THIRTY-FIRST SESSION OF THE GATT CONTRACTING PARTIES

Opening Statement by the Chairman
Ambassador Peter Lai, Malaysia
on 26 November 1975

This thirty-first session of the Contracting Parties to GATT takes place at a time of exceptional difficulty for international trade. Never before have the Contracting Parties met against such a background of falling trade, and of strong domestic pressures, in many countries, to raise new barriers against imports.

The world trading situation, however, is by no means wholly sombre. During the twelve months since we last met, consultations and discussions on international trade policies have, on the whole, evolved rapidly and favourably. A new consensus on the trade needs of developing countries is being forged. Great restraint has been exercised by most governments in their reactions to the present economic tempest.

In our debates, we shall of course have to discuss how best the Contracting Parties to GATT can contribute to overcoming the immediate difficulties and dangers facing international commerce. But we should also look further ahead: we should consider how to give fresh impetus to the more favourable recent developments in trade policy.

The General Agreement has been in force for a generation. Throughout this period, it has provided a basic framework of rules within which world trade has been encouraged to grow more rapidly than ever before. The rules alone, however,
would not have ensured GATT's success. Of decisive importance has been that, in sessions such as this, and in other meetings, GATT has provided an acceptable and effective forum in which our governments have been able to concert together so as to take joint action to deal with common problems, to work out agreed responses to new challenges, and to adapt, where necessary, existing institutional structures and legal provisions to changing circumstances.

This task is as vital and relevant as ever.

Events during this past year have, it seems to me, indicated unmistakably some areas in which the Contracting Parties must make renewed efforts if they are to preserve and enhance the effectiveness of GATT.

GATT and the developing countries

A first such area for our attention is the place of developing countries in GATT.

A signpost in this respect is provided by the recent special session of the United Nations on development and international economic cooperation. The special session achieved a real dialogue, and a final consensus that all our governments have welcomed. For the international community it was perhaps the most encouraging event of the year.

The final resolution of the special session covers many subjects long familiar to GATT. The concepts of a standstill in trade restrictions affecting imports from developing countries, of the importance of improving the GSP, of differential and more favourable treatment and so on, are not new to us here; most indeed are embodied in Part IV of the GATT itself or in the Tokyo Declaration.

If the task as indicated by the special session is unchanged, however, its context is not. The problems are old, but the perspective is now. We can now see the work of the Contracting Parties as an essential part of a concerted, worldwide effort to improve the lot of developing countries, both in their interest, and in the interest of improving international relations as a whole. We can recognize the clear political support that our governments have jointly given to this effort. It is now our responsibility to carry the work through in those many areas of the new consensus for which GATT is the competent institution.

That responsibility cannot be carried by a few countries alone. There is no need, I believe, for me to remind anyone that some hard decisions and a considerable capacity to accept changes and adjustments in existing policies and trading patterns will be required from the industrialized countries in particular. As the representative of a developing country, however, I want to appeal also to
developing countries to play their part by participating more fully in the work of GATT. Many, of course, already do so. But there are others who, although contracting parties, do not take advantage of the opportunities open to them. As more active participants in GATT, they will be able better to explain to their trading partners the nature of the problems they face. By joining in negotiations, they will be able to reinforce the joint efforts of developing countries to find solutions to these problems.

The dangers of the present economic situation

A second area for our attention at this thirty-first session must of course be the immediate economic situation, and its implications for international trade policy.

We are all aware that these are very difficult times.

Many industrialized countries have large balance-of-payments deficits; inflation has by no means been conquered; their industries are working well below their capacity; unemployment has reached unacceptable levels. It is inevitable, in these circumstances, that their governments are being pressed to adopt protectionist measures.

At the same time, the great majority of developing countries are encountering even more acute difficulties. The prices of their imports of manufactures, fuels and other essential commodities have soared, while markets for their own exports have been shrinking and export prices have turned down. Their balance-of-payments difficulties are generally more severe than those of the industrialized countries, and they are highly vulnerable to any further deterioration in the world economic situation.

Recent developments suggest that it would not be unreasonable to hope for some improvement in the economic climate in the not-too-distant future. In some key countries, the recession seems to have bottomed out. In others, there is reason to hope that recovery is not far off. But the situation is nevertheless still fragile and dangerous.

The recovery in world trade for which we can now justifiably hope would provide an immensely important stimulus to production and, even more, to confidence. The risk persists, however, that ill-judged restrictive measures by any important trading country could lead to a chain reaction of protectionist measures that would inevitably deepen and prolong the world recession.

The Contracting Parties can look with some satisfaction at the record of their actions in the past twelve months. With rare exceptions, they have shown full awareness of the current dangers, and have exercised great restraint in
their use of trade measures to ease their own national difficulties. It is of
the highest importance that all of our governments keep constantly in mind the
severe damage which any move to introduce trade restrictions could inflict on the
vital interests of other GATT members and on our shared desire for an early
recovery from the present recession.

In our discussions, I hope we can agree on two conclusions which seem to me
of particular importance. If both are directed primarily to the major
industrialized nations, that is the inevitable consequence of the fact that these
countries provide the markets on which world trade essentially depends:

The first is that in present circumstances developed countries should, more
than ever, be careful to avoid taking measures which would restrict their imports,
and in particular their imports from developing countries.

Linked with this first, broad, conclusion is a second, more specific, one. It
is that, as at our session a year ago, the major trading nations should reconfirm
their intention to refrain from the imposition of import restrictions or from the
use of export subsidies to avoid their balance-of-payments difficulties. By doing
so, they would affirm once again their common determination to maintain a liberal
trading system in the face of calls for protection, and would usefully reinforce
the confidence of the international trade community.

The multilateral trade negotiations

Closely linked with both the two main themes that I have so far suggested
for our debates, the developing countries in GATT, and the current economic
situation, is a third - the multilateral trade negotiations.

These negotiations have been a principal focus of our work for several years,
and are now absorbing a great part of the energies of delegations and of our
secretariat. They have long been recognized as the most ambitious worldwide
negotiations on trade ever undertaken. More recently, they have also come to be
seen as a valuable counter-pressure against protectionist impulses.

The task of guiding the Tokyo Round belongs, of course to the Trade
Negotiations Committee, which will be meeting within a few days. Nevertheless,
the overwhelming majority of participants in the negotiations are represented
in this room today, either as contracting parties to the GATT or as observers.

At the last meeting of the Trade Negotiations Committee, in July, there were
differing assessments of the progress achieved up to then in the Tokyo Round.
Many countries felt that the negotiations were moving as well as could be expected.
Others, however, believed that the negotiating groups were lagging unnecessarily
behind schedule, and many developing countries felt that insufficient attention
had so far been given to their problems. Since that time, the special session of the General Assembly has re-emphasized the commitment of the international trading community to secure a substantive liberalisation of trading opportunities for developing countries through these negotiations. A new round of meetings of the negotiating groups is now in progress. It would surely be appropriate that, at this session, we express our determination to push ahead with the multilateral trade negotiations in order to bring this immensely complex enterprise to early fruition. In this context it is essential that negotiations in the agricultural sector be allowed to move forward in step with other sectors of the negotiations.

Trade among developing countries

There remain two further themes that I should like to suggest for your debates.

The first is the opportunities open under GATT auspices for enlarging trade among developing countries.

The Contracting Parties can legitimately feel great satisfaction at the way in which an enterprise pioneered by them has now been universally recognized as a valuable tool in the service of development.

It was as long ago as November 1967 that the Contracting Parties acknowledged the potential for expanding trade among developing countries by a mutual exchange of trade concessions, and set in motion the negotiations that led to the present preferential arrangements among sixteen countries. Some scepticism was expressed when the idea was first launched. As you know, it has now been specifically endorsed by the recent UN special session in its recommendations on cooperation among developing countries.

The Tokyo Round will of course continue to hold the centre of the negotiating stage. However, I note with satisfaction that developing countries are not overlooking the possibilities open to them to enlarge the product coverage of these mutual preferential arrangements; and to add to the number of participating governments. The arrangements are already in existence; they are open-ended as to product coverage; and the present participants have made it clear that they would welcome further partners. The presence of teams of trade negotiators in Geneva for the Tokyo Round provides a genuine opportunity for self-help by developing countries. It ought to be seized fully.

The Group of Eighteen

Finally, I am sure that Contracting Parties will wish to take note with satisfaction of the establishment of the new Consultative Group of Eighteen. As you know, the creation of this group was suggested by the Director-General during 1974, and the proposal received wide support at our session last November. The Council has now brought it to fruition.
The Group of Eighteen has yet, of course, to prove its worth. There is good reason to hope, however, that GATT has acquired a most useful supplementary instrument to ensure that it responds quickly and flexibly to developments in the world trading situation.

The membership of the Group provides a balanced and broad representation of the Contracting Parties as a whole. Its terms of reference are such that it does not impinge on the authority of the Contracting Parties, the Council, or the Trade Negotiations Committee. The Group of Eighteen is not meant to be a body which makes decisions. Its purpose is to equip GATT with a group that will permit and encourage frank and effective discussion of trade problems at a high level, in a broad perspective, and with particular regard to GATT's continuing role in fostering and regulating trade relations among member governments. I believe that, as constituted, it should indeed be able to help the Contracting Parties to meet their responsibilities in following international trade developments, in forestalling or taking action to deal with, sudden disturbances that threaten their trade and trade relations, in co-ordinating their work with that of the International Monetary Fund, and in contributing to the development of future policies.

As you know, the Group of Eighteen has just held its first meeting, and appears to have launched its work successfully.

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As your Chairman, I neither wish, nor have the power, to limit the scope of your debates. I would suggest, however, that if we can discuss and reach a degree of consensus on the themes I have mentioned, we shall have made good use of the limited time available to us, and shall have covered the main issues which currently demand our attention.

Thank you. I now declare open the Thirty-first Session of the Contracting Parties.