Representatives of the contracting parties,

In my closing speech at the end of the Seventh Session, I expressed the hope that in 1953 governments would work together to agree upon a concerted programme of action for removing the causes of the persisting disequilibrium in trade and payments, and for advancing towards the abolition of trade restrictions and discriminatory practices. Since then, of course, these important questions have been the subject of active international discussion, following the Commonwealth conference of November last year and the formulation of a plan for the restoration of the convertibility of sterling. It was not to be expected that such far-reaching proposals involving so many countries should lead to immediate decisions. In particular, it is understandable that the new Government in the United States needs time to reflect upon the very important decisions which must be taken if that country is to make a substantial and appropriate contribution to a collective attack on the basic problems of international trade and payments. It is, of course, too early to foresee exactly the detailed principles which should govern such a new system of trade and payments, but it seems clear that we can only hope to move from a regime which is supported by extraordinary financial aid into one which rests upon normal movement of goods and investments if both creditor and deficit countries are prepared to adopt appropriate policies.

Having now entered upon my third and last period as chairman of the Contracting Parties, I hope you will permit me to speak for a moment about our work here as contracting parties to the General Agreement on Tariffs and Trade. Again I would like to recall something which I said at the close of the last Session. Our work here is dedicated to the creation of a multilateral trading system, freed from quantitative restrictions and from discriminatory practices. But we do not think of this goal as an end in itself. It would perhaps suffice if I were to refer, as I did last year, to the objectives laid down in the Preamble to the Agreement, but I would like to develop these ideas a little further.
It seems to me that the major problem that faces us arises from the contrast between the limitation of the world's resources and the pressing need for food, clothing and shelter that comes from the increase in the world's population and from the necessity of affording higher standards of living to hundreds of millions of people who, in the past, and still today, are living at bare subsistence levels. This problem can only be solved by making the most efficient allocation of resources that are available. It is because protectionism, restrictionism and discrimination interfere with this required efficiency that we must turn our back on such policies. This is not a matter of attachment to economic doctrines, nor of any conviction that one set of economic policies has any moral superiority over another. It is a question of recognizing facts and dealing with them realistically.

We all realize, of course, how difficult it is to adopt more liberal policies in matters of foreign trade. Immediately after the war the problems confronting each particular country were of such magnitude that there was no chance of solving them through the operation of market mechanisms alone and all countries, therefore, turned to a system of controls relating both to their domestic and to their external economic activities. No one denies that the abolition of such controls is difficult. Too many interests - sectional interests - have naturally grown up around them, and it is also true that there is a great difference in political feasibility between the adoption of new protection, in whatever form, on the one hand, and the abolition of such protection on the other. Whenever new protection is adopted, immediate and visible advantages accrue to a few while the price which we know must be paid by the population at large, is less clearly discernible. If, on the other hand, protection is abolished, the position is the reverse. Politically, the difference is that the few who profit or lose are vocal, while the public at large has no spokesman. To put it somewhat pointedly, we cannot hope to arrive at an efficient allocation of the world's resources unless governments are prepared to show a certain amount of political courage in adopting policies which, in the short run, are most likely to be unpopular. The situation is essentially the same when it comes to considering not sectional interests within a country but the interests of particular countries in relation to all others. There again, it is possible, let us admit it, that by discriminatory protectionist devices, apparent advantages may be derived within a limited area. But these apparent benefits are achieved at the cost of the world economy as a whole and this, in the long run, will react adversely on the country or countries pursuing such policies. Nor can one leave out of account the political frictions which they inevitably engender.

I should also, at this point, like to say a few words about the countries whose productive resources are as yet not fully exploited, and which are frequently referred to by the unattractive phrase - "the under-developed countries". I have often thought, as I presided over sessions of the Contracting Parties, that many of the questions which we discuss around this table may appear remote from the most pressing problems confronting these countries. And yet looking at our work in the way which I have outlined this afternoon, it would be difficult
to instance matters of greater moment to them. For in their countries live
the greatest number of the under-privileged of whom I have spoken. Their hope
of a better life depends, to my mind, entirely on an expanding world economy in
which there is a high and rising demand and remunerative prices for the raw
materials and foodstuffs which they produce, increasing opportunities to acquire
capital equipment, to develop their industrial production, and an expanding
output of consumers' goods at prices within the reach of people with relatively
low money incomes. None of these three conditions will exist in an unstable
or shrinking economy which is the best that can be expected if international
trade is tightly controlled or dominated by motives of protection and discrimi-
nation. The responsibility for developing and maintaining that strong and
expanding economy which we all desire must be shared by all of us.

The GATT therefore is not a list of restraints and prohibitions reluctantly
accepted by governments, but a set of principles and rules which all of us
accept because they are in the common long-run interest, and therefore in the
interest of each of us. This I think, is a way of looking at things which
cannot be too strongly or too often emphasised since the pressure of special
interests is constantly at work in all countries to present the picture in a
different light, and public opinion is therefore frequently confused on the
simple but basic questions with which we deal.

Now having outlined the philosophy underlying the GATT, and for that
matter the International Monetary Fund Agreement, I may perhaps be permitted
to touch upon a matter which you all may consider delicate, but which I
consider fundamental.

To put it very pointedly: the philosophy underlying the GATT and the
IMF Agreement is that if quantitative restrictions, together with other barriers
to trade, are abolished, the objectives laid down in the two agreements, and
indeed in others, such as in the United Nations Charter, will automatically
be realized. But I think experience shows that this is not necessarily the case.
It depends on other aspects of economic policy, financial and monetary policies,
fiscal policies, rates of interest, investments policies. It is not, therefore,
that countries follow the trade and foreign exchange policies laid down
in the GATT and the IMF Agreement. They must also pursue financial and monetary
policies which are neither inflationary nor deflationary, and they should
consider this as equally important as to abolish quantitative restrictions and
other restrictive trade and exchange practices.

This, of course, raises the fundamental question: Should international
action not go beyond direct controls of trade and payments, and deal with
financial and monetary policies? As I have said, this matter is delicate and
difficult, and I do not want to do more than to raise the question.

It seems probably, however, that we shall soon have reached a point where
we shall wish to resume the terms and the operation of the General Agreement
and to consider what changes may be necessary in order to make it a more
effective instrument for advancing our common policies. At that time, I think that we should take the opportunity to restate in clear language the problems we face and the reasons why the path we have chosen is the only one which holds out any real hope of solving them.

Some of the ideas I have put forward may seem elementary to many representatives around this table. But I do think that, if we are to succeed against the many forces and pressures with which we have to contend in the field of commercial policy, it is necessary to have and to state a positive and dynamic philosophy. Given this approach, I am sure the problems of individual countries can be met and overcome. We have a number of these on our agenda for this Session. I hope that the remarks I have made this afternoon will help us to face them in a spirit of solidarity and understanding.