There is also the international monetary system, though efforts are now underway to reform it. The economic development of the developing countries continues to be one of the major problems. In addition, the questions of population, resources and food, the conservation of the environment are taking on new implications.

In order to solve these problems we must pool our knowledge and wisdom, work together and avoid confrontation, and co-operate to build a better world.

We firmly believe that the expansion of trade within the framework of an economic system that is free and open is the best way to have a prosperous world economy and improved welfare and better living standards for the peoples of the world. Accordingly, we are of the view that protectionism or regionalism that impedes trade must be prevented. Ways to effectively expand trade must be sought in an effective manner in multilateral fora and in this sense it is most vital and timely that we launch a new round of multilateral trade negotiations within the framework of GATT.

It was in this belief that at the twenty-seventh session of the CONTRACTING PARTIES in 1971 we appealed for the need for a new round of multilateral trade negotiations. We have, since then, made every effort to see an early launching of such negotiations, and in February last year we proposed, together with the United States and the European Community, that such a new international round be begun. We are, therefore, happy to see that we at this conference are about to officially open a new round as a result of the efforts of the many countries concerned and of the GATT secretariat. It is desirable that as many countries as possible participate in the round, and we earnestly hope that those who have not yet decided to join will do so in the very near future.

At this point I should like to put forward our views on the new round of multilateral trade negotiations. First of all, we believe that the forthcoming negotiations should be conducted in accordance with the basic principles of free trade, multilateralism, non-discrimination and mutual advantage, and be conducted on the basis of overall reciprocity. In this regard, the developed countries, including Japan, should not, in principle, expect reciprocity from developing countries.

I wish to briefly state our views with regard to each element of the negotiations.

(i) With regard to tariffs, we are of the view that elimination of tariffs should be adopted as the long-term objective, and in line with this objective a substantial reduction of tariffs be realized.

(ii) With regard to non-tariff measures, these measures or their trade-distorting effects should be reduced or eliminated to the maximum extent possible.

(iii) As for safeguards, we believe that multilateral safeguards should be examined, having in mind the principle of non-discrimination and with a view to seeking the further promotion of trade liberalization and to preserving the results thereof.

(iv) With respect to trade in agricultural products, it is our view that we should seek, in line with the general objectives of the negotiations and considering the special character of the agricultural sector, a steady expansion of agricultural trade under stable market conditions based upon mutual benefits through co-operation between exporting and importing countries.

In launching the new round of trade negotiations, we must consider the question of developing countries. Japan fully recognizes the development needs of these countries, and we have conducted our import liberalization programme and tariff reductions, as well as the introduction and improvement of the general system of preferences, with the export interests of those countries in mind.

In view of the development needs of the developing countries, the forthcoming negotiations should aim to secure additional benefits for their international trade. Consequently, we recognize the importance of special and more favourable treatment for them.

For the sound development of the world economy, the establishment of a stable international monetary system and the promotion of free trade are indispensable. No one can deny that international monetary problems and trade problems are closely interrelated issues. In view of the important rôle a stable monetary system plays in the expansion of trade, we are of the view that the need for progress in the monetary field should be taken into consideration, as appropriate, during the negotiations and in the implementation of the results of those trade negotiations. However, it is our view that it is neither realistic nor appropriate to attach any further conditions with regard to the conduct of the two kinds of negotiation. Accordingly, in our view it is important at this point in time, when we are on the threshold of a new round of trade negotiations, to stress that we should push forward with negotiations on both areas as expeditiously as possible.

In our view, the draft declaration adopted at the July meeting of the Preparatory Committee contains the maximum that can be agreed on at this stage, and Japan is ready to support this draft. We earnestly hope that the declaration adopted at the conclusion of this meeting will be one that will fully reflect a positive attitude to the negotiations, and take fully into account the important task of the present meeting of officially declaring the opening of the new round of negotiations, and providing the appropriate guidelines for them.

I should like to add a few more words, before concluding my statement.

We have an old maxim in Japan, "Wagan-Aigo", which means one should always continue to smile and discuss things amicably. I am confident that in this Conference, all of us will be discussing in such a spirit and make this Conference a significant starting point, imbued with political determination, for a successful new round of trade negotiations in the interests of the future happiness of the 3,700 million people living on this earth.

ALASTAIR GILLESPIE. CANADA,
MINISTER OF INDUSTRY, TRADE AND COMMERCE

I extend the Canadian delegation's sincerest thanks to the Japanese Government for hosting this historic meeting. We would also like to congratulate you, Mr. Ohira, on your election to the Chair. We consider it most fitting that this meeting is being held in Tokyo under the Chairmanship of a Minister of the Government of Japan. It reflects the increasing importance of Japan in international trade and Japan's strong support for efforts to bring about further trade liberalization.

The purpose of this meeting is to initiate comprehensive multilateral trade negotiations in the framework of GATT. Canada has consistently and strongly supported the idea of another round of GATT negotiations. We consider that the draft declaration formulated in the Preparatory Committee constitutes a good basis for setting these negotiations in progress and, therefore, support its adoption. We recognize of course that there are some questions still to be settled, but we are confident they can be resolved in a way which will result in a text acceptable to all delegations.

Canada supports the objective of the negotiations, as set out in the Declaration, to achieve the expansion and ever greater liberalization of world trade. In addition, we welcome the fact that the Declaration excludes no trade barriers from the negotiations and that they will cover tariffs and non-tariff barriers and other trade restricting or distorting measures in both the agricultural and industrial sectors. We also attach great importance to the provision of the Declaration that the negotiations shall be conducted on the basis of the principles of mutual advantage, mutual commitment and overall reciprocity on a most-favoured-nation basis. We do not expect full reciprocity from developing countries, but we believe that certain developing countries should make a contribution.

The negotiations we are about to commence will, for the first time, attempt to deal with the reduction or elimination of non-tariff barriers in a comprehensive way. It is also the first time that the terms of reference have identified the sector approach as one of the possible techniques.

The preceding six rounds of GATT negotiations focussed essentially on tariffs. They have resulted in the reduction of duties to levels lower than any time in this century - although tariffs still present a significant impediment to trade. Past negotiations did not resolve the problems of non-tariff barriers - except of course in the negotiation of the Anti-Dumping Code - yet these constitute a major impediment to trade, nor did the earlier negotiations achieve an adequate liberalization of trade in agricultural products.

Against this background it is Canada's view that the forthcoming negotiations should seek in particular to attain the following objectives:

- (1) the reduction or elimination of trade restricting or distorting effects of non-tariff measures and bringing such measures under more effective international scrutiny and discipline;
- (2) a substantial reduction of tariffs on both industrial and agricultural products;
- (3) a significant improvement in the terms of access for agricultural exports resulting in a greater rôle over time for comparative advantage and increased stability in international trade;
- (4) in carefully defined and selected sectors, a comprehensive attack on all barriers to trade especially where these impede the processing and upgrading of resources in the country of origin;
- (5) improved opportunities for developing countries to increase their export earnings.

If those objectives are to be achieved it is essential that all participants obtain authority both to reduce any tariff rate to zero and to negotiate and implement solutions to non-tariff measures. Canada is also prepared to join in an examination of the present safeguards in the GATT with a view to furthering trade liberalization and preserving its results. Finally, we believe the negotiations should be completed by 1975.

In our view it is important that as many developing countries as possible participate in the negotiations. It is only by actively participating in these negotiations that these countries can achieve an accelerated rate of growth in their trade and greater diversification of their exports. The negotiations, therefore, must permit a broadening of the possibilities of developing countries as well as developed countries to share in and benefit from future expansion of world trade.

This Declaration establishes a Trade Negotiations Committee with broad terms of reference. In Canada's view, the Trade Negotiations Committee should meet next month to organize its work and arrange for the initiation of negotiations early in 1974, especially on non-tariff barriers, agriculture, and on the identification of sectors eligible for comprehensive action. We will work for the progressive extension of negotiations so that they will be joined on the whole range of issues including tariffs by autumn next year. The Report of the Preparatory Committee indicates the complexity of the task facing the Committee. However, because of the comprehensive programme of work initiated by GATT Ministers in 1967, we are better prepared for these negotiations than for any previous round, and stand a good chance of completing them on time.

The successful outcome of these negotiations is of vital importance to Canada and the international trading community in general. The task before us will undoubtedly be arduous as the negotiations are potentially the most far-reaching and complex yet attempted. They also hold out the promise of potential benefits equal to the progress already achieved. We must expect that difficulties and even crises such as have marked past trade negotiations, will emerge. We are confident, however, that the political commitment to their success exists. The joint undertakings of the United States, the European Community and Japan in January 1972, are evidence of the willingness of these three major trading entities to bring about substantial trade liberalization. The United States' Trade Reform Bill, the overall approach of the European Community and the recent statement by the Japanese Government confirm this view. The adoption of the Declaration before us by all participants will in itself constitute another clear demonstration of our intention to succeed in this important venture.

In conclusion, I would confirm Canada's commitment to further trade liberalization and our willingness to participate in the negotiations and contribute to the maximum possible liberalization of tariff and non-tariff barriers in agricultural and industrial products in conformity with the principles of overall reciprocity, mutual commitment and mutual advantage.

VALERY GISCARD D'ESTAING, FRANCE,
MINISTER FOR ECONOMIC AFFAIRS AND FINANCE

(Translation from French)

The opening of this meeting is taking place under the sign of a contradiction - a contradiction between a situation and an intention.

Looking around us, we see that the economic universe of today is characterized by disarray in the monetary system, uncertainty as to exchange rates, exacerbated competition for primary commodities, and visible symptoms here and there of a return to protectionism. And this situation follows on a twenty-year period that allowed almost complete liberalization of trade, achieved in a context of monetary security.

This is the moment that eighty nations are choosing to seek the means of moving forward together toward further liberalization.

A contradiction between a situation and an intention. But also, and above all, I believe, the affirmation of a common will, of world dimensions, to remain loyal to the principles that have ensured a prodigious expansion of international trade and to clear away any present and future obstacles in its way.

What is our position in regard to the forthcoming negotiation? France is favourable to the opening of this negotiation and considers that an agreement is conceivable only if it is just in its content, realistic in its modalities, and measurable in its results.

FRANCE IS FAVOURABLE TO A FURTHER EXPANSION OF INTERNATIONAL TRADE.

This has not always been so. For a long time our country sought its security through inward-looking economic policies. Today, by a definitive choice, France is pursuing its progress along outward-looking lines and since last year has achieved fourth place among the trading nations of the world.

This has provided the rationale for the orientation that we adopted in becoming a member of the European Economic Community.

The creation of the EEC, founded on an objective of liberalization, has brought economic expansion and a lowering of trade barriers for each of the member States, and this has been beneficial to all their partners.

While it is beyond doubt that, as is only normal, intra-Community trade has developed rapidly, the accelerated economic growth of the Six, and then of the Nine, has brought a considerable increase in overall demand which has made its impact on imports from third countries. Thus, sales by the United States to the EEC increased by 143 per cent between 1960 and 1971, while that country's aggregate exports rose by 115 per cent. Similarly, the annual average increase in Japan's exports reached 22 per cent in respect of sales to the EEC alone, as compared with 17 per cent for the world as a whole over the same period.

The positive effects of the EEC on world trade can also be seen if one considers that the share of foreign trade of the EEC countries in world trade declined from 23 per cent in 1960 to 18 per cent in 1970 as regards exports, and increased from 22 per cent to 27 per cent in the case of imports. As far as the European Community's relations with third countries are concerned, the EEC is by far the leading world exporter and importer.

Lastly, the EEC has participated in the negotiations which have been conducted under the aegis of GATT over the past ten years, and is today applying a customs tariff lower than that of any comparable major trading power.

FRANCE CONSIDERS THAT THE NEGOTIATION THAT IS TO BE INITIATED MUST BE CONDUCTED IN A TWO-FOLD SPIRIT OF JUSTICE - JUSTICE BASED ON EQUALITY BETWEEN INDUSTRIALIZED COUNTRIES, AND ON EQUITY VIS-A-VIS THE DEVELOPING COUNTRIES.

As between the industrialized countries, there is need for a carefully balanced reduction in protection. This is the only approach which is likely to lead to the successful conclusion of the negotiation. It implies reciprocity of concessions and equality of advantages.

On the other hand, it is my hope that, to a greater extent than in earlier negotiations, special treatment may be accorded to the developing countries so as to effect a substantial transfer of resources in their favour by means of trade concessions.

The need to take account of the interests of developing countries may lead us in the trade negotiations to make exceptions from the principle of reciprocity for their benefit and to create in favour of these countries what I would term differential justice. In the various areas of the negotiations, and especially in matters pertaining to agricultural products and raw materials, the export interests of the developing countries will have to be taken into account so that a lesser share of the burden and a larger share of the advantages resulting from the solutions adopted may accrue to them.

Secondly, I should like to recall the commitment entered into by the EEC to improve its generalized scheme of preferences. This objective can be achieved by raising ceilings, by including a larger number of processed agricultural products in the list of preferences, and by increasing the margin of preference. France expects a comparable scheme to be set up by all the other industrialized countries, in particular the United States.

Lastly, I wish to underline that the effort to be made in favour of the developing countries as a whole must not impair the advantages accruing to those among them which maintain special relations with the EEC.

FRANCE CONSIDERS THAT THIS NEGOTIATION CANNOT REACH A SUCCESSFUL OUTCOME UNLESS IT IS REALISTIC IN ITS MODALITIES, THAT IS TO SAY, UNLESS IT USES AN APPROACH CONSONANT IN EACH CASE WITH THE SPECIFIC PROBLEMS EXISTING.

In the tariff field, results of considerable importance have already been obtained in earlier multilateral negotiations: as a result of the negotiations completed in 1967, tariffs were reduced by 36 per cent on average and today tariffs in the major industrial countries are in most cases less than 10 per cent. Nevertheless, substantial difficulties exist in the level and above all in the structure of tariffs, and this would justify a reduction in tariffs in accordance with a technique aimed at harmonizing tariff protection, and in particular at eliminating the highest tariffs.

Where non-tariff barriers are concerned, if we are to avoid any dispersal or bogging down our efforts must be concentrated on those obstacles that are most directly linked to trade, with a view to eliminating or at least adjusting them.

In the agricultural sector, a just appreciation of the situation requires not that the mechanism of support for farmers' incomes be brought into question again, for those mechanisms are a general necessity and a universal reality, but that remedial be sought for the erratic market movements that are today adversely affecting importing countries, including the great majority of the developing countries, without any substantial benefit for the exporting countries.

To this end, as France has recommended in the past, the best solution seems to me to be, today more than ever, the negotiation of world arrangements suited to the economic circumstances of each product and comprising consistent price mechanisms, the establishment of buffer stocks, and food aid to the neediest among the developing countries.

Lastly, there is need for agreement on a clear definition of the scope of our negotiations, and we must reaffirm our confidence in the framework of the negotiations: we must limit ourselves to purely trade matters and not seek to upset the General Agreement on Tariffs and Trade, which has proved its worth.

LASTLY, FRANCE CANNOT ENGAGE ITSELF IN THE NEGOTIATIONS UNLESS IT CAN MEASURE THEIR SCOPE AND RESULTS .

Before any discussion in depth, the partners should as a prerequisite make the necessary legal and practical arrangements which would allow them to enter into commitments of like scope. To this end, the European Community, which has defined its overall approach to the negotiation, will have to give a specific mandate to the Commission. Similarly, before concrete discussions can be initiated, it is necessary that the trade reform bill be enacted by the United States Congress.

Above all, without adequate monetary stability the results of our agreements would not be really measurable or might at any moment be brought again into question by chaotic changes in exchange parities. No doubt, international monetary relations are in a better state today than a few months ago; but the situation is still far from normal. There are still notable gaps between the market rates of the major currencies and the exchange parities that, you will remember, were established jointly. That is why, without requiring any monetary prerequisite to the opening of the negotiations, France considers that the pursuit and conclusion of the negotiations must be governed by two conditions. The first is a common will on the part of the participants to maintain monetary fluctuations within precise limits and to defend the system of parities that was jointly established. The second is that the trade negotiations must progress in parallel with negotiations initiated elsewhere for the establishment of a new, durable and equitable monetary order, based on fixed but adjustable parities and on general convertibility of currencies. Our position must be made known unequivocally on this point.

Turning now to the time schedule for our work, the need to define exactly the negotiating authority of the European Commission and of the United States of America means that, barring any monetary mishap, the negotiation as such can commence in the early months of 1974.

Thus, the year 1973, marked by the Tokyo Conference, will be the year of confrontation of minds. 1974 and 1975 will be the years of discussions among technicians and 1976, I hope, will be the year of agreement between statesmen. This means that the cherry trees of Japan will have blossomed twice again by then.

May I take this opportunity, Mr. Chairman, to thank you for the hospitality extended by your country and yourself. This, our solemn meeting held at Tokyo is an illustration of the increasing opening of your country to international trade and of the growing responsibilities that it is assuming in world policy, a fact that can surprise no-one who is cognizant with Japan's ancient history and vigorous development.

May I request you, Mr. Chairman, to convey to the Japanese people, whose breath-taking activity is developing around us and whose refined courtesy welcomes us here, the friendship and esteem of the French people.

HANS FRIDERICH, FEDERAL REPUBLIC OF GERMANY,
MINISTER OF ECONOMIC AFFAIRS

On behalf of my Government, I should like to thank Japan and Tokyo for their extraordinarily warm hospitality, which will animate and advance our negotiations.

We all have, I think, come to Tokyo with good intentions. But allow me to add in the same breath that these good intentions may prove to be insufficient in view of the practical requirements of the day.

We must recognize these practical requirements very clearly. I see them as follows:

- The idea of world-wide free foreign trade has lost some of the fascination it had after world war II.
- We find that recourse to protectionist measures is taken in an increasing rather than decreasing number of cases. Although practical experience teaches us the contrary, it appears that protectionist measures are the most convenient means to counteract temporary trade difficulties.
- Instead of the old tariff barriers other sophisticated - but not less questionable - instruments have been introduced to protect national economies against external influences.

In this situation there is no reason for resignation on our part. Obviously some ideas have become obsolete since the foundation of the GATT; new partners have joined us whose special needs we have come to know better by this time. In 1947 it was neither foreseeable that twenty-five years later nine European countries would participate as a unity in the GATT negotiations. However, this does not change anything in the basic idea of the GATT: if we want to set out to improve the welfare of the peoples of the world, a break-through can only be achieved through more liberalism and ever greater freedom of trade. This was the right answer twenty-five years ago and is still applicable today. We do not have to modify this statement in the least.

I know the day-to-day difficulties which stand in the ways of the implementation of this postulate. We have gained our own experience with them in the Federal Republic of Germany during several decades. Nothing of our external economic freedom has come to us as a gift. Everything had to be gained by fighting against the resistance of the parties concerned - often powerful pressure groups. However, our efforts have been rewarding. They are rewarding for all of us, because all our endeavours do not only serve the purpose to improve the living standards and the welfare of the peoples of the world, but also to secure an expansion of world trade and to give additional trading advantages to developing countries. The importance of these negotiations rather goes far beyond the economic sphere. The European Community, which has been one of the initiators of these negotiations will continue on the route already outlined in the preamble to the GATT because of the rôle it plays in world trade. My Government is resolved to play its full and active part.

The recent events in the monetary field have shown us very clearly how essential it is to create stability in the monetary order if the economic relations between countries are to prosper. In the trade and monetary negotiations before us this means in concrete terms that we must try to achieve lasting results as quickly as possible. Any standstill in the monetary talks may entail serious implications for the trade negotiations and vice-versa. The monetary and the trade negotiations are closely connected with, but must not block each other.

Our joint efforts to obtain a lasting improvement in trade and economic relations can in the last analysis only succeed if we are prepared to observe greater international discipline based on the proven principles of the General Agreement. The real driving forces behind the expansion of world trade have been the principle of equal treatment, the multilateral approach to trade relations and the common commitment to a progressive removal of barriers to trade. We should unequivocally reaffirm their principles and make an effort to strengthen them through more effective control mechanisms.

We must also recall that the stimulating effect of our liberalizing efforts on trade may be distorted and the painstakingly negotiated results of this new GATT round frustrated, if we do not finally succeed in stopping or at least slowing down the world-wide inflationary process. Combating it is not only a task of domestic policy. It is also an urgent task of external economic policy and requires greater joint efforts. A greater volume of border-crossing trade will help us to reach this goal.

In the Tokyo Declaration we have a good starting point for our negotiations. The main thing is that we have already clearly defined the framework of the talks in the industrial and the agricultural sectors; the general direction and the principles have been clearly defined. Permit me to make some remarks on this subject. Our aim must be a harmonization of tariffs at low level. It is the first time that we will tackle the difficult field of non-tariff trade barriers.

We should have to concentrate our efforts in this field on the really important obstacles, especially on import restrictions and self-imposed export restraints, which have equivalent effects.

We shall also have to deal with the safeguard clause in our talks. Our aim must be to prevent the increased liberalization of world trade we seek from being restricted again in the future by frequent recourse to such measures. I therefore believe that we should try to follow the existing regulations more strictly than before and to strengthen them further with an improved consultation procedure.

Our talks cannot succeed if the special interests of the developing countries are not taken into account. For we recognize the legitimate interest which these countries have in steadily expanding their exports where possible, thus constantly earning more foreign exchange with which to pursue projects that promote their economic and social progress. My Government is therefore prepared to play its part in securing further concrete trading advantages for these countries and is prepared, too, to forego a reciprocity inconsistent with their trade and development needs. An example of our readiness to promote trade with developing countries are the generalized preferences accorded by the European Community, which are to be improved. The result of this scheme has been that my country has in the last two years imported roughly half a billion dollars' worth of manufactured goods from the developing world duty-free.

We have agreed to conduct these negotiations on the basis of mutual advantage and mutual commitment. In view of the comprehensive nature of the talks, mutual advantage can for us only really mean an attempt to achieve a balanced final result. Petty attempts to obtain a balance between individual concessions and counter-concessions are bound to endanger the success of our efforts.

We have set ourselves an ambitious target, and for this reason we should not waste time. In particular we must now try to secure the negotiating authority necessary so as to enable us to take up these negotiations effectively as soon as possible. Our conference will only make a contribution to economic and social progress in the world if our intentions are now followed by deeds.

J.A. RAHIM, PAKISTAN MINISTER FOR COMMERCE

On behalf of the Pakistan Delegation may I offer my heartiest congratulations on your unanimous election as the Chairman of this important meeting. We are happy indeed that this meeting is being hosted by a great Asian country, whose record of economic achievement has drawn the admiration of the entire world. Let me also express our deep gratitude for the excellent arrangements made for this meeting and for the warm welcome and generous hospitality extended to us by the people and the Government of Japan. We in Pakistan particularly value our friendship with your country, which is now our biggest trading partner. We look forward to a continuous strengthening of this relationship.

We express our grateful thanks to His Excellency the Prime Minister of Japan for his gracious presence here this morning and for his profoundly interesting address which gives us much material for careful thought.

A natural event - a flood of an unprecedented magnitude has devastated in my country large areas of agricultural land and inhabited cities and villages doing damage to our economy. The forces of nature are sometimes uncontrollable. I take this opportunity, on behalf of the people and Government of Pakistan, once more to thank all those nations and organizations who have rendered our people help in their distress.

We meet here to consider the draft Declaration that would launch the multi-lateral trade negotiations. My government would urge the developed countries to conduct their trade with developing world in the spirit reflected in some of the clauses in this Declaration. A fundamental aim of the negotiations is to remove the restrictive barriers to trade, including the non-tariff barriers. Pakistan is one of the countries that have had to battle constantly against non-tariff barriers. Quota restrictions have served as a serious constraint against increase in our vital exports. As such we lend strong support to this clause of the Declaration. At the same time, I consider it my duty to suggest that the success of these multilateral trade negotiations will depend on translating this Declaration into a practical code of conduct to be followed by all concerned. If this does not happen, this Declaration, as so many others before, will remain a pious hope and nothing more.

Another article in the Declaration that we would like to reaffirm pertains to the link between durable and equitable monetary and trade systems. We feel that problems in the trade and monetary spheres are interdependent and should be resolved in a co-ordinated manner with the active participation of the developed and developing countries. An integral part of the reform should in our view comprise measures to promote the transfer of real resources to the developing countries. The principle of establishing a link between the allocation of Special Drawing Rights and additional development finance is, therefore, fully endorsed by my delegation.

The collapse of the international economic system evolved after World War II, has greatly added to the uncertainties circumscribing the international economic relations today. The developed countries have no doubt tried over the last two years to work out certain ad hoc mutual arrangements to tide over the recurrent trade and monetary crisis. The developing world has largely been on the sidelines. Not that these problems do not affect us. These are, in fact, of critical importance to our future. They govern the availability of foreign exchange through our exports, a resource whose importance is obvious. A system which is frequently thrown out of gear by speculative movements in principal money markets could hardly be conducive to our planning effort. We do hope, therefore, that in the future framework our voice would not be as weak as our resources.

Despite the declarations that have been made from time to time, in the last two decades, the income gap between the rich and the poor nations has been growing wider. In the sixties the desire to reduce this gap was reflected in certain programmes of trade and aid. The expansion in the lending programme of the World Bank, and the evolution of the Generalized System of Preferences are two significant examples. However, the seventies reflect a loss of momentum in these efforts. The optimism of the earlier days seems to have given way to disillusion. True that the results have not been dramatic - but the structure of world growth cannot be built on miracles. It is a slow and painstaking process, requires patience and the ability to continue in the face of tedious and often frustrating impediments.

One of the obvious reasons for lack of progress is the unbalanced growth of the world trade itself. The share of the developing countries has decreased from 30 per cent in 1950 to only 17 per cent in 1970. Even more poignant is the low share of the developing countries in the dynamic sector of trade in manufactures. Today their share in this trade is only 5 per cent. Even in this 5 per cent the performance of the least developed among the developing countries leaves considerable room for improvement which can be achieved by special measures. It is against this background that we in the developing countries eagerly await the outcome of the current round of trade negotiations.

The developing countries look for improved trading opportunities, and a larger share in manufactures trade leading eventually to a more stable and diversified base for their foreign exchange resources. The markets for manufactures lie mainly in developed countries. Therefore in order that a meaningful framework of international trade can be established, it is inevitable to recognize and implement the principle of international division of labour based on an objective view of the comparative advantage.

This Declaration must expressly acknowledge the need to bring about for the developing countries: an increase in their share in world trade, particularly in manufactures, a substantial improvement in the conditions of access for their exports by removal of non-tariff barriers and by scaling down of tariffs and stable and remunerative prices for their products.

We also urge appropriate amendments to the General Agreement on Tariffs and Trade, Part IV in particular, in order to establish clear rules concerning non-reciprocity, non-discrimination and preferential treatment for the developing countries.

As regards the choice of techniques for these negotiations, we would suggest a flexible approach. After all, it is not the technique, but the end-result of the current round that will matter. And the end-result would be measured by the ability of the world to evolve a more workable system for international economic relations. Subject to these observations, my delegation recommends consideration of the 'sector' approach. We recommend this because our export trade reflects a significant concentration of certain product groups. More than 80 per cent of our foreign exchange earnings come from only five product groups namely, cotton and cotton products, rice, leather manufactures, carpets and fish and fish preparations. The problems of these product groups have to be studied in depth and in their entirety. This would encompass the tariffs, as well as the non-tariff barriers. In fact the latter may in some cases, be of far greater consequence. A sector-wise approach would also focus the attention on tariff escalation which has been hinderance to the export of manufactures from the developing countries. We also hope that one result of these trade negotiations would be to have the bulk of the trade between the developing and developed world move within the framework of the Generalized System of Preferences. It is only thus that an effective contribution to their economic future can be made.

In the context of these observations, the Government of Pakistan endorses the draft Declaration and would feel privileged to participate in the multilateral trade negotiations which would be launched by this historic meeting in Tokyo.

JOSE LOPEZ PORTILLO, MEXICO,
SECRETARY OF FINANCE AND PUBLIC CREDIT

The fact that Mexico is present at this highly significant Ministerial Meeting is evidence itself of my Government's conviction that only through open and direct discussion between nations is it possible to arrive at realistic solutions to the problems the world's economies are facing.

Deep historical roots have taught us to base our relations with all countries on the most scrupulous respect for the principles of non-intervention and self-determination. With these concepts, which have governed our actions abroad, President Luis Echeverría has set in motion a vigorous effort to promote and diversify our international economic relations.

Japan - a country with a traditional and exquisite hospitality - which has once more extended her cordial welcome, was the destination of one of our President's initial efforts in the implementation of our open-door policy towards the world at large.

In an effort to strengthen its international ties, Mexico is attempting to establish norms to govern economic relations between nations, on a more just and equitable basis. This was our President's fundamental objective in addressing the Third United Nations Conference on Trade and Development (UNCTAD), when he proposed a Charter of Economic Rights and Duties of States.

On that occasion and, because of the significance of the forthcoming Round of Multilateral Trade Negotiations scheduled for 1973 within the framework of the General Agreement on Tariffs and Trade (GATT), we expressed the urgent need that developing countries should not once again be deprived of the benefits of the negotiations. We accordingly proposed the creation of mechanisms to ensure an effective participation of all countries in these negotiations, whether they were contracting parties to the General Agreement or not.

Thus, Mexico has participated in the preparations for the negotiations in the Preparatory Committee, as well as in other GATT bodies - especially in the Committee on Trade and Development - supporting the views of developing countries in the various fields of the negotiating process.

We must now tackle the difficult task of negotiating, taking into account the report of the Preparatory Committee and the Ministerial Draft Declaration. It should be stressed that this work could not possibly have been undertaken on a firm basis, without the valuable contributions made thus far.

The report reflects impartially the main points outlined by the participating countries in the Preparatory Committee. Nevertheless, it is important to affirm that, in spite of the efforts that have been made, the preparatory work for the Multilateral Trade Negotiations has not been completed. Indeed, we are certain that the Trade Negotiations Committee that is to be established must define negotiating procedures, techniques and modalities that will respond to the principles and objectives proposed by developing countries, to ensure net additional benefits.

At the last meeting of CECLA (the Special Coordinating Committee for Latin America) held in Brasilia, the participating countries took note of the report and carefully appraised the Draft Declaration. They concluded that the principles proposed by Latin American countries were not embodied in the Draft Declaration in the manner, nor with the scope, originally proposed.

Notwithstanding the foregoing, the Latin American countries constructively decided to attend this meeting to ascertain that the Tokyo Declaration be considered as a means for our further participation in world trade. We feel that it will serve as a starting point in the long process of discussion and negotiation that should lead us, through mutual efforts, to compromise solutions and formulas reflecting the interest of all countries and, at the same time, establish a permanent basis for the attainment of benefits to assist in solving world economic issues.

On behalf of my country, I wish to reaffirm our support to the principles and objectives advanced by the Latin American countries.

In the tariff field, Mexico is primarily interested in the reduction of the effective tariff protection imposed on the finished and semi-finished export products of developing countries.

We must also insist on the binding and broadening of the still incomplete Generalized System of Preferences, particularly through the elimination of non-tariff barriers that sharply limit the proposed benefits.

The scope, diversity and flexibility used in the application of non-tariff barriers, of which the GATT secretariat has prepared a detailed inventory, are indicative of their salient trade-restricting and distorting effects. It is most urgent to establish a programme to eliminate or regulate their application - whether this be accomplished by means of codes of international conduct or through other solutions - bearing in mind the particular conditions of developing countries.

Tariff and non-tariff liberalization requires that the safeguard mechanisms be subject to international surveillance and operate in accordance with clearly-defined criteria, in which a steady growth of trade should be foreseen and in which provision must be made for differential treatment in favour of developing countries, to guarantee a reasonable stability of their export markets.

This whole process is even more pressing in the field of agricultural products - a vital sector for developing countries - considering that the major share of their export earnings is from these products and, consequently, the improvement or deterioration of their economies depends on their performance in this field.

We are firmly convinced that only through the formal acceptance and inclusion in a revised text of the General Agreement of the foregoing principles and, especially, of those related to non-reciprocity, non-discrimination and preferential and/or differential treatments in favour of developing countries, can lasting benefits from the negotiating process be assured.

Parallel negotiations are being carried out in the monetary and financial fields, as well as in that of development co-operation. We must be certain that these joint efforts will lead us to the full and effective participation of developing countries in the world economy, taking care to avoid that any advance in one field be offset by decisions in other areas. Rather, we must act consistently to provide for an increasing net transfer of real resources to the developing countries.

Moreover, bearing in mind that when the objectives of the Second United Nations Development Decade were agreed upon these trade negotiations had not been envisaged, it is only reasonable to suppose that the results of the negotiations should place us in a situation over and above the agreed goals of the Development Strategy and that, at their conclusion, developing countries should effectively obtain additional benefits.

The results of previous negotiations, from which developing countries barely obtained any advantages, compel us to insist on the necessity of establishing clearly-defined rules that allow our full, effective and continuous participation throughout the whole negotiating process.

We have taken note with satisfaction of our full rights to participate in the negotiations and in the GATT meetings and working parties that will deal with the various aspects of the negotiations.

If the principles and objectives of the negotiations are to be realistically fulfilled, Mexico is convinced that a meaningful procedure of periodic appraisals must be established. The progress of negotiations must be continually evaluated, particularly with respect to the results obtained in the process by developing countries, so that timely measures and steps may be adopted to steer efforts towards our agreed goals.

Firmly convinced that the political goodwill of developed countries will induce them to assume their full historical responsibility and that the negotiations will offer a unique opportunity to re-establish the precepts that govern trade relations - introducing a new and equitable meaning to the rules that apply to trade relations between developed and developing countries - Mexico, aware of her obligations, hereby formally declares her intention to participate in the multilateral trade negotiations.

We feel that these negotiations can contribute, through a revision of the world trading system, to the establishment of an economic environment that is more favourable to the interests of developing countries; that these efforts - together with those that are being made in the monetary and financial fields, as well as in the field of development co-operation - can lay the foundations for a new international equilibrium and, consequently, for a better world in which violence, born out of despair, cannot become the ultimate resource of those who seek to better the situation of their peoples.

History, the wise counsellor of mankind, constantly reminds us that great tasks such as the attainment of improved living conditions for millions of human beings can only be achieved through real international solidarity.

RADIUS PRAWIRO, INDONESIA
MINISTER OF TRADE

We are gathered here to seek for ways in which to reorder the global economic system. Although we hold this meeting to deal specifically with the question of trade, as the term the Multilateral Trade Negotiation suggests in reality it is difficult for us at this juncture to separate the problems of trade from that of monetary reform and the search for a more integrated policy towards international investments.

Therefore, although we deal with the central issue of international trade, it is inescapable that we also keep in mind the existence of other problems related to trade. And those related problems particularly concern with the problem of monetary reform and the problem of investments.

But the fact that the problems of trade, investment and monetary reforms are closely interlinked should not detract us from discussing the real issues confronted by this negotiation, that is the search for ways to reform the world trading arrangements in the context of a changing world economic structure. And much can be done here while we wait the result of the Nairobi Conference and the proceedings in the Committee of Twenty on monetary affairs. We hope that a speedy solution to the current monetary crisis could be reached. In arriving at a solution we hope that the new world monetary arrangements would take into account the special characteristic of the economies of the less developed countries and of their problems in the fields of trade and development financing.

Problems that deal directly with trade matters concern such things as non-tariff barriers, generalized preferences for the developing countries, tariff reductions and other related matters.

The problems of shipping, the high cost of which constitute a great impediment to the progress of trade for the developing countries. These matters could be considered at our gathering here, and at the subsequent rounds of technical discussion following this Ministerial meeting.

This gathering, the most important of its type in the effort to restructure the global economic relations, is timely in view of the urgent need for modification arising from a changing global system. The end of World War II resulted in the emergence of the United States of America as the only large economic system capable of sustaining a world-wide effort for reconstruction. But beginning in the early 1960's, as a testimony of the success of world reconstruction effort, economic activities are no longer polarized around the United States.

Europe and Japan have re-emerged as important economic power centres in their own right. The emergence of other countries and economic groupings as new centres of economic activities means that the developing countries can count on the resources of many more industrial countries in the effort to achieve development. More important, prosperity in the industrial countries means an expanded market for developing countries precisely at the juncture when the developing countries are indeed searching for new markets for their products particularly from the newly emerging sectors of processing and manufacturing.

But this new constellation of economic relations requires also modifications in the ongoing practices of trade and international payments.

In the interim period between the emergence of a new monetary system, which is yet to come, and the old Bretton Woods arrangement which is no longer really operational, we have witnessed the world economic system gradually losing grip of essential issues. Fundamental disequilibria in a number of important countries have resulted not in the determination to make fundamental structural adjustments but rather they have resulted in an upsurge of protectionistic tendencies.

Indeed in the past several years, there has been a marked increase in the tendency of countries to tinker with the mechanism of trade to correct what is essentially a balance-of-payments adjustment problem. Moreover, much to the disadvantage of the countries in the developing world, currency uncertainties have also caused adverse effects on the trade of developing countries.

The fact that at this moment some primary products are enjoying an upsurge in prices should not detract us from the reality that the markets for traditional primary products principally produced by the developing countries are inherently fragile, subject to extreme fluctuations in prices. The slightest uncertainty in currency realignment has its impact almost immediately on the proceeds of the LDCs out of proportion to the actual seriousness of the changes in currency parities.

In shaping the new world arrangements, the developing countries do not intend to seek for charity but for a world environment in which the developing and the industrial countries could equitably share the benefit arising from an expansion of trade. In pursuing this expansion, we recognize the need for adjustment in the structure of existing industries. This applies to both the developing and the industrial countries.

Accordingly, we accept the principle that safeguards are justified in order to enable segment of the society in the industrial countries to shift away gradually from unprofitable and uncompetitive industries to areas where the industrial countries enjoy comparative advantage. My country at another occasion, has in fact proposed an internationalization of adjustment funds for weak sectors of the industrial countries in order to shift to new and more profitable activities.

We regard it to be equally justified that adjustments be allowed for the developing countries to shift away from being exclusively producers of raw materials, to begin to undertake more elevated, technologically more sophisticated and employment-creating activities as well. This shift requires that a market be opened in the industrial countries for processed, semi-manufactured and manufactured products of the developing countries. For such activities in which the developing countries clearly have comparative advantage, we ask that we be given the market opening consistent with the spirit of this gathering, that is to seek for a widening of international trade.

In so far as developing countries collectively constitute a class of special cases there is a need for special treatments. But preferential arrangements for the developing countries should be made to be applicable to all the developing countries, and not only for those who enjoy some particularistic arrangements, arising out of past historical connexions. Where such arrangements exist, we urge that a time-table be set up so that all developing countries be regarded on equal footing with regard to market access to the industrial countries.

We do not however forget the need of the least developed of the developing countries. We wish to stress nevertheless that the essence of the problem faced by those countries can best be solved by granting aid and technical assistance. But in so far as trade measures can also help to solve their problems, my country does not object to special treatments accorded to the least developed of the developing countries. We are in fact in favour of the immediate elimination of tariffs imposed on the exports of those countries.

In this connexion, we are happy to learn of the possibility of the discontinuation of the system of "reverse preferences" which has been applied to a selected number of developing countries on the basis of past historic colonial connexion. We hope that this will remove one major objection of other industrial countries to granting generalized tariff preferences to all developing countries.

As to my country's position with respect to the major economic powers, the United States, Japan, the European Economic Community, we and the other members of the Association of Southeast Asian Nations share a common attitude. What we are seeking for is an open relation with all the major industrial centres. We do not wish to take sides on differences among the major countries arising from different developments in those centres of economic activities. We recognize that developing countries throughout the world share a common aspiration, but as a matter of practical necessity and realism, we find that our development aspirations can be best expressed within the framework of Association of Southeast Asian Nations (ASEAN).

On the question of non-tariff barriers, it is time that we consider the matter seriously. As a matter of general principle this must be eliminated. It is no longer sufficient that we pay more lip-service to the question. The trade of developing countries, especially on items which have not been previously exported to the industrialized countries, may in some cases face only a minimum level of tariff. But because of the administrative and other non-tariff barriers, these export products have been prevented from entering the markets in industrial countries.

With regard to the export of tropical products to the industrial countries, it appears unreasonable that tariffs should be imposed on those products that are by definition produced by tropical countries, which by design of history happen to be mostly the developing countries. And the difference between tariffs imposed on processed and non-processed tropical goods entering the markets in the industrial countries has been such that it deprives the developing countries of those activities which are employment creating. Moreover, it is clear that the developed industrial countries do not lose a great deal by allowing tropical goods to enter in more processed form since in many instances this processing can best be done in labour-intensive ways that it does not really pay to have most of the processing in the industrial countries.

Thus what Indonesia and other ASEAN States seek for in this negotiation is the beginning of a real concrete effort to dismantle trade barriers, tariff as well as non-tariff. We do not ask for charity but rather a serious international effort to seek for growth and development through the expansion of world trade, done for the benefit of the industrial as well as the developing countries.

As we, the developing countries seek for economic modernization and industrialization, we do face serious problems because of the mere fact of underdevelopment. Therefore, a preferential access to the markets in the industrial countries is necessary, not as a permanent solution, but as a mechanism to facilitate the process of structural transformation from a developing toward a more developed economy. But where preferences are granted, we would like to see it under a generalized system. Where differentiation of preferences is granted to developing countries, we stress that it should be applicable to the least developed of the developing countries and not to selected countries simply because of past historical connexions. Moreover, in granting those preferences the industrial countries should not insist on any reciprocity from the developing countries.

Moreover, we are concerned about the other barriers to trade, in the form of exorbitant shipping rates as a result of cartel practices of liners conferences, which have increased the cost of exports of our traditional products.

It is in such a context that I wish to put forward the position of my country. This position is conceived to take into account the general interest of the international community.

I would like to join the previous speakers in extending my Delegation's appreciation to the Government of Japan for the excellent arrangements made for the holding of this meeting.

In concluding, we would like to express our appreciation for the work done by the Preparatory Committee of the GATT on the Draft Declaration, and we strongly urge the immediate establishment of the Trade Negotiations Committee.