Once again it is my privilege and pleasure to say a few words on behalf of the United Kingdom to my friends and colleagues who come to this important Ministerial meeting.

Last year our discussions were dominated by two uncertainties: the immediate prospects for international trade were obscure and threatening; and anxieties were expressed about the long-term effects of the Treaty of Rome.

At that time it looked as though the recession in North America might deepen and drag down after it the trade of the world. Already the fall in the prices of many commodities was restricting the overseas earnings of their producers, and putting in danger programmes of development on which depended the internal stability of a number of the contracting parties.

During that debate we heard, and perhaps for the first time fully accepted, strong statements to the effect that the under-developed countries were losing ground in the modern world of science and technology.

The depth of feeling about this unbalanced progress between the industrialized and primary producing societies sharpened the anxieties of the latter that Western Europe might, through the creation of a protectionist community, tip the odds still further against them.

To many of the contracting parties it must have seemed that we in Europe, so naturally preoccupied with the great projects for a Customs Union and a Free Trade Area, did not appreciate the economic trouble brewing for those outside our modest portion of the globe, whether the setbacks were occurring in South America, or Africa, or Asia.
In the twelve months that have passed we have all been able to get these great issues into clearer perspective. The problems are not less tormenting but we are better equipped to discover their solutions.

There are some good reasons for satisfaction. Economic activity in North America, thanks largely to vigorous intervention by the Governments of the United States and Canada, has begun to recover. The reaction upon Europe of the North American recession has been less than we feared at first.

However, commodity prices have continued at levels which are low compared to the previous peaks, and there seems to be little reason to expect these prices to rise appreciably in the foreseeable future.

This sombre appraisal of the outlook for the major commodities has led many under-developed countries to doubt whether their development plans can be maintained.

Some have already had to be cut back. The conscience of the world has been touched and quickened by the evidence of such reductions in the rate of progress where progress is a matter of life and death to millions. And so we find on all sides a growing will to act together to renew economic activity and to inaugurate a higher level of orderly expansion.

I am convinced that future historians will consider of immense significance the number of attempts being made at this time to achieve wider and more stable areas of economic growth.

The 160 million people of the Six have, to their great credit, begun to forge a European Economic Community. If they join with the rest of the OEEC countries then 300 millions will exchange their goods in a European Free Trade Area.

The countries of Latin America and the United States - another 350 millions - have just met in Washington to lay plans for increasing the wealth of that rich part of the world.

At Montreal the Commonwealth, whose assembled delegates spoke for more than 650 million people, was primarily concerned with an expanding Commonwealth in an expanding world; at New Delhi decisions were adopted to increase the resources of the International Bank and the International Monetary Fund; and now we are in Geneva debating the economic future of 1,300 millions, or half the inhabitants of the world.
At all these conference tables the underlying theme has been the same. Advances in policy have been discussed, planned and put into action on an international basis. It cannot be an accident that, at once and the same time, so much is being done internationally by so many different groups of nations and in so many different ways.

The truth is that the countries taking part in the negotiations at Paris, Washington, Montreal and New Delhi were all confessing their faith that interdependence is the only policy that makes sense in an age when men can fly round the world almost as fast as sound. Here in Geneva we must reaffirm that faith.

The GATT is the largest and most nearly universal forum for the discussion of economic policy. It is here that the immense thrusts of economic change can be examined and guided, and here that we have a duty to see that none of the regional proposals cut across the rights and hopes of our fellow members, whether large or small, whether independent nations or colonial territories.

These reflections are prompted by my recent experience at the Commonwealth Trade and Economic Conference. At Montreal there was no ganging up against anybody. From the first day the Commonwealth countries were absolutely clear that they must build their own economic expansion into an expanding world. Each one of us came away convinced that the chief hope of peace and prosperity lies in developing a sense of the world as a whole.

It was with this in mind that many members of the Commonwealth expressed at Montreal, as they did here in Geneva last year, concern that some of their markets in Western Europe might become more difficult as a result of the commercial policies of the European Economic Community.

I think I can summarize how the delegates from Asia and Africa, and from some of the Colonies, without any hint of bargaining, described their position:

"Our standard of life," they said, "is far below that of North America and Western Europe. We accept this gap for the time being on the condition that it does not grow wider. But it appears to us beyond dispute that it is growing wider. Therefore we ask America and Europe not to keep our goods out of their markets by acts of deliberate policy; for the consequences of such restrictions upon our ability to finance out of exports a minimum rate of development may well be disastrous to us and to them."
They asked to be reassured that their economic and political circumstances were not only understood by the highly developed nations but should be seen to affect the commercial policies of those nations.

I do not think any of us can leave that appeal unanswered. The United Kingdom is, of course, very far from perfect in her dealings with other countries, but we undertook at Montreal, and gave concrete proofs of our intentions, to try to live up to our tradition of keeping our market open to imports and of being willing to invest abroad the largest possible slice of our savings consistent with the maintenance of the value of our money.

The under-developed countries impressed on us the over-riding importance to them, not only of borrowing all they could from the rest of the world, but of increasing their export earnings. It would seem that aid as well as trade, but trade first, is what they both need and desire.

This very same point is made with emphasis by the four experts who have presented to this Council such an excellent report. I should like to congratulate the Australian delegation for their initiative last year which led to the appointment of these four distinguished economists. Their report is, in the opinion of my Government, a first-rate document, most penetrating in its analysis and most timely in its appearance.

It deals with the two subjects which dominated our discussions here last year — the problem of unbalance between developed and under-developed countries and the particular anxiety arising from the economic consequences of the Treaty of Rome and the proposed European Free Trade Area.

These two problems are, as I have tried to show, inter-related because it is thought by some of the contracting parties that the changes in Europe may add to the unbalance. I would therefore appeal to my friends in Europe to look at their actions against this background.

For our part we do not see how the Six, and those other European countries now negotiating a Free Trade Area, can reasonably object to the rest of the world asking us to justify what we are doing in terms of the spirit of our obligations in the GATT.

I say "the spirit" of the GATT, because being English I am allergic to the letter of international agreements, and I conceive the spirit of the GATT to be a resolve never to look for economic expansion at the expense of our fellow members.
In particular I do not see how any of us can contract out of our duty to act together to raise the living standards of the under-developed countries.

We hope therefore that the questions put to us by our colleagues about what Europe intends to do regarding agriculture in particular will be answered. It is up to us to show that the facts are less disturbing than the fears, but having waited a whole year and received very scanty information and no satisfying reassurances, it is natural that the fears should persist.

No one at Montreal questioned the right of the Six or of all the members of OEEC to form larger areas of free trade; but they did ask that there should not be round those areas a higher level of protection than before.

Speaking now on behalf of the British Colonies I must repeat the question I put here last year. Are the Six ready to discuss ways to reduce the harmful effects upon our Colonies which will follow from the preferences they intend to afford to their dependent territories?

Surely these are fair and reasonable requests from a world which sees its one hope in a general expansion of trade? At Montreal it was made clear that the right policy, had we the political vision and courage to adopt it, is to go much further and offer fresh opportunities to the under-developed countries to sell both their primary and manufactured goods in our markets.

This is what we ought to do and we could and would do it if the United States would give us a strong enough lead. I say to Mr. Dillon, that if his Government, so friendly and so generous as we know them to be, would by example call us all to remove the obstacles to the growth of international trade we should follow their lead.

The GATT is the right place to debate and make recommendations to governments on these vital matters. They fall under three heads. There are particular instances of bad behaviour, such as the export of subsidized eggs by the United Kingdom, the quotas imposed by the United States on lead and zinc, and the use of quotas by Germany when the German balance of payments is the envy of Europe.

We should not postpone the examination of any such deviations from the straight and narrow path.
Secondly there are the agricultural provisions of the Treaty of Rome and finally the broad question of the treatment of mining and agriculture by the GATT.

We have no doubt that under the GATT the Six, in working out their Customs Union, have an obligation to ensure that their fellow members are not harmed by their agricultural policy. We feel they should tell the other countries concerned what changes in tariffs, quotas and support policies they have in mind.

Our Commonwealth friends made it clear at Montreal that they did not think it enough to have to wait and see the effects of these changes; we agree with them that this is a special issue which it is right to clear out of the way.

On the other hand, the United Kingdom, and we believe other contracting parties, are now fully convinced that there is a broader problem in the field of agriculture than the anxieties felt about the Treaty of Rome. Accordingly we do not expect the Six to be the only countries to accept the obligation of submitting their agricultural policies for review.

For our part we consider this wider problem should be dealt with by a rigorous confrontation of agricultural policies in the GATT. The United Kingdom is ready to take part in such a review on the assumption that all the contracting parties will join with us. In particular we ask the United States to take a full and leading part in such a discussion. For it is surely clear that no satisfactory arrangements could be made to secure orderly production and distribution of foodstuffs if the United States were to stand aside.

If all the contracting parties decide to join together in a review of the procedures for dealing with the problems of agriculture what might be our first thoughts on the subjects to be dealt with?

The experts in their report give us two points of departure. First they endorse the soundness of the existing GATT rules which draw a distinction between allowing production subsidies subject to complaint and banning the protective use of quotas. We think this distinction valuable and we should wish to see it retained. Quotas inevitably tend to throw on the outside world an unfair burden of adjustment to the fluctuations in demand and supply inside the country imposing the quota. MORE
Secondly the experts agree that the use of deficiency payments as a method of subsidy is less harmful than raising the retail prices of foodstuffs by including therein the subsidy to be paid to the domestic farmer. We welcome this recommendation because the interest of us all is in enlarging the demand for foodstuffs.

In the last year the serious complaints that have been made against agricultural protection have come from efficient producers who saw their markets invaded by producers whose selling prices contained an element of subsidy. We have great sympathy with these complaints - I dare not mention butter - and we think the GATT should devise a means of measuring agricultural protection and particularly the degree of subsidy which enters into an export price.

Perhaps we need a similar examination in regard to certain metals. My United States colleague will not mind me saying that there is little chance of a reasonable level of duties on lead and zinc in Europe if his Government feels obliged to impose and maintain quotas which hit so hard producers such as Australia and Peru.

Finally I come to measures for evening out short-term fluctuations in the prices of commodities. Here we think the experts under-estimate the difficulties. Almost all important commodities are produced and imported by a great variety of countries including the Sino-Soviet bloc. A workable arrangement to control prices is therefore very hard to negotiate.

We are not enamoured of the experts' suggestion that there should be national buffer stocks operated by a small number of wise speculators. Experience with the investment of our own money makes us doubt whether such gentlemen can be found, or, if they could, whether governments would feel able to entrust them with the necessary powers and funds.

Nonetheless the United Kingdom has readily agreed to sit round the table and examine commodity by commodity proposals to achieve the mitigation of such short-term fluctuations. Our concern is that arrangements of this kind should not reduce price fluctuations at the cost of putting a brake upon the expansion of efficient production. Provided this concern is accepted as a valid element in commodity stabilization schemes we will play our part in devising such schemes and we should like to see the contracting parties to the GATT examine in good faith all reasonable proposals.
We are feeling our ways towards a balanced and steady expansion throughout the whole world. The recent check to the growth of output in some countries and to the export earnings of others gives us a clearer insight into the policies we should now pursue. We realize better than we did that expansion at the cost of inflation is not worth while. On the other hand a prolonged check to increasing output is more than the modern world can afford.

As yet, however, the secret eludes us of continuous growth without running into financial trouble. But now, I believe, we have grasped the truth that only through international action can this secret be found. The mist has lifted from the mountain though we cannot yet be sure of the way to the top.

We can see that the discipline of sound monetary policies must be respected by each and all, and that the rhythm of expansion must be consistent and fair in all our economies having regard to the immense variation in their stages of development.

This is our combined adventure and it is impossible for any one of us to contract out of his share of keeping prices stable and trade expanding. How is this to be done? We must meet often and take counsel together as the guardians and guides of orderly progress. Here, as we see it, is the rôle of the GATT.