GENERAL AGREEMENT ON TARIFFS AND TRADE
Ninth Session of the Contracting Parties

Speech by Mr. A.F.W. Plumptre (Canada) delivered
in plenary session on 9 November 1954.

It is a matter of great regret to the Right Honourable C.D. Howe, the Canadian Minister of Trade and Commerce, that he is not able to be here today. Since his earlier visits to Geneva he has taken a continuing interest in the activities and the progress of our General Agreement and he is sorry not to be hearing in person the important statements that are now being made around this table. Further, he has many personal friends here to whom he sends his greetings. He wants it to be known that his visit to Geneva is only delayed; he expects to be here in three or four weeks. At that time he hopes to give what help and encouragement he can to our Review of the Agreement.

Last month Mr. Howe made a statement in Montreal which related to our Review. In the course of that statement he spoke as follows:

"During the seven years of the existence of GATT, tariffs have been reduced, world trade has been facilitated by it in many ways, and governments have been influenced to pursue more liberal commercial policies than would otherwise have been the case. Our representatives will participate again in the work of the General Agreement on Tariffs and Trade. As a forthright expression of governmental trade policy, they will attempt to strengthen the Agreement and to limit deviation from its basic principles, thereby supporting the promotion of trade throughout the world."

Basic Principles and Practices

The basic principles that underlie our Agreement are familiar to us all, but they bear restatement and re-emphasis at a time like this. It is to the advantage of each country and region, and thus to the advantage of all, that there should be specialization; that each should produce those things which it is best suited to produce and to trade those things for other things that are, on balance, produced with greater efficiency elsewhere. It is to the advantage of each, and thus to the advantage of all, that we should all have access to supplies on the most favourable terms, and that we should dispose of our products to the best advantage. Accordingly, our General Agreement is built on two foundation-stones:

First, reduction and stabilization of tariffs, removal of other impediments to fair trade, and elimination, except in very special circumstances, of quantitative restrictions;
Second, elimination of discrimination amongst us and extension of most-favoured-nation treatment to all members.

This is what GATT stands for. These principles are in our general interest and they are also in our individual national interests. By building on them we promote the objectives set forth in the preamble of our Agreement: full use of world resources, expanding production and exchange of goods, full employment and raised standards of living for all our people.

Now it is a good thing to have good principles, but it is an even better thing to put good principles into practice. Hence, in order to help ourselves practice what we preach, we have agreed together on rules of trade which embody these principles, and on methods of negotiation and conciliation to carry out these rules. Of course, some of us, perhaps all of us, have broken rules from time to time, and some basic principles have been more escaped from than embraced; but I do not think anyone can challenge the fact that the rules have, by and large, been observed and that the procedures for discussion and conciliation have been helpful to all concerned.

An important part of the usefulness of having such a set of rules and procedures lies in the additional strength that they give to each government to resist temporary and sectional pressures. It is one thing to try to resist a particular pressure in terms of pure principle; it is quite another to resist it by reference to a firm international agreement based on principles and concessions that are mutually advantageous. Further strength is added if the agreement is supervised by a vigilant international body.

It is thus as a means of strengthening and supporting ourselves, individually as well as collectively, that we frame our rules and work out our procedures. It is with these practical considerations in mind that the Canadian Government approaches the task of the Review that lies ahead.

In our Review we shall be thinking not only about our relations with each other, but also about our relations with others outside our Agreement. In this regard our principles, already embodied in the Charter, speak clearly: in our relations with non-members, we should be most careful neither to give nor to seek special advantages.

In what follows, I am going to outline the general attitude of the Canadian Government towards a number of important topics that are likely to arise in the course of our Review. These fall under the following general heads: Tariffs and Schedules; Trade Rules in relation to balances of payments; Export aids and agricultural protection; Problems of underdeveloped countries; and Organization.

**Tariffs and Schedules**

First, there is the question of tariffs. In regard to any new round of general tariff negotiations, it has been the opinion of the Canadian Government that no such negotiations are practicable without full participation by the United States. Up to the present, the United States Administration has lacked effective legal powers to participate. However, the Administration
have indicated their intention to seek new powers from Congress in the near future, and we shall look forward with great interest to the course of events. In this regard, I am sure we were all much encouraged by the message from the President of the United States that was transmitted to us yesterday.

The matter of tariff preferences has been referred to. In this regard the position of the Canadian Government has not changed and we would not wish to see any change in the Agreement. There is no intention to abandon or abolish the existing preferences, under which trade is now flowing or (with the abandonment of quantitative restrictions) may again flow in established channels. On the other hand, any increase of preferences would be contrary to the principles of our Agreement. Further, preference margins like tariffs should be subject to reduction through the normal process of negotiation.

So much for future negotiations; now a few words about protecting the achievements of past negotiations. The Canadian Government is most anxious that the carefully woven and interlaced fabric of bound tariffs should not be allowed to unravel.

We therefore strongly support a general rebinding of schedules. We have no strong view as regards the precise period of rebinding. We had thought of a period of three years but will be prepared to consider other proposals.

We are well aware that many countries are likely from time to time, to seek relief from particular bound tariffs which, for one reason or another, have or may become untenable. However it is our strong belief that it would be dangerous and damaging, not only to the individual commercial interests of each of us but to the prestige and reputation of the General Agreement, to allow any country the unilateral right to withdraw bound concessions. There is every reason to believe that such a unilateral right would lead to a competitive and uncompensated unravelling of bound tariff concessions. In such a process we are all likely to get badly hurt.

To be realistic, however, we must recognize the need for some flexibility. We would, therefore, agree that a revised Article XXVIII should provide for the application in special circumstances of the "sympathetic consideration" procedures which are in operation at present. Furthermore, we would want to give careful attention to the proposal that the general rebinding might be temporarily suspended during such general rounds of new negotiations as it may be possible to hold in the not too distant future. We would wish that all requests for renegotiations, except those in the context of a new round of negotiations, should have the prior approval of the Organization.

Before leaving the field of tariffs I want to refer to a matter that is closely related to them; that is valuation for duty. The present Agreement has a number of articles relating to this and other technical matters, all of which will be considered in the course of the Review.
This is not the time to go into details. However, I should say that the Canadian Delegation will be opposed to any weakening in the present provisions relating to valuation. Further, we believe that all contracting parties should bring their legislation and practices into conformity with these provisions.

Trade Rules in relation to balances of payments

The basic trade rules of the General Agreement are sound and will stand the test of time. It is not these rules, but rather the exceptions to them, that need to be scrutinized.

When the exceptions and escapes were written into the existing Agreement, we were all concerned by the effects of war damage in many countries, by the wartime distortions of world trade, and by the imperious demands of reconstruction. At the time and under the circumstances the Canadian Government consented to these exceptions and escapes in the Agreement. However, in the long seven years that have passed it sometimes seemed that the exceptions had completely superseded the rules, and to many Canadians the benefit of the Agreement seemed remote indeed. The tariff concessions that we gave were firm, but those we received were often nullified or impaired.

Now, however, the period of reconstruction, at least for almost all of us, is past. Trade is flowing or trying to flow into natural and normal channels. Discriminatory regional arrangements are now broadening and merging into the multilateral trading world. It is important that this trend should be continued and accelerated. In this regard, the Canadian Government has noted with satisfaction that a number of leading countries have to a considerable extent dismantled their import restrictions and that in this process particular attention has been paid to reducing the element of discrimination. And, in the associated field of financial transactions, substantial progress has been made towards that goal which is roughly but generally described as "convertibility".

Under these improved circumstances, our trade rules obviously need revision. Resort to the exceptions should become exceptional in the future rather than normal as in the past. The application of balance-of-payments restrictions, their cause and their justification, should be more closely examined, and their duration more clearly limited than is possible under our present rules. Further, the use of these restrictions in a discriminatory fashion or on a regional basis should not be permitted. It is, we believe, generally accepted that those countries which have recently reduced their trade discrimination, and have opened their markets on a competitive basis, have helped themselves even more than they have helped the others. Further reduction and early elimination of postwar discrimination should be clearly embodied in our new rules.
This brings us face to face with a rather delicate question of timing. It goes without saying that no country can undertake to make its currency convertible on any particular date; nevertheless some commitments regarding dismantling restrictions may have to be conditional upon convertibility, whenever it may be introduced. In these circumstances I suggest that progress towards greater freedom should go forward in the meanwhile, and that our revised Agreement should provide for such progress. In our Review we must not only write some new trade rules for application at some date in the future; we must also rewrite some parts of the existing trade rules for application immediately and continuously.

Export aids and agricultural protection

So much for our trade rules in relation to balance-of-payments problems. There is another part of the rules that needs to be strengthened. Our present rules have a great deal to say about imports; but our rules say very little indeed about exports. We think they should say more.

Our Agreement should recognize more fully and effectively the damage that one country can do to the trade and production of other countries by means of export subsidies and other artificial aids to its exporters. In particular, we believe that the Agreement should clearly limit the use of export subsidies.

It is, of course, the countries that are financially the strongest that are able to put the most pressure behind their subsidized exports; it is therefore to those countries that we must appeal in this matter. Subsidized exports offend against the fair-trade principles of our Agreement and in the long run are obviously harmful to all concerned. And the harm done is the greater because export subsidies are most evident in the field of agriculture. In that field the adaptation of production from one line to another takes more time and often raises more delicate problems than is usually the case in industry. Clearly, this is a field that we must study carefully.

I must now speak of an even more important matter which is of very special concern to the Canadian Government; and here the Government of the United States is involved. I refer to quantitative restrictions on agricultural imports. Of course the United States is not the only member of our Agreement with such restrictions, but the others have been able to claim some justification for their actions within the Agreement whether in relation to their balance of payments or otherwise.

As neighbours of the United States, we Canadians are not unaware of their agricultural difficulties. We realize how great are the stocks that have accumulated on the basis of the rigid price support policies of the past. We are aware that price supports have played, and are playing, a part in maintaining American incomes and thus American imports from abroad. We welcome the new flexibility that has been introduced into the price
support policies. We appreciate that, in supporting domestic prices, the Government of the United States does not want to support prices all around the world. Moreover, to the extent permitted by their legislation, the United States Administration has in a number of cases done what it could to avoid undue damage to the exports of other countries.

But when all admissions are made, and all the circumstances recognized, the fact remains that there has been demonstrable injury in particular cases. Tariff concessions which we obtained from the United States on these agricultural products during GATT negotiations, have been impaired. In those negotiations Canada gave as good as it got; and the bargain is now thrown out of balance. It is unbalanced not merely because the United States Government has reduced our exports in certain fields, but also and more important, because the threat of such reduction hangs over the whole field of our agricultural exports to their country.

The Government of Canada feels sure that in the weeks and months that lie ahead the Government of the United States will give this matter the most serious consideration; much of what can be done here in Geneva will depend on the attitudes and policies that emerge from Washington.

Whatever may prove to be the future of this exceptionally difficult problem, the Canadian Delegation would hope that its temporary shadow would not distort and disturb our picture of the trading world that we want or of the trade rules that we need. It would indeed be unfortunate if the present situation should lead to any weakening of the Agreement. We are confident that the United States will work its way out of its present difficulties; indeed it has already made welcome progress in this direction. I hope that my friends from the United States will forgive the frankness with which I have spoken about this matter. It is one on which the Canadian Government feels very deeply.

Problems of underdeveloped countries

My next topic is the problems confronting underdeveloped countries. By underdeveloped countries, I mean, of course, those where the arts of agriculture and industry have not advanced so far as they have elsewhere and where the living standards of the masses of the population leave so much to be desired. We in Canada think naturally of our friends in Latin America with whom our trade has made such great and mutually profitable progress in the past ten years and our other friends in south and south-east Asia with whom we are cooperating not only in trade but in the Colombo Plan.

We know that our friends in such countries as these are faced by very difficult and pressing problems; problems of production and distribution; problems of population and unemployment; problems of government and administration; in short a whole range of problems whose origins are deeply embedded in history and geography. We believe that, because of these problems, they may from time to time need to make use of tools - tariff increases, temporary quantitative restrictions, and perhaps others - on terms substantially less restrictive than the rest of us apply to ourselves.
But in seeking this greater freedom we would urge the underdeveloped countries to moderation. Do not let it be said that these countries have all the privileges and advantages of our General Agreement, but none of its responsibilities — and none of its safeguards. If such a situation were to develop it would be bad for all of us. It would be bad for a country like Canada, if, in defending the GATT against those particular critics at home who may consider themselves hurt by it, we should have to admit that we had bound ourselves to allow in a wide range of products unimpeded from all the underdeveloped countries but, at the same time, had allowed these countries free and independent right to shut Canadian products out of their markets at will. It would also be bad, and this we believe most sincerely, for the underdeveloped countries themselves. The responsibilities and safeguards of the Agreement are not something that each of us undertakes for the benefit of other countries but, as I explained before, for our own benefit. The rules and procedures of our Agreement help us to resist sectional pressures and to take day-to-day decisions on the basis of national interest. We strictly limit our use of tariff increases and temporary restrictions because we know that we can hurt ourselves as well as others with these tools.

Indeed, the underdeveloped countries may need more protection against unwise, short-sighted decisions than other countries do, because they have such great need to develop export industries and attract capital from abroad. And they cannot do this on a basis of artificially protected domestic industries and high cost imports.

For all these reasons, then, we would urge our friends in these countries not to try to cut themselves off from the support and the guidance that the principles and procedures of GATT can give them.

This concludes all I have to say about the revision of all the trade rules of the General Agreement - a subject which will absorb so much of our interest in the coming weeks. It would be unfortunate, however, if, in this Ninth Session of the Contracting Parties, we became so preoccupied with the rules of the future that we relaxed our vigilance and let down our guards relating to the rules under which we are working at present. On the long agenda for this Ninth Session, the Review is only one item, albeit the most important item. Many items were satisfactorily concluded last week, but others remain to be completed. Let us not cease to apply vigorously our present rules merely because we hope for better.

Organization

Finally, one or two remarks about the very important matter of organization.

First, we know that there are good reasons, in the case of particular countries, for recasting the Agreement in such a way that the organizational provisions stand, as it were, apart. While we have no need of such a recasting for our own purposes, we shall be glad to look sympathetically at the proposals of others provided, of course, that they do not involve any weakening of the Agreement or any dilution of its essential objectives.
Second, we find growing support for a proposal we have been pressing for some time: that is, to put the intersessional work of the Contracting Parties into the hands of a firmly established body. Our Intersessional Committee, although only appointed from Session to Session, has already shown how useful such a body may be. However, in the future as in the past, the Contracting Parties acting jointly would always remain the final authority.

Finally, if we are going to have a stronger organization with more fully developed rules and procedures, we must give our secretariat some additional support. Of course, Mr. Wyndham White and his colleagues will remain the head and heart of the body. Further, we are confident that, in such hands as those of M. Royer, any additions to the staff and its operations will be both efficient and economical.

Conclusion

In conclusion, Mr. Chairman, I only want to re-emphasize that the Canadian Government considers that the Review we are now launching is a project of high importance. Members of the Canadian Government will be following developments here with great interest, in the belief that our General Agreement has already proved its worth in the postwar years and that it can be made even more valuable in the more normal period which we hope lies ahead.