We are about to embark on a Review of the General Agreement on Tariffs and Trade. You, Mr. Chairman, have outlined the vital importance of this task and it may be convenient if at this stage I state the attitude of the United Kingdom. Let me say first of all that when one embarks on a review it is worth counting what one stands to lose as well as what one stands to gain. All of us here stand to lose a lot if this Review should go in the wrong direction.

It is worth contemplating for a moment what we have achieved in recent years. Since 1948, when the General Agreement came into force, world production has increased by no less than a third and world trade by something like 40 per cent. Those gains represent solid benefits to all of us. I mention these matters because it is vital to remember at the outset of this Review that these events are not entirely accidental. There are many strands in this story. There is the great part played by the Organization for European Economic Cooperation in removing the quota obstacles which hindered European trade. There is the work of the International Bank for Reconstruction and Development. There is the Colombo Plan with all that it has meant to the Asian peoples. There is, and I think I am right to mention it, the generosity of the United States of America, who, by putting dollars out into the world through Marshall Aid and other devices have kept the impetus of world trade moving. Last, but by no means least, there is the General Agreement itself. The Tariff Agreements of the GATT and the acceptance of its long-term principles for reducing quotas and other obstacles have undoubtedly given a great momentum to this expansionist trend. All of us have shared in these advantages. If the trend were reversed, if we lost the totality of that achievement, it would be far more damaging to any of us than some marginal adjustments in our share of it. The need today is to reinforce these advantages, to give fresh impetus to our progress by strengthening the structure and the driving power behind it, but above all to study that we do not reverse it.

This Review poses many questions, of objectives and of methods, policy and of technique, and each of us will, of course give his own answer to these problems. I suppose in one sense we all know the kind of GATT that we would like. It would give the maximum flexibility for us and as much rigidity as we could manage for others. Freedom for our exports and a large scope to control imports from other countries. All the rights with none of the obligations. But of course we can't have it like that. The truth inherent in this Review of the GATT is that if we are to minimise the obstacles to trade then all of us, and I emphasise all of us, must accept substantial limitations on our freedom to restrict the trade of others.
Somewhere at some stage of these discussions all of us will have to answer the question which side of the fence we are upon, whether we want to restrict trade or to expand it. We in the United Kingdom have given considerable thought to this problem. Like others we have considered it in Government circles. We have considered it too in industrial circles on both sides of industry, and it raises great problems for us. But it is possible for me to say here that the United Kingdom, both Government and industry, stands solidly upon the side of expansion. We are for the General Agreement and not against it.

The case for the General Agreement is indeed overwhelming. Exporters need and therefore trading countries need some stability of tariff rates. The GATT provides that stability. Exporters need some clear rules limiting the use of quota restrictions. The widespread use of quotas for protective purposes could reverse the present trend of world trade more rapidly than any other single factor. These needs are important at any time. They have gained additional importance through what is known as the Collective Approach. We and other Commonwealth countries have proposed and discussed with our friends in the United States and Western Europe collective policies to restore convertibility of currencies and to work together for wider trade and freer payments. It is a collective task, that is why we call it the Collective Approach.

This is not the time or the place to embark upon the question of convertibility; except perhaps to say this. The talk of making currencies convertible is meaningless and indeed dangerous, unless you can conduct the trade with which to back the currency. Wider payments must be matched by wider trade. That is true of all currencies, but most of all it is true of world-wide currency like sterling.

It is these thoughts, this view of our mutual advantages, that determines our approach to this Review. Our purpose in the United Kingdom can be plainly stated. It is to re-affirm the GATT and to strengthen it. We want a stronger GATT and not a weaker one. We want it both for its direct advantages and as the necessary basis for any move in the direction of convertibility.

Now for the practical issues of the GATT Review. I would like to start with the question of tariff stabilisation, and Article XXVIII. This is an instance of a dilemma. The dilemma of stability or freedom. What we need to do here is to find a method of reconciling on the one hand the natural interest of each country to have greater freedom to renegotiate bound rates of duty with, on the other hand, the over-riding objective of preserving the general stability of tariffs in the interests of all. What we propose, so far as the United Kingdom is concerned, is that the time-bar on the use of Article XXVIII should be extended until the end of 1957. But we recognise the difficulties. It may be necessary for Contracting Parties to authorise the renegotiation of bound rates in cases of special urgency or other exceptional circumstances. I think we must also keep open the possibility that the time-bar may be temporarily lifted if a General Tariff
Conference is held before that date. Finally, we would wish to amend Article XXVIII by replacing the ultimate right of unilateral action under that Article by procedures for arbitration by Contracting Parties within a reasonably short specified period.

So much for tariffs which is the receiving end of the trade pattern. Now let us look for a moment at the other end. There must surely be no distortion of trade at the exporting end by artificial methods. We must in this Review grapple with the question of export subsidies. The United Kingdom Government have consistently stressed the need for strengthening the provisions of GATT on export subsidies. We think it essential that this problem should be tackled seriously and constructively in this Review, and may I say that this problem is of increased significance in a world which is seeking wider trade and payments.

I would now like to mention for a moment the problems of the Colonial Territories. These problems are partly provided for already by the Article XVIII provisions for under-developed territories. Under Article XVIII it is open to the United Kingdom or any other metropolitan territory to seek on behalf of a Colonial territory approval for special measures which that territory wishes to take for the purposes of development. But this does not fully meet the difficulties. There may be cases where the industry to be developed depends not on the limited domestic market of that territory but on export to the metropolitan country. We would wish to seek arrangements within the framework of the GATT to deal with these needs individually as they arise. I would emphasise that no benefit is sought for the metropolitan country concerned. The benefit is intended for the Colonial territories alone and I hope that other Contracting Parties will aid us in finding a solution to the problem.

Fourthly, with regard to organisation. All of us here, if I may be allowed to say so, Mr. Chairman, admire the work of the GATT Secretariat, and I would like to pay a tribute to the way in which that organisation has worked. We do not wish to see it develop into some mammoth international organisation. It has worked well as a small group with a small staff of some 30 people, and I hope it will continue on broadly the same lines. Some developments may, however be desirable. It is essential that proper working relationships between Contracting Parties and the International Monetary Fund should be developed. It is important that representatives of the International Monetary Fund should be closely associated with the Contracting Parties in reviewing these matters, and we would support any small organisational changes to bring this about. One word as to the scope of the Agreement. The United Kingdom would favour the inclusion in the GATT of a provision enabling the Contracting Parties to extend the scope of their activities. In this connection we would suggest a study of the possibility of a supplementary agreement on commodity policy.
I come now, Mr. Chairman, to what is I think the heart of the matter. The question of quota restrictions. The United Kingdom Government attach the highest importance to preserving unchanged provisions of Article XI. It is basic to the objectives of the Agreement that these rules governing and limiting the use of quota restriction should be reapproved and strictly observed by all Contracting Parties. Quota restrictions for balance of payments purposes are permitted by Article XII, and in existing circumstances we regard the present provisions of that Article as adequate.

But we must look ahead. In conditions of convertibility it would in our view be essential to tighten the rules. The United Kingdom Government consider it to be of the greatest importance that in those conditions restrictions imposed and maintained for balance-of-payments reasons are fully justified and are not retained longer than strictly necessary. They propose, therefore, that the principles of Article XII should be reinforced in two ways. First, that all restrictions imposed under this Article should require the approval of the Contracting Parties and secondly, that the extension of such restrictions beyond one year should be subject to prior approval and in any event limited except for under-developed countries to a time-limit of one extra year. I emphasise that this tightening of the rules is relevant to conditions of convertibility. In such conditions too we must have fair and adequate arrangements whereby it is possible to organise trade discrimination against a country whose currency is found to be scarce. The United Kingdom would accordingly suggest widening Article XIV:5(a) to permit the imposition of discriminatory trade restrictions where a general scarcity of currency is found to exist under Section 1 of Article VII of the rules of the International Monetary Fund.

These in brief are our principal proposals. They will of course be fully elaborated in later discussions. I would only say this at this stage, that our policy of tighter trade rules and in particular what we propose for quantitative restrictions involves us in risks. We have given long and anxious thought to these problems. The United Kingdom is prepared to take these risks, but we cannot taken them alone. Others must move with us. We appreciate the difficulties of many governments in removing agricultural quotas. We ourselves have similar problems with our own agricultural producers. There is I suppose not a country here that is not under pressure to take some step to protect some industry in a manner inconsistent with the GATT. But if we attempt to legitimise any breach of the Agreement extant or intended we shall create great difficulties for all. Always at any time there must be a number of countries faced with problems of this kind, but we would do better to seek their reduction and elimination rather than to torture the Agreement in order to accommodate them. If we start along that road whether we do it by substantive amendment or by procedural arrangement we should find ourselves on a very slippery path. The exceptions will not be limited to one country or to one commodity, and any country which starts us on this road will bear a very heavy burden of responsibility.

Lastly, as to tariffs, the sooner we can get into a position where tariff negotiations are possible the better, but they must be international negotiations. They must include the United States of America with the freedom that any new legislation can afford them. We cannot in the United Kingdom negotiate in groups. Our trade covers the world, and our negotiations must cover the world.
If I might then summarise the United Kingdom policy. Our policy is to reaffirm and strengthen the GATT. We for our part are prepared to run the risks inherent in this policy. We have powerful advantages and rewards to offer. We are a very large market and we have a world-wide currency. The availability of that market and the strength of that currency are assets for the rest of the world which they cannot afford lightly to discount. But we cannot advance along this road alone. We cannot move faster than others are willing to move with us. We must all of us try to do this together.

I will conclude by saying this. I have no doubt as to the importance of these discussions. The pressures for expansion in the world are matched and threatened by all sorts of pressures for restriction. It would not take much to tip the scale against the GATT and all it has hitherto striven to achieve. We could easily plunge into a downward spiral of import restrictions and reduced world trade. We could buy marginal protection for a few industries at the price of casting aside the real opportunities which lie ahead. We are living in a second industrial revolution. Our sources of power, our techniques and our skills can bring untold prosperity. Perhaps the direction and certainly the rate of our advance will be largely determined by our discussions during the next few weeks.