GENERAL AGREEMENT ON TARIFFS AND TRADE
Twelfth Session of the Contracting Parties

SPEECH BY THE HON. R. G. SENANAYAKE,
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AT THE PLENARY MEETING OF THE CONTRACTING PARTIES HELD ON
WEDNESDAY, 30 OCTOBER 1957

I am happy at being afforded the opportunity of addressing this Assembly today. My one regret is that owing to engine trouble on a plane I was detained in Cairo for twenty-four hours. I was thus not able to attend the first two days' sessions and to listen personally to the speeches made by my colleagues. I would apologise for my absence though it was in unavoidable circumstances. I may, however, add that I have been briefed by my delegation on the statements made earlier in the course of the discussion.

Last year I expressed the wish that Ministers of State of all contracting parties would attend the sessions of GATT so that the deliberations of the official representatives might receive authoritative direction and prior guidance. I am gratified that although a year ago only a few Ministers were present at the Ministerial sessions, there are more than twenty in attendance today.

Ceylon has been a contracting party to GATT since its inception and has recently accepted the 1955 amendments. My country is appreciative of the advantages of membership. Ceylon is in full sympathy with the methods underlying the agreement, namely, "the substantial reduction of tariffs and other barriers to trade and the elimination of discriminatory treatment in international commerce".

Yet, I cannot but express certain strong misgivings. The first paragraph of Article I of GATT states very clearly what the main objectives of the Agreement are. I shall not quote the whole paragraph but should like to draw attention to two of the objectives: "raising standards of living" and "promoting the progressive development of the economies of all parties". Now my own country, Ceylon, possesses neither a high standard of living nor a highly-developed economy. Since Ceylon attained independence, it has taken continued steps to remedy these defects. But we are fully entitled to enquire what contribution the Contracting Parties have made to assist Ceylon and, indeed, all other under-developed countries. I would submit that the contribution has been infinitesimal. And I wonder whether some of the contracting parties are not treating liberalization and non-discrimination as objectives rather than

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methods. It is, I think, fairly clear that these methods have hitherto contributed to the maintenance and steady expansion of existing markets of highly industrial countries. But their effect on under-developed countries, particularly those which depend mainly on agriculture, has been negligible. My own analysis is confirmed by the various reports of the Interim Committee for International Commodity Arrangements which recognize that the machinery laid down in GATT is appropriate to manufactured goods but not to the solution of general problems of trade in primary products.

This tendency for the gap of prosperity between industrial and agricultural countries to widen under existing conditions of trade is emphasized in the report entitled "International Trade, 1956". For instance, the exports from non-industrial areas in 1950 were 41.6 per cent of world exports in value. By 1956 the proportion had dwindled down to 34 per cent. I do not think this alarming tendency can be treated with complacency. The expansion of world trade must inevitably depend on the prosperity of all individual countries, and increasing disparity in levels of prosperity will lead finally to world-wide depression.

It is therefore essential that the Contracting Parties study this problem and take measures to assist under-developed countries to raise their standard of living and to develop their means of production. So far as industrial ventures are concerned, the provisions of Article XVIII of GATT have been amended, so as to be of greater use to countries with low living standards. Ceylon has accepted the new form but much will depend on the manner in which Article XVIII is interpreted and administered. If the Contracting Parties take the attitude that action under this Article is an exception to the general principles of GATT and that applications should be allowed only in unusual circumstances under stringent conditions, the new procedures will inevitably result in failure. What is required is a more understanding approach, accompanied by the realization that all contracting parties have a definite responsibility in helping weaker members to reach a reasonable standard of prosperity.

Another equally important problem is that of stabilization of prices. Prices of primary products are subject to violent fluctuations. It is evident that a sound national economy cannot be built up on such shifting sands. My own country is in a particularly precarious position. Tea, rubber and coconut are its main exports and will continue to be so. The history of these products has been one of continued ups and downs of fortune. The main element of uncertainty is implicit in their economy. What Ceylon needs is fair and stable prices for its commodities to replace the booms and depressions to which it is subject.

I pointed out earlier that in the long run the prosperity of even the more advanced countries must depend on the prosperity of the world as a whole. Trade can reach its maximum level only if sufficient purchasing power exists in every part of the earth. There are in South-East Asia 600 millions of human beings, a vast market of potential purchasing power which needs to be built up and exploited to mutual advantage.
When the Havana Charter was drafted in 1948 a special Chapter, No. VI, was devoted to the subject of commodity agreements. Unfortunately, these provisions which would have helped considerably to solve the difficulties I have just presented to you were not included in the original GATT. When the General Agreement was revised in 1955, Ceylon and some other under-developed countries endeavoured to write into the new agreement procedures to tackle commodity and price problems. I regret to say that some of the contracting parties did not see eye to eye with our view.

However, our action did have some definite result. Last year the Contracting Parties took up the question and resolved, inter alia, that they should at every session review the trends and developments in international commodity trade and that it would be appropriate for contracting parties to hold consultations on the subject. Ceylon is thankful for this consideration, but I must point out that the treatment of the subject is far from satisfactory. On the whole the resolution is a compromise which enjoins the Contracting Parties to review and discuss the problem, but at the same time provides no procedures for coming to a final agreement within the ambit of GATT.

I have stated my views critically because I am convinced that the Contracting Parties have not shouldered their full responsibility in giving effect to the objectives enumerated in paragraph I of Article I of GATT. It is not sufficient that these problems be discussed and reviewed. What is required is the necessary machinery to reach international agreements and to implement them. I would urge the Contracting Parties to go further into this pressing problem and to consider extending the scope of the General Agreement to deal with commodity problems which are relevant to international trade.

I now turn to the question of the Rome Treaty and the Customs Union created by it. This is no doubt the most important single item for discussion at this Session. As a contracting party, Ceylon is keenly interested in this movement of six European nations towards calculated and co-ordinated economic unity, the more so as Ceylon's external trade with the Six signatories to the Rome Treaty is considerable.

I may say that I see the vast advantages that the Six countries will achieve by the integration of their economies and indeed the benefits the world can derive from their prosperity and, if as is expected, this Customs Union will enhance their prosperity, their increased purchasing power will benefit the world in general and raw material producing countries in particular.

This is, of course, a broad view of the situation. Unfortunately, the problems that are created by the merger of interests are exceedingly complex. To begin with there is an element of paradox in Article XXIV which authorizes the formation of customs unions and free-trade areas. The General Agreement envisages the free movement of goods through the removal of discriminatory barriers between sovereign States. Certain preferences still exist and Ceylon is itself a member of a preferential group, but the provisions of GATT have ensured that preferences are sometimes reduced but never increased. The idea of widening preferences is entirely foreign to the principles of GATT.
Yet this is precisely what a customs union or free-trade area is intended to achieve - a hundred per cent preference between a collection of States which do not pay the price of losing their individual sovereignty. I do not mention this to criticise in any way the provisions of Article XXIV. I do so merely to point out the dual status of the Six as members of a customs union and as individual contracting parties to GATT needs to be carefully examined in order to ensure that they gain no unfair advantage over other contracting parties. For instance the union of the Six countries may have the effect of removing competition for raw materials which may have the effect of reducing the present price levels. Fluctuations may be removed and a greater degree of stabilization achieved, but with the concerted action of Six nations stabilization may be at the expense of fair prices. We request your assistance for stabilization at reasonable prices and not at any price.

There is another aspect of the customs union which I should like to emphasize. The fact that such a union is authorized in Article XXIV indicates how well GATT is designed to assist industrial countries to raise the level of their economy. No doubt the increased scope of production will in the long run create a larger demand for raw materials from under-developed countries. But, and I ask this question with deliberation, what corresponding provisions exist to assist under-developed countries directly? Is it not correct that the general trend of progress today, facilitated by GATT itself is to develop the developed countries than to develop the under-developed countries? In these circumstances are we not entitled to ask for an orientation of policy which will lead directly and definitely to the development of under-developed countries?

The question is further complicated by the fact that no clear out plan for a customs union exists. I should think it unlikely that the original draftees of Article XXIV contemplated the formation of a customs union of this magnitude. But I am certain that they never envisaged the establishment of a customs union which was a mere feature of a highly integrated economic union.

The Rome Treaty is indeed a complex document which provides for unified management in the entire field of economics. The Customs Union plays a significant part but still only a part. Delegates representing the Six have contented that their countries are fully alive to their obligations under GATT and that the Rome Treaty is consistent with their obligations. I have no doubt of the good faith of the Six parties but I am not at all satisfied that the Treaty conforms to Article XXIV. I refer particularly to the provisions relating to agriculture and the overseas territories. Previous speakers have commented on these aspects and I need not elaborate them. I should, however, like to say that I share the misgivings expressed so ably by the representative of Australia and to point out as an example the difficult position in which Ghana is placed with respect to cocoa. I may express at this stage my happiness to see the new independent States of Ghana and Malaya participate in our discussions.
All I have said leads to the conclusion that the Contracting Parties cannot escape the responsibility of examining the provisions of the Treaty with great care in order to ensure that it is in conformity with GATT and imposes no hardships on other contracting parties. Whatever may be the belief of the Six in this regard, the entire picture can be clarified only when all the contracting parties indicate what impact the provisions of the Treaty will have on them. In some cases it may be possible to determine immediately what the relation to GATT actually is. In others, the exact pattern of future operation may be uncertain and undefinable. It is therefore necessary that the parties to the Rome Treaty should periodically report to the Contracting Parties the decisions made by their institutions under the Treaty and the manner in which they intend to implement their plans. Only in this way can we be assured that the plans of the Six to improve the economy of their territories will not cause damage to other contracting parties. As I stated earlier, I appreciate the reasons for the endeavour of the Member States of the Rome Treaty to coordinate their economic policy. But their unity can create a mighty force for better or for worse and under no circumstances can the Contracting Parties surrender their global responsibilities in the matter.

I should like to repeat how happy I am to have been able to state my views on behalf of my Government. I am also enjoying the privilege of listening to the considered views of other Ministers of State and am fully convinced of the advantages of the exchange of authoritative views at the highest level. This is the only way of achieving that complete understanding which leads to free and peaceful trading.