It is a great pleasure to me to have this opportunity to participate, for the first time, in an annual meeting of the Contracting Parties to the General Agreement on Tariffs and Trade. The General Agreement has steadily gained in strength and influence year by year, so that the meetings of the Contracting Parties have now become the major world forum for the discussion of trade policies on a broad international basis and for the settlement of international trade disputes. I think it is of considerable importance to the continuing vitality of the GATT institution that those of us who carry substantial responsibilities at home in the field of trade policy should meet from time to time, even if for only a few days, to become acquainted with one another, to exchange views, and to clarify the positions of our governments on important issues of concern to GATT.

In my remarks today I would like first of all to say a few words about the state of our domestic economy. Then I will turn to some of the specific problems with which our various delegations will be concerned in the weeks ahead.

Since the Twelfth Session held a year ago the United States has gone through a business recession and is now well on the road to complete recovery. Our business contraction has had two major characteristics:

First, it has been short. The decline lasted only eight months from the peak of economic activity, which was reached in the third quarter of 1957, to the bottom, which was reached early in the second quarter of 1958. Since
then our rate of recovery has been extraordinarily rapid. Present indications are that the whole of the drop will have been recovered by the end of the year when our economy will begin once again to record new all-time highs.

Second, the recession has been relatively mild. The maximum drop in gross national production was only 4 per cent. The maximum drop in personal income was only 2 per cent.

The economy of the United States has shown remarkable strength and resiliency since the end of the war. While the expansion of our economy has been interrupted three times in the post-war period, in each case the halt was mild and brief. Powerful long-term forces for economic growth have dominated and continue to dominate the American economy. In addition, governmental measures - both automatic, built-in stabilizers, and specific actions designed to meet the particular problems of each of the downturns - have played an important role in keeping these readjustments limited in time and extent. In short, the record of the economy of the United States since the war indicates that economic growth with reasonable stability can be achieved in a free society.

Of course, the chief anxiety of the rest of the world is that an American recession will adversely affect the international trade and monetary reserves of other countries. The international transactions of the United States during the 1957-1958 recession have been characterized by a high level of American imports and a marked decline in American exports. These developments have been largely responsible for the recent substantial improvement in the foreign exchange position of the rest of the world as a whole. Also, I think that it is true, as mentioned by Mr. Per Jacobsson, the Managing Director of the International Monetary Fund, at the recent meeting in New Delhi, that "the brunt of the reduced demand in the United States has, over a large field, so far fallen on the marginal domestic producers".

Looking back over developments in our foreign trade in recent years, I am led to make certain observations about the vulnerability of the rest of the world to economic fluctuations in the United States:

1. When consumer expenditures in the United States have been well maintained, as has been the case in each of our post-war recessions, our demand has remained strong for many types of imports, notably food and manufactures. This was particularly true in 1957-58 when our imports of manufactures actually increased.

2. Our demand for imports of industrial materials may be more adversely affected. The decline in the value of United States imports of industrial materials in 1957-58, however, was in large part a function of the drop in price. The reduction in the volume of these imports was quite mild.
3. United States Government transactions—foreign assistance and other Government expenditures abroad—have come to be a sizeable part of our total out-payments to foreign countries. They are not directly responsive to changes in domestic business activity.

4. Our exports, on the other hand, seem to have become more sensitive to cyclical fluctuations abroad. After responding vigorously at times of peak foreign demand, as in early 1957, they have fallen off sharply when some slackening of foreign demand has appeared. There is no doubt that, because of the post-war growth and modernization of the productive capacity of other countries, United States exports face stronger competition in world markets today than they did a few years ago.

These various factors taken together clearly indicate that the effects of an American recession on the balance of payments of the United States, and hence on foreign countries, have been less than it was earlier thought they would be. The conclusion to be drawn from this is clear. It is that governments need not continue to be so apprehensive about periodic business movements in the American economy. In particular, the fear of a so-called dollar shortage should no longer be allowed to impede our common effort to move forward toward a fully liberalized multilateral trading system.

There are, however, other problems affecting international trade and payments. It is true, for example, that the less developed countries have encountered difficulties in their foreign trade and payments. This has been in large part the result of declining prices for primary products, a trend which began prior to the beginning of the recession in the United States and which, in the case of a number of commodities, was due to an imbalance between world supply and demand for basic products. A contributing cause in the case of some countries has been a continuing level of internal demand larger than could be justified by the total resources, domestic and foreign, at their disposal.

A new danger, which so far has principally affected the economies of the less developed countries, has been the recent dumping activities in a few key items by the Soviet Union and Communist China. The dumping of tin by the Soviet Union has served to disrupt the economy of Bolivia and to deal severe blows to the hopes of the peoples of Malaya and Indonesia for an improvement in their economic well-being. The dumping of textile products by Communist China is severely affecting the traditional export markets of India and Japan. It is thus making far more difficult the achievement on schedule of the second five-year plan of India, and hampering the economic growth of Japan.

As long as the Soviet Union and Communist China persist in these destructive trade practices the hope for a better life for millions of people in the less developed countries of the world will become even more difficult of realization.
I would like now to turn to some of the specific problems on our agenda.

A few weeks ago we received the preliminary draft of the report of our Panel of Experts on trends in international trade, with special emphasis on primary commodities and agricultural protectionism. This is, of course, a difficult as well as a controversial field, and it is not to be expected that governments will find all of the policy conclusions of the experts to their liking. Nevertheless I think we can all agree that the report provides us with an excellent analysis on which to base our further examination of these problems and that the distinguished economists who prepared it - Professor Haborler, Professor Meado, Professor Tinbergen and Dr. Campos - deserve our warmest thanks.

This report will obviously require careful and thorough study. However, from a preliminary reading, there are two observations which I wish to make at this time.

First, we are impressed by the sections of the report dealing with the impact of internal taxes levied by certain industrialized countries, which severely limit the consumption of primary products such as coffee and tea, the market for which is of great importance to the economic development of many countries in Latin America, Africa and Asia. While recognizing the problems involved for certain countries in shifting the basis of their taxation, we hope that this portion of the report will receive serious attention with a resulting increase in the markets for these basic commodities.

Second, we welcome the emphasis in the report on the fact that the maintenance of a healthy international economic system is of much greater significance for the well-being of primary producers than are efforts to regulate production, prices and trade in particular commodities. However, we find ourselves unable to concur with certain conclusions in the report relating to commodity stabilization schemes. Whereas the report appears to endorse the notion of the simultaneous negotiation of international stabilization schemes for a substantial number of commodities, we ourselves believe that commodity problems can best be approached on a case-by-case basis, taking account of the particular problem to be solved and the special circumstances surrounding production and trade for the commodity concerned. We note that the countries of the Commonwealth expressed much the same view as ours in the communiqué which they issued at the close of the recent Commonwealth Trade and Economic Conference at Montreal.

The United States is now prepared to join in discussion of commodity problems on a case-by-case basis. We are already doing so with respect to coffee, and lead and zinc. Coffee, of course, is a commodity which we do not produce in the United States but which we heavily consume. Yet we have recognized the serious difficulties with which coffee producers in
Latin America and Africa have been confronted and have been willing to sit down with them to try to work out a means of ameliorating these problems. In the case of lead and zinc, producers in the United States have been seriously injured by the world-wide decline in prices accompanied by extremely heavy increases in imports. This has forced a reduction in our domestic output of about 25 per cent. In this situation we sought a multilateral solution by agreement between exporting and importing countries. When we found that there was no early prospect of dealing multilaterally with the problem, we were compelled to apply import restrictions on these products. We continue, however, to hope that it will be possible in the near future to reach multilateral understanding which will be acceptable to all.

My colleague from the United Kingdom this morning suggested that our recent actions on lead and zinc might well be discussed at this Session. If the other contracting parties so desire we are of course prepared to join in such a discussion. However, I should like to point out that this subject is already being discussed by the countries directly concerned. The meeting of lead and zinc producing and consuming countries held in London early in September looked toward a further meeting of technical experts this fall for the purpose of seeking agreement on a multilateral programme for these two commodities. The United States, as I have said, is prepared to take an active part in this endeavour. Until we know the results of these efforts, I seriously doubt the wisdom of initiating discussions on the same subject here in Geneva.

As regards the suggestion of my British colleague that there be a broad discussion of agricultural policies, the United States always stands ready to discuss its policies and is prepared to join in such a discussion if the other contracting parties so desire. Of course, the detailed procedural arrangements for such a discussion would necessarily be subject to further consideration by our various delegations.

The report of the Panel of Experts also speaks well, although with certain reservations, of the technique of achieving commodity price stabilization through the use of buffer stocks. The theory appears to be that by this means governments may be able to even out price fluctuations without resort to direct controls over production and trade. While recognizing the theoretical attraction of this approach, it is our view that international buffer-stock schemes do not offer a hopeful method of solving commodity problems. As the body of the report itself implies, the successful management of any buffer stock presumes an exceptional accuracy of human judgement, and demands a foreknowledge of future economic events which we do not in fact possess. Because of these factors, it is our view that buffer-stock schemes are all too likely to break down completely or to lead to an aggravated form of the very restrictions on production and trade which they were originally designed to prevent.
At their last annual session the Contracting Parties began to consider their future relationships with the European Economic Community. It was recognized then that the objectives of the General Agreement on Tariffs and Trade and those of the Treaty of Rome were basically in harmony, that together they aimed at the economic integration of countries in Western Europe within the framework of a liberal trading philosophy embracing the whole of the free world. The Contracting Parties recognized, too, that much thought would have to be given to the development of day-to-day working relationships with the Community of Six, so that the broad objectives of these two great international instruments would in fact be translated into practical achievements. My Government believes that this work has been well begun, and should be continued on the present basis.

One of the most important aspects of the future relationship between the Common Market and the General Agreement relates to the level of the Common Market tariff to be applied to imports into the Common Market from the territories of the other contracting parties. As a result of the approval by the United States Congress of the Reciprocal Trade-Agreements Extension Act of 1958, my Government is now prepared to participate in tariff negotiations with the members of the European Economic Community and with other countries, to the end that mutually beneficial tariff concessions may be agreed upon. The trade-agreements extension approved by our Congress — for a period of four years from 1 July 1958 — is the longest in the history of our trade-agreements legislation. Also, the extent of the basic authority granted to our President to reduce tariffs up to 20 per cent of existing rates — is the greatest since the immediate post-war period.

It is our hope that the Community of Six, and other contracting parties, will agree at this session to a time-table of tariff negotiations looking toward their completion prior to the expiration of our negotiating authority on 1 July 1962.

We also hope that, either during those negotiations or separately, the Community of Six will find it possible to reduce the Common Market tariffs on a number of tropical products which, under the Treaty of Rome, would be imported free of duty from the overseas territories of the Common Market while being subject to duty when imported from many of the less developed countries which are contracting parties to the General Agreement.

There has been considerable concern in some quarters regarding the agricultural policies to be followed by the European Economic Community. For ourselves we believe that a guiding principle in the establishment of those policies should be the principle embodied in the General Agreement — that is, that the trade of other contracting parties should not be faced with higher or more restrictive barriers to agricultural trade because of the formation of the Community. We are confident that this is the intention
of the Community of Six. It is of course appropriate that the action of the Six in the agricultural field should come within the purview of the General Agreement in the same way as other commercial regulations applied by the European Economic Community.

Finally I would like to say a word about dollar liberalization. The international payments situation of the countries of the free world has, by and large, continued to improve. Yet, in our judgement, the removal of balance-of-payments restrictions has not adequately kept pace with this improvement. On the one hand, we certainly welcome the effective steps taken during the past year by the United Kingdom and Australia to remove or relax their remaining balance-of-payments restrictions. On the other hand, we regret that certain countries in a position to make greater progress in removing restrictions have failed so far to do so. In particular, we hope that Germany and Austria will now agree to adequate measures of liberalization.

In the case of Germany this should in our view result in the elimination of the remaining restrictions on imports of industrial items, and, with respect to agricultural items, either the elimination of restrictions or the negotiation of an agreed waiver of the applicable provisions of the General Agreement.

We recognize that the substance of a waiver is naturally subject to negotiation and agreement between the Federal Republic and the other contracting parties but we see no reason why a waiver should not be negotiated at this time so as to regularize the position of the Federal Republic in the same manner as other countries, including the United States, have regularized their position. We do not feel that the negotiation of a waiver should await a possible renegotiation of the GATT provisions on agriculture. Such a renegotiation would inevitably involve complex and difficult negotiations which might well take a number of years. The negotiation of a waiver would be a much simpler matter and could be accomplished at this Session. We think this should be done so as to avoid the necessity for action under Article XXIII.

In the case of Austria, her improved financial position is such that we see no reason why dollar discrimination on non-agricultural goods should not be substantially eliminated or why a further substantial step should not be taken in the reduction of discrimination on agricultural products.

We recognize, of course, that the sudden removal of balance-of-payments restrictions maintained for a long time may create real hardships for domestic producers. Yet the answer to this problem is not the indefinite continuance of such restrictions contrary to the applicable provisions of the General Agreement. If a country considers that it cannot promptly
remove balance-of-payments restrictions which are no longer needed for financial reasons, then we think that the appropriate course is for such a country to agree with the Contracting Parties on the terms of a mutually acceptable waiver from the provisions of the General Agreement.

In his excellent address to us this morning, our distinguished Chairman has made several suggestions as to how we might further strengthen the General Agreement and better organize the work of the Contracting Parties. In particular, we wish to support the plan which he has outlined, whereby the Contracting Parties would meet in several sessions throughout the year, thus enabling them to handle their ordinary business with greater despatch and to eliminate the present system of a single annual session which necessarily requires many weeks to complete. We also agree with the Chairman that one of the most practicable means of overcoming some of GATT's administrative problems would be to create stronger permanent delegations of the Contracting Parties in Geneva, so that urgent problems could be effectively discussed without the need for a formal session. The United States would be prepared to strengthen its permanent delegation for this purpose.

In closing, Mr. Chairman, I wish to thank you on behalf of my Government for the wise guidance and outstanding qualities of leadership which you have brought to the deliberations of the Contracting Parties during the past year. I also want to pay tribute, once again, to our Executive Secretary, Mr. Wyndham White, who with his excellent and hard-working staff have so greatly helped to build the General Agreement into the truly effective international economic institution which it is today.

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