This year's Session of the Contracting Parties is being held at a time when world trade is facing most serious difficulties in the post-war period. The set-back in economic activity which has been taking place since the last year in North America, and which now threatens Western European countries, has already produced marked negative effects upon world trade. This development has in the first place hit the economically less developed countries whose economic progress depends on proceeds from exports of primary commodities and thus on world trade.

This development of world trade has been followed in Czechoslovakia with considerable apprehension. Czechoslovakia as an industrial country has traditional relations both with the developing countries and the western industrial countries. The share of these countries in our foreign trade amounts to about one-third of the total.

Already last year, in this forum, my predecessor has drawn the attention of the Contracting Parties to the increasing danger threatening world trade. He said: "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." Actions agreed upon here in the course of the last Session of the Contracting Parties can hardly be considered adequate to cope with the urgent problems facing world trade. At the time when the signs of world trade depression were knocking at the door the time and attention of the Contracting Parties was almost exclusively devoted to the problems of the Common Market. Still it is obvious that such further compartmentalization of world trade cannot help to check the danger of the fall in world trade - quite the contrary.

On the other hand, as for one of the weakest points of world trade, namely commodity trade, no action but only a study was agreed upon. The report on Trends in International Trade presented to us is theoretically helpful and forms a useful background for our discussion. We are of the opinion, though, that the problems facing world trade today are greater than the solutions that are being suggested to us.

I would like to mention in this connexion two main aspects of the problem:

(a) The study on trends appropriately emphasizes the trade of primary commodities. However, the problem of commodity trade is of such a scope today that case by case arrangements sought in individual instances cannot help any more. What in fact is the situation of world trade in commodities today? The study on Trends in International Trade confirms that the world commodity trade suffers from the cyclical development. This fact is now generally recognized, as well as the fact that also national economies of individual western countries are subject to cyclical development with its booms, depressions and other stages of the cycle. What action do the governments of individual western countries take against the cyclical decline in their internal economies? They have already recognized that the historical "laissez faire - laissez passer" policy is bound to fail and that they have to take active anti-cyclical measures at least against the short-term fluctuations.

On the other hand, as far as world trade is concerned, the obsolete liberal views have so far prevailed, and no effective international anti-cyclical measures have been agreed upon. Lately an action to increase the so-called international liquidity has been under consideration. Regardless of whether the increase of money supply on international level is adequate to the given situation, it is doubtful whether it could be effective. In internal economies domestic financial policies and measures concerning money supply proved to be ineffective against cycles. It is, therefore, difficult to expect that a similar policy could be of much help against cycles on the world level.
We are convinced that the solution of the present difficulties in commodity trade can be found only in economic development of primary producing countries. Therefore a comprehensive approach should be sought which would secure on the one hand steady and continuous flow of primary commodities from the primary producing countries to the industrial countries, and on the other hand the corresponding supply of machinery and equipment for economic development flowing in the other direction.

It is very doubtful, therefore, whether the so-called commodity by commodity approach really channels the international co-operation in this field in the proper direction.

(b) I would like now to take up the second aspect of the problem of world trade, which unfortunately was left out completely in the study, namely the trade between countries of planned economies and countries of the so-called market economy. It is more and more recognized by now that co-operation of all countries is needed for any effective action in international trade. Partial arrangements for certain regions or groups of countries cannot help world trade, and any exclusion of any country damages its steady expansion. Any international arrangement - be it for commodity trade or for trade in general - to be effective ought to be based on the principle of universality and ought to secure participation with equal rights of all countries, irrespective of their economic and social structure. The possibilities of expansion of mutually advantageous trade between countries of different systems are far from being utilised, especially if the steady and uninterrupted growth of production and consumption in the planned economy countries is borne in mind.

To sum up, in our opinion the whole conception of co-operation in the field of international trade is ripe to be reconsidered. The idea of calling an international trade conference with the broadest participation would undoubtedly contribute to the solution of problems mentioned.

The point is that all arrangements should ensure

(a) equality of all participants, especially of countries in process of economic development,

(b) participation of all interested countries, irrespective of their economic systems.

I hope that the contracting parties will bear in mind these basic aspects. Only thus would it be possible to solve the crucial problems facing world trade now and in the future.

END