All of us at this meeting, in our capacity of Contracting Parties to the General Agreement on Tariffs and Trade, have the common objective of seeking to establish and maintain conditions under which a high and expanding level of trade among us can be achieved.

We seek this objective because we know that it is an essential precondition to the wider aim of increasing production and standards of living in all our countries.

Unless trade can flow freely the fullest and best use cannot be made of the world's resources - with each country concentrating its efforts on those things which it can do best. Artificially high barriers to trade moreover tend to distort patterns of production and to divert the forces of economic growth into channels which are less advantageous.

All these were considerations well in the minds of those who some twelve years ago participated in the work of drawing up the GATT. The destructive effects of narrow national policies, the high tariff and other barriers to trade which characterized economic affairs in the 1930's and the almost complete collapse of normal trading arrangements during the war gave both the determination and the opportunity to create something better; something in the field of trade which had been paralleled in a different sphere by the establishment of the United Nations Organization itself.

We sought then to create trading conditions which recognized the fact that each country is dependent on others and that policies which ignored this inter-dependence do, in the long run, diminish the welfare of each one of us.
These ideals and objectives find embodiment in Article I in the Revised General Agreement, an Article which, although expressed in general terms, seems to me to be of particular relevance to the subjects which we are at present considering.

I think it is useful to quote this Article in order to recall it to our minds:

"1. The Contracting Parties recognize that their relations in the field of trade and economic endeavour should be conducted with a view to raising standards of living, ensuring full employment and a large and steadily growing volume of real income and effective demand, developing the full use of the resources of the world and expanding the production and exchange of goods and promoting the progressive development of the economies of all the Contracting Parties.

"2. The Contracting Parties desire to contribute to these objectives through this Agreement by entering into reciprocal and mutually advantageous arrangements directed to the substantial reduction of tariffs and other barriers to trade and elimination of discriminatory treatment in international commerce."

It may be worthwhile to look back for a moment over the past few years and see how successful we have been in achieving these objectives.

Undeniably there has been considerable, although in some respects erratic, progress towards these objectives. Tariffs have been reduced and other barriers to trade, more particularly in the industrial sphere, substantially eliminated. The GATT has performed a valuable function in this regard and has done much to establish order and to justify itself in international trading affairs in the post-war world.

We should not, of course, overlook the importance in this process of the work of other organizations such as the Organisation for European Economic Co-operation but we should recognize that the work of these organizations has been made easier and, at the same time, more effective, by the existence in the background of the rules and code of conduct laid down in the General Agreement. This is not to say, of course, that we have not had, and continue to have, strong reservations about the discriminatory aspect of this liberalization of trade in Europe, which, however beneficial it may have been in Europe itself, has dangers for countries outside Europe.
While we may justifiably record with some satisfaction what has been achieved over the past ten years, it is unfortunately true that this progress in removing trade restrictions has very largely been confined to industrial goods.

The outstanding lack in our advance to freer trade has been the failure to secure for agricultural products the same measure of progress as has undoubtedly been achieved for manufactured goods. There are, of course, numerous exceptions to this generalization since many of the products of primary producing countries do, in fact, enter freely into international trade. But I do not think these exceptions destroy the validity of my previous statement.

The reasons for this failure on the part of GATT are highly complex but it is possible to disentangle some of the main elements and direct our attention to them. In the first place, the GATT rules, where they impinge specifically on agriculture or relate particularly to agricultural products, have always been weak, and for that reason there has not been the same compulsion behind attempts to free trade in such products as in the case of industrial goods. Associated with this, the economically stronger contracting parties have, by the nature of their economies, a primary interest in trade in industrial goods and this, perhaps unintentionally, has helped to weaken the attention given to agricultural trade.

But going beyond the reasons of this kind, we must ask why the rules of GATT in their formulation and implementation are weak.

The answer clearly enough to our minds is that the industrial countries who predominate in the Contracting Parties have not been prepared (with some important exceptions) to subject their agriculture to competition in the same way as the agricultural exporting countries are expected to subject their industries to competition from the industrial countries. We think that this situation is quite unfair and should not be allowed to continue.

Now let us, a country to whom agriculture is of prime importance, say that we appreciate and understand very deeply the social, strategic and other reasons why industrial nations have sought to protect the agricultural sector of their economies from outside competition.

That does not mean to say, however, that we accept as valid that the degree of protection which has in fact been practised, with all its consequences for us, is justified by virtue of those political, social and strategic reasons. Nor do we accept that they remain permanently valid.
In this problem New Zealand is, of course, concerned primarily with the policies of countries in North America and Europe since the products we mainly export are precisely those which are involved in agricultural price and income support schemes in those areas. But we are not unmindful that these types of protection cover a much wider range than agricultural products and that other contracting parties are equally concerned.

The effects of protective agricultural policies and of what we regard as excessive levels of price and income supports and other assistance to agriculture have been all too clear to New Zealand in recent years. High cost domestic production has been encouraged and imports from more economic producers have been restricted. As the level of production rises under the influence of price and income supports, the greater becomes the pressure to retain those supports to extend them and shut out other suppliers. We have found that in respect of dairy produce - one of our major exports - the only market in which we do not encounter such restrictions is the United Kingdom. We have for many years faced persistent difficulties in obtaining entry into Europe and North America for dairy products and in recent years such exports to these markets have declined to an almost insignificant level.

There are other effects. The type of price support policy generally adopted has required the maintenance of high internal prices to consumers, which have naturally restricted domestic consumption. This is perhaps one of the most disturbing features since surpluses have accumulated and then have been exported with the aid of substantial subsidies to compete with products of the most economic producers. This applies particularly to dairy products. The fall in prices of our dairy produce exports for such reasons has been particularly marked over the past two years.

It will be obvious that these policies produce a distortion in the use of resources. Economic producers are forced to restrict output while within the countries indulging in excessive protection to agriculture the movement of resources to more productive pursuits is hindered.

There are also repercussions on trade which cannot be overlooked. Shrinking export markets and low prices force primary producers to curtail development plans and to restrict their imports from their industrial trading partners. In other words, extension of agricultural protectionism leads to a contraction of world trade.

Certain points directly related to the obligations and rights under the GATT must be mentioned in this context. In quoting Article I of the Agreement I had in mind in particular the second paragraph in its reference to the reduction of trade barriers by reciprocal and mutually advantageous
arrangements. We support this and, indeed, this is the basis on which we, like everybody else, entered the Agreement. But we have found over the years that many of the tariff concessions which we made at that time on industrial goods in exchange for concessions on agricultural products have in practice been nullified by the action of certain contracting parties in imposing or continuing restrictions on our exports.

The fact that some of these restrictions are imposed by virtue of a waiver does not make them any easier for us to bear. We are being damaged. That is the simple fact, whether it is legal under GATT or otherwise.

It is no help to be told that we might withdraw concessions previously given. This does not help to sell our exports, nor does it contribute to the objective of GATT to expand international trade.

Earlier this year New Zealand had to report to the Contracting Parties a substantial intensification of its import restrictions. The fall in the level of industrial activity particularly in the United States had caused a sharp reduction in wool prices and agricultural protectionism had undermined our export markets for dairy produce. Thus after reaching the stage where over 90 per cent of our imports were free from control and with generous provision for the remaining 10 per cent we were forced to impose comprehensive import control.

Despite severe fiscal and monetary measures to curtail domestic demand our position has deteriorated further and this must necessarily mean a greater decline in the volume of our imports. If our experience is repeated in other primary producing countries the net effect can be only a cumulative decline in international trade which could have disastrous effects on the world economy unless immediate steps are taken to correct the position.

Although we have found it necessary to intensify our import restrictions, we have nevertheless been able recently to reduce substantially our discrimination against imports from the dollar area. Only a relatively short list of commodities now remains for which it is necessary to obtain specific licences to import them from the dollar area.

What then for the future? What action should be taken at this Session? First let me comment briefly on one specific issue which is of great importance to New Zealand. This is European economic integration.
Let me say at the outset that New Zealand, which has always been closely associated politically and economically with Europe, fully appreciates and understands the very real efforts which are being made to bring the peoples of Europe closer together. We welcome the formation of the European Economic Community and the proposals for a wider European free trade area which are designed to strengthen the economic structure of Europe. The economic and political strength of our traditional trading partners is of vital concern to us as approximately 70 per cent of our total trade is conducted with the United Kingdom and Europe. It is in this spirit of trying to preserve and expand well established trading links that we approach the question of European economic integration.

GATT has, of course, already some authority in this field. In framing both the Treaty of Rome and the procedures under which it will operate, the Community countries are required to adhere to the requirements of Article XXIV of the Agreement. Nevertheless, as much depends upon the spirit in which the Treaty and its procedures are administered as on the rules themselves.

We are deeply concerned that this spirit should be generous. We believe that the aspirations of Europe can be achieved without harm to third countries. Indeed, it is clear that failure to recognize the trade needs of other countries will in the long run harm Europe just as much as it will harm those outside Europe whose trade is initially adversely affected.

We hope that the European countries will take particular account of this fact when they reach final decisions on agriculture which, of course, is of special concern to us.

In the meantime, there is the urgent problem of keeping the Contracting Parties informed of the intentions of the Community. The problem is urgent because the Treaty begins to operate in a little over two months' time. We can see no reason for further delay in implementing procedures for liaison and consultation between the GATT and the European Economic Community.

The import restrictions maintained by Germany are also of special and immediate concern. We have been happy to experience in the past ten years a rapid build-up in trade between Germany and New Zealand. Our exports to Germany, apart from wool, have seldom been free of restriction but we have been allocated useful quotas. In the past twelve months these restrictions have grown more formidable as heavily protected domestic production has increased and today we are faced with almost total exclusion from the German market for three of our most important exports - butter, cheese and meat.

This contraction of trade is reflected in our balance of payments position and has affected our ability to import from Germany and other countries.
I therefore listened with great interest to the statement of His Excellency, Dr. Lübke, Federal Minister of the Federal Republic of Germany. I welcomed and fully supported him when he said: "The time when each State had its isolated national economy is over."

There were, however, other parts of this statement which I heard with some concern and even consternation, though it is possible that I may not have fully appreciated the significance of all his remarks. I would, in particular, like to comment on the following passage of his statement: "As regards import restrictions on agricultural produce, the experts' report expresses an idea to which I attach special importance. It is stated that a sudden and rapid reduction of the protection of national agriculture should be avoided and that import restrictions on farm products should be removed only gradually in connexion with a structural improvement. Here, independent scientists of world reputation confirmed the propriety of the German attitude." Even if it were admittedly wrong to dismantle international import restrictions overnight, this should not be taken as a justification, or rather an excuse, for the perpetuation of highly-restrictive agricultural policies. The readers of the report which attached such an interpretation to these words of the experts have certainly missed their real spirit and intent.

I would also like to draw attention to another passage of the statement where the Federal Minister said that "the demand for a removal of existing import restrictions is only justified if it is at the same time ensured that the export prices will not be distorted by governmental actions. In this respect I feel that the rules of GATT should be reformed."

Here it appears that the possibility of distorting action by certain governments is to be taken as a justification for maintaining indefinitely quantitative restrictions which are no longer justified on balance of payments grounds.

The Federal Minister also declared that the prevalence of agricultural protectionism suggests that "GATT rules are no longer compatible with the economic requirements of many countries. At any rate I feel that as far as the agrarian field is concerned, GATT has become unsatisfactory and should be supplemented." Does this mean that, in response to these developments, the provisions of the General Agreement will be strengthened or weakened, or does this statement imply that if the GATT rules do not fit particular circumstances in a particular country, and at a particular time, all a contracting party has to do is to come to the Contracting Parties and ask for the GATT rules to be modified?

Finally, the Federal Minister said that: "In the light of these facts the Federal Republic would make it a point of the greatest importance that the German import restrictions, which will likewise be under consideration at this
Conference, should not be treated as an individual case but that the consider-
ation of this question be postponed until the GATT rules concerning the
agricultural sector will have been adjusted to economic requirements."

Is this to be interpreted that the Contracting Parties are not to deal
with questions which most contracting parties regard as an infringement of the
spirit of the General Agreement? Our view is that this question should be
considered by the Contracting Parties at this Session and should not be
postponed until some indefinite date.

We are not alone in our concern over this question and we hope that Ger-
many will listen attentively to the views of ourselves and others and be
prepared to adhere to the obligations she accepted when she acceded to this
Agreement.

But agricultural protectionism is also a problem in spheres beyond the
Rome Treaty and German quantitative restrictions, and GATT must, during this
Session, take definite steps towards the establishment of a mutually acceptable
framework within which these problems can be brought into practical compass.

This brings me to the report of the four economists. This report sums up
the whole position. It gives a concise analysis of the problem and shows the
way in which a solution can be found.

It stands apart from our other deliberations in that its approach is
general and not particular. In doing so it appears to New Zealand to provide
the basis for a general reappraisal of the operation of the provisions of GATT
as they relate to trade in primary products.

We must approach the problem of trade in primary products with an air of
realism. The report does this and New Zealand is prepared to enter discussions
with other contracting parties in the same spirit. We think that there is
much in the report that can be translated into action with resulting benefit
to all.

The problem has been surveyed and its limits defined. We all now have a
much better appreciation of what is involved. The report shows that the task
before us is not of such magnitude as to defy solution. As the experts have
pointed out, a very marginal restraint on domestic production and a stimulus
to domestic consumption in some countries could lead to a large percentage
increase in the volume of world trade in primary products.

GATT must not temporize with this document. If it is not possible to
implement the recommendations of the report at this Session then at least we
must evolve procedures which will ensure that the work of the economists is
carried across into the field of action. New Zealand will support, of more
time is needed, the calling of a special Session of the Contracting Parties
provided that it is not long delayed.

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To do less will condemn GATT to diminishing importance and leave unremedied the problems which are undermining world trade.

Let me say now, as a contribution to the sort of understanding we must have when we enter these discussions, that I am not so insensible to the problems of others as to suppose that they can discard their present policies overnight. But we do believe that in the short run some mitigation of present policies is possible and that we can prepare plans for longer-term solutions. What is of paramount importance is that no further drift towards agricultural protectionism should be allowed.

Perhaps I could sum up our views in a few short sentences. We are most anxious to see an immediate solution to the problem of German quantitative restrictions which are not only severely damaging the trade of many of us but which, if continued, will place in jeopardy the whole basis of the General Agreement.

Second, there is urgent need for liaison and consultation with the European Economic Community.

Finally, we believe that in the Haberler report we have a document which shows clearly the defects in our present international trading system. Fortunately the report also contains recommendations for overcoming these defects. We believe that we must translate these recommendations as soon as possible into practical procedures. I am convinced that if all of us approach this question, difficult though it be, in terms of domestic political considerations, in a spirit of tolerance and understanding and with the aim of furthering international trade foremost in our minds, we can develop, for the benefit of us all, a much more harmonious atmosphere for the future.