Speech by Mr. Herbert V. Prochnow, Deputy Under Secretary for Economic Affairs, U.S. Department of State, at the opening of the Eleventh Session in Geneva on Thursday, 11 October 1956

When the Contracting Parties met in their Tenth Session last October the Head of the United States Delegation, Ambassador Bombright, remarked that economic conditions in the world continued to be favorable for further progress toward the freer, non-discriminatory trade which we have jointly accepted as our objective in the General Agreement. I believe that a similar observation may be made today. Again, we can be encouraged by gains made by many countries during the year in production and productivity, in volume of trade, and in the size of their monetary reserves. These gains have enabled a number of countries to dismantle more of their import restrictions and trade controls and to move nearer a system of non-discrimination in trade and payments.

In looking at these favorable developments, however, we cannot disregard the economic problems that have arisen for certain countries represented here. In some cases the favorable trade conditions that had existed for them have become adverse and their monetary reserves have declined; in other cases the strengthening of their balance-of-payments has proved to be a slow process demanding - and fortunately bringing forth - steadfastness and patience. There has also been observable during the past year a problem of a more general nature, namely, the emergence of inflationary pressures in many parts of the world. I believe that all of us here recognize that if these pressures are not prudently and effectively dealt with, they can injure not only the economic health of the individual countries in which they originate, but also the economic health of many other countries throughout the world. It is encouraging to note the early recognition which many governments have shown of the dangers of inflationary developments and of the importance of dealing with them.

This Eleventh Session of the Contracting Parties convenes only a few months after the conclusion of another round of general tariff negotiations. The results of those negotiations has confirmed the role of the General Agreement as a most effective instrument for the orderly reduction of unnecessary barriers to international trade.

The progress that has been made in the reduction and removal of such barriers since the creation of the General Agreement is a source of hope.
and encouragement. The United States has played its part in making certain that this progress was maintained and that tariff gains would be protected.

It is, of course, obvious that the restoration of world production facilities since the end of World War II has increased the competition for markets and the demands for protection from affected industries. It would be idle to pretend that governments can or should in every instance resist these pressures. The path of progress is never an uninterrupted one. One must always expect some backstops, some adjustments in a policy aimed at the elimination of unnecessary trade barriers. What counts most is the long-term trend, and it is here, I think, that many governments adhering to this Agreement may be commended for the generally forward movement of their international trade policies since 1947.

Since 1948, when the General Agreement entered into force, the United States Trade Agreements Act has been renewed six times. Its renewal in 1955 by a bi-partisan majority of the Congress for a period of three years reflected the extent to which the principle of reciprocal tariff reductions as a means of expanding world trade has been accepted as an integral part of United States foreign economic policy. Relatively few of the thousands of United States concessions representing hundreds of millions of dollars worth of trade have been withdrawn or modified.

I trust it is not immodest to say that the successive renewals of the Trade Agreements Act by the United States and its willingness to participate in five tariff negotiations under the General Agreement have made a significant contribution to the achievements for which the General Agreement is best known.

During the last year, my Government has continued to demonstrate its attachment to the principles embodied in the General Agreement. On 2 August the Customs Simplification Act of 1956 was signed by the President. Section 2 of the Act makes export value the method of valuation to be used generally. This represents a change desired by foreign traders everywhere - a change from the provisions of the Tariff Act of 1930 - and it should encourage the expansion of mutually advantageous trade between the United States and the rest of the world. In this measure, which had been preceded by the customs simplifications laws of 1953 and 1954 and by the abolition of the requirement for the certification of consular invoices in 1955, the United States was acting in accordance with the principles of the General Agreement having to do with the necessity for simplifying customs formalities.

The continuing awareness of the United States of the necessity for simplifying customs procedures whenever possible is also manifest in the study of the problems of classification in the United States tariff structure now being made by the United States Tariff Commission pursuant to the Customs Simplification Act of 1954.
Also during the past year, the United States Senate gave its advice and consent to the ratification of the Samples Convention which was drafted by the Contracting Parties. This action by the Senate offered further evidence of the basic United States policy that international co-operative action should be employed wherever possible to facilitate the movement of goods between nations. The draft legislation necessary for the implementation of the Samples Convention is in preparation.

It is because of its concern for the effectiveness of the General Agreement that my Government hopes that those Contracting Parties which have not yet accepted the protocols amending the substantive provisions of the General Agreement will soon find themselves in a position to do so. These protocols have been open for acceptance since March of 1954. They reflect the experience of governments under the General Agreement and their careful assessment of the international trade picture in the calculable future. They have been accepted by some of the contracting parties, including the United States. We urge that they be accepted by others so that they may enter into force at an early date.

In accepting these amendments contracting parties will be demonstrating their awareness that the General Agreement, if it is to continue to be an effective instrument, must reflect the significant changes in the international trade situation that have occurred since the General Agreement was drafted in 1947.

Because of the substantial improvement in the world trade and payments situation today as compared with that which prevailed only a few years ago the United States believes that the Contracting Parties should direct their attention to making the provisions of the Agreement which make possible the multilateral consideration of import restrictions maintained for balance-of-payments reasons. Significant changes have taken place in the balance-of-payments and reserves of individual countries, in the stability of their currencies and in the domestic factors affecting the forces of supply and demand.

Foreign trade and exchange regulations have undergone numerous modifications and old patterns of trade have continued to be modified both by administrative action and by alterations in fundamental economic conditions. In some cases import controls have been intensified; in other cases they have been relaxed.

It is my Government's view that an invitation should be extended by the Contracting Parties to those governments which apply restrictions under Article XII to consult regarding those restrictions in accordance with the provisions of Paragraph 4(b) of that article.

The United States Delegation will have detailed comments to make on this particular matter during the session. I should like, however, to stress the importance attached by my Government to this proposal. As was
mentioned earlier, the Contracting Parties have every reason to be proud of the progress that has been made in the dismantling of unnecessary tariff barriers under the auspices of the Agreement, and in the settlement of problems within the context of the Agreement. Progress has also been made with regard to the reduction and removal of quantitative restrictions on imports. The United States proposal for consultations under Article XII is designed to accelerate the progress with respect to quantitative restrictions.

My Government believes that the experience of the Contracting Parties over the past eight years demonstrates the utility of a multilateral, systematic and careful examination of import controls. Such examinations make possible the fullest understanding of the basis for those controls, their scope, their effect on the trade of other contracting parties, and the possibilities of their relaxation and eventual elimination.

Certainly, all of us are aware of the extent to which the proverb that "Nothing is so permanent as the temporary" applies to import restrictions. They have a tendency to harden, and governments are no different from domestic industries in eventually taking them for granted. There is an opportunity here which my Government believes the Contracting Parties should seize at this Session. A demonstrated awareness by the Contracting Parties of the task that must be faced and of a willingness to face it at this Session cannot help but enhance the usefulness of the Agreement to all of its participants.

During the Eleventh Session the Contracting Parties will be called upon to consider their rôle in relation to the six-country initiative directed toward the creation of a common market. In this connexion they will also wish to consider their rôle with respect to the possible development of the European free trade area which is now being studied by the OEEC.

My Government believes that the Contracting Parties to the General Agreement should keep themselves fully informed of developments with respect to both the six-country common market and the possible European free trade area. Certainly, in projects of such magnitude having widespread international commercial repercussions the Contracting Parties have a rôle to play. Consideration should be given by the Contracting Parties at this Session to arrangements which would facilitate consultation and co-operation by them with the governments and other institutions concerned with these undertakings. This is particularly true in view of the provisions of Article XXIV of the Agreement and the fact that countries participating in these endeavours to promote economic integration are also adherents to the Agreement.

During the Eleventh Session the Contracting Parties will also be called upon to consider the application of Switzerland for accession to the General Agreement. The United States Government welcomes the application by
Switzerland and is prepared to consider this request sympathetically. My Government would be prepared to support an arrangement which would permit Switzerland to associate itself with the General Agreement on a provisional basis, pending an ultimate solution to the problem presented for the General Agreement by the Swiss agricultural controls.

The Contracting Parties will also be called upon to consider the proposal of Brazil with respect to the revision of its tariff. The United States delegation is aware of the important considerations which have prompted the Government of Brazil to revise its tariff and is sympathetic to the desire of all economically underdeveloped countries to co-ordinate their international trade policies with the legitimate economic needs and aspirations of their populations. The United States delegation will give its most earnest attention to the proposal of Brazil in the hope that a constructive solution to this problem may be developed at this Session.

During this Session the Contracting Parties will have the opportunity to consider the report of the Intersessional Committee on the training programme which they approved on an experimental basis at the Tenth Session. My Government believes that this programme should continue to be supported by the Contracting Parties. The report by the Executive Secretary to the Intersessional Committee describing the operation of the programme is a most encouraging one and rightly indicates the great promise which it holds for the future.

I have touched only briefly on some of the steps taken by my Government in the trade field in the past year and on some of the major problems which need to be considered by the Contracting Parties at the present Session. The agenda before us is a long and substantial one and continues to reflect the importance which governments attach to the Agreement and their desire to make it work as effectively as possible. I am confident that this Session will prove a constructive and fruitful one in furthering the objectives we share as partners in the General Agreement.