Speech by Professor J. Zijlstra, Minister of Economic Affairs, (Netherlands) delivered in plenary session on 9 November 1954.

In this historic city, on which public attention has so often been focused, it is almost impossible to speak without raising one's mind back to those who, in the past, have pleaded here for greater economic cooperation among peoples. Recalling those pleas, it strikes me again and again that those who met here about a quarter of a century ago, to deliberate on the possibilities of a freer international trade, certainly cannot be said to have lacked knowledge, insight or foresight. On the contrary, Mr. Chairman, their words still have great topical value; indeed, considering the time at which they were spoken, they are of an alarming topicality. For in those eventful years around 1930, too, eminent representatives of a great number of countries, gathered in this town, repeatedly pointed out the dangerous consequences of delay in a well-considered action to pull down the barriers that stood in the way of a free expansion of international trade.

An instructive account of what was enacted in those years is reflected in the speech which Dr. Colijn, Chairman of the 1930 Economic Conference, made before the European Committee of the League of Nations. The picture which Dr. Colijn had to draw was, in his own words, a gloomy one full of menacing dangers. In his address he made one more passionate appeal to the European Ministers of Foreign Affairs to consider the serious consequences which the steadily growing protectionism was bound to have for Europe and the rest of the world. We know now that his appeal failed, and we know, too, what fatal consequences that failure has had.

Mr. Chairman, we may call ourselves fortunate that the international talks on freer international trade which started immediately after the late war did have results. I am thinking in particular of what has been achieved within the framework of the GATT and the OEEC. This might go to show that we have learned the lesson of the past, if it were not for the regrettable fact that in the past few years we have got into an impasse. I consider this all the more serious because I am firmly convinced that the invariably favourable economic trend could make it possible for us to proceed on the same road we took after the war. I have to record, however, that we have deviated somewhat from our course. This is to be regretted, for those who set it out were, I think, expert navigators.

Now I believe, Mr. Chairman - and I feel supported here by the experience gained from our cooperation within Benelux - that under satisfactory economic conditions, such as we have at present, the drawbacks of a wider throwing open
of frontiers are exaggerated. Vigorous economies do not collapse when they meet on the home market with the competition they have for many years resisted on the markets abroad in far more difficult circumstances. It has appeared in practice that trade and industry have great powers of adaptation, and that even with frontiers wide open and a satisfactory economic situation, shifts will remain limited, because the natural advantages which the home industry enjoys on the national market are generally greater than is supposed.

The development of Benelux cooperation is most instructive in this connexion. The progressive policy which the governments of Belgium, Luxemburg and the Netherlands have had the courage to pursue in liberating their mutual trade has enhanced the prosperity of the whole Benelux area. The volume of trade between the three countries is double that of before the war, while the trade between the countries of all Western Europe has increased only by one-half. An important feature is that this expansion of trade between the Benelux countries has been in both directions. At first Belgo-Luxemburg exports to the Netherlands increased faster, and then Dutch exports to Belgium and Luxemburg rose more rapidly. But during the past two years the trade between the three countries has been characterized by great stability.

All this emboldens me, now that the Ninth Session of the Contracting Parties has begun, once more to bring up, for an integral discussion, the problem of liberating international trade. The moment also seems opportune, because in discussing the re-establishment of convertibility the effects on commercial policy play a major part. In this connexion, Mr. Chairman, may I stress once again that the Netherlands attaches great value to such a restoration of convertibility, but only if there exists adequate certainty that it will not be attended by new trade restrictions.

At this meeting, Mr. Chairman, the representatives of Governments have assembled to take counsel on the future development of international cooperation in the economic sphere. They now have to take the crucial decision as to whether this cooperation is to go in the direction of a further demolition of the barriers that hinder international trade, or whether they will take the baleful course of protection. There is, in my opinion, no third way. The Benelux Governments hold that governments should now declare themselves definitely in favour of freer international trade, and further, Mr. Chairman, that they should show their willingness to adapt their practical policies to this standpoint. Viewed in this light, the decisions to be made at this meeting may well be decisive for the future development of international prosperity and employment.

Mr. Chairman, I believe that the fear of a truly progressive policy of liberating international trade is largely a fear of its repercussions on employment. I would point out, however, that neither tariffs nor quantitative restrictions will in the long run promote employment. They only afford a temporary relief to those countries which are foremost in the fatal race for more protection of their own interests. But as more and more countries take part in this race, the protective measures will turn as a sharp double-edged sword against their own economies. The nineteen-thirties demonstrated the pernicious consequences of the notorious beggar-my-neighbour policy at its worst.

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The maintenance of a high level of employment is a problem that will find an enduring solution only if we succeed in creating the conditions of a coordinated cyclical policy. This problem covers a wider field than that which we are discussing here, but among its essential aspects is at least the stabilization of tariffs, when the business-cycle is on the downward trend.

Apart from an internationally coordinated cyclical policy, I would advance a plan for a structural policy resting on international foundations. Such a policy will have to be aimed at stimulating the expansive forces that are abroad in the world.

We are in the midst of a process of new technical developments which makes a further rise in productivity likely. There are great possibilities of expansion in raising the prosperity of underdeveloped areas. A proper use of these possibilities is of great significance for a further increase in world prosperity. Government policies will have to aim at giving these expansive forces the fullest possible scope, but they should be based on international foundations. Expansion requires room, and the national markets offer too little scope in this respect. A narrow national policy of expansion is bound to fail through a shortage of outlets. A really effective expansion requires not only a larger home market, but also a larger export market.

From an international point of view, this means that all countries should have free access to each other's markets. It is a matter of interaction; for on the one hand the liberation of international trade is an essential condition of an expansive policy, while on the other hand such a policy may considerably facilitate that liberation. Adjustments in the structure of production are most easily brought about in expanding economies than in stagnant economies.

This, Mr. Chairman, leads up to the thesis that, if we are to maintain full employment and the highest possible level of prosperity all over the world, it is essential that we should liberate international trade. This should be the guiding principle in international consultations on the problem of world trade.

Mr. Chairman, this is the background against which I would place the Benelux view of the problems under consideration. The times are propitious - I repeat it - for a sustained and energetic effort to liberate international trade.

In stressing the need to reinforce the obligations of contracting parties to the General Agreement, I have especially in mind two principal kinds of trade obstacles, namely, tariffs and quantitative restrictions.

I fully realize that one cannot deal with tariffs and quantitative restrictions in exactly the same way, as they are different in nature, and are generally used for different purposes. They may even become harmful in different circumstances. In too many cases, however, these two major impediments to the expansion of trade do have similar restrictive and protectionistic effects.
Therefore, these measures if not applied with moderation, can surely be said to disrupt in exactly the same manner that free flow of trade which is essential for a stable and healthy world economy.

I am sure that those here who recognize this similarity will agree that the rules and obligations covering the one type of trade obstacle cannot be considered without taking account of the situation prevailing with respect to the other type. No set of trade rules can be said to present a well-balanced basis for multilateral trade if it contains provisions with respect to the one and not to the other. A strict set of rules in the one field could also easily be frustrated by abusing liberties in the other field. To be more specific, one can hardly raise objections when countries like the Benelux partners, having a low tariff of import duties and meeting high tariff barriers abroad, maintain that no mutually satisfactory conditions prevail and that something has to be done about it.

Perhaps, Mr. Chairman, I may now be permitted to outline the way in which, in my opinion, the rules of the General Agreement might be improved.

As far as quantitative restrictions are concerned, the Benelux Governments strongly endorse the views of those members who wish to strengthen the present GATT rules on this subject. The basic objective contained in the present Article XI that quantitative restrictions should be eliminated, is a good one and has to be reaffirmed. But the exceptions to that rule contained in Articles XII to XIV have, however, proved to be too elastic. In the past years the basic rules condemning the use of quantitative restrictions for protectionist purposes has been to a great extent nullified by the abuse made of the provisions allowing quantitative restrictions for the purpose of safeguarding balance-of-payments positions.

I know that for some countries it is difficult to do away with measures of protection but it has to be done, and I hope that the present members will show the same courage as our predecessors of 1947 in condemning the use of quantitative restrictions for purposes of protection. A resolution to this effect is not, of course, of equal significance in all sectors of the economy, and I realize for instance the special difficulties in certain fields of agriculture. The Benelux Governments are convinced, however, that special regulations for trade in agricultural products have to be avoided as much as possible.

A rule banning quantitative restrictions would not be practicable if no exceptions at all were provided. But experience has proved that the number of such exceptions must be limited to the minimum and that the relative rules must be as stringent as possible to avoid abuse.

I think the only major exception for which we have to provide must be, as stated in 1947, the one allowing the temporary use of quantitative restrictions by countries faced with a serious decline in their monetary reserves. The present provisions in that respect, however, will have to be re-worded and
strengthened. At the same time, they might be shortened and simplified. The main objectives of such a revision ought to be that countries having recourse to these Articles do not maintain quantitative restrictions longer than necessary and do not apply them with other intentions in mind than that of restoring the balance-of-payments position.

To make sure that the rules are respected and that no undue harm is done to the interests of other countries, I would like to stress the need for adequate machinery to bring the application of quantitative restrictions under the full control of the Contracting Parties. At the same time, a flexible form of cooperation between our organization and IMF will have to be worked out.

Before concluding my remarks on quantitative restrictions in general, I should like to draw your attention to a special point that has some relation to the subject we are now discussing. As you all know, a few years ago some member countries took an important step by instituting the European Coal and Steel Community. Such a creation of a real common market, controlled by a supranational institution on behalf of which the participating governments transferred part of their own sovereignty and responsibilities, has to be considered as superseding the obligations embodied in the General Agreement. It seems obvious that the transfer of sovereignty implies ipso facto for the members of such a community that they are unable to operate within the General Agreement in those fields where they do not themselves have national power or authority. So in reviewing the rules of the General Agreement, we shall have to take this new construction into account.

Similarly, due consideration must be given to the possible establishment of a special régime of a very intimate economic cooperation whereby, for instance, a group of contracting parties would engage themselves to mutual assistance in balance-of-payment difficulties exceeding the IMF resources.

Proceeding now to the various problems existing in the field of tariffs, I would like to say that my Government is not without appreciation of the achievements of the Contracting Parties, particularly with respect to the stability of tariffs, as foreseen in Article XXVIII. We are, however, faced with two serious deficiencies which are closely inter-related. The first one is that during the past few years no progress has been made in further reducing tariffs to reasonable levels; the second one that, contrary to the situation with respect to quantitative restrictions, the General Agreement does not contain a specific objective with respect to tariffs and no specific obligations governing the reduction of tariffs which are providing an unjustified and unreasonable protection to domestic industries.

Without satisfactory rules in this field the General Agreement would be insufficiently balanced. In addition the serious disparity of tariffs between one country and other still prevailing at present would not be tackled and would bar the way to the establishment of equitable and reciprocally advantageous trade conditions.
The Benelux Governments consider it of essential importance that a set of provisions be included in the Agreement compelling members to reduce all tariffs that constitute an obstacle to trade and are not compatible with a normal and moderate measure of protection of domestic industries, having due regard to the interests of other countries. This of course makes it necessary to define as accurately as possible which tariffs can be considered reasonable and which tariffs will gradually have to be reduced. Such provisions will have to be further discussed and elaborated. As a working basis for such discussions, our delegations have submitted a draft Article which incorporates certain general ideas at the back of the GATT plan for reduction of tariffs which, as you know, has been generally accepted by the Benelux Governments.

To complete my comments in the field of tariff policy, I may add that although the need to reduce tariffs and to eliminate their disparity is foremost in our mind, we do not overlook the importance of assuring a high degree of stability in this respect. I have already recognized the importance of Article XXVIII, and a provision of that kind will certainly have to be maintained in the new agreement. Although experience has shown that a certain flexibility is needed for a number of countries, I feel that such flexibility must be compatible with a general stability, certainly when a greater degree of agreement should be achieved with regard to the objectives of international tariff policies.

Mr. Chairman, I have spoken in some detail about quantitative restrictions, tariffs and about general rules governing import policies. Apart from these, the rules with respect to export policies will, in my opinion, also have to be taken into review. In some cases, for instance, export subsidies and so-called export promotion schemes may equally disturb a sound development of foreign trade relations. I do not wish to prolong my present statement by elaborating my views on this subject but I think it is clear that we must all reserve for our delegations the right to bring forward additional suggestions in the further course of the debate.

During the discussions my delegation is prepared to have an open eye for special interests of our partner countries. We realize in particular the special position in the field of quantitative restrictions and tariffs of countries that are still in the process of economic development.

I myself am representing here not only the Netherlands, but also the lesser-developed Overseas Parts of the Kingdom. In our opinion it will be appropriate to draw up special rules for this kind of country and not to apply fully to them the stronger and more drastic rules, which I have just advocated and which I hope will be acceptable for the majority of higher developed countries. In this connexion I would like to recall that Surinam and the Netherlands Antilles will have to renegotiate in the beginning of next year on the basis of Article XXVIII, in connexion with an absolutely necessary revision of their tariffs.

In my speech I have drawn attention to the close cooperation between the Benelux countries in the field of trade policy. The coordination of our policies has made considerable and very satisfactory progress and we are now in a position to submit proposals and to adopt identical attitudes with respect to the broad field of international economic relations covered by my present statement.
It may be asked whether in consequence of this development the Benelux countries do not have the intention of changing their traditionally liberal policy in their relations with countries abroad. Would it not be logical to expect that the Benelux countries, now that they are on the point of merging into an economic union, will apply practically the same policy in world trade as the major countries which generally are more protectionist minded?

I would like, Mr. Chairman, to make one last observation. If sufficient cooperation cannot be obtained for a policy which, as I have just recommended, should be of a liberal character, the Benelux countries should, in my sincere opinion, be free to adjust their policy in the direction chosen by the majority of the larger industrial countries.

It will not be possible to remain an inactive spectator, when the countries around us maintain and intensify measures which strike at our interest and which keep alive international relations which are not "mutually advantageous" to all parties concerned.

Mr. Chairman, like the generation preceding us, we are confronted with the task of safeguarding the free international exchange of goods against the serious dangers which threaten it. I am well aware of the fact, that in this Organization as well as in the OEEC there has been a constant battle against these very same dangers and I am certainly not blind to the results we have obtained. Nevertheless, we must realize that restrictions in international trade which were discussed so often around 1930 were in fact more limited than those with which we are confronted at the present time. This may deepen our concern over the seriousness of the present situation.

Taught by the experiences of the past, we must have the courage to block finally that protectionism which in the end is a threat to the prosperity of all countries. You may be convinced that the Netherlands delegation will support every realistic attempt aimed at the removing of trade barriers.

May the next generation be able to state, Mr. Chairman, that we were not lacking, either in knowledge or in courage.

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