WHITHER GATT?

Address by Mr. Eric Wyndham White, Director-General of the General Agreement on Tariffs and Trade (GATT) to the Canadian Club of Toronto, on 23 October 1967

It would be a natural and understandable reaction to the completion of the major trade negotiations in Geneva on 30 June this year to adopt a somewhat relaxed attitude in the field of international trade co-operation. Some go to the extreme of considering that the GATT - covered with the laurels of the Kennedy Round - has exhausted its major possibilities and that the future lies in other directions and with other institutions.

Whilst this is a comfortable, even seductive, prospect it seems to me to be wide of the mark. In the first place, we have to be vigilant to safeguard against erosion of the great advances achieved in the Kennedy Round. The Geneva agreement was painfully put together; it could be more easily undermined. Whilst the negotiations were proceeding governments had a strong compulsion to resist protectionist pressures which, if heeded, would have resulted in restrictive measures that would have had a serious impact on the negotiations. With this shield removed it may be confidently expected that these pressures will revive, intensified by some years of frustration. There is a great danger that if this should cause any of the leading nations either to fail to implement any significant elements of the Geneva agreements, or to institute restrictive measures which would run counter to them, the repercussions would be sharp and severe. Indeed, any such back-sliding would be all the more vigorous because of the unprecedented degree of liberalization attained in the Kennedy Round. Such progress is possible if, but only if, all the principal trading nations move together in the same direction. Consequently, we should be well advised to deploy the full authority and wisdom of the GATT to defend the ground that has been won.

But there is more to it than that. It has been generally recognized that, great as was the success of the Geneva negotiations, they left many important problems unresolved or only partially resolved. The degree of success that was
achieved should surely encourage us to face up now to these problems with the same degree of vigour and imagination which took us so far in these recent years of patient and successful negotiation.

For the Kennedy Round deserves to be seen in the context of a broader design from which the negotiations derived their origin and their vitality. In 1958 Trade Ministers, basing themselves on a report by a Panel of distinguished experts in "Trends in International Trade", decided to embark upon a co-ordinated Programme for the Expansion of International Trade. Work was put in hand at once on three broad lines of activity. The first was to arrange a further general round of tariff negotiations, and in this connexion, to explore new techniques of negotiation to ensure maximum results. This was the genesis of the linear approach which has in practice yielded such fruitful results. The second was to institute a series of consultations on restrictive measures applied to trade in agricultural products and on the agricultural policies from which these measures derive. The outcome of these consultations was the decision to include agriculture as an essential element of the Kennedy Round and to try to face up, in these negotiations, to all the relevant elements of protection, control and support which govern the conditions of trade in agricultural products and which enter into national agricultural policies. The aim was bold, the achievement predictably modest. Nevertheless I feel that sufficient progress was made to justify persisting in the effort and to this I shall return. Thirdly, the Programme laid particular emphasis on devising measures directed to the maintenance and expansion of export earnings of the less-developed countries. In this area the Contracting Parties carried out an intensive and continuous probe into the trading problems of the less-developed countries which was thereafter to furnish much valuable material for the consideration of the United Nations Conference on Trade and Development, in whose resolutions can be found many an echo of this pioneering work in GATT. The Contracting Parties proceeded with this work in progressive stages - an important Declaration of Principles relating to trade between the developed and the less-developed countries, an Action Programme for removing trade barriers on exports of the less-developed countries and bringing about a standstill on new measures of restriction. Much of this was consolidated in a new chapter on Trade and Development which has been incorporated in the GATT with the same treaty status and binding force as the rest of its provisions. The Kennedy Round was the first major test of the willingness of contracting parties to implement these provisions. For the first time in the history of international trade negotiations, the less-developed countries participated without being expected to afford reciprocity for the concessions they obtained. Whatever the final verdict may be as to the relative advantages derived by the developing countries, it cannot be denied that they were significant and that they will become progressively more so as the export potential of these countries develops.
The limitations on what was achieved I have outlined elsewhere and will not repeat here. I would, however, reiterate that much remains to be done and that this is a field where few will dispute the need for continued exertions.

I would like to digress for a moment and to refer briefly to a question which, in fact, deserves to be the subject of an address on its own and which will be an increasingly important preoccupation in the international trade picture in the years to come. This is the question of trade between the free enterprise and the centrally-planned economies. The successful conclusion of the negotiations with Poland for the accession of that country to GATT would justify the view that our pragmatic, country-by-country approach to the creation of multilateral trading relationships with these economies is the right one. The interest that Hungary, Rumania and, more recently, Bulgaria have shown in seeking observer status in GATT would suggest that we can reasonably look forward to further progress in this difficult, but most important, field.

I now turn to the future and, for the sake of coherence, I will follow the same tripartite pattern. What scope is there for further progress in the future towards the reduction of tariff and non-tariff barriers? It is unrealistic to envisage any major initiatives in this field for some years to come. On the other hand, there is much to be said for making an early beginning in exploring the direction into which such initiatives could most usefully be guided in the future. Our experience in the Kennedy Round quite clearly shows that we should have gained much time and avoided much friction if there had been a longer period of international consultation and preparation before the negotiations were engaged. If this be admitted, in which direction should we explore? Much has been said and written about an Atlantic Free-Trade Area, but I remain unpersuaded that this is a particularly useful or relevant concept, at any rate at this point of time. I am unable to see that it corresponds to any regional or political grouping which has a present validity. It would, I hope, hardly be suggested that such a project would exclude Japan. With Japan included the grouping begins to look more like a club of industrialized countries. But in that case whom would they exclude from the benefits of their trade liberalization? Surely not the hard-pressed developing countries, one of whose major hopes and aspirations is greater access to the markets of industrialized countries. But if the trade liberalization is to be extended to them, from whom is it to be withheld? If from nobody, what is to distinguish the project from progressive world-wide trade liberalization on the GATT model?

Even less attractive to my mind is the idea of using this device as a means of introducing conditional most-favoured-nation treatment, presumably in order to persuade those who are reluctant to take part in further liberalization...
by the threat of exclusion, or to allow the others to proceed without the reluctant partner. If by the latter is meant any major trading country or entity, I find this idea particularly unrealistic. I am convinced that there would be few partners in such a doubtful enterprise.

It was in the light of this conclusion that, in the course of a recent address in Bad Godesberg, I threw out some suggestions which appear to me to merit examination. The Bad Godesberg plan - if I may so dignify a tentative suggestion - proposes the acceptance of the objective of free trade by progressive stages, not by geographical areas but by sectors of trade where the conditions appear propitious. Thus, it assumes in the first place that there should be no insuperable difficulty for most countries in consolidating duty-free treatment which they already maintain. It goes on to suggest that consideration be given to the elimination of very low duties (say 5 per cent or less, including specific duties of equivalent incidence) which, on the face of it, have little protective effect, but which in practice have a disproportionately hampering effect on the freedom of trade. To this I would now add that it should also be feasible over a period of time to afford duty-free entry to industrial raw materials generally, and - subject to finding equitable solutions to some transitional adjustment problems - tropical products. Finally, there is the more far-reaching suggestion to explore the possibility of achieving free trade in the products of the most modern and technically advanced industries, where the advantages of free trade might well be found to outweigh the assumed advantages of tariff protection. I recognize, of course, that this bold project would involve probing deep into all the elements which determine competitive conditions in these industries, and into the structural factors which determine for better or for worse the conditions of international trade for these products. I wonder, however, whether the projection on to the world market for such industries of the same freedom of competition that has spurred their growth first in large national markets and, more recently, in larger regional markets, might not be equally dynamic and profitable in its effects. As a start, it might be well worthwhile to establish - without any commitments as to future action by governments - a few pioneer working parties, assisted I would hope by representatives of the industries in question, to analyze and weigh the pros and cons of moving down this road. Moreover, if, as I suspect, the prospect were tempting, these groups could also advise on the problems to be overcome and on the methods and procedure for facing them.

Assuming a favourable outcome of such discussions we should thus have the makings of a Free-Trade Arrangement, open and applicable to all, and capable of progressive enlargement by the addition of new products. I have said "open and applicable to all" in the sense that I envisage the arrangement being governed by the most-favoured-nation clause. This assumes the willingness of all major trading countries - and indeed of all countries whose production and trade in any sector is significant - to play a full part, even in contributing to the free trade objective in sectors where they would derive no direct
advantage. I accept this as a limitation but, unless there is a widely shared common belief and purpose, we may indeed have arrived at the limits of any significant possibilities for major advances in trade liberalization. I do not think that a veiled coercion through conditional most-favoured-nation treatment is a substitute for this common purpose.

The second main aspect of the Trade Expansion Programme relates to trade in agricultural products. We can derive satisfaction from the Grains Arrangement, which has made possible the renewal in an improved form of the International Wheat Agreement and established an important programme of food aid which still remains, however, to be elaborated and implemented. In other important sectors the negotiators faced up to the problems and backed away. This is partly due, I think, to the fact that these problems call for long-range solutions which were difficult to evaluate in terms of the more immediate trade advantages which were sought in the Kennedy Round. I do not think, therefore, that we should accept our experience in these negotiations as in itself a setback. On the contrary, I strongly favour resuming, as soon as possible, and through existing GATT mechanisms, consultations aimed at eventual negotiation in such important sectors as dairy products (where the current position is very disturbing), meat and perhaps others.

I have left to the last the topic which is foremost in everyone's mind, viz. the problems of the less-developed countries. What can and should the GATT do in this field? It appears to be fashionable to picture the GATT and the UNCTAD as locked in a vicious jurisdictional struggle. Nothing to my mind could be more erroneous or more irresponsible. Before the establishment of UNCTAD the rapidly increasing membership of GATT, particularly of developing countries, had indicated the need for a forum for an intensive and wide-ranging discussion of the special problems of trade in relation to economic development. This type of discussion accords ill with the essentially pragmatic and practical character of the GATT. UNCTAD fills this gap and GATT is therefore free to pursue its more technical and practical tasks of sponsoring trade negotiations and assisting in the application and administration of the agreements resulting from these negotiations. Moreover, the functions of the two organizations are demonstrably complementary. Their evident duty is to combine their resources to grapple with a vast and daunting problem. Fortunately, there are encouraging signs that this process is taking practical shape. It is possible that in the near future the two organizations will join forces to establish a Joint International Trade Centre to give an increasingly effective trade promotion service to the less-developed countries. This Joint Centre will be based upon and extend the already effective work being done in the GATT Trade Centre. This activity I regard as of prime importance, as great if not greater for the time being than the reduction of trade barriers - which after the Kennedy Round are relatively low for most products. We must help to put the less-developed countries in a position to take advantage of the new opportunities which are offered by the improved access to markets.
A second example is the preference issue. The possibility of affording preferential access to the markets of the industrialized countries for the products of the developing countries was, for better or for worse, first mooted and examined in GATT. Following the first UNCTAD Conference where this matter was debated at length the lead has, with the full acquiescence and cooperation of GATT, been taken by UNCTAD and it is not beyond the bounds of possibility that some sort of agreement on the issue may emerge at New Delhi. If so, the same kind of collaboration will be necessary between the two organizations for giving effect to the scheme and I have no doubt that the experience and technical competence of GATT will be required and will be available. In this connexion I would like to reiterate my own view that a preference scheme cannot take the place of a more determined and pointed liberalization of trade, particularly in areas where the developing countries have real competitive possibilities. Above all I consider it most important that agreement on any preferential scheme should not encourage people to avoid facing the basic problem of economic development, which includes a maximizing of the transfer of resources to the developing areas combined with maximum efficiency in the use of these resources.

I hope that in these necessarily condensed remarks I have answered the interrogation which prefaces my address. We do not face a period of complacency or inactivity. The successes of the past are also the challenges for the future. The road for GATT remains an upward and rocky one; but it leads on to tangible rewards in terms of economic growth and prosperity.