General Agreement on Tariffs and Trade

Twelfth Session of the Contracting Parties

Opening Remarks of the Chairman of the Contracting Parties, Sir Claude Corea, at the opening of the Twelfth Session in Geneva on Thursday, 17 October 1957

Before I attempt to comment on some aspects of the work that lies ahead of us at this Session it seems to me that it would be useful to note in some of the salient developments in the general picture of world trade that have taken place since we met at the Eleventh Session. This background is, I suggest, essential if we are to formulate policies and procedures which are realistic and which take account of what seems likely to be the pattern of trade in the months to come. The tasks that lie ahead of us in the sphere of commercial policy are heavy and the issues involved are delicate ones; it is therefore essential that in our consideration of these matters our work should be integrated with the knowledge that we have concerning the trends in the structure of international trade.

1956 was in general a satisfactory year in the sphere of international trade. Trade continued to expand, both in volume and in value, at about the same rate as in 1955. For the current year, a word of caution is appropriate. Very recent figures suggest that the rate at which trade has been expanding in recent years may be slowing down. In the first half of 1957 the value of world exports was about 10 per cent above the corresponding period for 1956. However, if we look at the figures for the second quarter of 1957, that is from April to June this year, we find that the value of world exports was only 6 per cent above the corresponding figure for the second quarter of 1956. This suggests that we may now be entering a period in which the general tendency towards expanding trade, which we have enjoyed for a number of years - and which has formed the background for so many developments in commercial policy - may be replaced by a slowing down in the rate of expansion.

In surveying the pattern of world trade, one of the outstanding features of 1956 - as of recent years in general - is that the commerce of the industrialized countries has expanded a good deal more satisfactorily than that of less developed countries. Governments of industrialized countries have continued to take advantage of easier circumstances in their payments position. They have found it possible to remove or render more flexible their restrictions on imports. They have also been able to give a wider scope to their importers and to take increasing advantage of multilateral arrangements in place of bilateral arrangements, thus widening the possibilities for buying on the cheapest markets. On the other hand the situation in the countries which are not fully industrialized has remained less encouraging. Most of their governments have found it impossible to introduce substantial relaxations in their import controls although they have in many cases endeavoured to make these controls less onerous for international trade.
Despite the generally favourable trade picture in 1956 certain special factors must not be overlooked. First, as in previous years, a quite substantial part of international trade continued to be financed by extraordinary means which do not fit into the normal financial and trading pattern. Secondly, world trade in 1956 increased nearly twice as fast as world production, whereas hitherto these two trends had kept abreast. There is therefore some danger that the tendency towards a levelling off in production, which has recently made its appearance, might be accompanied by a sharp fall in world trade.

Thirdly, I must refer to the persistent phenomenon of the failure of the exports of non-industrialized countries as a whole to keep up with the general rate of trade expansion. It is obvious that the development of these countries is closely dependent on their capacity to maintain and increase their export earnings in order to pay for imports essential to their development programme and also to service development loans and credits. Most important of all, in this context, is the part played by the industrial countries and their capacity to absorb the products of the non-industrial countries. The relative decline in trade between the industrial and non-industrial areas of the world during recent years has been intensively studied by the GATT secretariat and it seems likely that this trend will continue. Let me cite a few figures by way of illustration. In 1937 the value of the exports of non-industrialized countries towards industrialized countries, expressed as a proportion of world trade, was about 30 per cent. In 1950 it was a little less - 28 per cent. Since 1953 this proportion has declined each year, down to 24 per cent in 1956. The studies that have been made by the GATT secretariat suggest that, among other things, the following factors play a part. First, manufacturing industries are increasingly capable of producing the same quantities of goods with less raw materials; secondly, since the war, industrial countries are themselves producing more raw materials and food; thirdly, there is a substitution of synthetic raw materials in certain branches of industry; fourthly, there is the fact that the more advanced of the non-industrialized countries are producing insufficient raw materials and foodstuffs to meet their own increasing consumption and to maintain - still less, to increase - their exports of these products. These are trends of great significance which can be examined in the secretariat's annual reports. The point I wish to emphasize is the general one, that even if world trade as a whole continues to expand satisfactorily - and there are already some signs of doubt on this point - should it continue to develop unevenly, as at present, it may well result in an equally unbalanced development in standards of living in the two groups, and also slow down the rate of economic development in the areas where such development is most essential. We, as contracting parties to the General Agreement, in developing our national policies, should be mindful of these dangers and shape our courses in such a way as to mitigate them.

The joint action of the Contracting Parties through the General Agreement has made an important contribution towards the relaxation of obstacles to trade and thereby to the remarkable expansion of trade in recent years. The General Agreement has perhaps an even more important role to play now, when some disquieting features are appearing in the field of payments and trade. The emerging threat of monetary disequilibrium could lead to a return to a policy of trade restriction. At the moment there seems to be encouraging evidence that the leading trading powers do not intend to resort to trade restriction.
when they join our deliberations, will no doubt wish to take stock of the situation and to consider how through international action - and particularly through the GATT - they can meet the threat of instability and maintain the expansionist trend. If this approach had been adopted in the inter-war years, some of the disasters of that period might have been averted or at least mitigated.

Before I turn to the major task that lies ahead of us at this Session, I would like to draw your attention to the degree of success which has attended the consultations which have been held with a number of contracting parties on the import restrictions which they apply for the purpose of safeguarding their monetary reserves. During the consultations a number of governments announced measures to reduce the incidence of their restrictions, including in some cases the complete freeing of a wide range of goods from import control. These consultations have also been of great value in giving an opportunity for a free and frank exchange of views and they have undoubtedly led to a better understanding of the special problems and difficulties with which individual importing and exporting countries are faced. These consultations also represent an important institutional achievement. Questions of trade and payments are by their nature inseparable. International co-operation on these matters, on a world-wide basis, has, however, been entrusted to two organizations, the GATT and the International Monetary Fund. In these consultations - confirming and strengthening the experience of years of collaboration - it has been demonstrated that their efforts can be combined to yield far-reaching results.

The programme of consultations will continue during the Session when twelve contracting parties will be consulting and we may expect equally useful results to accrue.

I now turn to the major items of work that lie ahead of us, and in particular the examination of the Rome Treaty establishing the European Economic Community. It is important to state clearly the context in which this matter comes before the Contracting Parties. In the General Agreement the Contracting Parties recognize the desirability of increasing the freedom of trade through voluntary agreements of closer integration between the economies of individual contracting parties. The Agreement therefore provides that its specific provisions shall not stand in the way of such arrangements provided that they satisfy prescribed criteria. Proposals for such arrangements are therefore required to be laid before the Contracting Parties for their examination. This examination - the limits of which are defined in the Agreement - provides an invaluable safeguard for the interests of other contracting parties who are entitled to expect that a customs union shall have, as its purpose, to facilitate international trade and not to raise barriers between the parties to the special arrangement and their other trading partners. It is this examination which will occupy much of our thinking and much of our time at this Session. But I would like at this stage to stress the broader aspects of this undertaking. First, the project for a European Economic Community is by far the most far-reaching plan for economic integration that has been placed before the world of to-day. It carries the seeds of great benefits not only for the millions who live within the area but - by stimulating the channels of trade in the long run with the rest of the world - for the world at large. A project conceived and brought
into being with such imagination and foresight and with such a purpose cannot but excite our imagination. We in the GATT have a most significant part to play to see that this vast project for regional integration fits into the broader multilateral trade pattern of which GATT is the embodiment.

I must unhappily again record that the high hopes we have entertained since the Review Session for the establishment of the Organization for Trade Cooperation continue to be frustrated although a number of contracting parties have accepted the Agreement for the OTC. We must not, however, allow this melancholy fact to inhibit us from strengthening and developing our working arrangements and procedures to meet the many and increasing tasks which have in any case to be faced with or without the benefit of a formal organization.

A matter on which I can comment with pleasure is the fact that all the important substantive amendments to the General Agreement, as agreed upon in the Review Session in 1955, have now entered into force. This will bring with it a number of advantages and benefits in the application of the GATT rules, not least for the less developed countries whose experience of the sympathetic and realistic approach to their problems by the Contracting Parties now finds formal expression in the Agreement.

I have the most happy duty of greeting the representatives of Ghana and the Federation of Malaya whom we shall at this Session cordially welcome as independent contracting parties. It is my earnest hope that they will find in the GATT, and in the friendly co-operation that has been our experience, a valuable aid to them in dealing with their economic problems. A newly-fledged national administration has enormous problems to shoulder in its early days. We want them to know that we are here to help them.

This leads me inevitably back to the point I made earlier in my remarks. The problems which face all countries - whatever their stage of economic development - must be faced realistically and sincerely, and the problems of each of them must be given equal weight. This means that a set of trading rules must be administered with flexibility and understanding; but rules there must be. Any other approach will lead to the disintegration of what we have achieved in the past ten years in which the GATT has been in operation and to the adoption of narrow, self-centred and restrictive policies which are in the real interest of no one.

No two countries are alike in their economic situation and outlook. All countries have a stake in the expansion of world trade and therefore in the maintenance of an orderly trading community based upon the observance of soundly based rules. In other words our common efforts are founded in common interests. This is the basic philosophy of the General Agreement.