TWENTY-SEVENTH SESSION OF THE GATT CONTRACTING PARTIES
OPENING STATEMENT BY THE CHAIRMAN
AMBASSADOR CARLOS BESA, CHILE,
ON 16 NOVEMBER 1971

It is for me an honour and a privilege to wish you a cordial welcome to this twenty-seventh session of the Contracting Parties.

As you will recall, our last session was held in February 1970 - more than a year and a half ago. Various developments since then give grounds for thinking that the system of international trade established under the General Agreement has reached a crossroads. At this session, we must determine the course we are to follow in the future: the very dynamics of international trade do not permit us to stand still. This is a heavy and at the same time a stimulating responsibility. Heavy, because on our decisions will depend the future of a great number of human beings; stimulating, because we will be compelled to make a serious effort of imagination and goodwill in the search for adequate solutions to the problems before us.

We are, as I have said, at a crossroads in the long journey that we have travelled since 1947. The political and economic situation of today is very different from what it was at that time, due to the very nature of the historical process. As a result, the line of thought on which the General Agreement was based is in some ways no longer apposite today.

I might quote as an example of the evolution that has taken place the growing process of regional integration and the preferential trade agreements which together create a trade situation much different from that existing in 1947. In the last year and a half alone, the Council has had to pronounce on ten new preferential agreements submitted to the Contracting Parties under Article XXIV of the General Agreement, and the number amounts to more than twenty if we consider the past fifteen years. As a consequence of this process, fifty-five contracting parties are participating in one or more areas of economic integration. At the same time, there are fewer and fewer contracting parties which do not apply one form or another of preferential treatment in trade matters. Moreover, recent developments of the utmost importance, such as the imminent accession of new members to the European Economic Community, indicate that the process to which I refer is by no means ended.

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Another fact that has to be emphasized - because it reflects a definite change in the philosophy which inspired the authors of the General Agreement - is the recognition that generalized application of the most-favoured-nation clause does not fully respond to the need to make of international trade an instrument for economic development. With all its shortcomings, Part IV of the General Agreement represents a recognition of this fact, but the change in thinking has become even more apparent with the adoption in UNCTAD of the system of preferences and with its subsequent acceptance by the Contracting Parties in May of this year.

Also relevant within the context of the evolution I have in mind are the trade negotiations on a preferential basis that have recently been concluded among developing countries within GATT and which are on the agenda for consideration at this session.

These facts alone substantiate my assertion that we have reached a crossroads. But there are other aspects of the present situation that cannot be disregarded, in view of their great importance for the future of international trade. I refer to the balance-of-payments difficulties that have been, or are being, encountered by some contracting parties, the measures that have been taken to remedy them, and their effects on international trade. The General Agreement recognizes the impact of the trade balance on the international financial position of contracting parties and thus contains provisions to which the contracting parties concerned can have recourse when they are confronted with balance-of-payments problems. At the same time, the General Agreement contains conditions and procedures designed to protect the interests of other contracting parties when one country finds itself obliged to invoke the provisions concerned. It is to be regretted that, in recent years, various governments have had recourse, because of balance-of-payments difficulties, to trade measures that are not permitted under the General Agreement. I do not wish to pass judgment as to whether or not those measures were appropriate, but I feel I have to point out that the GATT, as a dynamic and responsible organization, cannot remain indifferent in this matter. If the present confrontation, which no-one can fail to recognize, continues, a return to protectionist policies - which had seemed outdated - would appear to be inevitable, with serious damage to the economies of the contracting parties as a whole.

In these circumstances, we must hope that once more reason and conciliation will prevail over sterile confrontation. The General Agreement, its rules and procedures offer the framework and the means for conciliating conflicting interests and for bringing trade relations back to the point of reason. It has already given sufficient evidence of its flexibility to be able to accept any necessary adaptation. Hence the vital importance of this session and the great responsibility incumbent on each and every one of us. No doubt we are here to defend the interests of the individual countries we represent; but there is also no doubt that those interests can best be defended only through taking a global approach, based on principles of equity and solidarity. I trust this spirit will prevail in our discussions.
Without detracting from the importance of the other items on the agenda, it is apparent that the discussions at this session will essentially focus on items 4 and 3 B. Although the interests of individual contracting parties differ, I hope that we shall arrive at conclusions consistent with the objectives of the General Agreement, because I believe that the principles that I have highlighted are still fully valid and because I believe in the political foresight and adaptability of the governments represented here. I am fully aware of the serious difficulties in the way of reaching a reasonable understanding. Daily, the climate prevailing in international trade matters is tending to deteriorate; divergencies in the interpretation of individual and collective interests are increasingly pronounced; and although from all quarters we receive warnings that the prevailing tendency toward confrontation will lead inevitably to a recession - the signs of which are already becoming apparent - those warnings have so far been of no avail.

Despite everything, however, I am optimistic. It seems to me inconceivable that we could allow ourselves passively to be caught up in a process of disintegration that has no meaning in a world which, thanks to technological progress, is becoming increasingly unified. It is unnatural and utterly illogical to consider international trade today as a confrontation between national or regional interests. I cannot imagine such disregard for history. That is why I must once more stress the need for each delegate attending this session of the Contracting Parties to participate in the discussions with a full awareness of the heavy responsibility that we bear.

In 1967, at the twenty-fourth session, the Contracting Parties approved a co-ordinated programme of work for the expansion of international trade. At that time, shortly after the Kennedy Round, it did not seem reasonable to be thinking about any new multilateral initiatives of comparable scope. In the four years that have elapsed since then, international trade has derived a considerable stimulus from the annual instalments of the Kennedy Round tariff reductions; nevertheless, there has been since 1968 a decline in the growth rate in volume terms and the increase in terms of value is largely attributable to the substantial increase in international prices of exports. What is more, and this is stated in the GATT report "International Trade 1970", this trend could become even more pronounced in the years to come unless offsetting changes can be instituted in present economic and commercial policies. In other words, it seems essential that, at this session, if we are to measure up to our responsibilities, the Contracting Parties should demonstrate their willingness to give a new impetus to world trade.

The provisional agenda for this session, which I shall be submitting for your approval, contains only a limited number of items, so that our discussions can be focussed on the most important problems. The Council will report on its activities since the twenty-sixth session and this will afford an opportunity for discussion of each of the items covered in the report. There are a few items specifically submitted to the Contracting Parties, with recommendations as to the appropriate decisions that should be adopted at this session.
The Chairman of the Agriculture Committee and the Chairman of the Committee on Trade in Industrial Products will report on the very important work which has been done by these two Committees and by their various subsidiary bodies established to consider specific questions. We shall now have to decide about the future activities of these Committees. My sincere hope is that our deliberations will lead us to a constructive agreement as to which areas are worthy of special attention and how further progress can be made.

The agenda also contains some items specifically concerned with the trade of developing countries, in view of the importance of this topic in the context of international economic relations.

The Chairman of the Committee on Trade and Development will report on the activities of that body since the last session of the Contracting Parties. As you already know, of course, those activities include the establishment of the so-called "Group of Three". The report of this Group is among the documents to be presented at this session. I personally had the honour of taking part in the work of the Group, and for that reason it is not easy for me to touch on this point without running the risk of appearing to be lacking in modesty. Nevertheless, the interests of the developing world are at stake and I must therefore put aside any personal considerations. I feel obliged to say that the recommendations of the Group deserve serious consideration by the Contracting Parties and by the governments which took part in the consultations. The report affords the Contracting Parties, jointly and severally, an opportunity to make decisions in various fields. Such action would clearly be of great value for the developing countries and at the same time would represent a positive step in the present climate of uncertainty.

As I have already mentioned, we shall also have to consider the results of the negotiations among developing countries and make the necessary decisions so that the agreement may come into operation. This item of the agenda will afford another opportunity for decisions, made in an imaginative and constructive spirit, in favour of the developing countries. I have no doubt that the discussion of this item will lead to a reasonable agreement, because these negotiations represent an effort at self-help on the part of the developing countries and this is something which has been suggested and recommended on numerous occasions in GATT discussions.

I must nevertheless point out that these negotiations and the recommendations made by the Group of Three, if they are implemented, represent only a very modest effort that will certainly not bring any fundamental change in the situation of developing countries which has deteriorated as far as international trade is concerned. The application of a generalized system of preferences, conceived as a dynamic and not a static process - that is, as an instrument that can be further improved - represents a more far-reaching effort. Let us hope that it will be adopted by all the developed countries without exception, because that is a basic condition for the success of the scheme. Prompt compliance with commitments solemnly entered into is a prerequisite for a constructive dialogue between developed and developing countries.
Needless to say, the initiatives which I have mentioned do not cover all that can be done in favour of the developing countries. Much remains to be done as regards the transfer of technology, international payments, the elimination of non-tariff barriers and discriminatory measures, technical and educational assistance in general, capital investments, to mention only some aspects. All this and much more can be done, not as an act of generosity, but in the interests of all, for statistics show that trade is infinitely more buoyant between rich countries. In other words, if physical well-being were made accessible to the two thirds of mankind which are under-developed, a tremendous volume of purchasing power would be created and, in my opinion, this constitutes the best way of remedying the obstacles that are met with in international trade today and which have given rise to the confrontation that we all deplore.

And let there be no mistake: just as today it is inconceivable that within a single country there should still be privileged classes and needy classes, so an inequitable distribution of wealth in the world at large is just as unacceptable. Such a situation cannot continue without threatening mankind as a whole, because injustice engenders violence and chaos, and no-one can feel immune from their consequences.

In conclusion, I should like to extend a cordial welcome to the representatives of the Republic of Zaïre and the Republic of Romania. Both delegations have been following the work of the Contracting Parties for a number of years, with observer status. It is therefore a reason for great satisfaction to see them here as full members.