GENERAL AGREEMENT ON TARIFFS AND TRADE

Meeting of Ministers

REMARKS BY THE SPOKESMAN OF THE MEMBER STATES OF THE
EUROPEAN ECONOMIC COMMUNITY, DR. LUDGER WESTRICK, SECRETARY
OF STATE, GERMAN FEDERAL MINISTRY OF ECONOMICS, ON
27 NOVEMBER 1961

The GATT meeting of Ministers, which I have once again the honour of attending, is being held at a time when far-reaching changes are occurring in national economies and in economic co-operation between nations. The number of contracting parties to the General Agreement has grown considerably. Many countries which have achieved political independence have acceded to GATT or are preparing to do so. On behalf of the European Economic Community, I have pleasure in bidding them welcome. Within the framework of GATT, an increasing number of countries are endeavouring to develop their national economy and raise their standard of living. I should like to assure them all that the EEC takes great interest in their problems and aspirations and is prepared to assist them within the limits of our possibilities.

I would like you to consider this statement, which I make on behalf of the six member States of the European Economic Community, not just as friendly introductory remarks, but as the expression of our conviction that a high level of economic development in any country can in the long term be achieved only through the well-being of its partners.

The Community is known for its optimism, and the dynamic energy released by the Rome Treaty has already made itself felt far beyond the Community's frontiers. That is why today I should like first of all to ask you not to over-estimate the difficulties confronting us, considerable though they undoubtedly are, but to strive unflaggingly for a better future. I say "strive" advisedly, for unless each of us makes a strenuous effort, all other endeavours will be futile.

On behalf of the EEC, I should like to congratulate the GATT secretariat on the excellent documentation supplied for our work. The reports submitted by the various committees and the GATT publications demonstrate not only the quantity but also the quality of the work done and are a further justification of confidence we feel in the Executive Secretary, Mr. Wyndham White, and the secretariat.
Today we are witnessing many efforts being made towards regional integration. In Europe there was, first, the Common Market and then the European Free Trade Association. As you know, this trend is still continuing and new associations are being prepared in a wider framework. All impartial reports show that the formation of the EEC will stimulate European demand for raw materials and foodstuffs because of increased productivity and a higher real income level in Europe. As regards the danger of a possible diversion of trade towards European sources of supply to the detriment of sources outside the Community, the reports emphasize that the danger will decrease as the number of member States of the Common Market increases. Moreover, any such danger will be limited if the level of the common external tariff can be kept sufficiently low.

We intend to pursue our efforts towards European integration precisely with a view to the expansion of trade. Even now it is clear that the Community's demand for products from other regions, far from weakening, has actually strengthened. During 1960 the existence of stable economic conditions in the EEC enabled the developing countries to export products worth almost $7,000 million. Moreover, if we study trends from 1958 to 1960, we find that imports by the EEC from non-industrialized countries rose more than did the total exports of those countries. The value of the increased imports made by EEC countries might have been still greater were it not for the regrettable tendency for commodity prices to fall on the world market. World statistics for 1961 are not yet available, so I can only state that, as regards my own country, in the period from January to August, German imports from developing countries rose by 17.6 per cent, whereas the increase for the corresponding period of the preceding year was 15.9 per cent.

The Community has often heard concern expressed in GATT about its future policy. In this connexion I would remind you that the economy of the member States is closely dependent on foreign trade. The member States realize, therefore, that it is in their obvious interest to maintain and intensify their import and export trade with all other nations.

The European Economic Community has noted with great interest that in other parts of the world regional economic integration has begun to take shape. This applies more particularly to Latin America, where common markets are being formed between the Montevideo Treaty countries and in Central America. The EEC trusts that these efforts will achieve the success which they deserve and hopes that they will both raise the living standards of the people of those regions and augment trade with other parts of the world on the most liberal terms possible.
I

I come now to the first item on the agenda of our meeting - the reduction of customs tariffs. Considerable progress has been made in this field since 1947 through the successive tariff negotiations held within the framework of the General Agreement. The experience gained during these multilateral negotiations, as well as that acquired from the current Tariff Conference, about which Mr. Rey will speak to you in detail, lead us to believe that the possibilities offered by the traditional method of "product-by-product" negotiations have been exhausted and that this method of tariff reduction can no longer serve any useful purpose, save in exceptional cases. As the Community sees it, substantial progress towards the reduction of tariff barriers will in future be achieved only by the method of linear reduction. The integration programmes now being operated have, moreover, shown that by this method the very understandable resistance of those whose interests are affected can be overcome and the particularly high customs duties which, for various reasons, have so far not felt the effects of GATT action can also be reduced.

The Tariff Conference now in progress has confirmed, however, that at world level the linear method can be really effective only if the principal developed nations are also prepared to adopt it. We are very glad to see that this view is beginning to be shared in other industrialized countries.

All countries must pay heed to the principle according to which the level of tariff barriers should permit normal, healthy competition between domestic and foreign products. One may, moreover, wonder whether the value of tariff barriers as an instrument of economic protection is not too often greatly overestimated. In many cases trade restrictions, discriminatory taxes or levies, and subsidies of various kinds have a much more decisive effect on international trade.

II

The second important topic before us is trade in agricultural products. For a long time past, this has been one of the world's basic economic problems. In this connexion the work of Committee II has provided excellent documentation for assessing the situation of agriculture in the various countries and its implications for world trade. The Committee's report clearly shows that the GATT clauses regarding international trade in agricultural products are largely not applied. I feel it is difficult, however, to subject international trade in agricultural products to rigid standardized rules. The GATT clauses were drafted at a time when balance-of-payments difficulties and the shortage of foodstuffs were still predominant. It was, therefore, only natural that those clauses gave priority to monetary problems which affected all sectors of the economy. Today no one disputes the need to pay special attention to agriculture. In this sector natural production factors such as climate, climatic variations, geographical situation and type of soil exert a decisive influence. Because of all these factors it is impossible to apply rigidly trade rules which are of too general a nature, as otherwise the income of agricultural producers would be exposed to fluctuations in the prices of agricultural...
products, with all the serious social consequences which would follow. The agricultural population makes an important contribution not only to the economy, but also to the cultural, political and social life of every civilized state. In such circumstances, any government alive to its responsibilities obviously cannot expose this sector of the population to the dangers which I have just mentioned.

The Executive Secretary of GATT, Mr. Wyndham White, has submitted for discussion the possibility of drawing up clearly defined and acceptable conditions for access to outlets and for expanding exports from agricultural countries. I believe that this proposal is a step in the right direction, for it clearly tends to tackle the problem of world agricultural trade from a practical angle. Only thus can we overcome problems which at the present moment still seem insuperable to some countries.

In this spirit I should like to state that the EEC is prepared to examine these problems by whatever procedure may be deemed appropriate. On this point New Zealand has made an interesting proposal.

We must, therefore, find a practical solution, one that respects the general principles of GATT and takes account of the fullest possible extent of all the interests involved. The Member States of the European Economic Community are at all times prepared to take an active part in working out such solutions.

Mention should also be made here of the question of agricultural surpluses. I believe we should not be too pessimistic on this point. It should be borne in mind that in 1960/61 world agricultural production did not increase at the same rate as world population. Moreover, for a long time past eminent scientists have been considering how in the near future it would be possible to meet the food needs of the peoples of the world. The coming generation would certainly fail to understand how anyone could think of solving the problem by limiting agricultural production. I believe that the problem is not one of world over-production, but of equitable distribution and the competent organizations should take it up.

III

A study of the problems affecting trade in agricultural products brings us directly to the third topic of our meeting, namely, obstacles to the trade of developing countries. We have constantly emphasized that extensive and effective aid to those countries cannot be limited to the provision of financial and technical assistance. Apart from these various forms of assistance, the developing countries must be helped to organize their foreign trade on satisfactory lines. We fully understand, therefore, that in addition to the question of financial assistance, they want chiefly to co-operate with us as partners in the sphere of economic and trade relations.
Co-operation of this kind would not only help to improve their financial situation but would contribute fully as much to expanding international trade generally. In the excellent GATT report "International Trade - 1960" it is clearly stated that trade is more highly developed between the industrial countries than with the rest of the world.

That being so, the first essential is to ensure sound economic conditions in the developing countries. A characteristic feature of the economy of developing countries is always the predominance of a single crop. This means that the economy of such countries depends entirely on the world price of a single commodity of one or a few primary commodities and this prevents any really effective economic stability being achieved. Moreover on the world market the proportion of primary commodities produced chiefly by countries that grow only a single crop is constantly diminishing, while synthetic products are gaining more and more ground. At the same time, the industrialized countries themselves are exporting more and more primary commodities. Lastly, if we remember that it is impossible to employ the growing population of the developing countries solely on the production of primary commodities, it seems obvious that the problem of trade in primary commodities is one of the key issues of our time.

It is normal that the developing countries should be preparing to convert some of their national products into semi-finished products on the spot. The industrialization of developing countries must, of course, be a gradual process in the general framework of organic development. This implies that sound economic structures must be established. The point has often been made that the best way is to encourage the creation of small and medium-sized undertakings which help not only to solve the most urgent problems of social policy, but also provide better supplies for the local population. At the same time this enable the still fragile foundations of a more stable export policy to be strengthened. The import markets of other developing countries can thus become more important. In this connexion it is gratifying to find that the report "International Trade - 1960" shows that the developing countries are becoming more important markets for each other.

This trend is certainly a welcome one, but it in no way detracts from the current importance of the industrialized countries' markets for exports from the developing countries. That is where those exports will find outlets - at least very shortly, and that is where at the moment the greatest difficulties still have to be solved. In order to protect their national economy, many industrialized countries maintain or even introduce barriers to trade which also affect imports from developing countries. The restrictions are partly due to the fact that such imports have sometimes caused, or threatened to cause, market disruption in the industrialized countries. That is why the Community considers it particularly desirable that GATT should make a thorough study of the problem of market disruption. To the extent that methods and techniques to ensure the free play of normal, healthy competition can be perfected and applied, the need for protection on the part of the industrialized countries will disappear, and the developing countries' share of exports will rise.
The member States of the EEC are paying constant attention to the problem of gradually opening their markets to imports from the developing countries. In the past few years it has been possible to relax the restrictions formerly applied to a great many products. This trend will continue, in pursuance of the declared aims of the Rome Treaty, with a view to the expansion of international trade.

The internal duties and taxes still applied in some of the member States of the Community are a source of particular concern to the developing countries. We are fully aware of the importance which those countries attach to a satisfactory solution of the problem. Existing fiscal systems can be transformed only gradually, and account must be taken, inter alia, of various problems such as budgetary and social questions. We are convinced that enough prerequisites have already been fulfilled as to enable international trade in future to expand for the benefit of all countries.

The future development of international trade will depend largely on the extent to which the Contracting Parties to GATT are prepared to co-operate, as they have in the past. The EEC is convinced that in this spirit we shall succeed in solving the problems still confronting us today.