One year has passed since we decided to undertake a revision of the GATT, and in that year it has become quite obvious that the trade problems of the world are urgent enough to call for an early solution. The creation of a worldwide system of free trade and payments has become the acute subject of all international deliberations in the field of commercial and financial policy. There is no doubt that the GATT is among those organizations which are expected to make an effective contribution towards the solution of these problems. President Wilgress, in his opening speech, pointed out that we have arrived at a crossroad in the history of the economic relations between nations, and that it is very important that we choose the right way. The very fact that this Session is taking place and the interest of the delegations in making further progress seem to entitle us to be hopeful of finding good solutions which carry us beyond the individual interests of countries and keep us mindful of the great aim of promoting the international trade throughout the world and of increasing the wealth of all nations, as set forth in the preamble to the GATT.

During the sessions of the GATT in recent years, we have fortunately always been fairly severe judges of our own efforts and of the results achieved by this Organization, and we certainly were not spared all sorts of criticism in the wider public. Nevertheless, credit is due to this Organization for the fact that the international trade relations have visibly improved in the last few years. The trade of the world has had quite a revival, and, what is more, the climate of international trade relations has improved. Restrictions in foreign trade have declined throughout the world, and the spirit of cooperation, the consciousness of a community of interests, has gained ground. In a similar manner, nations have shown greater readiness to settle disputes and conflicts of opinion according to the rules of procedure set forth in the GATT. This merits particular attention, despite or perhaps because of the many complaints which burden the agenda of our meetings.

In the meantime, a number of countries, by exercising internal discipline, have managed to consolidate their monetary position in such a way as to enable them to introduce at the same time an ever-increasing element of freedom into their foreign trade; they have now come very near to a stage where their currencies will become convertible. Such an action, to be taken on the widest possible basis, is no doubt in the interest of all countries. But if it is to be successful, then it will be necessary - and this necessity is generally recognized - to establish and adhere to uniform rules of the game in the international trade.
For only the attraction of a good order—will enable the free-world to reach economic unity. The public of the whole world expects the GATT, being what it is, to do a good job, a pioneering job, and to make it clear what the rules of conduct in commercial policy should be. In working to this effect, we should always remember that we are not called upon to formulate a lofty ideal but to set up principles for our day-to-day conduct—which is going to be a good deal more difficult.

This matter has been dealt with in other organizations, and it has been learned how many specific problems are entailed in any serious attempt to formulate generally binding trade rules. The greater the number of countries concerned, the wider the divergencies in their situations and their economic policies, the greater are obviously also the difficulties which are encountered in the attempt to arrive at a general formula. Nevertheless, we will have to grapple with this problem. It would seem to me that it will not be possible to set up an elaborate system of trade rules which would right from the outset take account of any possible eventualities and interests. I would rather say that we should, for the time being, limit our efforts to formulating the great guiding principles and to ensure adherence thereto. That much is certain; however, the organization of the GATT must be converted into a much faster and also more effective machinery which is able to deal currently with any specific problems which may arise and to overcome deadlocks and difficulties into which countries may run.

In this connexion, I feel I should perhaps make some general comments on the basic rules which the GATT is called upon to work out:

The GATT must stick to the basic rule that quantitative restrictions in the foreign trade, which are already permissible only to forestall the imminent threat of or to stop a serious decline in its monetary reserves—this is, at least, the general rule—should be discarded by countries with convertible currencies. Where a country is still permitted to maintain quantitative restrictions for balance-of-payments reasons, it should be obliged to abolish such practices as soon as possible and to make every effort to overcome such balance-of-payments difficulties by measures of internal stabilization or by an expansion of its foreign trade. I consider it an important task of the GATT to help the contracting parties in this effort and to establish the platform for any agreements to this effect.

Another important principle embodied in the GATT is the general obligation to avoid discrimination in the foreign trade. Where discrimination is still permissible under the GATT, for balance-of-payments reasons, emergencies should likewise be overcome by dynamic means such as an intensification of foreign trade. The transition of one or several countries to convertibility in particular seems to involve a danger of discrimination as between countries with convertible currencies and other countries. In this moment, it will be of the greatest importance to ensure that the international trade is not again split up by groups and areas, which, guided by different principles, move farther and farther apart instead of closer and closer together. If this were so, if countries outside...
the convertible area remained stuck in the bilateralism, and, by practising discrimination against the trade of convertible countries, tried to secure for themselves an economically unsound protection and, on the other hand, compromised the monetary position of the convertible countries, then such a convertibility within a limited group would remain just patchwork.

In the last few years, considerable progress was made in the liberalization of foreign trade within the framework of various groups comprising countries heavily engaged in international trade, e.g. among the member countries of the OEEC. Care must, therefore, be taken, to ensure that the high level of liberalization reached by such groups be maintained even in a larger and wider trade and payments system. We feel that the transition to convertibility is best promoted by a homogeneous group of countries which are tied to each other by special systems of economic cooperation as exemplified by the OEEC. In such a group, it should be easier to agree on concrete measures destined to tighten the trade rules necessary for the transition to convertibility. It is, however, a prerequisite for any such procedure that such arrangements be deemed to be compatible with the rules of the GATT even if the scope of the liberalization reached within the OEEC cannot at the same time be extended to all other monetary areas.

The financial measures to this effect will have to be supplemented by corresponding arrangements in the field of commercial policy. It is a fact that merits attention and should be emphasized that the foreign trade of all countries of the world has considerably benefited from the liberalization of trade within those groups.

I am very anxious that we should avoid framing those principles and rules which we want to see respected in a rigid and legalist way. We should not set up any provisions which are likely to be observed with more or less reluctance by the contracting parties concerned - or which are even likely to be evaded. While the new trade rules must pursue the obvious aim to free the flow of trade and payments from all restrictions, they must also maintain a sound degree of competition even where the maintenance of certain temporary measures of protection would appear to be justified for a certain period of transition. Protective rules or exemptions which cause the foreign trade to freeze in a given condition are in the long run certainly not in the interest of those for whose protection they are intended, so the dynamic forces of the market and an optimum of competition should be maintained here as elsewhere.

If we approach the principles of foreign trade in this spirit, a more realistic view of the actual situation of the various economies is really a necessity. In many countries, even those which have already convertible currencies or get ready for convertibility, there remain certain needs, even pressing needs, of protection for one or another economic sector, which implies, of course, certain restrictions in the field of foreign trade. Now, what should be our attitude à-vis this important and very concrete problem? Should we admit exemptions for individual countries, for certain commodities

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or for entire economic sectors, agriculture, for instance? That would not look like a good way out. I do not think we shall be able to get over this problem by any specific provisions or special rules, however elaborate they may be.

I have the courage to say quite frankly that it seems to me that the present ruling, under which countries which apply quantitative restrictions can invoke those well-known Articles XII and XIV of the GATT, which means to say, they can pretend balance-of-payments difficulties, really wants to be corrected, for if we continue this way, we all will in the end be suspected of lacking honesty and truthfulness. We all realize that it is very difficult to fix the criteria by which the existence or not of such facts is to be judged. These Articles are not going to help us along in our efforts to solve this complex and common problem, because they put at best those countries under pressure, which strive for an internal balance, while countries still lacking stability at home remain at liberty to evade those rules of the game which should be binding for all. Thus we risk a steady widening of the gap between those groups in the GATT, instead of seeing to it that it is narrowed.

To substantiate this statement, I should like to recall that the consultations, which, after all, have been going on for four years, have not really had the desired effect — a permanent improvement which might have helped to narrow the gap.

It might be pointed out that the GATT has not that force which would be necessary to tie the nations really close to each other, but this will help us only if it brings about a tightening of the organization or, which would be even better, all countries muster up the determination and the strength to remedy this situation out of their own responsibility and in their own best interest.

It seems to me, therefore, that it would be good if we were to recognize that there are factors other than those related to the balance of payments, namely economic, social or sociological factors which would seem to justify a but gradual transition in certain fields from the present situation to complete freedom. Since it is already acknowledged that under-developed countries should enjoy a special status, I think it would only be fair if the advanced countries would not be subjected to an absolutely rigid principle either. I do not, therefore, advocate a relaxation, but rather a tightening of Articles XII and XIV, but it is for this very reason that I feel these Articles should not be stretched to cover situations which really have very little to do with the balance of payments. I do not think I would be suspected of trying, by this proposal, to open comfortable loopholes or excuses. I rather think it would help us to advance more rapidly towards our common goal. The experience gained and the progress made within the OEEC should be sufficient proof to substantiate my argument. Before that forum, as well as in this Organization, I have always pleaded for a more rapid progress, but I do recognize that we were in the end rewarded for developing, under the compulsion of circumstances, a little more patience.
Let me, then, suggest that all countries represented in the GATT put their cards on the table at a given moment - preferably right now - and to confess the sins of their commercial policy, if you want to put it that way. Each country should explain, and give the reasons for, those restrictions which it feels compelled still to maintain for a while.

That would enable us to see the whole picture as it really is, what the chances are and what order of magnitude is involved. I am sure that countries, when called upon to justify their restrictions, would explain that most of them are just temporary emergency measures and that they would be ready under certain conditions to abolish those restrictions entirely, or at least to eliminate them gradually during a certain period of transition. Each country would, of course, have to apply the appropriate internal measures to get at the roots of these needs for protection. At the same time it will be expected that any such country would not simply close its markets to the commodity concerned but, in its own best interest, reserve a fair proportion of its markets to imports and thus to permit some wholesome competition from abroad. It must be the rule that in those markets and sectors which are for the time being recognized by the GATT as meriting protection, a liberal import policy should nevertheless prevail. To illustrate this point, I should like to explain that the Federal Republic, while maintaining certain restrictions on the import of fruit, vegetables, southern fruit, and wine, has nevertheless imported those goods, in 1953, to a value of about one billion DM. This means, in terms of volume, an increase in the import of these goods in 1953 to 170 per cent of the average imports in 1935 through 1938. A further tangible increase will be recorded for 1954, as far as we can judge from the present situation.

Thus the Federal Republic has opened its markets to goods from abroad as far as it could reasonably be expected. The important thing is that we want to place quantitative restrictions in the various countries under a permanent supervision and, as productivity increases, proceed to their gradual elimination. The Organization of the GATT should become a steadily operating, effective instrument to this effect, but if this is to be achieved, our Organization must be able to react without delay.

Let me now turn to the question of the underdeveloped countries. I agree that it is only fair that this group of countries should be granted easier conditions in the application of tariffs and trade restrictions for a certain period of transition and under certain conditions. Any misuse of this privilege would, however, entail dangers for that country which are anything but negligible. If the seclusion of a market and the discriminatory and selective allocation of the means available to pay for imports lead to the setting up of industries or workshops which cannot subsist on their own, then such a policy is bound to perpetuate the isolation of such countries and will entail the worst social and economic consequences for everybody. Care should, therefore, be taken to ensure that those countries work out well-balanced and realistic programmes for their own economic development and for a better standard of living for their peoples, programmes which would operate on a broad basis.
We shall also advance more rapidly towards our common goal if those countries which want to enjoy such a privilege undertake to pursue a sound financial policy and in particular refrain from any unsound manipulation of their currencies and their rates of exchange, as these are only too apt to distort the markets and the competitive situation throughout the world. Even where new branches of production are to enjoy temporary protection — a purpose which I certainly understand — it is still in the best interest of the countries concerned to expose these new industries progressively to the wholesome effects of competition from abroad. The underdeveloped countries frequently refer to the economic history of the highly industrialized countries, but we should not overlook the fact that these countries have reached their present high level in a process of extremely keen competition among each other and that these industries laid their foundations at a time which, fortunately, was innocent of anything like quantitative restrictions in foreign trade.

The highly questionable practices which have meanwhile developed in the field of financial and economic policy have become a plague for the free world, and it would thus be a relief to get rid of them. The same evil is at the root of bilateralism which should be challenged by an organization like the GATT. Even though one country or another may still consider bilateralism indispensable, the present situation being what it is, this makeshift solution should not mislead us to believe that an inferior economic system can yield better economic and social results than a proper and good order would.

I even think it is the duty of the GATT to take a clear position in this matter.

I would not want to conclude my statement without stressing the importance of our tariff agreements. The edifice of our agreements reached at Geneva, Annecy and Torquay represents one of our most valuable achievements so far. We all are under the obligation to maintain these achievements, and I recommend, therefore, that we extend those undertakings for an appropriate number of years. Besides, we should further pursue our old plan for a general and progressive lowering of tariffs. I welcome in this connexion the comments of my Belgian colleague and the initiative of the United States Government, which has made new suggestions on this subject. The encouraging message of President Eisenhower, which points in the same direction, has filled us with new confidence.

Apart from this, I would recommend that the GATT should extend its efforts to other important fields. I should like to mention the problem of artificial aids to exports and the mere technical points which are covered by the common denominator of administrative protection. I appreciate the valuable and successful efforts which the GATT has already made in this matter, efforts which we should continue with untiring persistence.
Particular attention should be devoted to the activity of international cartels. We all are aware of those practices which aim at the elimination or restraint of competition, and the distribution of markets and outlets by the establishment of quotas, restriction of production, prevention of new developments and the like. Mindful of our higher order of responsibility, we must not silently accept a situation in which private agreements of this kind disregard and undermine the objectives of the GATT, which are designed to bring about a free development of trade. This phoney economic policy of cartels certainly should not be honoured with the epithet of "order". The GATT should take a clear position to the effect that it is up to governments only, to formulate and to enforce the economic and commercial policy. For this very reason it would be a great step ahead if we agreed that all international cartel agreements should be notified to the GATT and if this Organization should keep the policy of such cartels under review to see that no abuse is practised.

As regards, finally, the organizational and legal questions of the GATT, I would not recommend to weaken the present powers of the Contracting Parties. I must admit, however, that I do not think sanctions and coercive measures will be very useful either. Experience has shown that coercive measures yield but little practical results. It is a good deal more promising to try to apply practical aid and to eliminate difficulties by way of compromise, provided we are all men of good will and travel on the same road. In any case, the Organization of the GATT must be rendered more flexible, quicker to react, and more efficient. In approaching the great problems and the important tasks with which we are faced, an organization of the present kind will not be sufficient. It will rather be necessary to build up the Organization of the GATT and to give the GATT bodies of leading men in the field of commercial policy which enable it to participate without interruption in the international efforts to solve the problems before us. What I have in particular in mind is a permanent cooperation with the International Monetary Fund and the OEEC. The GATT should become the big international clearing-house of commercial policies, in which the commercial interests of the entire free world get together and find a balance. In the past seven years, the GATT has been a close tie which kept the nations of the free world together and combined them at least in the idea of common principles of commercial policy. Since this tie has not been disrupted under the burdens of the past years, we are entitled to regard the future with confidence. We will not, in the long run, be successful if we just adopt legalist formulae or resort to mere artful devices. There is no master key for the problems which we have in mind, but if we bind closer and closer together, in one mental and moral attitude, then the solutions to be found may well be good ones which will operate to the benefit of all of us.