It is a great pleasure for me to attend the Ministerial meeting of the Contracting Parties to the General Agreement on Tariffs and Trade. It is indeed a great privilege for me to have the opportunity to meet here several colleagues from Member States and to discuss with them several problems of international trade, for I still believe in the usefulness of international deliberations and exchange of views in order to arrive at solutions of those problems.

First, I want to associate myself with the distinguished speakers who preceded me in congratulating you on your election to the chairmanship of the GATT, and also express our appreciation for the services rendered by the outgoing Chairman, Sir Claude Corea, during his term of office, and wish him the best of success in his future activities.

Further, I heartily welcome Ghana and the Federation of Malaya as new members of the GATT. The increasing membership of GATT shows that still effective results are expected from the common action of contracting parties. My country shares such expectations, notwithstanding the disappointments in ten years of GATT experience referred to by some of the speakers who preceded me.

I shall be as brief as possible in my observations; many points have already been raised by the other speakers, which we fully agree to, and I shall, therefore, try to assist you in keeping to the time schedule you hope to adhere to. At the outset I should like to state that my observations will be confined to features of international trade which are of special interest to those countries which are at an early stage of economic development, including Indonesia. But before making these comments which outline my views with respect to the items of the agenda, I should like to pay tribute to the GATT secretariat for having presented a very comprehensive and useful report on international trade.

This report shows that during the period under review international trade, both in value and volume, reached record levels. However, the increase in value of international trade was mainly due to the expansion of trade among
industrial countries, while the trade between industrial and non-industrial countries showed unfortunately an unfavourable trend.

It means that the progress made by the industrial countries has not been matched by the less developed countries, neither in respect of the expansion of international trade, nor in respect of economic growth. I should like to recommend to everybody interested in this problem Mr. Gunnar Myrdal's recently published book in which he draws the reader's attention to this phenomenon, and in which he expresses his apprehensions that this ever widening gap between developed and less developed countries will be of a lasting nature.

The principal reason for this serious phenomenon is the extremely narrow basis of exports of the non-industrial countries and the instability of world market prices for their export products, leading to worsening of their terms of trade; and if indeed, as our Pakistan colleague feared, these few export products would be faced with competition from synthetically made replacements, this situation would develop from bad to worse.

To illustrate the price effect, I should like to mention an example of the serious consequences of unstable world market prices. During the year 1956 our volume of exports rose by 7 per cent when compared to 1955, while our foreign exchange returns fell by 5½ per cent, due to the decline of prices of our primary products. It is disappointing that nearly all our efforts to come to stabilization of commodity prices have failed so far, and in this respect I like to associate myself with the observations made by my colleague from the Federation of Malaya.

In my opinion too it is in the interest also of the industrialized countries to narrow the gap in economic development between themselves and the less developed countries. One of the devices to reach a solution of this problem is to consider ways and means for a well co-ordinated international cooperation in order to come to economic stability, not in the last place in the field of stabilizing the prices of primary commodities.

This brings me to the most important item of this Session; the European Common Market.

In considering this point I should like to put forward the question whether the provisions of the Treaty establishing the European Economic Community are indeed in line with the wording and the spirit of the underlying objectives of the GATT, or, in short, with the philosophy of GATT, as Sir David Eccles called it.
It seems to me that the provisions of the Treaty which give a more favourable treatment to goods produced by the overseas territories cannot be considered as in conformity with Article XXIV of the General Agreement. It means that the association of the overseas territories with the European Common Market is tending to aggravate the situation to which I have referred with regard to the stabilization of commodity prices and the still widening gap between economic development in the industrialized and in less advanced countries. With the delegate for India, I wonder whether the association of industrialized countries and such that produce the primary materials in one and the same customs union is really consistent with the provisions of Article XXIV.

In this connexion I do not fully comprehend the argumentation put forward by our colleague from the Netherlands. He stated that in his view increase of national income means increase of purchasing power, and that this is more important than the fact that there are tariffs. This I, of course, agree, but I should say that, as long as there are tariffs - and increased tariffs at that - it does mean that purchasing power of the industries is being limited by those tariffs. Why, if there is increased purchasing power, should that be partly set off by increased tariffs? In my opinion it cannot but cause concern to countries like mine, which fear that the preference to be created for the overseas territories under the Treaty will adversely affect their own export possibilities. It will be understood by the meeting when, at this juncture I must raise most serious objections against the insertion in Annex IV of the Treaty of the territory of West New Guinea.

Indonesia has in the past five years continuously struggled with balance-of-payments difficulties. Our needs for capital and consumer goods and services which we received substantially from the Six countries, have been consistently higher than our foreign exchange earnings. Notwithstanding these great difficulties, which are the source of serious inflationary trends in our country, Indonesia has always observed the objectives of the General Agreement and applied no discriminatory measures whatsoever on imported goods and services.

It is, therefore, very disquieting to us that in the near future we should be confronted by the Six - all members of GATT and to whom we export 25 per cent of our total export value - with a less favourable treatment of our products than applied to products from the associated overseas territories.

The provisions of the Treaty open the possibility indeed to enter into negotiations with the Community in order to arrive at arrangements with regard to tariffs, but, Mr. Chairman, what will be of crucial importance to us is the certainty that our exports, which now already meet with so many difficulties, will not be confronted with additional obstacles. It is for this reason that we would like to submit for consideration to the Messina countries the desirability of eliminating the possibility of discrimination, by agreeing that products originating from any contracting party outside the Six will not be treated less favourably than the products from the associated overseas territories. This, Mr. Chairman,
seems necessary to me, if we wish to prevent further widening of the development gap between the industrialized and the less developed countries. If we are allowing a widening gap to develop, then the increase of economic difficulties might force the less developed countries to take steps which they otherwise would not consider. They might be compelled to look for other markets for their export products, and to get their capital and consumer goods from such countries as are prepared to buy their export products on a more favourable basis than the discriminatory conditions of the outside tariff of the European Common Market. Such a trend in international economic relations will not contribute to the expansion of a free international trade.

The achievement of multilateral trade, which is the main objective of the GATT, will not only be hampered, but we fear that the world will again resort to bilateral agreements between countries or groups of countries.

I consider this as a serious setback and for this reason I should like to put to the consideration of the Contracting Parties to set up a special Committee with the task of examining whether the provisions of the Treaty are sufficiently in conformity with the provisions of the GATT, and to make recommendations as to how provisions conflicting with the General Agreement should be amended. Therefore, I can support the proposals made by the distinguished representative for Australia, which have already been supported by most of our colleagues who have spoken up till now.