Under the conditions of serious international tension that now prevail, the expansion of international trade has been overshadowed by the antagonism between East and West, by the cold war and by the dangers arising therefrom. The increase achieved in international trade, as an instrument of co-operation between countries which have different economic systems and have reached different stages in their economic development, shows that it is quite possible to establish between countries relations of a different nature, namely, relations which would neither have the character of a cold war nor a dispute. It is, however, often forgotten that the expansion of international trade is an important factor in international co-operation, a factor which can make a big contribution to the creation of conditions where active, peaceful coexistence would constitute a permanent basis favouring to an ever-increasing degree the positive development of international relations.

I think that the existing international situation serves to enhance the importance of the meeting of ministers of countries members of GATT, whose number is increasing or will very shortly be increased by the accession of new countries that are relatively less-developed. Furthermore, the ministers are meeting at a time when the repercussions of the work being done by two groups to integrate the more developed industrial countries in Western Europe are becoming more and more noticeable, with the rather special additional prospect of these groups being ultimately transformed into a single economic block of the more developed industrial countries which might assume a discriminatory character vis-à-vis third countries. This might further weaken the unity of the world market and strengthen the barriers that already exist in international trade, to say nothing of the unfavourable consequences which such a development might have on international relations. That is why several GATT countries, including Yugoslavia, are entitled to expect GATT to help in finding solutions which would, on the one hand, remove the obstacles to the expansion of international trade, and abolish the discriminatory measures practised in international trade generally and between member States of GATT in particular, and on the other hand weaken the tendencies that might produce a further deterioration of the international situation.
I trust that the numerous data and recommendations contained in the documents submitted to this ministerial meeting will facilitate such a conclusion, and encourage this way of evaluating the role and importance of the present conference. May I in this connexion remind the meeting that from the outset GATT was set up for the purpose of seeing that national economies are more freely linked together and that obstacles on the world market are gradually eliminated so that it can perform its unique function. It has, however, to be admitted that, though some work has been done in this direction, the results obtained in the past have been anything but satisfactory.

The volume of international trade has almost doubled in the last ten years. The fact that international trade in 1960 amounted to $125,000 million is incontrovertible proof that the degree of development achieved by productive forces and modern technology calls for the creation of ever closer links between national economies and for respect to be paid to the laws governing the international distribution of employment. This expansion of international trade, however, has been unequally shared between the various groups of countries. The exports of relatively less-developed countries have remained very much below the trading levels of the industrialized countries. Thus, the share of less-developed countries in world trade is falling and in 1960 amounted to only 24.7 per cent, as against 31.5 per cent in 1953. The particularly disturbing feature of this development is that the trade of the industrialized countries with the relatively less-developed countries is growing much more slowly than trade between the industrial countries themselves. That is a serious threat to the stability of international trade and the prospects of its further development.

I have drawn your attention, Gentlemen, to these figures in order to support our belief that this serious inequality in the expansion of international trade not only makes it more difficult to speed up economic development and delays the elimination of the serious structural disproportion in world economy and that it cannot therefore form a sound basis for the expansion of international co-operation in the field of trade.

We are fully convinced that, if expansion of international trade is mainly confined to a small number of highly industrialized countries with their relatively narrow markets, especially as compared with the vast productive capacity and the recent advances made in modern industry, it cannot be deemed satisfactory as far as building a sound basis for international economic co-operation and offering every country prospects for stable economic development are concerned. The major cyclical fluctuations in the development of certain branches of economy, and the periodic slumps in the economy of certain countries, with their more or less marked repercussions on international trade, are clear proof to this effect.
What, we may ask, are the reasons for the unequal shares obtained by relatively less-developed countries in international trade? I shall merely mention the most important reasons which can also be found in the reports of Committees II and III.

The first reason is the inadequate share taken by industrial countries in the accelerated development of the relatively less-developed countries, more particularly, in promoting their industrialization, creating additional export capacity and increasing their accumulative capacity. International financial help and economic assistance for the purpose of speeding up development go only a little way towards meeting the extremely pressing requirements of the relatively less-developed countries.

Secondly, the trade policy of the industrialized countries, members of GATT, restricts the expansion of the exports of the relatively less-developed countries. Liberalization of trade and elimination of trade barriers have been confined to industrial products and, consequently, to trade mainly between the industrial countries, and are thus part of exclusive programmes of integration.

Thirdly, most of the industrial countries with their favourable balances of payment hamper exports from relatively less-developed countries by imposing discriminatory measures such as: quantitative restrictions, high customs tariffs, domestic and other fiscal charges, measures of non-tariff agricultural protection, etc.

The whole problem is aggravated by the disturbing relationship which develops between the prices of imports, on the one hand, and exports, on the other hand, of the relatively less-developed countries, in other words, by the evolution of their "terms of trade".

I have drawn attention to these facts for two reasons. Firstly, because my country has, in the course of its economic development and, more especially, in the development of economic co-operation and trade with the other countries, suffered all the negative consequences thus produced. Furthermore, it is only by drawing attention to the causes of the unfavourable evolution of international trade, that we can help to find ways and means of eliminating them.

In these last fifteen years, my country has made considerable progress in industrialization, and this has enabled us to increase our trade four-fold in the last ten years. 57 to 60 per cent of our trade is conducted with the industrial countries of Western Europe and North America. Simultaneously with the general expansion of trade there has been a change in the structure of our exports. Yugoslavia can today offer its trade partners both industrial and agricultural products. And yet our exporters are not given equal treatment...
on the markets of the industrial countries which are members of GATT. Yugoslav undertakings and those of any less-developed country face the competition on international markets of exporters from industrially developed countries, which are more advanced in technology and manufacturing skills and have a long tradition and experience behind them. This situation which, of itself, makes it difficult to compete on the markets of the highly-developed countries, is still further aggravated by the unequal treatment applied in the sphere of customs tariffs and many other spheres.

May I mention the measures which affect my country most seriously in its relations with certain member countries of GATT, with which we have, nevertheless, active economic relations operating to our mutual advantage.

Firstly, the liberalization policy applied to our exports on those markets differs from that applied to the developed industrial countries, so that administrative obstacles, quantitative restrictions and fixed quotas make it impossible for our undertakings to compete on an equal footing with the undertakings of certain other countries, members of GATT. Furthermore, in some countries the situation is aggravated by the additional quota that is applied to certain articles exported by Yugoslavia. These are articles which, because of the modern techniques employed in manufacturing them, and the appropriate level of labour productivity achieved, can compete with the products of other countries, and where, making due allowance for all the economic, geographical and other considerations, we have at our disposal everything that is necessary to hold an important position in the international division of labour and on the markets of those countries. Furthermore, agricultural protection has an unfavourable effect on the efforts which our country is now making, not only to maintain the existing volume of agricultural exports to the traditional Yugoslav markets, but also, and above all, those which it is entering in order to augment the volume of those exports. In recent years we have also experienced on the markets of the European Economic Community (Common Market) the unfavourable effect of discriminatory customs tariffs. An analysis of the possible effects of the common customs tariff of the European Community on our exports to those areas shows that, as a result of the application of this tariff, the charges levied on our exports will rise by 50 per cent as compared with those charged under the national customs tariffs of the six countries forming the Community. Some of our export articles meet with similar difficulties on the markets of EFTA. The fact, however, that the countries members of this Association have no common customs tariff and that the reduction of customs tariffs in their reciprocal trade, apart from certain meat products, does not cover the agricultural products sector, does mitigate to some extent the repercussions on our exports.
The prospect of the economic integration framework in Western Europe being expanded by the eventual admission of the United Kingdom and other EFTA countries into the European Economic Community accentuates still further the above-mentioned problems and is particularly important in the case of agricultural exports.

I feel I should remind this meeting of ministers that our economy represents a specific type of planned market economy, that our economic organizations — exporters and importers, as well as producers — are free to do business with the economic organizations of other countries, acting on their own initiative and basing themselves on their own economic calculations and their own interests. The target of Yugoslavia's economic plans is, primarily, to guide economic development so as to eliminate the disproportions inherited from past years and those which materialize during the period of development. Consequently, the development of our economy calls for a continuation of the process of liberalizing our foreign trade and foreign exchange system and in this sphere we took a big step forward at the beginning of this year. At the moment, however, we are faced with two opposing trends in the development of our trade with foreign countries, particularly with Western European markets. On the one hand, the process of liberalizing foreign trade and the foreign exchange system is being speeded up in Yugoslavia, in harmony with the views of GATT and of certain other organizations in which Yugoslavia takes an active part, while, on the other hand, in most Western European countries we find the situation developing in the contrary direction. Yugoslavia is being given special treatment in those countries as regards liberalization of imports and is being subjected to the restrictions and obstacles already mentioned. The application of such treatment to Yugoslav imports will weaken, or certainly delay, the effects expected from the reform of our system of foreign trade and foreign exchange, the inception of which was facilitated by the credits given for this purpose by several of those countries.

The results of the attitude thus adopted to trade with Yugoslavia have been reflected in 1961 by a certain stagnation in our exports to Western European countries in favour of markets where more favourable conditions and more equitable treatment are offered.
I would like here to stress, more especially, the fact that the measures consequent on the various movements made towards integration are likely to disturb the natural trends of trade between the countries whose economies are complementary and more especially between neighbouring countries whose prosperity is closely linked up.

The example of Yugoslavia and the other developing countries shows that the restrictive measures applied by the industrialized countries of GATT are largely responsible for keeping the development of international trade uneven. These measures make it harder for the less-developed countries to speed up their economic development. They also hamper the expansion of the export markets of the industrial countries and to that extent of international trade as a whole. Very many GATT countries are affected by the closer rapprochement achieved by the industrial countries which takes the form of increasing obstacles and discriminatory measures against third countries. The existing difficulties cannot be solved by any expansion of groups aimed at achieving integration since the problems are material and structural in character. The solution must be sought on a more general plane by eliminating all tariff and non-tariff obstacles and all discrimination in trade relations between the GATT countries. That is why this kind of situation in trade relations calls for consideration both of the rôle hitherto played by GATT and its future activity.

The reports of Committees II and III supply a concrete analysis of the obstacles met with in securing a well-balanced expansion of international commerce and of the exports of the relatively less-developed countries. These reports clearly show that the obstacles now existing contravene the clauses of the General Agreement and are consequently untenable. Accordingly we expect GATT and this meeting of ministers to transform this statement of fact into practical action.

My Government considers that such a programme of action should start from the fact that the restrictive measures applied by the industrialized countries, members of GATT, have had the effect of diminishing or nullifying the concessions obtained by the relatively less-developed countries in the GATT framework. It is accordingly essential above all to adopt a positive programme for eliminating restrictions and the discriminations mentioned in the reports of Committees II and III - the broadest possible programme, concrete and framed for a strictly determined period. The Contracting Parties should undertake to submit periodical reports on the implementation of the programme and its realization, as is suggested, should be the subject of discussions in Committees II and III.

Only if existing obstacles and discriminations can be eliminated will it be possible for negotiations designed to lower customs tariffs to help in achieving a stable and well-balanced expansion of international trade. Whatever the procedure adopted for future international negotiations, the Contracting Parties must agree on the principle that the GATT countries, whether individually or grouped under a programme of economic integration, will take no action to raise the individual customs tariffs.
Experience of previous tariff negotiations shows also that strict reciprocity in concessions is not a really effective solution that will eliminate the difficulties experienced by the relatively less-developed countries. Accordingly, we feel it is necessary, when conducting future negotiations, not to insist on equivalent concessions from such countries and that consideration should be given to the possibility of unilateral concessions, so as to afford indirect assistance to their industrialization.

An important point to remember is that, in studying the need for expanding the exports of the relatively less-developed countries, attention is almost always confined to the traditional exports of primary products and agricultural products only, whereas exports of industrial products from those countries are discriminated against on the inadmissible ground that they are products coming from "low wage" areas. Such practices have a serious repercussion on the relatively less-developed countries. The only way of permanently settling the difficulties of these countries is to industrialize their economy and diversify their exports. That entails the opening of wider markets for the export of their industrial products. The results of this ministerial meeting would be incomplete if they did not embody a specific recommendation on the need for creating wider markets for primary products coming from the less-developed countries.

If the prices of primary products continue to fall and the conditions of trade continue to deteriorate, the efforts made to expand the imports of the relatively less-developed countries will not avail to ensure larger revenue being earned by the exports of those same countries. The fall in purchasing power per unit product exported from those countries reacts seriously on their economy and delays the execution of the economic development programmes. GATT action should, therefore, be followed up by action in the field of stabilization of the prices of primary products. Although this task does not fall within the purview of the General Agreement, the possibility must be considered of GATT contributing to the efforts made at international level to eliminate excessive fluctuations in primary product prices.

For the above reasons my country will continue to liberalize its foreign trade and foreign exchange systems. Nevertheless, measures taken under GATT regulations to eliminate quantitative restrictions, tariff discriminations and agricultural protection should facilitate the expansion of our exports and help to balance our trade with the industrialized countries, members of GATT. We, on our part, are trying to prepare the transition from the provisional customs tariff to the final tariff and thus create conditions which will enable us to co-operate fully with GATT. I feel there is no need to stress the fact that this process will depend not only on conditions being favourable to the development of our economy but also on the extent to which our exports to the industrialized countries members of GATT are given equality of treatment.
In conclusion, I would like to re-affirm my belief that the steady expansion of trade can only be ensured by co-operation between the industrialized countries and the relatively less-developed countries and by giving all the countries members of GATT access on an equal footing to the markets of the developed countries. It is also urgently necessary to increase economic and financial assistance to the relatively less-developed countries. At the same time, the efforts of the less-developed countries must be supported by the trade policies of the industrialized countries.

I am fully convinced that the task devolving on GATT is to act as an instrument of international co-operation which would contribute to that development.