"Liberating World Trade", 30 page report on current problems of international trade is published today by ICITO at the request of the Contracting Parties to the General Agreement on Tariffs and Trade. This report is the sequel to "The Attack on Trade Barriers", which was published after the end of the Annecy negotiations in September 1949.

FOREWORD

In his foreword, Eric Wyndham White, Executive Secretary writes: "Nations must find a solution for two vital problems before quantitative import restrictions will be removed. First of all, equilibrium must be restored to the trade and payments of nations. Secondly the incidental protection, which domestic producers have engaged must not be allowed to hinder the removal of the restrictions when the need for them has disappeared. These two problems are a challenge to the ingenuity and statesmanship of governments".

THE TORQUAY NEGOTIATIONS - September 1950

The General Agreement has been accepted by 33 countries. At Torquay, the prospective new members of the group will be Austria, Western Germany, Guatemala, Korea, Peru, Philippines and Turkey. When these seven have acceded, the countries comprising the contracting parties, together with their overseas territories to which the Agreement applies, will account for 79.5 per cent of world imports and 85.7 per cent of world exports, based on 1948 figures.

At Torquay, with the major trading countries all seeking tariff reductions from each other, an important part of world trade will be involved.

One of the important features will be the negotiations with the German Federal Republic. The German tariff has been reconstructed by
the Bonn government. A number of important industrial products were excluded from the negotiations of 1947 and 1949 because Germany before the war had been the principal supplier; these can now be brought within the scope of the Agreement. Among the nations participating at Torquay there will be a possible total of more than 600 negotiations. But in practice nations will negotiate only with countries with which their mutual trade is of such a character as to provide a basis for the exchange of concessions; even so it is probable that 400 negotiations will take place, as compared with 123 completed negotiations at Geneva in 1947 and 147 at Annecy in 1949.

QUANTITATIVE RESTRICTIONS

The Report discusses the widespread use of quantitative restrictions as a means for protecting monetary reserves and examines this in relation to the provisions of the General Agreement.

Of particular importance at a time when various techniques are being tried out for liberating world trade are the difficulties being encountered, such as the incidental protective effects of Q.R.'s. A number of contracting parties, the Report states, have already relaxed or removed some of the Q.R.'s they imposed for balance-of-payments reasons. In addition to individual efforts, most of the contracting parties applying restrictions belong to the O.E.E.C. group or to the sterling area or to both. In general, the members of the sterling area impose stricter controls on imports from countries outside the area than from member countries. Within the group, imports may be exempt from all Q.R.'s or may be subject to a lenient licensing procedure. The sterling area covers a large segment of world trade and constitutes in itself a multilateral trading system with only mild internal restrictions on trade and with interconvertibility of currencies. The European Organization also represents a substantial part of international commerce and is paving the way for abolishing Q.R.'s among its members and for restoring currency convertibility. Some members of each of these two groups have already extended their exemptions from Q.R.'s and to the products of all soft-currency countries. In this, and in the common membership of the United Kingdom in both groups, lies the possibility that group arrangements may prove to be steps towards the liberation of World Trade, the Report states.

THE DISEQUILIBRIUM IN INTERNATIONAL TRADE

The efforts of many governments are bent to the task of influencing the course of economic and financial affairs so that their international accounts can be balanced without further depletion of their reserves of gold and foreign exchange. The Torquay negotiations for the reduction of customs tariffs are an important part of this programme.

The basic problems facing the deficit areas, the Report states, include the disparity between the productivity of their industry and that of North America.

The problem of correcting the disequilibrium in trade is being
studied also by the governments of countries with active balances of current payments. In the United States, for example, it is more and more being recognized that a large increase in the volume of imports is essential for restoring balance to international trade and for dispensing with the need for foreign assistance. By reducing tariffs and simplifying customs procedures it may be possible for hard-currency countries to increase the effective demand for foreign goods. Any by stimulating public and private investment abroad, the deficit in trade may be partly offset by the export of capital.

Finally, the Report looks into the future prospects for trade expansion. Doubtless, the Report states, governments will decide to maintain many of the restrictions on their foreign trade until other measures and events have brought about a world situation in which they feel confident that the removal of the restrictions will not precipitate a new crisis. But it is part of the doctrine of the General Agreement that as recovery progresses import restrictions shall be discarded. This progressive dismantling of restrictions is not simply an end in itself, or even a mere accompaniment of economic recovery; it is an important contribution to the cure.

The Report concludes: "When a point is reached where balance-of-payment Q.R.'s can be relaxed, more will be lost in the struggle for recovery by an excessive timidity in scrapping controls than by a policy of calculated boldness in measures of liberation. While none would advocate that the rehabilitation so painfully achieved in the postwar years be jeopardized by a premature casting-off of controls which are still unfortunately necessary, a few experiments in liberation, even by governments which are not positive of their ability to bear the risks involved, would provide a stimulus which, coming at a crucial moment, could tip the scales in favour of recovery. Experiments in liberation would shift the emphasis from restriction to expansion in international economic policy."