Thirtieth Session of the GATT Contracting Parties

OPENING STATEMENT BY THE CHAIRMAN
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The Current Situation

There is certainly no need for me to dwell upon the seriousness of the economic difficulties with which governments have increasingly been faced in 1974. These difficulties are only too familiar to you all and are a priority preoccupation of your governments.

The plain fact is that the world is confronted with the most critical economic situation of the post-war period and is in deep trouble.

World-wide inflation is at record levels. In many countries, unemployment is reaching proportions that give rise to serious social and political problems. There is a crisis in international payments. The situation is particularly serious in many of the developing countries in this respect. We are all well aware of the difficulties connected with supplies of energy and other basic materials.

None of these problems will disappear overnight. Inflation, and an acute shortage of many basic commodities, can be expected to be the dominant economic problem for the international community in the near future and also for some years to come, unless measures more successful than we have so far seen are adopted by a large number of countries. The balance-of-payments difficulties of many countries are almost certain to worsen rather than improve in the near future.

In these conditions, it is essential that appropriate national and international economic policies be worked out to deal with these problems and to contain and alleviate their disruptive consequences. For failure to do this could easily lead to economic disaster in many parts of the world. This task is especially difficult and delicate because of the need to avoid deflationary measures that could produce a wide-spread economic recession.
Evolution in the Role of the GATT

In a situation of such seriousness, it is pertinent to ask what the Contracting Parties can do to ensure that the GATT makes the maximum contribution within its field of competence towards finding solutions to the grave difficulties that have arisen, and that will continue to arise in the future, especially in the large number of developing countries which are faced with acute problems, problems which for some of them threaten their very economic survival.

This is the question to which all the contracting parties should be addressing themselves. It is a fundamental question which calls for a responsible and imaginative response.

I believe we should recognize that, if GATT is to meet its full responsibilities, there needs to be a renewed impetus in our thinking, attitudes and way of doing things. Faced with a fast-changing world economic scene, we should continue to adapt GATT's role to the realities of the present situation and its foreseeable evolution.

For while there are many lessons to be learned from the past, developments in international trade relations - as in history - never repeat themselves exactly. The problems now confronting the international trading community are of greater dimensions than ever before and call for an approach and attitudes on the part of the Contracting Parties of comparable magnitude.

I should add that I am not advocating quick changes or adaptations in the provisions of the GATT, for I believe it is generally recognized that the desirability and usefulness of such changes could only be judged when the kind of trading pattern that emerges from the multilateral trade negotiations can be seen.

The Tasks Ahead

The multilateral trading system has survived the severe buffeting of the recent past, although it must be expected that the strains to which it has been subjected may intensify in the months to come. The system remains the best guarantee against inward-looking national trade policies, confrontation between nations in the trade field, recourse to unilateral restrictive actions and the resulting disorder in international trade relations. The GATT's role in providing a framework of rights and obligations in the field of trade policy and action will continue to be vital to the health of the system and to the principles upon which it rests.
What in my view is called for at the present time is: first, for the Contracting Parties to be able, by concerted action, to face up to the serious dangers threatening international trade relations and to maintain the effective application of the rules underlying the multilateral trading system and; secondly, for the traditional and essential GATT activity of reducing trade barriers to be energetically pursued, with the adaptations that may be necessary to meet the requirements of a new economic environment.

It should be recognized that the instruments available to governments for dealing with the trade aspects of these problems are much more complex and sophisticated than those known to our predecessors in the GATT and reflected in the rules and procedures that they developed. We must take this fact into account as we try to cope with the problems in the period ahead.

It has also become clear to everyone that relationships between trade and monetary policies are closely interconnected. As a result, the Contracting Parties must be prepared to consider new kinds of problems calling for new policy measures and at the same time engage in closer and more intimate collaboration with the International Monetary Fund.

I am convinced, precisely because we face such a difficult situation as exists today, that it is all the more important that we mutually co-operate in upholding the principle of free and non-discriminatory trade which the GATT stands for, while doing our best to meet the special needs of developing countries. Restrictions on trade, whether they be on imports or exports, should be avoided. "Beggar-thy-neighbour" measures such as export subsidies, as well as import restrictions, could very well trigger a general trade war. We all know from past experience that confrontation between trade blocs can only be detrimental to world welfare and prosperity.

From this standpoint, I welcome the reaffirmation by the major trading nations at the recent IMF meeting of their intention to refrain from using such dangerous measures. I expect that these nations will likewise reaffirm this intention at this session of the Contracting Parties.

At the same time - as I have said - I do feel that the changing world situation calls for a reassessment of how the GATT should operate. For example, there seems to me to be now a pressing need for the contracting parties so to organize themselves that they are vigilant, are not caught unawares by the sudden emergence of new trade problems or critical events, and are better able to ensure that shortsighted, short-run policies that would plunge us all into deeper difficulties are avoided.

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It has become increasingly necessary for the contracting parties to concert their trade policies and to follow developments in the world economy with the aim of anticipating and forestalling disturbances whenever possible, or at least of keeping to a minimum their adverse effects. In this way the chances of the contracting parties maintaining control of the situation are considerably enhanced. And this is important, for in the present situation of the world economy there is little, if any, room for omissions, miscalculations or undue delays. The recent past has demonstrated only too clearly how rapidly new and major problems in international trade and strains in trade relations can emerge. The GATT must be geared to act expeditiously and effectively.

The Director-General has, as we all know, continuously reminded us over the past year of the importance of working towards the joint management of the trading system and has proposed the setting up of a new group for this purpose. This body of high level officials responsible in their respective capitals for commercial policy matters would be very well suited to carry through the concertation of trade policies and the closer collaboration with the International Monetary Fund to which I have referred.

It has also become necessary for there to be more bilateral and multilateral consultations within the context of the GATT to deal with the various trade problems that have arisen and that will arise. The solution of problems through consultation is a basic principle of the GATT. Various mechanisms exist for this purpose in the GATT and I have no doubt that these mechanisms should be strengthened to promote dialogues and co-operation between nations on a continuous basis to deal with the fluid and complex situations we face today. In this connection, I note with satisfaction that the Textiles Surveillance Body, which was set up under the International Arrangement on Textiles concluded last December, has functioned satisfactorily as an organ for increased understanding of the problems, and for reconciliation of the disputes, that arise in the field of international textile trade.

I am convinced the GATT will continue to be the forum where countries with widely differing trade interests and at different stages of economic development can consult and negotiate about their trade problems on the basis of contractual undertakings, and where the opportunity exists of translating into concrete terms and binding agreements the wishes and aspirations that may be articulated at the political level elsewhere.
The Multilateral Trade Negotiations

The pursuit of the Multilateral Trade Negotiations is now even more crucial than ever. In this difficult world, it will not be enough to mutually reaffirm our faith in trade liberalization; it will also be necessary to translate this faith into positive action by agreeing in the Negotiations to increase the flow of trade and bring about a more efficient use of the world's resources. I do not think it an exaggeration to say that the future of world trade depends to a great extent on how far we can provide a suitable framework for new international trade relations through the Negotiations. The Negotiations will also contribute greatly to the restoration of general confidence in the future of the world economy.

In this regard the fact that over 100 countries subscribed to the Tokyo Declaration last year cannot be over-emphasized. The number of participants in these Negotiations is almost double the number in the Kennedy Round and this gives the Negotiations a significance that is truly world-wide. The responsibility of the major trading nations is especially great in assuring that the Negotiations do in fact achieve the objectives contained in the Tokyo Declaration, namely the expansion and liberalization of world trade and the securing of additional benefits for developing countries. In this connection, it should be recalled that the Ministers who gathered in Tokyo in September last year made a firm commitment to pay special attention to the urgent needs of the developing countries in the trade field and to do their best to find ways to alleviate their difficulties. As you know, the additional benefits aimed at for developing countries are spelt out in detail in the Declaration. They are therefore part of the principles and guidelines to govern the Negotiations on which the participants have agreed and to which they are committed.

It is to be hoped that many of the critical problems in international trade relations to which the economic developments of the past twelve months have given rise will be taken up and resolved in the Negotiations.

In addition, the Trade Negotiations, and the reduction of barriers resulting from them, have a significant contribution to make, not only towards restoring confidence but also towards reducing the rate of inflation by improving supply situations, strengthening competition and facilitating the more efficient use of resources.
There is the further consideration that when delegations are engaged in trade negotiations, the fact that they are locked together in close and permanent contact facilitates any necessary withholding action and lessens the likelihood of intolerable strain on the multilateral trade system. At the same time, as experience has shown in the past, when governments are participating in multilateral trade negotiations, it is more difficult for them to have recourse to unilateral restrictive measures which they would be strongly inclined to take in this difficult situation were it not for the negotiations.

The Trade Negotiations Committee has in the past year conducted useful preparatory work. But now, the time has come to get on with effective negotiations. It is a good sign that it appears that the participants will soon be in a position to do just that. I sincerely hope that the contracting parties participating in the negotiations will reaffirm, at this session, their will to engage in effective negotiations with a view to their early conclusion, in accordance with the Tokyo Declaration.

Conclusion

We are nearing the end of a year in which we have experienced dramatic developments in international economic relations and it is certain that the coming year will be equally difficult.

It seems to me that the immediate duty of the Contracting Parties is to improve their means of co-operative action so as to preserve the multilateral trading system, and therefore international trade, from the dangers stemming from the current economic situation. This must be reinforced by the vigorous pursuit of the multilateral trade negotiations so as to give a positive response, through increased and freer international trade, to the threat of inflation and economic recession. All countries, both developed and developing, many of whom are particularly vulnerable to the present difficult and uncertain economic environment, have a vital stake in these efforts.

In concluding my address, I should like to briefly restate some of the suggestions I have made.

Firstly, I call upon the major trading countries to reconfirm, during this session, their intention to refrain from the imposition of import restrictions or the use of export subsidies to avoid their balance of payments difficulties.
Secondly, I wish to urge all contracting parties to reaffirm, during this session, their determination to make the utmost effort towards the solution of their trade problems through consultation and dialogue within the framework of the GATT and constantly to seek to satisfy the special needs of the developing countries.

Thirdly, I would urge all contracting parties participating in the Trade Negotiations Committee to be ready to enter into effective negotiations shortly, with a view to their early conclusion.

Fourthly, I would welcome discussion at this Session on the long-term aspects of the problems that confront the world trading community, as well as on GATT's future role in dealing with such problems.

It is my sincere hope that this Session of the Contracting Parties will show a large consensus with respect to these suggestions, which I am sure would contribute to the healthy development of world trade and of the international economy.

Thank you, and now I declare the Thirtieth Session of the Contracting Parties open.