THE 1973 MULTILATERAL TRADE NEGOTIATIONS:
THE CRUCIAL CHOICES AHEAD

Address by M. Olivier Long, Director-General, General Agreement on Tariffs and Trade, to Polytechnic Association, Oslo, 3 May 1973

I am grateful for your invitation to speak here today about the forthcoming round of multilateral trade negotiations in GATT.

One must admire your courage and foresight in voluntarily confronting, once more, the subject of trade policy and trade negotiations. After the successive negotiations conducted in Brussels by your representatives and debated so passionately by the Norwegian public, there might well be a deep and universal desire in this country to forget the whole subject for a very long time. However, you are certainly right to continue to give trade policy a prominent place in your thoughts.

For some years now, the principal focus of trade negotiations has been Europe. In the months to come that focus will shift. Europe will still be engaged; but it will be engaged in company with the other trading nations in a renewed effort to enlarge markets on a world-wide basis. The outcome of the negotiations that will open in GATT later this year may well influence world economic and political relations over the rest of this century.

The aims and timetable of the negotiations

The member nations of GATT are involved today in the final stages of preparations for negotiations that will cover the whole range of their mutual trade.

It is more than five years since the member countries of GATT, who had just brought to a successful conclusion the Kennedy Round of trade negotiations, agreed to launch a wide-ranging programme of technical studies as the basis for their next effort to liberalize world trade. This programme provides an invaluable technical foundation for the coming negotiations. But the first of the crucial political decisions needed to launch these negotiations were taken only last year.

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In February 1972, the three Great Powers of world trade - the United States, the European Community and Japan - announced their intention to hold a new round of trade negotiations in GATT, and invited other nation to join them in this effort. That invitation was promptly and enthusiastically taken up by the other industrialized countries. At the annual assembly of the GATT member countries in November 1972 this new-found political resolve crystallized in an agreement on the scope of the coming negotiations and on their timetable.

There are five main points in this agreement. Taken together, they constitute a formidable challenge to the energy and the political will of all the participants.

In the first place, the industrialized GATT members pledged themselves to undertake trade negotiations of unprecedented scope. They are to cover tariff and non-tariff barriers, embrace both industrial and agricultural products, including tropical products, and take particular account of the need to find solutions for the problems of developing countries. They are to open in 1973, with the aim of completion by 1975.

Second, the industrialized countries invited all developing countries, whether or not members of GATT, to participate in these negotiations. In response, the developing countries made clear their interest, but also their reluctance to decide whether or not to participate until they know what the conditions of their participation will be. Meanwhile, it was agreed that the developing countries should share fully in the preparatory work for the negotiations.

Thirdly, a principal aim of the negotiations was defined as being "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 acceleration of the rate of growth of their trade, taking into account their development needs".

These three conclusions set out, in broad outline, the objectives and basis of the coming GATT negotiations. In addition, two decisions were reached which provide the timetable for the coming months.

One decision was to set up a Preparatory Committee for the negotiations, open to all member governments of GATT, and also to any non-member developing countries which wish to take part. Its task is to develop the methods and procedures for the negotiations. The Committee held a preliminary meeting three months ago. Its first meeting of real substance will take place in the middle of this month.

The second decision was to launch the negotiations with a Ministerial meeting. That will take place from 12 to 14 September in Tokyo. The Ministers will be asked to consider the report of the Preparatory Committee, to establish a Trade Negotiations Committee to steer the negotiations themselves, and to provide the necessary guide-lines for the negotiations.
There are thus just two weeks until preparations are fully engaged. There are thus just four months until choice must be made between the various options that are open for the negotiations. And there will then be about two years available for the trading nations actually to negotiate on the substantive issues, and to reach final agreement. This is a very short time, in the difficult and slow-moving context of trade policy, in which to overcome the myriad problems that arise in such negotiations and to seize the opportunities which lie behind the prosaic discussions of tariff and non-tariff barriers to world trade.

The significance of the negotiations

It is well, I think, before considering the detailed subject-matter of the negotiations to remind ourselves of their real significance.

There is hardly need for me to remind a Norwegian audience about the importance of international trade. Your country, like many others, could not maintain living standards anywhere near their present level if it had to rely solely on its own resources. It is dependent upon imports for an immense range of its needs, and it is largely dependent on exports to pay its way in the world. If your industries are to grow and progress they need to see world markets expand steadily. This has been GATT's principal concern throughout the twenty-five years of its existence. I believe that the coming global negotiations are potentially the most important ever to have taken place in GATT. They are not only the widest in scope; they come at a time when it is necessary to re-examine the whole of international trade relations.

In a sense, these negotiations on trade are a counterpart of the current monetary negotiations. The GATT trading system has shown more resilience in recent years than the monetary system established at Bretton Woods. But it has been under strain.

Much has changed since the General Agreement came in force twenty-five years ago.

The volume of world trade has multiplied several times over.

The membership of GATT has almost quadrupled. Most of the new members are developing countries, with special problems that require the sympathy and help of the world trading community. Others are East European countries which hope to strengthen their links with the multilateral trading system.

A significant proportion of international trade now takes place between units of multinational corporations rather than between independent buyers and sellers.

The world-wide trend towards regionalization, evident above all in Europe, has given an immense stimulus to trade. But it has also shifted the balance of power and responsibility in international trade relations, and in some quarters has raised misgivings about the degree to which regional groupings may erode basic principles of the General Agreement and make more difficult the exporting problems of non-member countries.
These changes alone would justify a fresh look at world trade policy. But in addition — and it is perhaps inevitable — they have been accompanied by a deterioration in the climate of trading relations. Mutual irritation and incomprehension between the major trading nations have been all too evident.

Such stresses are not altogether unwelcome. They are symptoms of a vigorously expanding and increasingly interdependent world economy. It is often easier, moreover, to bring about necessary changes in established institutions and ways of thinking at times of crisis. The late 1960's were years of drift in international trade policy. Only the evident rise in protectionist attitudes during 1970, and the monetary and trade events of 1971, awakened governments to the need for fresh thinking on trade policy and for new multilateral initiatives.

It is largely because of the strains and crises of the last two or three years that the trading nations are now ready to attempt the further reduction of barriers to international trade. They are prepared to do so because they know this to be the best way of containing protectionist pressures, and of relieving stresses in international trade relations.

The choices that must be made

Member countries of GATT have expressed their political will to negotiate. Many basic decisions remain to be taken, however, before the negotiations can start. There is not much time between now and the Ministerial meeting in Tokyo. In Geneva, choices must be made between the many options still open for the conduct and content of the negotiations. In capitals, decisions are needed from governments, and in some cases from legislatures, on the mandates to be conferred on the negotiators.

It is only right that one should acknowledge that some important progress in this respect has been made within the past month.

In Europe, the Commission of the European Communities has drawn up, for the consideration of the Council of Ministers, its proposals for the Communities' negotiating mandate. These proposals show that the Communities take very seriously their commitment to undertake trade negotiations of the widest scope.

In the United States, President Nixon has submitted his long-awaited Trade Bill to the Congress. You will not expect me to comment at length on his very detailed proposals. But I believe that all the trading partners of the United States must already have drawn certain general conclusions about the Bill. The first is that it bears witness to the deep thought and thorough preparation which the United States Administration is devoting to the coming negotiations. I wish that I believed that all the participants were doing their homework so thoroughly. The second is that the basic intentions that underlie the Bill, and are expressed in the President's Message to Congress, are constructive. My third impression, finally, is that, as drafted, the Bill gives the U.S. negotiators a
great deal of flexibility. It has sometimes been the complaint of the trading partners of the United States that American negotiators have had very little room for manoeuvre, and that in consequence, some of the opportunities open in past negotiations have been lost. I welcome very much this flexibility in the proposed trade legislation.

To illustrate the choices which the participating governments have still to make, I propose to review separately each area of the negotiations. But I would emphasize that decisions are needed in every area. The negotiations have to be seen as a whole, since neglect of any part of them would mean that some countries would lose interest in participation.

**Tariffs**

The extraordinarily comprehensive preparations for the negotiations undertaken by GATT members since 1967 are nowhere more evident than in the field of tariffs. For each of the major trading countries, the full facts on the tariffs they impose on imports of both industrial and agricultural products have been recorded on computer tape. So have the corresponding facts about the actual trade flows. All this information has been subjected to thorough analysis. A number of different possible approaches to the reduction of tariffs have been identified and studied.

One approach would be to revive the product-by-product bargaining typical of early GATT tariff negotiations, in which concessions on specific products by one country are balanced against specific concessions by its negotiating partners. Although this approach still holds some interest, its value is agreed to be limited.

A second approach is the linear reduction of tariffs, the technique used in the Kennedy Round negotiations of 1962 to 1967. This approach involves agreement in principle on the reduction of tariffs by a given percentage. Subsequent negotiations then focus on the exceptions to be permitted to the general rule.

Other methods aim at reducing exceptionally high tariffs, or getting rid of exceptionally low tariffs, or at combining the two techniques with the aim of tariff harmonization, so that on any one product all countries charge much the same import duty. Still another technique would concentrate on individual sectors of trade, with the aim of reducing both tariff and non-tariff obstacles to imports of a particular raw material and of the semi-finished and finished products in which that material plays a large part. Aluminium has been one sector specifically mentioned.

Those are the main methods that, singly or in combination, appear practicable for reducing tariffs. In addition, there is the further question of how far one is prepared to go. Is the aim to reduce the general level of tariffs by 5 or 20 per cent? That would hardly seem worth the effort. Or are the negotiators to be really ambitious? Could they not try to remove tariffs altogether?
My own belief, stated on a number of occasions, is that governments of the industrialized countries should aim for total abolition of their import duties on industrial products. The feasibility of this simple approach, provided the tariffs are removed by gradual and automatic stages, has been shown by the successful experience of the EEC and EFTA. The advantages would be many. Not least would be the ending of the tariff discrimination, and with it the international frictions, that at present arise from the regional groupings. Another major advantage would be the disappearance, in consequence, of several important non-tariff barriers, linked with the imposition of tariffs, such as those involving valuation and customs administration.

On this occasion, however, I do not particularly wish to stress the advantages or disadvantages of any one of these possible techniques. My main point is that the time has come for choices to be made. In only four months from now, the Ministers must decide which of these techniques is to provide the working hypothesis for tariff negotiations.

Non-tariff barriers

Similar choices need to be made about negotiations on non-tariff barriers to trade. In this field, too, a firm basis for choice is provided by past technical work in GATT.

Five years ago, certain types of non-tariff barriers were already well-known. Quantitative restrictions are an outstanding example. Little, however, was known about some others. There was only a general suspicion that non-tariff barriers were widespread, and often had significant effects on trade. Today a detailed catalogue exists, and although it would be unrealistic to believe that non-tariff barriers can ever be disposed of altogether, it is obvious that there is great scope for action against them and that the problems entailed are, although large, by no means unmanageable in size.

As a starting point, the member countries of GATT were invited to report cases where their exports encountered obstacles other than tariffs. Some hundreds of notifications were received. On analysis it was found that they fall into one or other of about 27 categories of non-tariff barrier. Each can seriously hamper trade.

As illustrations, let me mention just four of these types of barrier. Some safety and health regulations require that certified inspectors supervise the process of manufacture. If the only inspectors certified are those of the importing country, its market may be effectively closed to foreign suppliers. Pharmaceuticals and pressure vessels are among products affected by rules of this kind. Customs classification practices can also discourage trade if it is uncertain whether a shipment will be classified in a high- or low-duty category. Regulations that require government purchasing departments to favour domestic suppliers can provide effective protection for products ranging from paper clips to power stations. Quantitative restrictions, particularly often used against textiles, act as an absolute bar to trade once the permitted quota has been sold. And so on.
The GATT countries are well past the stage of simply listing the problems raised by non-tariff barriers. They are actively seeking solutions to some of them. In this field too, there are important choices to be made before the multilateral negotiations begin.

The choices required are somewhat different from those needed for action on tariffs. Agreement in principle has already been reached on the kinds of broad solution appropriate to overcome or minimize some of the 27 categories of non-tariff barriers. For some time, moreover, experts have been negotiating in GATT to work out fully detailed solutions to a number of specific types of barrier. As a result, draft codes of conduct already exist that could overcome the main difficulties raised by the administration of import licensing systems and differences in customs valuation methods. Drafting is far advanced for a code to govern the enforcement of technical standards and regulations, and negotiations are in progress on half a dozen other categories of non-tariff barrier.

Efforts to work out further draft solutions will continue during the coming months. The main problem of choice that lies before governments in this field at present, however, is to decide which non-tariff barriers should be included in the main multilateral negotiations.

Some of the draft agreements already reached, or in process of negotiation, may require that certain countries change their existing practices. If these countries insist on receiving compensating advantages elsewhere in the multilateral negotiations the draft agreement concerned might suitably form part of a wider package of mutual concessions. Governments will also have to decide what other non-tariff barriers to take up in the negotiations.

It will not be possible to negotiate now on all the existing non-tariff barriers. The task is too large, and will have to be spread over a number of years. But it should be possible to deal with a significant proportion of them.

I find it reassuring that everyone has an interest in these negotiations on non-tariff barriers. Each country has something to ask and to offer. Norway’s name appears on the lists both of complaining countries and of countries complained against, and the same is true of virtually every other member of GATT.

**Agriculture**

I have emphasized already that the negotiations must be seen as a whole. Tariffs and many non-tariff barriers apply to both industrial and agricultural products. There are, however, some problems that are peculiar to agricultural trade.
There is a natural tendency to recoil from the subject of agriculture, disheartened by its complexity, and by the limited progress achieved in the past. Many countries, however, both developed and developing, depend heavily on agricultural exports. They will not be interested in negotiating unless they see some opportunities of opening up markets for their agricultural products.

As in the case of tariff and non-tariff barriers to industrial trade, much information has been gathered and analysed. Once again, governments are now confronted with the necessity for choice. They must decide for themselves what concessions they seek, and to what extent their own agricultural policies are negotiable. They must decide, together, which negotiating techniques would be most appropriate.

The techniques adopted will vary from product to product, since each has its own particular market situation and often its own particular type of protection. Broadly, however, the choice appears to lie between three approaches. The first would be to negotiate for the reduction or elimination of specific obstacles to trade such as quantitative restrictions, levies, duties or subsidies. The second would be to negotiate agreements of a more general nature, aimed at stabilizing the market for particular commodities or at defining codes of good conduct for trade. A third approach would be to negotiate commitments to supply from imports a given minimum proportion of domestic demand, or to restrict the margin of support given to farmers.

I know that some countries, of which Norway is one, believe that their farmers need fairly far-reaching protection to remain competitive in the face of their severe environmental handicaps. Nevertheless, such countries should be prepared to give a sympathetic hearing to the requests of the major agricultural exporters if they, in return, hope to receive concessions for their own industrial exports. They will, I hope, be ready in particular, and as a minimum, to look at the possibilities of reducing obstacles they may maintain against imports of products that do not compete directly with domestic agriculture.

I should add that fisheries are by no means excluded from the coming negotiations. It will be open to Norway to seek concessions from her trading partners to enlarge her export earnings from fish and fish products.

**Safeguards**

One will have to bear in mind, as one embarks on these extremely wide-ranging trade negotiations, the question of whether some of the rules themselves of international trade should be changed, and if so, to what extent.

Ideas on which changes might be desirable should be clearer toward the end of the negotiations on specific trade issues. It does seem possible, however, that adaptation or reinterpretation of a few of the existing GATT rules may be
needed. An example is the rule which lays down what trade measures are acceptable in dealing with balance of payments difficulties, and in what circumstances. Another example is the rule on safeguards for particular domestic industries which find it difficult to meet a sudden inflow of imports. There is a fairly widespread view that the present safeguard clause of the General Agreement needs some re-adaptation to present needs.

Although it may appear odd to talk, in the context of new negotiations aimed at liberalizing world trade, about making it easier to introduce new trade barriers, a respectable case can be made for adapting the GATT safeguard clause. If governments (and, for that matter, industries) know that they can in cases of real difficulty obtain temporary relief, it is more likely that they will be prepared to contemplate a general reduction in the level of import protection. Any new safeguard clause, however, would need to be drawn with care. Permission to re-introduce tariff or non-tariff barriers to help an industry in trouble would have to be hedged about with very specific conditions. Among these would probably be a fixed timetable for removal of the additional restrictions, positive action to help the industry affected to readapt to competition, and close supervision of the whole process by other GATT members.

The developing countries and the multilateral trade negotiations

This does not exhaust the list of choices needed before the negotiations can be successfully launched. There remains the question of the place of the developing countries in the negotiations.

I have already quoted the agreed aims of the negotiations as regards the trade of developing countries. But this is an agreement only in broad outline. The details have yet to be filled in. And even then, the developing countries themselves will still have to choose whether or not they wish to negotiate.

Developing countries, including both members and non-members of GATT, are of course taking part in the present preparations for the negotiations. The GATT secretariat is giving them all the technical assistance they request, in particular by providing trade and other data showing their actual and potential markets, and the trade barriers in effect there.

To a great extent, the developing countries seek answers to the same questions that interest the industrialized countries. But they also ask some specific questions of their own. They are worried about the erosion of existing preferences which they enjoy and value. They hope to receive further preferential advantages as part of the concessions negotiated. There is also the question of the extent to which reciprocity is to be expected from developing countries in the negotiations, although it is agreed they cannot be expected to make concessions that might adversely affect their development. These are matters that require very careful attention.
I hope that these questions will be satisfactorily answered, and that most developing countries will decide to join in the negotiations. Multilateral negotiations as comprehensive as those now envisaged offer a magnificent opportunity to open up markets for the products of the poorer countries. It is an opportunity that should not be let slip.

Choices and opportunities

I have tried in this review of the main issues of the forthcoming multilateral trade negotiations to highlight the choices that must be made in the next few months. The list is of formidable size, and one can only hope that the rapid approach of the September deadline is helping to concentrate the minds of policy makers.

The task should, however, be made easier if one major choice is kept in mind. It is a choice already made, at least in principle. The trading nations have resolved that these negotiations should have as their objective (and here I quote) "expansion and ever greater liberalization of world trade, and improvement in the standards of living of the people of the world ..... through co-ordinated efforts to solve in an equitable way the trade problems of both the developed and the developing countries". If they can approach their labours in this spirit I have no doubt that they will be able together to carry the coming multilateral trade negotiations through to a successful conclusion, to the great benefit of all the nations concerned and of their peoples.

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