Opening Address by the Chairman of the Contracting Parties, Mr. Fernando Garcia Oldini, at the Plenary Meeting on Monday 26 October 1959

On behalf of all those taking part in this meeting as delegates, observers or in other capacities, I would like to thank His Excellency the Prime Minister of Japan for the extremely kind and flattering words with which he has welcomed us. We are deeply conscious of the honour which the Imperial Government has done the Contracting Parties in inviting them to meet in the capital of a country so rich in artistic and cultural traditions and in the driving force of its businessmen and determination of its workers. The Japanese Government no doubt thought that in meeting in Tokyo Contracting Parties would make closer contact with the many problems of Japan and Asia, and with unexampled generosity, it has spared no effort so that delegates could have an opportunity of studying these problems. I would appreciate it very much if His Excellency the Prime Minister would be kind enough to transmit to the Imperial Government our gratitude for the welcome which we have been given.

This is the first time since our first meeting, which was held in Havana, that the Contracting Parties have met outside Europe. Up to now nearly all our meetings have been held in Switzerland, in a country where foreign trade is an essential element of prosperity, and which for a long time has realized that its population can only enjoy a reasonably high standard of living if it ensures the greatest possible freedom of trade for both imports and exports. It seems to me particularly befitting that we should meet today in Japan, in a country which perhaps depends even more directly than Switzerland on foreign trade. Foreign trade is not only useful to raise the standard of living of the Japanese people but it is also essential to enable it to meet its most basic needs. Without the currency earnings which Japanese exporters derive from their many operations throughout the world, your Government, your Excellency, could not provide the necessary means of livelihood for its ever-increasing population confined in these islands where nature has been prodigal of beautiful scenery, but niggardly with arable land. Japan in fact has an ancient commercial tradition. As early as the Muromachi era, the Shogun had decided to open commercial relations with China, then ruled by the Ming Dynasty. Your predecessors at that time, Mr. Prime Minister, did not have to face the complex economic and social problems for which your Government has to find rapid solutions today, but I think that their policy holds a lesson for us. If I am not mistaken - and here I must excuse myself for displaying a science which I have only recently acquired - the Shoguns of the Ashikaga already were faced with so much budget and financial difficulties that they had to impose heavy taxes on the farmers and shopkeepers.

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so that the revenue dried up. They were looking for new sources of revenue and got the idea of encouraging foreign trade which offered them the only possible opportunity to increase revenue to the extent necessary to finance their luxury and munificence. Having a sharp appreciation of both economic realities and their own interests, they understood that foreign trade would be a source of increased wealth for Japan. Thus as early as the sixteenth century the conviction that the development of international trade increases the wealth of the countries who take part in it, both as importers and exporters, a conviction which inspires the Japanese Government today, was felt by those who governed your country, and in this respect the policy followed in the Muromachi era was in full accord with the philosophy of the GATT today. This session like the previous ones will be concerned with the expansion of international trade. But it is not enough to think only of the benefits of foreign trade; it is also necessary to take practical measures to ensure its expansion. This year again, a great number of our members have sent ministerial representatives to take stock of the situation and to give us the necessary directives so that our work both in the present and in the future may receive a positive orientation with due regard for what is politically practicable. I wish to thank the Ministers who, in spite of their many obligations, have made a point of taking part in our debates, thus showing the importance they attach to our activities. To assist us in our deliberations, the secretariat has provided you with a survey of international trade. This report covers a period of two years which started with a slackening of economic activity in the industrial countries and ended with a steadily increasing recovery; we can thus appreciate the development of trade with a more complete background, and with a longer view. I don't think I need remind you of the misgivings which were expressed when the recession appeared in the United States. At that time it was possible to fear that the slowing down of economic activity would hit foreign trade very severely, and that governments would be led, as in former recessions, to have recourse to hasty restrictions thus losing sight of the objectives of the General Agreement and of the best interests of their own economy. Happily, these fears have to a large extent been unfounded. For reasons which have been very carefully examined in the secretariat's report, international trade withstood the impact of the recession better than could have been hoped for two years before; governments were not drawn into short-sighted policies which would have shaken confidence in international trade and the institutions which governments were wise enough to build up at the end of the last war were not shattered in the turmoil. This is not to say that international trade did not suffer from the recession; figures collected by the secretariat are eloquent in this respect. Certain channels of trade were partly dried up. Some countries or groups of countries whose exports were particularly affected had sometimes to overcome serious difficulties. But, on the whole, the continued expansion of foreign trade which has occurred since the end of the war has only suffered a brief interruption, and the setback has been relatively mild. It is true that the demand for raw materials for industry has felt the consequence of the economic slump in the industrial countries of Europe, in the United States and in Asia and, however, much progress has been made in industrial countries to dampen the effect of a slowing down in economic activity on the living standard of their peoples, no panacea has yet been found to protect the producers of raw materials who still feel the full effects of such a recession. On the other hand, in the field of consumable foodstuffs, a greater stability of trade was evident because of the measures taken in industrial countries to maintain the standard of living of their
population. Industrial countries as a whole have improved their balance-of-payments situation; they have been helped to a great extent by their wise fiscal and monetary policies; but it should also be recalled that they benefited from changes in their terms of trade which were favourable to them, that is to say, unfavourable to exporters of raw materials. In spite of the economic recession, most industrial countries were thus able to make considerable progress towards trade liberalization. As the Balance-of-Payments Committee stated in its reports, the financial situation of nearly all industrial countries has improved so markedly that we can at last look forward with confidence to the forthcoming elimination of quantitative restrictions, a major obstacle to trade expansion. Most of these countries as well as non-industrialized countries which are members of the same monetary areas, have decreed the convertibility of their currencies. Even where the benefit of this action has only affected non-residents, which has generally been the case, the restoration of convertibility has been rapidly followed by a gradual dismantlement of discrimination which had so long been practised against the so-called "hard currency" areas. Our American and Canadian friends will doubtless tell me that convertibility requires the elimination of discrimination, and that all efforts today should be directed to the full disappearance of the system which has caused them, true to say, so much concern for twelve years. Let us rejoice that their patience has at last been rewarded to some extent, but let us rejoice also that the governments concerned and their administrations, in spite of their love for conservatism and their fear of the unknown, have been able rapidly to draw the trade consequences of their monetary measures of December 1958 which was nothing but the tangible acknowledgement of the improvement, we hope lasting, in the structure of international payments. Finally, let us rejoice that the vital principle of equality of treatment, on which our General Agreement rests, has been translated into deeds, and not mere words.
The task, it is true, has not yet been completed; there are still quantitative restrictions in industrial countries and all discrimination has not yet disappeared, but I do not think I am unduly optimistic in thinking, even now, that the time is not so far off when the CONTRACTING PARTIES can finally complete our annual consultations with industrial countries under Article XII. Even today we can devote more time to the problems of developing countries. Our satisfaction in the rapid disappearance of the financial difficulties of industrial countries and in seeing the restrictions which had been imposed to meet these difficulties being eliminated should not however lead us to indulge in undue optimism. We know, by experience, that the prolonged existence of a restrictive regime leaves its effects and that more than one government has to overcome numerous difficulties before it can liquidate the past altogether. We took these difficulties into consideration when we amended the text of the General Agreement, and during our last meetings the CONTRACTING PARTIES showed that they fully understood the complexity of these transitional problems. Although they have always insisted that the principles of the General Agreement should be respected, they have shown a most friendly understanding towards those governments who have frankly told them about their difficulties, and have tried to find, in collaboration with these governments, the most practical methods of getting rid of these obstacles to international trade.

Next year the CONTRACTING PARTIES will, for the first time, engage in periodic consultations under Article XVIII:B of the General Agreement with the less-developed countries. This will constitute a considerable programme in addition to the work which has been completed this year; it will be a difficult task for the secretariat as well as for the Committee which is to conduct the consultations. I feel sure that the Committee, taking all relevant factors into account, will put forward wise suggestions which will allow us to carry out our task successfully in the best interests of those concerned with the minimum of inconvenience for oulying countries. I would like, however, to express some personal ideas on this question. For the greater part of our members who are eligible to invoke Article XVIII this will be their first consultation under the revised text of the General Agreement. I wish, in this connexion, to suggest that the representatives of these countries should study carefully the reports from the Committee on previous consultations and that they should acquaint themselves with the procedures of the Committee. The representatives of those countries which have already taken part in such consultations have come to realize that the object of these consultations is in essence to help governments having balance-of-payments difficulties better understand the various aspects of the situation and to profit by the experience of their colleagues so as to organize their import controls in such a way as to protect their foreign exchange reserves while preserving the advantages of as much freedom as possible in their foreign trade. On the basis of this experience, the representatives of the less-developed countries will become convinced, and I hope that they will succeed in convincing their governments, that these consultations are not against the best interests of participating countries or of other GATT members.
Multilateral consultations are one of the most original and most characteristic features of GATT, and other international organizations have followed our example. We tried last year to make this method as flexible as possible in order to solve the difficulties which appeared at the time of the establishment of the European Economic Community. During our last meeting we were informed of the result of consultations which had taken place with the members of the Community concerning various products. Up to this moment, we have not received any further information, but I hope that the members of the Community and the representatives of the Commission will be able to enlighten us on any possible follow-up to the exchange of views which took place under our auspices.

The CONTRACTING PARTIES will be called upon to deal with other plans for regional integration. Even if the OEEC plan for a more flexible association of its members in a free trade area involving a gradual process of liberalization has receded into the distant background, seven European countries have again taken up the idea and decided, at Stockholm, to apply this plan on a more limited geographical basis. In this connexion we have received an official communication from the Swedish Ministry for Foreign Affairs and as soon as current negotiations have been successfully completed, the CONTRACTING PARTIES must be prepared to examine, as provided in Article XXIV of the General Agreement, official notifications from the governments concerned. In Latin America the course of events has also been progressing rapidly. Last year some of our Latin American members informed us of the desire of their governments to stimulate the development of their economies through a process of regional integration and they gave us an outline of the main features of their plan. Since then an agreement has been drawn up and the negotiations seem to have reached a point where the CONTRACTING PARTIES can expect to receive the text of this agreement in the near future.

It may seem strange that the General Agreement, which is based on the principle of equality of treatment, provides exceptions in favour of attempts towards regional integrations or, to be more exact, in favour of attempts towards regional integrations which conform to clearly defined rules. I do not believe, however, that there is a contradiction between these two objectives, but I realize that it may be difficult sometimes to reconcile the concept of integration and the basic philosophy of the Agreement. However, the governments who are parties to the General Agreement have accepted Article XXIV when they signed the General Agreement, and we are governed by its provisions. The Latin American countries, when they invoked Article XXIV, have not perhaps had the same motives as European countries; their economies have not reached the same stage of development. They are not trying to rationalize existing industries, but rather to establish modern industries which could not expand within the narrow limits of their domestic markets and which could not be successful except in a regional framework. But basically all these efforts towards regional integration, whether in industrial countries or in the less developed countries, are governed by the fundamental rules set forth in paragraph 4 of Article XXIV of the Agreement. In other words, the exception provided therein refers only to those attempts towards economic integration which, while making for an expansion of intra-regional trade, do not hamper the development of trade with other contracting parties.
Regional integration is a compelling idea. We have been struck by the enthusiasm, I might even say the faith, which animates all those who have taken part in bringing about the realization of these vast plans. We admire their faith and in many respects we share their enthusiasm. But I hope that I will not be accused of being lukewarm toward such initiatives, if I recall that nearly one hundred years ago, in 1860, the French and British Governments signed the first truly modern commercial agreement which first introduced the most-favoured-nation clause as a fundamental rule in international trade. If we look back to the past, we find that, after 1860, international trade experienced unprecedented development and that such expansion was considerably stimulated by the widespread acceptance of the most-favoured-nation clause. It would be easy to show that the prosperity of international trade coincided with the application of this clause and that, when governments deviated from this golden rule, trade suffered a severe setback. We must not forget the lessons of past history or discard this valuable instrument which has been of such great service to trade. Let us rather endeavour to co-ordinate these attempts towards regional organizations, whose interest and value are recognized by all in the wider context of world trade. The world is one entity, and no single area can possibly enjoy prosperity to the detriment of others. It is the well balanced and harmonious expansions of trade which can best ensure raising standards of living in all continents. This is of course a difficult task, but our experience shows that it is under the stimulus of difficulty that our organization shows the greatest vitality.

It is not only from a geographical point of view that trade should expand harmoniously. There should not be too much disparity in the rate of trade expansion as between industrial and less developed countries. Last year, you decided to establish an ambitious and generous programme of trade expansion which, to a large extent, took account of this requirement. The four eminent economists to whom you entrusted the task of studying trends in international trade called your attention to the anomalies of the evolution taking place in international trade, and in particular to the consequences of the lack of impetus which had characterized the export trade of primary producers for a number of years. At the time, you held the view that it was urgent and in the interest of all the contracting parties to envisage stimulating international trade by alleviating those measures which hamper commercial exchanges and fall within the province of the public authorities. We have achieved considerable progress towards this objective since the inception of GATT, but there is still a great deal to be done. You also decided to set up three committees. One was to propose arrangements for a new round of tariff negotiations. Another had to study the difficult problem of agricultural protection, and the third one was to study obstacles which retard the expansion of exports from the less developed countries.

I would wish to say a few words on the progress of work of these three committees. Committee I has already submitted a number of reports and the CONTRACTING PARTIES last May decided to hold a new round of tariff negotiations to open in Geneva in September next year. Without wishing to under-estimate the value of these reports, I wish to say that the task of Committee I was relatively easy because the ground was already familiar. The CONTRACTING PARTIES have already held tariff conferences in Geneva, Annecy and Torquay and again in Geneva. The rules and procedures for such negotiations have been fully tested. The problem this time was rather to adjust the procedures
so as to take account of the preoccupations experienced by countries which have special difficulties and of the problems which arise in our negotiations with the members of the European Economic Community. We shall have to take a decision on the final report of Committee I and the suggestions which are being submitted to us on a number of points.

The task of Committee II, on the other hand, was much more delicate. The problem of agricultural protectionism is, if I may say so, a bone of contention between the contracting parties and, if differences of opinion were to obtain much longer, they might endanger the solidity of our institution. Committee II first had to adopt working procedures. At our last session we approved the programme which the Committee had proposed to us and which provided for a series of consultations with GATT members on their agricultural policies and the effects of such policies on international trade. The first series of consultations has been held and, without wishing to anticipate the discussion of the reports of Committee II, I think I am right in stating that the decision we took last May was a wise one. The examination of the documentation collected by the secretariat with the co-operation of the governments concerned, of FAO and OEEC, has been particularly enlightening. The confrontation of agricultural policies has not yet led to a common line of action. Furthermore, the consultations will not be completed before the sixteenth session but, in the meantime, we must proceed at an early date with an exchange of views as to how best we could reach a precise and, I hope, unanimous conclusion from this vast enquiry into the factors which determine trade in agricultural products.

Lastly, Committee III was confronted with a still more arduous task. The problems that Committee III was to study were not strictly of a commercial nature. Here, to a greater extent - perhaps than in the case of agriculture - considerations of a political and social nature make it difficult to hammer out solutions that can command general acceptance. This is perhaps the reason why the Committee has not received from us all the assistance that it might have required and we forced it, so to speak, to take a leap in the dark, without precise and clear-cut terms of reference. Its task was primarily a fact-finding one. The Committee made a point of collecting a very useful documentation and of limiting discussion to a small number of items on the basis of precise and detailed submissions. The CONTRACTING PARTIES will no doubt wish to comment upon the report from Committee III, but I believe that they must do their best to provide the Committee with clear-cut directives in order to give better orientation to its work. The preliminary studies enable us today to define with greater clarity the general outlines of this investigation and the members of the Committee should be better informed as to what we expect from their discussions.

In addition to the three above-mentioned Committees and to the Balance-of-Payments Committee, other committees and working parties have met during the intersessional period. These subsidiary bodies were confronted with more limited and more technical tasks, but it would be unfair to believe that their work is only of secondary importance. Business people and national administrations are very appreciative of the results of the work of our technical bodies. The practical usefulness of the GATT and, in the last analysis, its impact and prestige, depend to a much larger extent than is usually believed on the successful outcome of the work of these technical bodies.
The prestige of our institution has been increasing from year to year. Following in the footsteps of Switzerland, Cambodia and Israel, who have become, or are about to become, contracting parties to the General Agreement on a provisional basis, and who take part in our discussions already, Yugoslavia and Poland have applied for closer association with the CONTRACTING PARTIES. These requests have raised new problems for GATT. Need I recall that the whole philosophy of the Agreement is based on the existence of market economies where free enterprise and free competition are unhampered. Government action consists only in facilitating the work of traders and in refraining, as much as possible, from direct intervention. A number of our members have already expressed fears that producers' or traders' arrangements might nullify the benefits accruing from the elimination of administrative obstacles and, in this respect, you will be called upon to examine the limited proposals which an expert committee has put before you. Such interference with free competition on the part of industrial entities is relatively limited when compared with State intervention in the foreign trade of countries with centrally planned economies. However desirous most of our members may be to expand trade with countries like Yugoslavia and Poland, it is clear that the General Agreement in its present form was not intended to regulate the conduct of trade between countries with free economies and countries where economic activity is governed exclusively by programmes and instructions established by the public authorities.
In the case of Yugoslavia, agreement has been reached on a flexible formula for association with the CONTRACTING PARTIES which, while it covers virtually all the major rules of the General Agreement, does not require the governments to undertake absolutely identical and precise legal obligations. However, it provides for a framework which makes it possible to develop, on a reciprocal basis, a network of bilateral relations directed towards a common ideal, i.e. the normal application of the General Agreement when the conditions therefore are met. The Declaration approved by the CONTRACTING PARTIES has been signed by the Government of Yugoslavia and a number of contracting parties, and I very much hope that the number of signatures necessary for the entry into force of this instrument will soon be reached and that we can thus invite the Yugoslav Government fully to participate in our discussions. In the case of Poland, we have before us a draft Declaration submitted by the group whom we asked to deal with the application for accession from the Polish Government. The problems raised by this application were still more complex than in the case of the request for association by Yugoslavia. I am convinced that all the governments represented here today have examined the text with great care and that their representatives will be in a position to decide at this session. The next stage will be to examine whether we can make the necessary arrangements to enable Poland to participate in the 1960 tariff conference in accordance with the procedures which the Polish Government submitted to the CONTRACTING PARTIES a few months ago.

While the increase in our activities and members is a sound encouragement to us, such success, however, involves additional responsibilities. To the extent that new members accede to the institution and that new tasks are undertaken, our secretariat must be provided with the necessary means to face the increase in work and expenditure which the expansion of our programme cannot but bring about. For more than ten years now, we have been in the habit of working on a day-to-day basis with a very meagre staff and very limited financial resources. At the time of our review session, we had thought that all these administrative matters would be resolved when the OTC Agreement entered into force. From year to year we have postponed a decision in the hope that the Agreement would enter into force without further delay. The years have gone by and the Agreement has not entered into force. In the present circumstances, it does not seem to me that it is feasible to postpone indefinitely the decision to be taken in order to place the administration and finances of the CONTRACTING PARTIES on a sounder basis. If governments do not wish to jeopardize the future of GATT and seriously to impair its efficiency, it is necessary that we should deal with these ungrateful but unavoidable problems at this session with a firm intention and reach concrete decisions before we go home.

I have given you a brief and very incomplete picture of the tasks which await us at this session. These are difficult tasks but you have been used to settling the most delicate problems. Thanks to the courtesy and generosity of the Japanese Government, we shall enjoy excellent working conditions and I am sure I interpret your feelings when I thank all those who have succeeded in organizing with such precision and carefulness, a conference of this magnitude. I would wish to ask the delegate for Japan to express our congratulations and our appreciation to all those who contributed to this magnificent result, with a special mention for Mr. Takashi Suzuki, Head of the Liaison Office, whose competence and courtesy have been appreciated by all of us.
The Japanese Government has not only provided us with excellent working facilities, but they have also given such prominence to this session that for the first time in the life of GATT, we are sitting under the television spotlights. We have agreed to a slight change in the GATT tradition and have accepted to sit in public during the early part of our work, but I wish to take advantage of the presence in our midst today of press representatives to remind all those who participate in our discussion and in particular those who attend a GATT session for the first time, that our work requires essentially a certain amount of discretion. It may be gratifying to see that the Japanese and the international press follow our debates with attention, but we should not forget that our chief duty and our main concern are to devise prompt and adequate solutions to our problems. To this end, we have unfortunately to work in private, but I hardly need to emphasise that we shall have due regard for the legitimate interests of the press, which will be kept informed of our work by our press releases and other methods of information which have been fully tested in the past. After the glory of our initial meetings, we shall have to revert to our traditional methods and procedures. Cinderella will have to leave the ball and go home again to do the housework.

I declare open the fifteenth session of the CONTRACTING PARTIES to the General Agreement on Tariffs and Trade.

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