The periods immediately following the two major wars of the present century have been marked by the efforts of governments through international cooperation to remove the economic and social causes which had led to the political frictions which touched off the flames of war. Although on each occasion nationalism has in many directions been accentuated - and in the aftermath of the second world war this is even more true than in the interwar period - the appalling consequences of modern warfare have quickened the desire to find cooperative means for what are, for a time at least, sharply recognized as the deep underlying forces which led the peoples of the world into internecine conflict. As the memory of active hostilities recedes so does the initial fervour and enthusiasm for genuine and constructive international collaboration.

The aftermath of the second world war has followed this pattern despite the crushing burdens of postwar reconstruction. An impressive structure of international organizations and agreements was built up in the first few years after the war, producing a group of alphabetically designated institutions before which any but the initiated may feel somewhat bewildered. Running through the work of all these agencies were certain fundamental principles. It was conceived that through
international action and cooperative policies there should be a maximum 
development of the productive resources of the world, whether in agriculture, 
mining or industrial production, that this increased production of wealth 
should be distributed more freely, and that access to the world’s resources 
should be equal for all and free from arbitrary barriers and discriminations. 
The creation of international credit institutions and programmes of economic 
development would also contribute towards directing a share of this new wealth 
into developing the resources and raising the standards of living in vast areas 
of the world whose populations were living at intolerably low standards compared 
with those of the more fortunate places.

The high hopes which were placed in these institutions and agreements were 
doomed to relative disappointment. The problems of postwar reconstruction 
were so great that all the resources of governments were absorbed in the 
struggle for recovery. These difficulties were in turn accentuated by the 
emergence of menacing political conditions which have become familiarly known 
as "the cold war".

The negotiations in 1947-1948 for establishing the International Trade 
Organization were brought to a conclusion at the stage when optimism was giving 
way to disillusionment and disappointment. The complicated and wide-ranging 
Havana Charter for the International Trade Organization did not, therefore, 
find the basis for enthusiastic public support as it might have done somewhat 
earlier. This was particularly true in the United States without whose active 
participation an International Trade Organization could play no effective rôle.

It says much for the vision and perseverance of the architects of the 
International Trade Organization that whilst they were constructing in a very 
elaborate way they took the precaution of laying the foundations for a more 
modest structure for international trade cooperation in the form of the General 
Agreement on Tariffs and Trade. This began its life as the result of tariff 
negotiations in Geneva in 1947 between seventeen countries widely representative 
of the main geographical areas of the world and including the most important 
trading countries. These countries negotiated between themselves a vast number 
of tariff concessions which were later extended in a series of subsequent 
conferences notably at Innsbruck and Torquay. These tariff negotiations covered 
a very large percentage of the world’s trade. They established, and the 
General Agreement on Tariffs and Trade has maintained until this day, a 
stability in the field of customs tariffs which has made an important 
contribution to the economic recovery which we have witnessed during the last 
few years. But if this is the most distinctive achievement of the GATT it is 
perhaps even more significant that in order to give reality to these tariff 
concessions and to prevent them from being nullified or counterbalanced by 
other action in the field of commercial policy, they were surrounded by a 
series of rules on commercial policy. These rules have become a world-
wide international code governing the relations of some thirty-four countries
which between them do four-fifths of the world's trade. The corner stones of this code are first the principle of most-favoured-nation treatment, secondly the elimination of all forms of discrimination, and thirdly the acceptance of the principles of consultation and friendly settlement of trade questions in place of the jungle law of unilateral action and retaliation. The Agreement also seeks, in addition to the lowering of customs tariffs, to remove other barriers to the free flow of trade, in particular, the dismantling of the use of import quotas as an instrument of national protection. On these various matters I shall have more to say at a later stage.

The GATT started from modest beginnings. The original membership increased from the seventeen in 1948 to the present number of thirty-four, together with Japan which, although not yet a full contracting party, is negotiating for accession, and whose trade relations are meanwhile governed by the General Agreement in respect of twenty three countries which are contracting parties.

The contracting parties to the General Agreement meet together from time to time in regular sessions in the course of which differences arising out of the GATT code are discussed, consultations take place and disputes between the contracting parties are settled through the mediation of the CONTRACTING PARTIES - that is, the member governments acting as a body. As these regular sessions have succeeded one to another they have come to constitute a vital international institution which, though lacking the legal attributes of an organization, has through its effectiveness and realism become an essential part of the international structure. In fact it has been well said that if the GATT did not exist today it would be necessary to invent it.

International conferences cannot work unless there is an international secretariat or staff to prepare, arrange and service the meetings and to ensure continuity of action. Consequently, the GATT has established a small secretariat to perform these functions. It is another of the distinguishing features of the GATT that its organization is small and its budget modest, in sharp contrast to the substantial budgets of most of the other postwar institutions. The charge of "swollen bureaucracy" that has been levelled at many of the postwar international organizations can hardly be applied to the GATT secretariat. This is an element of strength since it cannot seriously be asserted that the GATT is wasteful of public funds nor that the taxpayer does not get real value for his money.

So far I have sketched in the broadest outline the origin and development of the GATT. Having survived this period of experiment and trial the member governments decided at their Eighth Session in Geneva in October 1953 to undertake a review of the Agreement and of its operation since 1947. Their purpose in doing so was to see to what extent the Agreement itself should be amended or its administration modified so as to contribute more effectively to the attainment of its objectives. The object of the
review was, therefore, a constructive one. It was to take advantage of the lessons to be derived from the period of experiment and trial in order to equip the GATT to play what had come to be recognized as an essential part in the world of the future. Even so the review was clearly a hazardous undertaking. It involved throwing open to re-discussion and re-negotiation delicate balances of interest which had been arrived at through lengthy and difficult negotiations. This review would take place at a time when the seller's market which had prevailed in the postwar years had given way to a more competitive buyers' market and where the stresses and strains of the struggle for world markets were beginning to assert themselves again. Moreover, the GATT was still a young and tender plant. It was still a new thing for governments to have accepted firm and detailed obligations in the sensitive field of commercial policy. The GATT, because of its universal character, includes in its membership countries of the most diverse economic interests, and their agreement upon a code of obligations of universal application involves peculiar difficulties. In particular there was a growing restiveness amongst those countries which are in an early stage of economic development to continue to accept limitations on their freedom in the field of commercial policy which they feared might impede the attainment of their economic development.

It is, therefore, with a sense of solid achievement that we can contemplate the results of the Review of the General Agreement on Tariffs and Trade which was concluded in Geneva on 4 March of this year. Not the least important of these results is the agreement for the establishment of an Organization for Trade Cooperation. The primary purpose of this Organization will be to administer the General Agreement. Its terms of reference, however, empower it to sponsor other international agreements in the field of trade to facilitate consultation on trade questions, to sponsor international trade negotiations and to study problems of international trade and commercial policy and make recommendations on these matters. The Organization, therefore, whilst providing on a permanent basis for a more effective administration of the General Agreement, has also a dynamic aspect through which, in the light of experience, the area of international collaboration in the whole field of trade and commercial policy can be extended and broadened.

I would now like to outline some of the trends which were manifested in the discussions we have had during the past four months. In the first place I would like to refer again to the different economic conditions which existed when the Review took place compared with those existing at the time when the Agreement was first negotiated. At that time most of the parties to the Agreement were still suffering acutely from the economic difficulties consequent upon the war. The most characteristic of these difficulties was that most of them were finding it impossible to earn the foreign exchange, particularly dollars, to finance their import requirements from abroad. In other words, most of the contracting parties were suffering acutely from balance-of-payments difficulties. The Agreement recognized this fact by
allowing a wide escape from the rule forbidding the use of import quotas, by permitting quotas to be maintained in order to safeguard a country's balance of payments. Moreover, the agreement also admitted that if its balance-of-payments position obliged a country to maintain restrictions on imports, those restrictions might be administered in a discriminatory manner, when the situation required, subject to certain qualifications and conditions. The comprehensive ban on the use of import quotas was therefore relatively easy for many countries to accept at a time when it seemed that they would be for a very long time, perhaps an indefinite time, in balance-of-payments difficulties, and therefore able to profit from the exception provided for this purpose. That situation had materially changed by the time the review of the General Agreement was undertaken. Some of the major trading countries such as the United Kingdom, Germany and Benelux were by then in a position where they could envisage that at no distant date their balance-of-payments difficulties would have been resolved and they would be in a position to restore the convertibility of their currencies. However, in order to accept the risks of convertibility it was important that these countries should feel that they would have safeguards against the use by other countries of quantitative import restrictions against the exports of the convertible countries. For these near convertible countries, therefore, the strengthening of the rules against the use of import quotas and the strengthening of the machinery for enforcing these rules was an important condition of their return to convertibility.

On the other hand, the possibility of an early return to more normal monetary conditions, accompanied by stricter rules relating to use of quantitative restrictions and stricter enforcement of these rules, raised serious problems for many countries who, behind restrictions maintained for balance-of-payments reasons, had been affording incidental protection to domestic industries. These countries felt that the sudden withdrawal of these restrictions, which is, in fact, required by the GATT rules as soon as the balance-of-payments difficulties are resolved, would create serious economic and social problems for them by exposing a number of important industries to foreign competition which, without a period of adjustment, they would not be able to withstand. This problem was particularly acute in the field of agriculture. This, of course, was no surprise. For some years a measure of regional convertibility of currencies had been introduced into Europe through the European Payments Union, and consistent with GATT doctrine, the European countries through the Organization for European Economic Cooperation had been progressively removing quantitative restrictions maintained by them on their trade with their European partners. But the OEEC had found that it was not practicable to apply a code of liberalization which goes as far as the doctrine of the GATT and that they, therefore, required the liberalization of trade only on a percentage of total imports. The OEEC also required a lesser effort in certain sectors of production which are particularly sensitive, and notably in the agricultural sector. It was, therefore, to be expected that when a similar problem arose in the broader field of the GATT the same difficulties would be experienced.
It has been argued in some quarters that economic and social realities in effect render it impracticable to apply the same rules regarding import restrictions to agricultural as to manufactured products and that the former have to be treated on a separate footing. This is a doctrine which could hardly find recognition in any international trade agreement. It would be hard indeed to ask countries which depend on the export of agricultural and primary products to accept limitations on their freedom to protect their industrial production whilst at the same time offering them no safeguards against restrictions against their own exports. Moreover, it is difficult to see, on economic grounds, how the effects of uneconomic use of resources and inefficient production are not as large in the field of agriculture and primary production as they are in manufacture. This is not to deny the special arguments that there are for maintaining agricultural production but it has yet to be demonstrated that the arbitrary use of quota restrictions is the only - or necessarily the best - way of achieving this objective.

The solution found by the CONTRACTING PARTIES to this problem is typical of the practical approach which has marked their activities over the years. The objective of the GATT is that quantitative restrictions shall be dismantled as rapidly as possible after the financial difficulties giving rise to them are overcome. If this objective can best be achieved by giving a period of grace to enable the countries experiencing so-called "hard-core" problems to make the necessary adjustments to enable them to get rid of restrictions, then this seems a better method of proceeding than to admit reserved percentages of trade or other exceptions to the generality of the rules of the Agreement. It has, therefore, been agreed that if countries in dismantling their restrictions are, in connection with particular industries, confronted with this sort of problem, the rules of the GATT will be waived for a limited period of time provided certain conditions are satisfied, so as to afford these countries time for adjustment.

A problem of a somewhat different character was presented by the agricultural problems of the United States. In that country there is legislation which requires the President in certain circumstances to impose fees and import restrictions on agricultural imports in circumstances where such action would not be justified by the GATT. The occasions on which such actions have been taken in the past have been relatively limited, but they have involved conflicts with the obligations of the United States under the General Agreement. Moreover, the existence of supported agricultural prices in the United States, which are often well above the world market prices, has a tendency to attract abnormal imports from abroad thus increasing the problems of maintaining the supported prices and increasing the large stocks of agricultural products which, under the agricultural programme, have to be purchased at support prices by the United States Administration. In order to regularize its position under the GATT, the United States Government sought at the review session for a waiver of obligations which would enable the President to comply with the requirements of United States legislation without
being in breach of the GATT. A waiver on these lines, subject to provisions for consultation with the governments likely to be affected, was in fact agreed to. This case again emphasizes the difficulty of reconciling the necessities of agricultural protection with the requirements of a sound international trade policy, but again I do not think that it is an argument for suggesting that agricultural policy must be excluded from the purview of international trade rules. There are many special elements in the United States position which led the CONTRACTING PARTIES to come to their decision. The vast expansion of United States agricultural production during the Second World War, in order to meet the heavy demand which the world made on United States agricultural production in the early postwar years, is one important factor. Secondly, the measures which the United States may be called upon to take under its legislation are not in essence measures designed to protect inefficient production so much as measures made necessary by the maintenance of artificial price levels for the sale of domestic production. It is clear that the policy of the CONTRACTING PARTIES will be to consider these problems as they may arise on a case-by-case basis and to give such flexibility to the rules of the Agreement as will command the collective support of the member governments in each case.

In the result the rules relating to quota restrictions on imports have been reaffirmed and provision has been made for their more effective enforcement as soon as conditions exist for the dismantling of the widespread restrictions which are now maintained for balance-of-payments reasons.

In the same way as there have been protagonists of regional action as against universal action in the political and military fields, the same arguments are often put forward regarding economic cooperation. As far as the economic field is concerned it has never seemed to me that these ideas should be in conflict. It is, I think, clear that the ultimate basis for economic cooperation must be world wide and that regional action should be directed towards the attainment of the objectives of universal cooperation. Within this framework, however, there is ample room for constructive regional activity provided that this does not degenerate into regional discriminatory trade blocs. Some of the warmest protagonists of regional cooperation, particularly as it has been so admirably demonstrated in the OEEC, feared that if the GATT were strengthened and more effectively applied, particularly in restraining discrimination, it would be difficult to continue the intimate regional collaboration which has enabled the level of trade among European countries to be restored to a much higher level than would have been possible in the absence of regional discrimination. The discussions on the review of the GATT appear to have dissipated most of these fears. If the financial conditions for the general application of the policy of non-discrimination come about, the advantages of discrimination whether national or regional, would also disappear, and regional cooperation could concentrate on other constructive aspects of economic development and action which would contribute to the general
welfare of the international trading community. If, however, these hopes for
the restoration of normal trading conditions are disappointed and a case can
be made that owing to unexpected circumstances some measure of discrimination
on a regional basis would in fact be more favourable to maintaining the level
of international trade than the strict enforcement of the rule of non-
discrimination, there would be sufficient flexibility in the administration of
the GATT rules to enable such arrangements to be sympathetically considered.

I should like to say also a few words about the position of the under-
developed countries. As I said earlier, some of these countries have felt
that the GATT is for them an unbalanced bargain. They consider that the
advantages which primary producers derive from the Agreement are slight and
that they do not compensate the under-developed countries for abandoning their
freedom to use restrictive devices of any kind they judge necessary to assist
their economic development. They have also felt that the exceptions admitted
to the rules of the Agreement admitted in favour of under-developed countries
were less extensive and generous than those admitted for fully developed
countries to use quantitative restrictions when in balance-of-payments
difficulties. This whole problem was carefully examined prior to the
Review Session and after extensive consultation with the governments concerned
a new approach to the problem of under-developed countries was worked out.
It involves abandoning the negative approach to the problem and substituting
therefor, a positive one. It recognizes that countries in an early stage of
economic development which are therefore in a position to afford relatively
low standards of living for their people should have certain facilities for the
development of new industries. These should consist in the first instance of
a greater flexibility in the use of the import tariff for this purpose.
Secondly, it is recognized that countries which are developing rapidly are
likely to encounter chronic balance-of-payments difficulties particularly when
the economies of these countries are mainly dependent upon the export of
primary commodities subject to violent price fluctuations. It is recognized,
therefore, that these countries have a special need for flexibility in the use
of quantitative restrictions for balance-of-payments reasons. Finally, it is
recognized that even these facilities may not always afford to these countries
a reasonable chance for establishing new industries and it was therefore agreed
that if no protective measures permitted by the Agreement are feasible and
practicable, the country concerned can apply for permission to deviate from
the rules and if this permission is granted, to proceed with impunity, or if
the permission were refused to proceed nevertheless on the condition that
other countries could restore the balance of the contract by being released
from equivalent obligations.

This new doctrine coupled with provisions for consultations when there is
a serious decline in the offtake of primary products, and provisions for
certain flexibility in tariff negotiations, should so far to meet the
difficulties which the Agreement has presented for the under-developed countries.
These were the main themes of the GATT Review. I have only been able to touch on them lightly and many subsidiary but important matters such as the extension of the rules against export subsidies I have not had time to touch at all. I would not like to conclude, however, without one further remark, concerning the position of Switzerland. When I had the occasion to speak about a year ago at the Handels-Hochschule, St. Gallen, I expressed the hope that the Review of the Agreement would provide an opportunity for overcoming some of the difficulties which had hitherto prevented Switzerland from acceding to the General Agreement notwithstanding its warm sympathy for the objectives of the GATT. Towards the end of the Review Session the contracting parties greeted with warm sympathy a statement by the observer of Switzerland who manifested again the friendly attention with which the Federal Government follows the work of the GATT and the identity which exists between the objectives of the General Agreement and the general trends of Switzerland’s commercial policy. There is no doubt that the accession of Switzerland would give great satisfaction to all the contracting parties. I have dwelt at some length earlier on the question of agricultural restrictions and what I have said is, I think, sufficient indication that these are problems which exist in many countries which are parties to the General Agreement. That these countries have been able to reaffirm their belief in the principles and objectives of the GATT and to continue to accept its obligations is evidence that they are confident that, with the aid of the commonsense of the Organization, the special difficulties relating to the trade in agricultural products can be met within the framework of the GATT on a case by case basis. I feel that Switzerland could have the same confidence and that, therefore, in the new conditions in which the GATT will face the future we can confidently look forward to our ranks being reinforced by the adherence of this country which has already made so striking a contribution to the work of the OEEC and to other international organizations in the economic and social fields.

Returning to the main theme of my talk this evening, what can be said by way of summary of the outlook for cooperation in world trade? We can take stock in the first place of what has so far been achieved. As far as my own organization is concerned the achievement is solid, indeed in the field of tariff reduction, unprecedented. In this connection those who are listening to me tonight who are engaged in business will, no doubt, be particularly impressed by the contribution which the GATT has made to stability in trading conditions. Less well known is the success which has been achieved and the new techniques which have been evolved for the friendly settlement of disputes. This too, is of great and direct practical importance to the trading community. The principal trading countries have clearly manifested their desire to continue and strengthen international trade. It has become clear that the best basis for such cooperation is a code of clearly defined rules and obligations which are, however, administered with flexibility and realism. It is also clear that progress must be achieved by stages and that the modest and realistic approach
which has characterized the work of the GATT is more likely to be productive than the more elaborate and ambitious approach which characterized the working out of the Havana Charter for an International Trade Organization.

Finally, and perhaps most important of all, none of these efforts can be successful unless there is constant and strong support from all sectors of public opinion in all countries.