THE FORTHCOMING MULTILATERAL TRADE NEGOTIATIONS

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Today, more than ever, international trade is a principal driving force of economic activity.

Throughout the post-war years the rate of growth of international trade has consistently been greater than that of world production. During the 1950s, trade grew about one-third faster than production. During the past ten years, it has grown about two-thirds faster. In 1972 alone, according to preliminary estimates that the GATT secretariat will be publishing in a few days, the volume of world trade grew, in spite of all the monetary and other difficulties of last year, by between 8 and 9 per cent.

It is scarcely necessary to remind this audience of the stimulus that business can gain from the opening up of new markets; nor, to make the same point differently, to insist on the need of modern industry to obtain ever-wider markets for its products in order to grow and progress. In virtually all industrial countries today, it is believed, about one-third of all new investment in manufacturing industry is undertaken in order to produce goods for export. It is not just, for example, the Netherlands or Switzerland whose economic prosperity now depends on increasing their export markets. It is the whole industrialized world.

These facts lie behind the successive efforts by governments in GATT, over the past twenty-five years, to open up world markets by lowering tariffs and other barriers to trade. They have enjoyed much success. But progress has not been uninterrupted. There have been backward movements. In each country, the so-called "sensitive" sectors of industry have tried to put a brake on the removal of barriers in order to protect themselves from outside competition.
The international trading environment is thus an essential element in the climate of business. As those whose memories go back to the 1930s can all too well attest, international trade policy can determine the whole evolution of economic activity.

Let me therefore trace the main features of this international trading environment.

I. The calendar of international trade policy

The timetable and agenda for decision and action in international trade policy in 1973 is now known. It was agreed upon on 14 November 1972 at the annual assembly of the member countries of GATT, when they adopted, in the form of a summing-up by their Chairman, a number of conclusions. Stated briefly, these conclusions were:

First, the industrialized countries, which are responsible for the greater part of world trade, reaffirmed their intention to open global trade negotiations in GATT in 1973. These negotiations are to cover tariffs and non-tariff barriers and embrace both industrial and agricultural products, including tropical products. Particular account will be taken of the need to find solutions for the problems of developing countries. The industrialized countries expressed the hope that the negotiations could be concluded in 1975.

Second, these same countries invited all developing countries, whether or not members of GATT, to take part in the negotiations. For understandable reasons, the developing countries have said that they need to know more, before deciding whether to join in the negotiations, about the terms on which they would be expected to take part. But they are sharing fully in the present preparatory work. They are doing so, both to find out what the conditions for their participation will be, and to make known their own views on the proper content of the negotiations.

Third, a Preparatory Committee for the multilateral negotiations was set up. This committee met for the first time just over a week ago, on 31 January. The committee has begun the process of defining the broad issues on which it must make recommendations. It will be pushing ahead with its work in the coming months, so as to have its report ready in good time for the meeting at ministerial level which will be held in Tokyo from 12 to 14 September 1973.

Fourth, this ministerial meeting is to launch the negotiations themselves. The Ministers will have to decide, on the basis of recommendations by the Preparatory Committee, on the objectives, the scope and the conditions of the negotiations. They will also establish the Trade Negotiations Committee which has traditionally steered negotiations in GATT.
Fifth - and this is the final main conclusion - it was agreed that these negotiations should - and I quote - "aim to secure additional benefits for the international trade of the developing countries so as to achieve a substantial increase in their foreign exchange earnings, diversification of their exports and an acceleration of the rate of growth of their trade, taking into account their development needs".

Taken together, these decisions are important; more important, I believe, than may be immediately evident from the somewhat opaque official language that I have quoted.

Governments do not lightly undertake far-reaching commitments. Yet the industrialized trading nations have now pledged themselves publicly to embark on negotiations of a scope much wider than ever before attempted. In setting-up a Preparatory Committee they have signalled the start of the last stage of preparation for negotiations, and at the same time they have set target dates for opening and completing the negotiations themselves. The industrialized countries have made it clear that they desire and welcome the active participation of developing countries, both members and non-members of GATT. Finally, even at this fairly early stage in the preparations, some broad objectives have been defined for the trade of these developing countries.

The trade policy calendar for 1973 also calls for a further, and separate, round of negotiations in GATT. As a result of the enlargement of the European Economic Community, the new members of the Community will be adopting its common external tariff. They will therefore be changing a number of import duties which they have bound in previous negotiations in GATT. Renegotiations to decide on the compensation to be given to those countries adversely affected by the changes have already formally opened and will start in earnest at the beginning of March. From that date, therefore, a considerable number of GATT member countries will already be negotiating on important sectors of their international trade, and most notably on their trade in the agricultural sector.

An important aspect, also, is the fact that, after years of tensions and clashes, the trading nations will thus find themselves seated around the negotiating table.

A certain optimism is therefore justified about the outlook for world trade policy. Nevertheless, numerous difficulties remain to be overcome. Protectionist pressures are strong in a number of countries. In several areas of trade policy there are still serious problems which give rise to difficulties and frictions. This is particularly true in agricultural trade. Gradual changes have also been taking place in relations between the trading countries. I need only mention as examples the increasing importance of regional groupings, the entry of state-trading countries into GATT, and shifts in the relative position of certain countries in international trade. These changes are going to require some readaptation of the multilateral trading system.
There is still an essential step to be taken before we can feel really confident about the outlook for international trade policy. Last November the member countries of GATT expressed their political will to act. They must now translate that expression of political will into the concrete terms of trade negotiations.

In the months immediately ahead, the governments of the trading nations will have to decide individually, and agree among themselves, on the precise content of the coming negotiations, as well as on the working hypotheses which they will adopt.

II. The problems of trade policy

What are these working hypotheses? What are the possible methods and scope for new action to enlarge world markets? What are the choices that must now be made by governments and those involved in economic affairs?

Although the trade negotiations must, of course, be seen as a whole, and while the inter-relationship between the various parts itself gives rise to difficulties, I shall, to make what follows clearer, review in turn three or four of the most important aspects of the negotiations. These are: tariff and non-tariff obstacles to industrial trade, and the whole range of measures that affect trade in agricultural and tropical products.

Tariffs

In the field of tariffs, the first problem is to decide which method should be adopted for reducing them.

GATT negotiations up to the early 1960's were all of one kind: discussions in which concessions on particular products by one country were balanced by concessions on other specific products by another country. This kind of product-by-product bargaining will no doubt still play a part in the coming negotiations, but probably not a very large part: there no longer appears to be scope for any great advance in tariff liberalization by this method.

Another approach is the linear reduction of tariffs, in which all the participants agree to reduce their tariffs by a given percentage. This was the basic technique used in the Kennedy Round negotiations that took place between 1964 and 1967. Although the approach has some drawbacks, it has led to some very substantial reductions in tariff levels.

A further method that has also been under examination in GATT in recent months is that of tariff harmonization. Under this approach, a principal aim would be to bring into line the customs tariffs charged by different countries on imports of the same product.
Yet another technique under study is the sectoral approach, under which the negotiators would try to bring about a general reduction, and perhaps abolition, of tariff and other trade barriers affecting a particular sector of industry. Thus one might, for instance, envisage the removal of trade barriers affecting a particular raw material, the semi-finished products of that raw material, and the finished products in which the raw material plays a large part.

Finally, one can envisage eliminating altogether, progressively and over a period of years, duties on products imported into the industrialized countries.

The second question to be settled in action on customs tariffs is that of the depth of tariff reduction to be aimed for. The most ambitious aim would obviously be total abolition, to be achieved by successive steps. An alternative would be to envisage only partial tariff reductions.

For my part, I hope the trading nations will be ambitious. The industrialized countries should give very serious thought to the possibility of eliminating their customs duties on industrial products over a reasonable length of time. The experience of the European economic groupings shows that the complete removal of industrial tariffs by means of automatic reductions spread over a period of years is feasible. There seems no doubt that it has contributed significantly to the remarkable growth in trade and prosperity in Europe over the past decade. If agreement could be reached on getting rid of tariffs altogether in this automatic and progressive manner, a great deal of time would have been gained, and a great deal of effort saved, that would be more usefully devoted to solving other trade problems. To overcome such problems as are posed by non-tariff barriers or agricultural production policies, much imagination, perseverance and time will indeed be needed.

Non-tariff barriers

Non-tariff barriers to trade will deservedly have a prominent place in the coming negotiations. These barriers, of course, affect trade in both industrial and agricultural products.

To a great extent, this is a new subject for negotiations. Nevertheless, it is one about which a good deal is now known. Over the past five years GATT has catalogued, classified and studied the whole field of non-tariff barriers to trade. It is a vast field. The basic GATT catalogue contains some 800 notifications, received from member countries, of non-tariff obstacles encountered by their exporters in attempting to sell their products on the markets of other members.

This is not, of course, to say that there are 800 different varieties of non-tariff barriers. The catalogue records 800 examples, if you like, of sinful, or at least regrettable, behaviour, but not 800 different ways of sinning. In fact some 27 categories of non-tariff barriers have been identified. They include, to name a few more or less at random, government procurement policies, export subsidies, anti-dumping practices, screen-time quotas for motion pictures, and prior deposits on imports. Not all have a serious inhibiting effect on trade.
Moreover, it has to be acknowledged that many of those that do have a restrictive effect have not been introduced with the deliberate intention of shielding domestic industries against imports. This is obviously true, for instance, of most health and safety standards, and perhaps also true of some government trading monopolies for alcohol and of packaging and marking regulations. Nevertheless, among these non-tariff barriers are very many which do seriously distort trade and which indeed, in some cases, make it entirely impossible.

Quantitative restrictions, for example, are the classic non-tariff barrier. Although much less prevalent than they were twenty years ago, they still provide domestic manufacturers in some countries with protection far more effective than is apparent from the customs tariff. Anyone who has tried to sell coal to certain countries, or sewing machines to certain others, or cotton shirts in the market of almost any industrialized country that you care to mention, will know what I am talking about.

Customs valuation practices are another example. In one case, the problem may be that a particular category of product is consistently subjected to an unfair system of valuation for import duty, while in others, by contrast, the difficulty is that the Customs authorities take arbitrary, and therefore unpredictable, decisions.

A large number of non-tariff barriers in the GATT catalogue arise as side-effects of measures originally designed for other and probably laudable purposes. For example, measures to protect public health. Thus it is practically impossible to export pharmaceuticals to some countries. The reason is that they insist that their own inspectors ensure that the most rigorous possible standards are applied in the manufacture of these products. The effective result is that virtually the only pharmaceuticals that can be sold in these countries are those that are manufactured there. Elsewhere, but for similar reasons, it is difficult to sell boilers and pressure vessels.

You will certainly not expect me to mention any of the countries involved by name. But the offences, I am glad to say, are well distributed around the world. One may therefore hope that it will be possible to find the material needed for a balanced agreement on the reduction of non-tariff barriers in the coming negotiations.

We have already gained some experience of negotiating on these barriers. Quantitative restrictions are a familiar problem and indeed one that has occupied the attention of GATT since its earliest years. But even in newer fields, government experts have been negotiating in GATT, during the past two years, in order to find solutions to certain specific non-tariff barriers to trade. Draft codes of conduct covering import licensing systems and customs valuation methods now exist. Another draft, covering the complex and very difficult field of enforcement of technical standards and regulations, is nearly completed. Negotiations are in progress on certain export subsidies, on import documentation rules, on packaging and labelling requirements, on countervailing duties, on domestic subsidies that stimulate exports and on quantitative restrictions including embargoes and export restraints.
In each instance, the aim is to negotiate a workable solution, which will then be submitted to individual member governments for them to decide whether or not they can accept it. In some cases, it may be hoped, all governments will see it as being in their interest to accept the proposed solution, so that it can be put into force without delay. In other cases, acceptance might call for concessions by certain governments only. When this is so, the assumption must be that the proposal will only be accepted by these governments if they receive compensating advantages in some other sector of the multilateral negotiations.

During the remaining months until the multilateral negotiations open, the trading nations will continue to work out proposals for solutions to the various non-tariff barriers already under discussion. In addition, they will have to decide which barriers will be brought into the negotiations. In order to make the negotiations effective, they should base their selection on the importance to trade of the chosen barriers, on their negotiability, and on their potential as candidates for inclusion in an eventual overall and balanced settlement. If they make the right choices, if they agree to negotiate on a sufficiently large number of these problems, and if they can arrive at solutions, they will have greatly contributed to improving the trading environment.

**Agriculture**

The third main aspect of the multilateral negotiations relates to trade in agricultural products.

Agricultural trade policy is an exceedingly complex and highly political subject. The various protective measures applied by almost all countries against imports of agricultural products, whether they take the form of tariffs, quantitative restrictions, variable levies or other regulations, share one common characteristic. They are intimately linked with the agricultural production policies of the countries concerned. This makes action, and negotiations aimed at action, extremely difficult. In consequence, throughout the postwar period, during which barriers to international trade in industrial products have been very greatly reduced, progress in liberalizing agricultural trade has lagged far behind.

Nevertheless, it would be unrealistic to believe that the proposed multilateral trade negotiations will be able to begin, let alone succeed, unless agriculture be brought into them. Agricultural trade is of great importance to many countries, both developing and developed. For this reason they are simply not prepared to participate in negotiations which do not offer them real prospects for the opening up of markets for their agricultural exports.

What possibilities for action could one envisage?

There seem to be three main approaches which might be used, individually or in combination, as appropriate to the products concerned, in order to achieve freer trade in agricultural goods.
The first approach is to negotiate for the reduction or elimination of specific obstacles to trade. Notable among these obstacles, all catalogued in detail in GATT over the past five years, are, on the import side, quantitative restrictions, variable levies, customs duties and sanitary regulations, as well as various forms of export aid.

A second approach would be to try to negotiate agreements of a more general kind: for example, international stabilization arrangements for particular commodities, or codes of good conduct for trade in agricultural goods.

A third approach discussed in GATT would be to adopt common criteria that would then be used as a basis for commitments. For example, countries might agree not to exceed certain percentages of self-sufficiency in particular products, or not to give more than a certain margin of support to domestic producers.

**Safeguards**

In addition, there is a fourth point I would like to touch on: that of safeguards.

By safeguards are understood the rules whereby a country may re-introduce tariff or non-tariff barriers when imports cause difficulties such as market disruption or unemployment. The General Agreement on Tariffs and Trade does include a safeguard clause. However, little resort has been made to the clause in recent years. This seems to suggest that the existing clause is no longer well-adapted to present needs.

It is not exactly agreeable, when one is about to enter into negotiations on the liberalization of trade, to have to contemplate measures to permit the re-introduction of tariffs and non-tariff barriers. Nevertheless, a further large step in the direction of freer trade does seem to require that there should be a possibility of protecting, temporarily, domestic industries and their workers if these are seriously menaced by imports. Indeed, it is only realistic to recognize that if such a situation occurs, a government is likely to take action even if there is not a specific safeguard clause available to justify it in doing so. It is therefore in the interest of exporters as well that an effective safeguard clause should exist. It can provide a useful guarantee of stability in their export markets by preventing unjustified re-imposition of trade barriers.

It will be obvious that a revised safeguard clause would require very careful drafting. Fair and realistic criteria and procedures for applying escape clause action would be needed. A specific time-limit would have to be set on any such action. Duties or other trade barriers re-imposed would have to be removed according to a fixed and agreed schedule. Meanwhile the government concerned would be required to ensure that positive steps were taken to assist the re-adjustment of the industry or sector experiencing difficulties. And, finally, some sort of supervisory arrangement would be needed to ensure that the requirements of the safeguard clause were in fact being met.
In discussions on this issue, more is at stake than the question of safeguards alone. The aim is to induce governments to make the considerable efforts required in the negotiations to achieve a meaningful further liberalization of trade. An agreement on safeguard provisions that can be applied in cases of real difficulty should, in fact, be viewed as a necessary corollary of completely successful multilateral trade negotiations.

Trade of developing countries

Another important point is the stake of developing countries in the forthcoming negotiations.

In newspaper comment, it is often implied that the only real protagonists in the negotiations will be the great industrial powers - the United States, the European Communities, Japan and the rest of the industrialized world. It is true that most of world trade takes place among these countries. A principal aim of the negotiations, however, will be to enlarge the export markets and earnings of the developing countries.

I do not need to stress the arguments for taking action to encourage the trade of the developing countries. They are all well known and I would hope that by now they are unchallenged. These negotiations must provide additional trading possibilities and benefits for developing countries. I have already referred to the agreement reached last November on the aims of the negotiations as regards developing countries. The question now is how to achieve those aims. During the coming months, this will be one of the principal concerns of the Preparatory Committee which will be seeking ways and means whereby the trade interests of developing countries can be furthered.

Frankly, there are many highly controversial issues still to be settled. Among them, I might just mention the status of existing preferences, generalized and otherwise; proposals for preferential application of trade concessions in favour of developing countries; and the question of the degree of reciprocity to be expected from them in the negotiations.

At present some twenty non-member developing countries are sharing in the preparations for the multilateral negotiations, in addition to the large number of developing countries which are GATT members. All these countries are already, in one respect, enjoying a preferential status, as they are receiving technical assistance from the GATT secretariat to help them in preparing themselves to negotiate.

III. Perspectives

I have attempted, in the course of this statement, to review with you the calendar for the coming trade negotiations and to examine some of the problems that they will raise. I have deliberately excluded consideration of topics, such as the place of the multinational corporation in international trade, that are not on the present agenda for negotiation. All the governments concerned are now studying these problems, and one may hope that the industrial and trading community is doing the same.
It is important to encourage the participants in these negotiations to be fairly ambitious in the aims which they set themselves to achieve. The possibilities open to them are great. They have the opportunity to continue the liberalization of trade and enlargement of markets. For the developing countries, there is also the opportunity to become increasingly active partners in world trade. There is the opportunity to bring about a re-adjustment of international trading relations that will take account of present day reality. There is the opportunity, moreover, to adapt, if necessary, some of the rules of trade. There is the opportunity, finally, to prepare for better coordination of trade and monetary policies.

In sum, the trading nations have now the hope of working towards an improved and modernized multilateral trading system.

In spite of these possibilities of global advance, however, the temptation subsists to think in purely regional terms, or to fall back on national markets alone. The danger that this may happen is real, as experience in recent years has shown. In 1970, there was a period of serious tension in trade relations. In 1971, everyone knows, there was a major crisis. The world ran great risks of a general relapse into protectionism. Similar situations could well recur, unless resolute moves are made in the opposite direction.

The dangers which threatened in 1970 and 1971 were overcome, since no country was prepared to risk a trade war. No one wanted the trading nations to slide back into trade restrictions. But the risks thus run have had a salutary effect. They have helped to create a climate of sober realism that should make it possible to resist the temptation to turn away from the benefits of multilateral cooperation. One may therefore anticipate that, before the end of this year, the trading nations will be firmly engaged in negotiations whose success will contribute greatly to assuring the business community of a favourable trading environment for its enterprises.