Twelfth Session of the Contracting Parties

SPEECH BY MR. JAROSLAV KOHOUT,
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Czechoslovakia has traditional trade relations with all countries of the world and has ever been deeply interested in the promotion of trade with all countries, regardless of their economic and social system, on the basis of equality and mutual advantages. This is one of the reasons why the Government of the Czechoslovak Republic has ever attached great importance to international economic co-operation and is pursuing a consistent policy of contributing thereto by all possible means. This policy is demonstrated, for instance, by Czechoslovakia's positive contribution already to the preparatory work for the creation of the International Trade Organization, both in the Preparatory Committees and at the Havana Conference, further by our active participation in the work of UN Economic and Social Council, its regional economic commissions and their trade committees, in various commodity arrangements and groups and - last but in no case least - it is demonstrated by our continuous endeavour to cooperate closely with all the Contracting Parties to the General Agreement on Tariffs and Trade and thus to contribute to the success of this Agreement which was signed in this very building just today ten years ago and of which we have the honour to be one of the founders.

We believe that a frank exchange of views within the framework of international organizations contributes to a better mutual understanding and thus to a closer co-operation among all nations. That is why we welcome the opportunity to take part in the constructive discussion and analysis of the problems of world trade in general and of trade among the Contracting Parties to GATT in particular.

May I be permitted to quote at this juncture from the UN World economic survey for 1956 where the present economic situation is characterized as follows: "Economic visibility, never of more than limited range, has been disturbingly lower in 1957; from the peaks that have been reached the economic landscape has seemed more than usually veiled." Further it is stated there: "Indeed, while the economy as a whole continued to move forward, in virtually every country important industries merely marked time, and several key industries even fell behind."
I hope I will not be misunderstood if I say that there are certain growing signs of a possible deflation of world trade. May I refer in this connexion only to the growing shortage of international liquidity, to a persistent gap of certain currencies in many countries, to a sharp fall in certain commodity prices, to the lagging behind of the trade of countries in process of economic development and to a slackening of economic activities in certain other countries.

We are convinced that the world is faced nowadays with a number of major economic problems all depending for their solution on co-operation of all countries of the world.

The analysis of the present structure of world trade points to two main disproportions:

1. First, it is the persistent decline in the share by which the countries in process of economic development participate in the world trade. It is a generally known and recognized fact that for these countries and regions, international trade based on the principle of equality and mutual advantages is one of the key elements for the mobilisation of their rich internal resources, enabling them to transform these resources into means essential to their economic development and thereby to start spanning the gap between the level of economic development of the industrially advanced areas and the utilisation of productive forces in the economically less developed regions.

There can hardly be any doubt that the overcoming of this disproportion belongs to the most urgent tasks of world economy and of international economic co-operation. Measures and arrangements designed to tighten trade relations exclusively among the industrial countries, within their narrow sub-regional groupings, can hardly be considered as a contribution to the solution of this basic task. On the other hand, the necessity of a closer international co-operation aiming at such a solution of the international commodity trade problems which would assist economic development of primary producing countries, cannot be over-emphasized. In this respect international co-operation - and indeed trade itself - is lagging behind and the need for concentration of efforts of all institutions dealing therewith seems to us to be evident.

2. Secondly, Mr. Chairman, there is a further, and in our view not less important, reason of the present instability and disequilibrium of the world trade. It is the lagging behind of trade co-operation between countries with different economic and social systems, i.e. between the countries of centrally planned economies, on the one hand, and countries based predominantly on private enterprise, on the other. It is a well known fact that this trade, in a not too distant past, was artificially restricted and reduced by many private economy countries because of reasons of non-economical character. As for the trade of Czechoslovakia with the other Contracting Parties the rules of GATT were not strong enough to overcome these unfavourable forces in the past. In recent years we see a certain recovery of this trade, its present volume, however, is still below the pre-war level and far from a full utilisation of the existing possibilities.
When the Havana conference was being prepared - more than ten years ago - one of the basic ideas, recognized by all, was expressed in the United States Proposals for Expansion of World Trade and Employment by the following words "The Proposals reflect awareness that we live in a world of many countries with a variety of economic systems. They seek to make it possible for these systems to meet in the market-place without conflict, thus to contribute each to the other's prosperity and welfare". Much remains to be done to bring this idea into life and thus to open the road to the full development of mutually advantageous trade between countries of different systems.

As for Czechoslovakia it has always been the policy of the Czechoslovakian Government to expand trade relations with all interested countries regardless of their economic system. On the basis of a stable rapid expansion of our economy we have been able to achieve a continuous stable growth of our foreign trade. In 1955 we reported an increase by 15 per cent over the 1954 level. In 1956 the total turnover of our foreign trade again increased by 16 per cent over the 1955 level. As for our trade with the Contracting Parties to the General Agreement, its rate of growth was even higher, 23 per cent in 1955 and 26 per cent in 1956, which is the best proof that we do not wish to close our trade into any isolated "compartment".

Coming now to the prospects for achieving further progress in the expansion of trade, I would like to state that in our view there exist at present all the necessary economic conditions for a substantial expansion of world trade, the main among them being the following:

1. Firstly, the needs of a rapid industrialisation and economic development of countries and regions where the productive forces are still relatively less developed. Productive forces and natural resources of these countries are immense and it is a challenge to the international co-operation to arrange in a concerted effort for their development. The key thereto, in our opinion, is industrialisation of these countries which is a prerequisite of economic development and of trade expansion. Basing ourselves on the experience with our own industrialisation we cannot agree with the view as if industrialisation hampered expansion of trade. Czechoslovakia is developing successfully its trade with countries in process of economic development. While the share of these countries in the world trade declines, their share in our trade increases steadily.

2. Secondly, Mr. Chairman, the potentialities of expansion of trade between the countries of planned economies and countries of the so-called market economy, are far from being adequately utilised and, in certain instances, are almost not touched upon. The rapid economic development and the stable growth of production and consumption in the former, and the capacities and resources in the latter countries, represent economic prerequisites for a potential considerable growth in the exchange of goods.
All this is a big challenge to international economic and trade co-operation. Expansion and even a mere stability of international economic relations depend, to a large extent, on the solution of these two main disproportions in world trade.

There exist however opposite tendencies. More and more economists of world renown emphasize that the growing tendencies towards increasing the exclusiveness of trade within certain groupings threaten to splinter the world trade into ever more tightly closed-watertight-compartments. We are convinced that such tendencies ought to be opposed and consequently that the plan for the European "common market" ought to be closely and critically analysed also from this angle. The general stand point of the Czechoslovak Government to the European Common Market was stated in several official declarations and is well known. I want to limit myself only to a few remarks on the probable economic consequences of this plan on trade of the outside countries. First of all we are of the opinion that the Rome Treaty is in contradiction with the general spirit of GATT. All what we have heard has not dispelled the apprehensions of many outside countries fully shared by Czechoslovakia that the "common market" would have adverse effects on their trade, on the broader international co-operation and would deepen the existing division both in Europe and in the world. Many countries voiced their legitimate concern about the impact of the "common market" on their economic development and also on the progress towards economic and political independence of the so-called dependent overseas territories, and in particular, of the trusteeship territories which are supposed to be associated with the common market. The Contracting Parties in our opinion should insist on the rule that barriers to the trade of countries outside of such groupings should not be raised. We are convinced that no new obstacles to trade should be erected and the existing ones should be dismantled, in particular the obstacles standing in the way of full utilisation of the two main existing possibilities of trade expansion which I mentioned a while ago.

GATT itself because of various reasons has not provided adequately for the achievements of the above mentioned two main tasks. The solution of these problems upon which a stable and balanced expansion of trade relations depends, requires close co-operation of all trading countries without exception, irrespective of their different levels of economic and industrial development and regardless of their social and economic systems. We believe that this fact clearly points to the necessity of universality of international machinery for trade co-operation, within the framework of the United Nations Organization.

The Czechoslovak delegation attaches particular significance to developing trade with all countries as to the main factor for consolidating friendly and peaceful relations among all nations. Mutually advantageous trade relations help to raise living standards of the peoples and strengthen confidence among all countries of the world. We believe that we should spare no effort to achieve this aim.