The Contracting Parties to the General Agreement on Tariffs and Trade are about to open their fourth general round of tariff negotiations. In terms of the number of countries participating and the 500 or so delegates who will take part in these negotiations, this conference is at least comparable in importance to the three that have preceded it. But in order to appraise the real significance of the work we are about to undertake some historical perspective is needed, and it seems worthwhile to ask ourselves more precisely just what is the significance of a negotiation of this kind at this point in the post-war development of the world economy.

Today, at the beginning of 1956, nearly all countries are experiencing the greatest period of expansion in production and in economic activity that they have ever known. While this fact ought to be gratifying, it is everywhere giving rise to apprehensions. In most countries thoughtful people are asking themselves whether these unprecedented levels of production and income can be maintained. And there is a fairly common belief that economic activity cannot level off into a high plateau - that once the present momentum is lost, the next movement of the business curve in most countries must be a sharp downward plunge.

The rôle of prophet is not only thankless but dangerous. The Chairman of the Contracting Parties is not required to be a dare-devil, but I do think it will be safe for me to recall for your benefit some facts that we are likely to forget. In 1947, when the first GATT tariff negotiation took place, virtually all of the international trade of the world was controlled, by the exporting country, by the importing country, or by both. All but a very few countries rigidly restricted their imports, and most countries restricted the exports of commodities that were still in short supply. Customs tariffs were still at the high levels they had reached before the war. The changes that have taken place since then amount to an economic revolution, even if they haven't gone as far or as rapidly as we then hoped.
A very large part of world trade has been freed from these controls, either in pursuit of the obligations the contracting parties had accepted toward each other under the General Agreement, or in the context of such regional arrangements as the Organization for European Economic Co-operation or the European Coal and Steel Community. At the same time, most contracting parties to the General Agreement have reduced, in three successive negotiations, a large proportion of their import duties and have given each other guarantees against the increase of many of the remaining rates that have not been reduced.

None of us can know enough about the factors that bring about economic changes to be sure how much of a role the reductions in trade barriers have played in the remarkable expansion of world production that has taken place since 1947. But I am sure that none will seriously suggest that all of that expansion could have taken place if the trade restrictions in force in that year had not been relaxed. The incentives for investment, for giving up present consumption for the sake of future production, would have been vastly less if producers in each country had been able to look forward only to the sales that could be made in their domestic markets. And surely such expansion as did take place would have been channelled in directions that would have contributed much less to an increase in economic wealth and in the standard of living of the countries concerned.

If we can accept the conclusion that a relaxation in trade barriers was an essential prerequisite to the economic growth that has occurred since 1947 I wonder if it is not also a fair conclusion that the continuation, or at very least the maintenance and the consolidation, of the trade liberalization that has occurred, is essential to a continued expansion of world productivity.

Viewed in this light the fourth general round of tariff negotiations of the Contracting Parties takes on a very special significance. For if it indicates the conviction of trading countries that a still further relaxation of trade barriers is essential for their continued prosperity, the mere fact that this conference is being held should bring encouragement to those who are worried for fear the present expansionist trends are heading for trouble.

There is a related sense in which this fourth round of tariff negotiations may be even more significant than the three which preceded it. The first round of tariff negotiations was the easiest for the governments that participated, and each subsequent round has been more difficult. In 1947 a majority of the participating governments were aware that the full effect of concessions granted by them would not be felt while they still maintained quantitative restrictions for balance-of-payments reasons. This was still true during the second round. And even at Torquay, in 1951, most of the contracting parties maintained controls on the great majority of the goods entering into their import trade. There was another factor that made the earlier tariff negotiations easier, and this applied to all contracting parties. At Geneva in 1947 it was possible for every country to

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grant substantial reductions in tariffs on commodities the world supply of which was not sufficient to fulfil the demands of a world recovering from war. Again, at Torquay, the Korean war had led to new shortages and a renewed emphasis on sources of supply rather than markets. Thus, the inconvenience of the competition to which negotiators might be exposing their domestic industries was a worry more for the future than for the immediate present.

Today, the situation is different. With a much larger proportion of world trade free of quantitative restrictions and with the former sellers' market replaced by a buyers' market in most commodities, further tariff concessions are much more likely to have an immediate effect than was true in 1947, 1949 or 1951. The new round of tariff negotiations represents another link in the chain of actions by the Contracting Parties since 1947 all of which have had one aim - that of binding nations more closely together through co-operation in the field of trade. At their Ninth Session the Contracting Parties having examined the operation of their Agreement for the previous eight years, decided that it had worked well but that it should be made more effective for the future by the establishment of a permanent organization. Agreement was reached on a protocol that would establish the Organization for Trade Cooperation. That ratification is important, perhaps vital, if the progress already made is to be consolidated and made permanent. But the Contracting Parties have shown themselves unwilling to delay their further progress along the course they have chosen while waiting for the establishment of a formal organization.

Once again the grant of new authority by the Congress to the President of the United States has served not only as the occasion but as the inspiration for a round of tariff negotiations in the framework of the General Agreement on Tariffs and Trade. It is true that some of us have felt disappointment that the scope of this new authority does not permit reductions in individual tariff rates as substantial as those which the United States granted on many commodities during earlier negotiations. But looked at in its historical perspective, in the light of the changes in the economic shape of the world since 1947, and in the light of the very substantial body of concessions that has been made since then by the United States, the important fact is that this new authority should have been granted at all. The importance attached by that country to these negotiations is shown by the fact that the new Deputy Under Secretary of State for Economic Affairs, Mr. Prochnow, has taken the time from his many difficult tasks at home to be here at this opening meeting. The response with which the great majority of the contracting parties have met the initiative of the United States, the high level of the representatives who will speak for them around this table, and the size and quality of the delegations whom they have accredited should be a source of encouragement to those of us who believe that further progress in the direction of trade liberalization is essential to the economic health of all of our countries.
I have called the attention of representatives of the contracting parties to the significance of these negotiations as a symbol of the continued belief of governments in the course they laid out for themselves in 1947. But this should not be interpreted to mean that I believe this conference can have any lasting importance if the negotiations result simply in freezing the status quo. In the long run this meeting can have significance only if the participating governments do their utmost to exchange concessions that will actually contribute to the expansion of international trade. I feel sure that this final remark is unnecessary. I cannot conceive of governments sending to this conference, for three months or more, their most competent officials in the field of international economic relations if they did not take these negotiations seriously and did not intend that they should achieve a meaningful result.

I feel certain that every delegation represented here has been given the authority that will permit it to make a substantial contribution toward such a result, and I wish all of you every success in your endeavours.

I declare open the 1956 Tariff Negotiations of the Contracting Parties to the General Agreement on Tariffs and Trade.

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