GENERAL AGREEMENT ON TARIFFS AND TRADE

Twentieth Session of the Contracting Parties

OPENING ADDRESS BY THE CHAIRMAN OF THE CONTRACTING PARTIES, MR. W.P.H. VAN OORSCHOT (KINGDOM OF THE NETHERLANDS)

It gives me great pleasure to welcome you all at the twentieth session of the Contracting Parties to the GATT, in particular the representatives of Israel and Portugal, who have acceded to the GATT since our last session.

We are meeting at a time of momentous changes, technological, political, economic. Man is groping into outer space. On our planet the human race is co-operating internationally since the Second World War on an ever-increasing scale. Our organization, the only organization in the United Nations sphere set up to deal specifically with foreign trade, can look back on considerable accomplishments. And yet, this sharply increased international inter-action has been accompanied by tensions and problems, both in the political and in the economic field. Among these the growth of the less-developed countries is of the greatest importance. The United Nations has officially designated this decade as the Development Decade.

"Trade, not Aid" as a slogan has been supplanted by "Trade and Aid". To ensure that trade can play its tremendous rôle in the development of less-developed countries, indeed of the whole world, we need vigorous action. This action was outlined by the Ministers of the countries Members of the GATT after their session of last year. While most of the desires formulated by the Ministers have not yet been fulfilled, a beginning of positive action is noticeable. Committees II and III have resumed their work with vigour. The Groups for Cereals, Meat and Tropical Products have started to devote themselves to the consideration of difficult questions.

To the superficial observer there could be reason for disappointment. But to those who are familiar with the complexity of the problems with which the Ministers have charged us, there is no cause for surprise that only slight progress has been made.
We find ourselves confronted with the hard-core problems of international economic co-operation some of which, such as agriculture, have for years been the subject of examination by other organizations.

Notwithstanding the fact that rather meagre results have been obtained, the manner in which these problems have been discussed in GATT in the past year, has been encouraging. In conformity with the tradition of GATT of showing respect for each other's views, the discussions held have no doubt contributed to a better understanding. But time presses. However understandable the desire for a lengthy period of consideration may be, the urgency of international trade problems does not leave us much time. I should like to review briefly the present status of unsolved problems in the trade field, the significance of new developments and the road ahead.

Unsolved issues

As a point of departure I should like to mention the excellent address by our Executive Secretary, Mr. E. Wyndham White, at Helsinki on 8 May 1962, in which he gave a clear analysis of the implication of the new forms of regional economic integration on the system of world-wide commercial co-operation based on the General Agreement on Tariffs and Trade.

Perhaps the largest unsolved problems revolve around trade in agricultural products. Mr. Wyndham White has reminded us in his Helsinki speech that it was never contemplated that trade in agricultural products should or could be excluded from the operation of the international trading rules. Yet today we have a situation where this trade is largely outside the scope of GATT. Thus far agricultural policies pursued by most governments have been unpromising for the growth of international trade in that sphere.

The second series of unresolved issues is related to regional integration.

The evolution towards regional economic integration found its most comprehensive form in the Rome Treaty establishing the European Economic Community. Contracting parties have examined the conformity with GATT of particular features of the Treaty, especially agriculture, the association of overseas territories and the level of the external common tariff, but the discussion of these legal problems was not concluded.

Later, in 1960, a second form of regional co-operation presented itself to our organization, i.e. the EFTA treaty, which was also examined in the light of the provisions of Article XXIV.

In this case, many contracting parties expressed the view that certain agricultural provisions are not in conformity with GATT.

Following this, the Latin American Free Trade Area Agreement was announced.
Last year Finland announced to GATT a special arrangement with the EFTA countries, which de jure did not comply with basic principles of GATT. However, de facto it would not have important consequences for contracting parties and therefore, this matter has been put aside with a certain reluctance.

During this session a discussion will take place about the special arrangement between Greece and the EEC. The treatment of this subject in the Working Party indicates that the Contracting Parties will not immediately come to a conclusion on this matter at this session. The consideration of all those cases has not been concluded.

The third set of unresolved issues revolves around the trade of the less-developed countries. As is shown in the report "International Trade 1961", just published by our secretariat, the gap between the minimal import needs of the less-developed countries and their likely exports of traditional products may well increase by some $15 billion in the course of the period 1960-1975. The Executive Secretary in his aforementioned address stressed that even with the no longer acceptable rate of growth of 2 per cent in per capita income of the less-developed countries their import demands at the end of the present decade would amount to some $43 billion, or 60 per cent over the level prevailing at the end of the fifties. Or, if you permit me one more illustration from another point of view, viz. that of Mr. E. Black, President of the World Bank: "Between 1955 and 1961 a group of thirty-four countries, accounting for 70 per cent of the population of the under-developed world, more than doubled their total external public debt. Yet over the same period, the export earnings of this same group increased by little more than 15 per cent". These figures illustrate the terrifying magnitude of the problem of how to find markets in the industrialized countries, and in their own regions, for an increasing volume of export products of the developing nations.

Import and revenue duties and quantitative restrictions, as they affect less-developed countries, thus become part of this greater problem of how to achieve a new and balanced international division of production, enabling the developing nations to achieve an acceptable rate of growth. In the light of this situation the statements, impassioned at times, made by representatives of Member States who fear that the traditional pattern of sales of tropical and other products will be disrupted by the creation of the various forms of regional co-operation, become understandable.

1Address of Mr. Eugene R. Black at the last Annual Meeting of the Governors of the World Bank.
Finally I believe that the relations between market economies and State-trading countries constitute another unresolved issue. The GATT has an Article on State-trading enterprises. As and when a larger number of State-trading countries join the GATT, it may be necessary to reconsider the entire problem of trade between countries with market economies and State-trading countries. If necessary, a revision or expansion of the present Article XVITI and possibly of other Articles of the GATT could be considered.

The significance of new developments

There is much discussion whether the new economic groupings will be trade creating on a world-wide scale. It may take a long time before we know the answer. In the meantime trade in agricultural and tropical products, the abolition of remaining quantitative and other barriers to trade, the need for further tariff reductions, are questions which cannot be neglected or discussed indefinitely. They are a challenge to the effectiveness of GATT, and — indeed — the very existence of our organization is at stake by the way in which we cope with them. Thus, there is concern in and outside of GATT. It cannot yet be said that the new developments in economic co-operation have had a detrimental effect on world trade. Most countries agree that whatever disadvantageous consequences the integration movements might have had on the trade of third countries, these have been more than compensated by the favourable effects caused by rapid economic growth especially of the countries of the ESC. In other words, trade creation has gained over possible trade diversion.

But economic life does not only consist of facts, it is also deeply influenced by expectations. The expectations of third countries as to the effects of the new forms of regional co-operation have thus far been dominated by feelings of uncertainty as to the future development of trading relationships:

The challenge to our organization is to devise a framework for international trade for the coming years which will minimize these uncertainties.

This requires not only economic, but also political decisions, decisions which cannot be postponed and which will determine how the Contracting Parties will work out their economic relationships.

Is there any evidence, that in addition to a change in form there is also a change in the direction of trade policy? If there is any reason to believe that there is a change in the basic elements of trade policy, the Contracting Parties will have to decide whether they will accept this change and whether the GATT rules will have to be adapted accordingly.

In Europe negotiations are being held on the accession of the United Kingdom, Norway, Denmark and Ireland to the European Communities. Requests for association with the EEC have been submitted by Sweden, Switzerland, Austria, Turkey and Israel. Other countries, such as Spain, Portugal, Iran and Yugoslavia wish to regulate their economic relations vis-à-vis the New Europe.
Latin American countries are strengthening their own economic co-operation, both through the Montevideo Treaty for a Latin American Free Trade Association and through the Alliance for Progress.

Many African countries seek a form of co-operation with the new groupings as well as among themselves.

Similarly, some Asian countries desire special arrangements with Europe. There is movement and growth everywhere. Everything is growing, but the direction of these movements is not yet clear.

One thing, however, is clear, and that is that this development may have as a consequence that new arrangements in the field of trade policy must be taken into consideration. With certainty it can be determined that all these activities just mentioned will relate to at least two important trade-policy sectors. In the industrial sector, the requesting party will ask for a lowering of the external tariff; in the agricultural sector some sort of guarantee or assurance as to the sale of its products. On what basis will the arrangements be made? Will they have a discriminatory character carving out new preferences through a series of bilateral deals? Or will they be based on the most-favoured-nation and non-discrimination principle, the corner-stone of GATT? Lack of confidence in the effectiveness — from the point of view of national interests — of this principle has led to weakening of GATT and enhanced the trend toward new turns in trade policy.

The way ahead

Are all governments of the countries involved in the formation of new economic constellations aware of the necessity to take into account the valuable principles of our organization which have resulted in a favourable development of world trade?

I sincerely hope that the answer to this question will be in the affirmative. However, there is a real danger that the large number of problems calling for a solution might — under the pressure of time, convenience and political expediency — overwhelm the basis on which GATT co-operation is founded. Consequently, possibly even in the next twelve months the GATT could be confronted by a number of agreements on tariffs and other trade policy matters. These agreements being accomplished facts might irrevocably determine the nature and direction of international trade policy during the next decade.

Preferential trade arrangements in the industrial area, protectionist solutions at the expense of trade in agricultural products can be attractive as a quick solution to immediate difficulties. But haste may be waste. If these arrangements signify the formation of protectionist trade blocs, there will be a decrease in international trade. This in turn may have a restrictive effect on international economic expansion and create disorder in the world economy.
Governments may be standing at a cross-roads. They must choose whether to continue within the framework of GATT or not. Since the last world war, 80 per cent of world trade has developed favourably under the guidance of the GATT. The interest of all contracting parties would therefore seem to require that we strongly resist preferential trade arrangements inconsistent with GATT rules, which may result in a confusing network of bilateral agreements. That situation could mean disorder and would be a disservice to international trade.

The tariff and agricultural problems ask for urgent solutions.

If we are prepared to accept the present rules of GATT also for the future, we shall once again have to conduct tariff negotiations and try to plan international arrangements for trade in agricultural products. This will be the last and perhaps the ultimate chance for the Contracting Parties to find a solution on a world-wide basis.

The will to find a solution has to come from the two great industrial regions of the world, viz. the United States of America and the new Europe.

In the United States the Trade Expansion Act is opening up new possibilities for reducing tariffs. The European Economic Community, reinforced - as may be expected - by the United Kingdom and some other European countries, will certainly participate in the new negotiations.

It may be expected that both great economic entities will be able to utilize this opportunity to solve an important number of trade-policy problems, agricultural included, on the basis of existing GATT principles. The solution of these problems should take into account the need for a rapid expansion of the export earnings of the developing countries which is vital to their economic growth.

The later the new tariff negotiations and the further examination of problems in the agricultural field start, the greater the chance that a series of irrevocable arrangements contrary to GATT may have come into existence. It is therefore, desirable that the new negotiations commence as soon as possible. In this connexion four suggestions would seem logical to me:

1. It is now commonly assumed that the new round of tariff negotiations will be based on the so-called linear method providing for overall reductions. I strongly believe that there should - as far as the industrial sector is concerned - be none or only a few exemptions from such overall general reductions. The experience of the Benelux economic union and of the European Economic Community has shown that generalized industrial import duty decreases exercise a healthy stimulation on economic expansion. Granting exemptions from the general tariff reduction to individual industrial items might - as a result of unavoidable pressures and claims for similar treatment - have a snow-balling effect. What were meant to be exceptions would then be the rule and the idea of linear overall cuts would have been cut to pieces.
2. In the agricultural sector protectionist measures of various types including subsidies to farmers may lead to a limited flow of international trade. I am convinced that imports of agricultural products into the industrialized countries are an indispensable element of trade policy. I believe that we do not deal in this respect only with the interests of the less-developed countries, because it is becoming clear that the interests of the developed nations themselves, viz. in order to maintain the exports of industrial products, require a high level of imports of agricultural commodities into the developed countries. An effort should be made to have support policies to farmers devised in such a way that the existing flow of trade in agricultural products is taken into account.

3. As in the recent past the less-developed countries should not be forced to negotiate on the basis of "quid pro quo". On the contrary, they should benefit from most-favoured-nation treatment in relation to the reductions which the industrialized countries will grant each other. At the same time the new countries should conform themselves to the GATT rules which permit protection of new industries.

4. If all goes well, the result of our endeavours would be a gradually increasing access to markets for both industrial and agricultural products. Such increased access would flow automatically from the sum total of the accomplishments of all these negotiations. In the industrial field there should then be no need for special "access to market" - arrangements along the lines of the recently concluded Long-Term Cotton Textiles Arrangement. Laudable as that arrangement is in itself - and I wish to pay tribute to those who negotiated it - a repetition for other industrial items could result in a bewildering multiplicity of arrangements and agreements, each of them difficult to negotiate, probably difficult to implement and creating uncertainty for importers and exporters alike.

Distinguished delegates, I am coming to the end of my statement:

The entire field of international economic relations is moving. Post-war development has shown a reduction of obstacles to international trade which has resulted in greater prosperity. Great problems which ask for a solution still remain.

We are confronted by a decisive choice between a further expansion of international trade or a sliding-down into restrictive directions, contrary to the objectives of our agreement and implying a revival of protectionism. Notwithstanding all great perspectives we are at this moment in a danger zone. However, we can get through without harm if we remain faithful to the principles on which this Agreement is founded. The GATT, by giving us a better and closer look at a number of problems, has recently served as a magnifying glass, but this magnifying glass can become a burning glass that will kindle the fire of hope for an expanding world economy.
It may be necessary that our Agreement has to be amended. But in any case we should respect the principles of our Agreement in conformity with the Latin adagium, fortiter in re suaviter in modo: Strong in the rule and flexible in the execution.

I declare the twentieth session of the Contracting Parties open and wish you success in your endeavours.

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