The basic idea underlying the General Agreement on Tariffs and Trade is as simple as it is far reaching. This is that it is possible to construct a code of principles and rules which will guide the conduct of trade among all the countries of the free world and assure that such trade is carried on with the maximum possible freedom and on a basis of equity to all concerned.

Sweeping as this conception is, however, it is but a reflection of the fact, embodied in so many facets of international life to-day, that the world is constantly and rapidly becoming smaller and that countries in their commercial as well as political relations must learn to live with one another. It has been said that in modern conditions everyone loses in a shooting war. There is no doubt in my mind that the same proposition holds true for economic warfare. The free world simply must not permit itself to lapse into unrestricted protectionism, discrimination and controls. If there were no General Agreement to-day we should have to create one.

In the seven years during which it has been in effect, the General Agreement has amply justified the faith of those who believe that a universal code of trade principles can be made to work. Under its aegis tariffs of the Contracting Parties have been substantially lowered on a reciprocal and mutually advantageous basis; discriminations have been relaxed; numerous trade disputes have been amicably settled; and countries have acquired the habit of consulting together on mutual trade problems. There is every reason to believe that these accomplishments of the Agreement have made a significant contribution to the advancement of the objectives which are laid down in its preamble.

These achievements are a source of solid satisfaction. However, no one has ever claimed that the General Agreement is a perfect instrument. Our experience with it in the light of the enormous changes that have occurred in the world economic situation during the last seven years clearly point to certain adjustments which need to be made and serious deficiencies which should be remedied. If we can reach agreement on such changes we shall have a stronger, more flexible and a somewhat simpler Agreement. This is the task before us, and as the Chairman has suggested in his admirable opening address, further progress toward an effective system of multilateral trade and payments depends in no small measure on how well we accomplish this task.

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In approaching this problem my Government has certain major objectives which I shall outline presently. Thereafter I shall touch on some subjects in which other countries have expressed a strong interest.

The three principal objectives of the United States in the present Review are first, to provide the General Agreement with an organizational framework which will permit it to operate more effectively and on a permanent basis; secondly, to strengthen and simplify the provisions relating to quantitative restrictions imposed for financial reasons; and thirdly, to safeguard the tariff concessions and assure their stability, while providing needed flexibility.

I have been gratified to note from the speeches of my fellow delegates that the objectives I have just outlined are shared by other countries. Permit me now to indicate in general terms my Government's views on each of these points.

First, as to the question of organization: the General Agreement was initiated in 1947 as a provisional arrangement except as related to tariffs. This condition, unavoidable at that time, has been a limiting factor in the work of the Contracting Parties and has endowed the General Agreement with an air of impermanence which is unsuited to the attainment of maximum effective action. Under present arrangements the Contracting Parties normally meet only once a year to consider problems arising under the Agreement. Between these annual meetings the Intersessional Committee has acted on their behalf, but only with respect to a narrowly defined number of problems. The Contracting Parties have themselves considered and acted on the great majority of problems arising under the General Agreement. Valuable as the work of the Intersessional Committee has been, it has remained essentially a stop-gap device.

My Government believes that this situation must be corrected. Problems of international trade arise almost daily and it is essential that there be set up, within the framework of the GATT, procedures and arrangements for dealing more expeditiously with problems as they occur. In this connection we would emphasize the need for closer and more effective co-ordination between the Contracting Parties and the International Monetary Fund on matters of mutual concern.

Secondly, as regards the question of quantitative restrictions imposed for balance-of-payments reasons: when the General Agreement was negotiated in 1947, the world was still struggling to extricate itself from the ruins of the second world war, and most of the controls which countries had been forced to impose on their foreign trade and payments during the war were still being maintained in full vigour. With reconstruction only fairly begun, production at low levels, inflation still rampant, and monetary reserves depleted, there could be no serious thought of a substantial relaxation of restrictions. The extreme caution necessitated by these conditions is reflected in the broad escapes and hedges written into the balance-of-payments provisions of the Agreement.
Since then the world has come far indeed. Reconstruction has been virtually completed, monetary stabilization has been restored, international reserves have been recouped, production far exceeds prewar levels and real incomes are everywhere on the upgrade. There are of course exceptional situations here and there, but as a whole we are undoubtedly in the midst of a period of considerable prosperity.

This gratifying state of affairs is the result of the efforts of many countries. The war-ravaged countries, in spite of the greatest hardships, have accomplished in a remarkably short period of time the task of at once rebuilding, enlarging, and to a large extent modernizing their economies. The underdeveloped countries have made great strides in expanding output and in developing their human and material resources.

We are happy that our country too has been able to play a part in the postwar recovery of the free world, and we appreciate the friendly references which have been made to the aid which the United States has extended to other countries, and to our various programmes by means of which large amounts of dollar exchange have been made available to the rest of the world. Instead, I should like to direct your attention to another factor which, for some reason, is frequently overlooked, though it is probably more important than any other in the great improvement that has recently taken place in the world's dollar situation. I refer to the massive and constantly growing volume of imports into the United States from the rest of the world. In 1953 the physical volume (i.e. the "Quantum") of our imports was no less than 28 per cent above the volume of 1948. Preliminary estimates indicate that, even with the slight decline in the level of economic activity in the United States, the volume of imports in 1954 will still be about 24 per cent above 1948 and some 55 per cent above the average for the years 1937 to 1939, inclusive.

The point I should emphasize in this connection is that the maintenance and steady growth of this tremendous volume of imports would have been impossible if the United States had not pursued what, by any fair standard, must be regarded as a liberal commercial policy. To a great extent, of course, these large imports are associated with the high levels of income and employment which the United States has enjoyed in recent years. But there can be no question that the reductions that have been made in our tariff duties over the last two decades, first through our bilateral reciprocal trade agreements and more recently through the General Agreement, have contributed very significantly to this development. In this connection it is noteworthy that in recent years the relative increase in imports of dutiable goods has been considerably greater than that of goods on our free list. Our present volume of imports also reflects another fact, sometimes forgotten in the attention focused on certain quotas maintained by the United States. This fact is that, apart from these exceptions which can only be regarded as minor when viewed against the total volume of our trade imports into my country are virtually free from quantitative restrictions.
In calling attention to these facts I do not mean to imply that we intend to stop where we are. My Government appreciates that there are certain directions in which our commercial policy can be further improved. As the President stated in his message which I read to you on Monday, some portions of our programme have already been put into effect, and, in the President's words, "The remaining parts, especially the heart of the programme - extension and amendment of our Trade Agreement Act - will ... be pressed at the session of the Congress which begins in January, and I look forward to early action".

Policies pursued by the United States have a direct bearing on the question of quantitative restrictions maintained for balance-of-payments purposes. In successive negotiations under the GATT the United States Government has made substantial tariff concessions which have encouraged the entry of an unprecedented volume of imports. We do not regret these concessions nor the competition which they provide. These are in accordance with the principle of greater freedom of trade to which the Contracting Parties subscribe. What we do regret, however, and what large elements of our business and farm community do not understand, is that in spite of the great improvement that has taken place in the external financial position and competitiveness of most countries, quantitative restrictions against United States products should still be so widespread.

Where such restrictions are maintained it is clear that they partially or completely nullify the tariff concessions which the United States has obtained. This is obviously an unsatisfactory state of affairs, from the viewpoint of the Contracting Parties as well as from that of the United States, and one which cannot continue indefinitely.

It is therefore with particular regret that we heard suggestions on Monday that the Revised Agreement should not deal firmly and positively with the question of limiting the use of protective quotas. We are also disturbed at suggestions that the firm commitments now in the General Agreement against protective quotas be weakened, and that this problem be dealt with on a basis of bargaining or regional discrimination. Such an approach would, in our judgment, prevent the achievement of the objectives for which the Agreement stands. It might well lead people in the United States to question the value of the Agreement to us and whether there is any hope of our country's ever being able to reap the benefits anticipated from tariff negotiations.

My Government believes that conditions are rapidly approaching the point where the tariff concessions granted to the United States on a reciprocal basis should be made more fully effective. This is one of the reasons for our interest in re-examining the provisions of the General Agreement dealing with quantitative restrictions for balance-of-payments reasons.

Now, turning to the third major objective of my Government in the present Review: the multilateral and reciprocal tariff reductions that have been negotiated in the context of the General Agreement.
constitute the outstanding achievement of the Contracting Parties. My Government places the greatest emphasis on the need to preserve these gains. Nevertheless we recognize that special or emergency situations may arise from time to time which may necessitate the review of certain concessions. It should be borne in mind, however, that the tariff concessions are the material of which the Agreement is woven; to unravel them by a wide range of renegotiations is to risk destroying the entire postwar fabric of international economic co-operation. Requests for renegotiation at this Session should be scrutinized carefully in this light. My delegation has suggested changes in the Agreement designed further to strengthen the stability of existing tariff concessions while providing the necessary degree of flexibility.

During the present Review our delegation will wish to discuss with the Contracting Parties certain problems connected with United States agricultural policy.

One aspect of this policy which has been of particular concern to a number of countries relates to the question of export subsidies. In its proposals submitted to the Contracting Parties in connection with the Review, my Government has already indicated that it is prepared to discuss the desirability of appropriate limitations with respect to the use of export subsidies in this field. As regards the disposal of surplus agricultural commodities in the world market, my Government is proceeding in its announced principle that such disposal should not unduly interfere with normal marketings.

Another problem which we would hope to resolve at this Session is the relationship between the General Agreement and Section 22 of our Agricultural Adjustment Act, as amended.

One of the misfortunes associated with war is that it leads to a distortion of normal productive patterns. During the second world war and the early post-war period the world experienced an extremely severe shortage of foodstuffs, and American agriculture was encouraged by the United States Government to expand production to the greatest possible extent. One of the methods employed to induce expanded output was the adoption of price support programmes designed to give the American farmer the assurance of a fair return on his production. Now, with the passing of the exigencies of the war and immediate post-war era, certain branches of American agriculture face the painful necessity of curtailing output.

My Government has recently re-examined the agricultural programme of the United States in the light of this situation and, as you know, has consequently adopted a new policy embodying the principle of flexible price supports. This policy is designed to bring about the necessary readjustments in our agricultural production. However, it is too early to estimate at this stage how soon, or to what extent, it will relieve the United States of the burden of farm surpluses.
In the meantime, it should be realized that the United States cannot afford to permit the unrestricted entry into its domestic market of foreign agricultural products which would not have been drawn thereto but for the magnet created by our price support programme. To permit such unrestricted entry would, in the last analysis, mean supporting the world price of agricultural commodities at or near the same level as that guaranteed to the corresponding American commodities. Obviously, this is something that the American people cannot be expected to do.

Reference was made earlier to the desirability of considering in this Review the special requirements of the under-developed countries. A major objective of United States policy is to encourage the development of the economically less developed countries of the world, and it is a source of satisfaction to my Government that the Contracting Parties to the GATT include countries in all stages of development. As a general rule the principle of maximum possible freedom of trade which underlies the whole of the General Agreement is one whose application is beneficial to all types of economies and to countries in all stages of economic development. Nevertheless, it must be recognized that in certain situations a strict adherence to this principle may be inconsistent with a given rate of economic development or a specific programme of development. We believe the Agreement should be sufficiently flexible to make it responsive to such situations, subject to procedures which will assure the safeguarding of its general objectives. My Government is prepared to give sympathetic consideration to proposals which would accomplish this purpose.

In conclusion let me repeat the conviction expressed in President Eisenhower's message, that our efforts here must produce a stronger Agreement attuned to today's realities. The countries adhering to the General Agreement can afford no other outcome; nor can the free world. If we approach our task in the spirit that it is a rededication as well as a review, we shall succeed.