PROGRAMME FOR EXPANSION OF INTERNATIONAL TRADE

Statement by Director-General

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The work of the GATT in the last few years, including the Kennedy Round, has largely been the outcome of the co-ordinated Programme for Expansion of Trade which was decided upon by Ministers in 1958 following a careful examination of trends in international trade by experts under the chairmanship of Professor Haberler.

That co-ordinated Programme called for intensified efforts to secure further reductions in tariffs, implemented first modestly in the Dillon Round and then more massively in the Kennedy Round.

The Programme pays attention in measured terms to the problem of the contradictions and conflicts inherent in unco-ordinated policies of agricultural protectionism, rather than sounding a clear clarion call for freer trade in this area. It did suggest however that, through international consultation and negotiation, there might be some moderation in policies so as to mitigate the distortions and difficulties that are inherent in them if they are pursued too narrowly and without regard for their international implications. I have never seen this exercise as being directed against any particular country or any particular set of policies. In different degrees all countries have to face pressures and difficulties in the agricultural sector which dictate to them policies which, on strictly economic grounds, many of them might consider to be of doubtful wisdom. It is in a collective approach to this problem that we may find a middle course which will enable governments to confront the domestic problems which they undoubtedly have, in a way which does the minimum damage to international trade and to their broader economic interests.

Thirdly, the Programme for Expansion of Trade set in train a study in depth of the trade problems of the developing countries which formed the basis of the work of Committee III, produced the Action Programme, provided a good deal of the basic material which has subsequently been drawn upon in the UNCTAD, and which led to the codification of certain rules to govern trade relations between the developing and the developed countries in Part IV of the General Agreement.
I give this historical background because this Programme seems to be no less necessary today than it was when it was first laid down in 1958. Nor, despite the undoubted and massive success of the Kennedy Round, can one say that the potentiality of this Programme has been exhausted. There are important areas in which further efforts, perhaps of comparable magnitude, will be necessary in the future. Moreover, I do not think that the path on which the Ministers embarked is one from which full profit can be gained if one stops half way. I have, therefore, laid before the contracting parties certain ideas of my own as to the possible way in which we should try to move towards the fullest implementation of the Programme for Expansion of Trade.

In document L/2893 I have put forward some ideas in the area of industrial liberalization. In this area I have been very much impressed by our experience in the Kennedy Round. I think a great deal of time and, more importantly, a great deal of friction could have been avoided if there had been more international consultation before the major initiatives were taken which led to the launching of the Kennedy Round. Although it is clearly unreasonable to ask any government to commit itself, at this stage, to any future initiatives, I think there would be the greatest possible advantage in using this period of lull, so to speak, to start preparing for the initiatives of the future. I therefore envisage the work in this field as being done without any initial commitment by governments as to its objectives and outcome.

Many of you, I am sure, have been aware of the ideas that I have expressed in public about trying to work towards a free-trade arrangement embracing as broad a sector of production as possible. This I see as an alternative to the attempt to extend to a very broad geographical area the concept of regional integration which has been a very fruitful and important factor in development of international trade in the last few years but which I do not think can be extrapolated beyond certain natural economic and geographical regions.

As a natural starting point, I suggest that where there is free trade already this should be bound. Secondly, where the tariff protection is minimal I suggest that it be eliminated. Where tariff protection appears to make little sense, the possibility of removing it should be examined. An examination might be carried out, for instance, of duties on raw materials for industry. I also continue to feel that we should devise some means of moving away from the situation in which wealthy countries which are not themselves producers of tropical products continue to impose taxes on these goods, the main producers of which are the developing countries. I think we all realize that this is an anomaly, but that the special arrangements which exist in this area have a considerable political and economic significance and do not, therefore, yield immediately to pure logic.
I have also proposed that an examination be carried out of those sectors where the conditions of production and trade seem to point most logically towards moving to complete freedom of trade. Here I will be suggesting that we try to identify some of the sectors, particularly those where, unless some action is taken, quite considerable difficulties will become apparent because of structural problems which are already manifest, and that working parties, or expert groups, be established to examine these problems in depth, to weigh the advantages and disadvantages of moving towards free trade in these sectors and to advise on the problems to be overcome and on the methods and procedures for dealing with them.

It has been pointed out to me that the industries which one would first think of in this context are precisely those where many people, and in particular many Europeans, feel that the so-called technological gap is a major problem. This argument is not one which I find very impressive, because a problem of such magnitude cannot be much affected by the sort of margins of tariff protection which will exist after the implementation of the Kennedy Round results. Nor do I think that this particular approach would help us towards a solution. I think that it will become apparent that, once the techniques and degree of international co-operation in this free-trade proposal begin to be examined, the technological problem also has to be taken into account and dealt with. This is perhaps one of the best reasons for going along this road.

Lastly in relation to industry, I want to refer to the question of non-tariff barriers. I have found it commonly assumed that, now that the tariffs are low, non-tariff barriers are of relatively greater importance. But looking back on the Kennedy Round I am struck by the fact that, while one or two specific measures were put on the table, there was a lack of real knowledge about what these non-tariff barriers are. I think that the subject is an important one, but I think that as a first step we ought to try to make an inventory of what it is that we are talking about. The inventory which I suggest should not be compiled solely in government bureaux but in consultation with industries actively engaged in international trade. I suspect that we may find that a good many barriers notified are practices which are outside the field of government activity. It was recognized in the Havana Charter however that, in pursuing the objective of liberalization of trade, account had to be taken of the problem of restrictive business practices.

On the agricultural side, my proposals on which are contained in L/2860, I shall be less tentative. I have felt that one of the difficulties faced in the Kennedy Round in dealing with agriculture was that there was necessarily in the minds of many negotiators a sense of the importance of the equivalence of benefits to be derived from the industrial negotiations, on the one hand, and from the agricultural negotiations, on the other. For these delegations it was important to be able to show that what was obtained for agriculture, particularly in terms of market access, was comparable to what they were offering in
terms of industrial access. The nature of agricultural policies are such that
this was, in fact, quite unrealistic, but it did mean that suggestions and ideas
which might present useful results over a longer term were put aside because
they just did not fit into the pattern of reciprocity and equivalence of
concessions which necessarily prevailed in the course of the Kennedy Round.

For this reason I think there would be great advantage in revitalizing
Committee II which was set up under the Trade Expansion Programme in 1958.
Some modification might be required in its terms of reference because, when
established, the Committee was conceived of as a body for the examination and
perhaps the confrontation of agricultural policies. I would conceive it now as
an instrument for continuing international collaboration to bring about the
better co-ordination of all aspects of national agricultural policies in the
general interest; I would propose that we invite this Committee to initiate
consultations on the principal sectors of agriculture on the broadest possible
basis, with the objective of fostering this degree of co-ordination of all
aspects of national agricultural policies.

This I think is a valid approach generally, but I am more concerned about
certain individual sectors from the point of view of timing. I believe, for
example, that the exaggerations of national policies in respect of dairy
products are already leading us into an acute and critical situation which,
whether or not I were making these proposals, should induce the CONTRACTING
PARTIES to organize a collective attempt to deal with the problem. This is not
the first time that this situation has presented itself in the GATT which has
previously been called upon to deal with the butter problem in the United
Kingdom. Although we were not able formally to record a success in that case,
certain arrangements were evolved which at any rate palliated a situation which
was very acute and difficult. That situation was, however, nothing like as
acute and difficult as the situation is now. So even though dairy products
would obviously be cited as being amongst the products which would find a place
in the sort of long-range programme that I am proposing, the present situation
with regard to dairy products is such that it probably calls for more urgent
action than in other areas.

I come finally to the questions concerning the trade of the developing
countries. My proposals on these are contained in documents L/2898 and L/2875.
We find ourselves, of course, confronted with a rather new situation in the
sense that, in response to the urgency of the problems confronting these
countries, governments have decided, in the framework of the United Nations, to
set up a special mechanism to make a concentrated attack on these problems on
the broadest possible front not confined to the rather technical trade matters
which are the proper field of competence of the GATT. The United Nations' programme has, inter alia, taken up the suggestion, first made in a Ministerial
Meeting in the GATT, of exploring the possibility of helping the developing
countries by giving them a measure of sheltered access to the markets of the
industrialized countries through a system of tariff preferences. In the circumstances, I think that it would not be useful for the CONTRACTING PARTIES to concern themselves, at this stage at any rate, with that problem which will obviously be a central matter of discussion in the course of the Second UNCTAD Conference in New Delhi.

It had been hoped that in the course of the Kennedy Round a number of industrialized countries would find it possible to exempt from the general process of the phasing of tariff reduction those concessions which they had been able to make on products of special interest to developing countries, thus bringing about accelerated reductions on a most-favoured-nation basis. I continue to think that this is an important matter which should be pursued in the session.

The Committee on Trade and Development is now analyzing the results of the Kennedy Round and will report as to how far matters on which developing countries had not obtained satisfaction in the Kennedy Round might now be considered for action. This obviously is a matter which, given the urgency of the problems of developing countries, we shall seriously have to consider.

I consider that we should also set in motion a different kind of procedure for dealing with the relatively few, but quite significant, hard-core restrictions on imports which bear upon the interests of particular developing countries. Perhaps an objective expert enquiry into the basic problems which make it necessary for some governments to maintain these restrictions might enable us, working together with a common concern, to devise methods of collaboration designed to remove these restrictions.

We should also give serious consideration to the procedures for consulting with developing countries which, because of problems connected with their economic development, and the great strains that this puts upon their resources, find it necessary to deprive themselves of imports through import restrictions, or to tax their imports, despite the burden that this places on their own consumers, by unusual methods such as temporary levies on imports. I have, in L/2875, proposed consultations, open to all the developing countries, which would enable them to set out their problems, not in any defensive way, but as a means of explaining what the difficulties are that motivate their restrictions and of consulting on what more positive methods might be used to overcome these difficulties. This I think would, among other things, do much to help the image of the GATT in the developing countries. I have the impression that a good many of their contacts with the CONTRACTING PARTIES have been of this defensive character, and this, naturally, does not result in a very attractive image for the GATT. The fact is, of course, that this image does not correspond to the spirit in which our work is conducted. In proposing these new procedures I am not suggesting that the rules of the GATT be amended. These retain their value and, inter alia, provide a
defense for the governments concerned who often face pressures to take measures which are not in their countries' interests. What my proposals aim at is to adapt the existing consultations, and to supplement them with activity of a more positive character; this, I think, could be fruitful and certainly accords with the spirit and objectives of Part IV.

It was proposed in the Kennedy Round that there were certain efforts which could be made by developing countries to remove barriers to trade amongst themselves. A beginning was therefore made in the Kennedy Round to organize a set of negotiations aimed primarily at removing barriers maintained by developing countries which bore particularly upon the trade of other developing countries. As soon as the Kennedy Round was over, I consulted with the representatives of the countries which had participated in this exercise, and proposed that it be continued and be organized with the same sort of energy and purpose as had been brought to bear on the broader negotiations. If it were the opinion of the governments principally concerned that there was a clear objective to be sought, I would most certainly be prepared to head a Trade Negotiations Committee. We shall also be discussing this, with the benefit of the prior examination of this matter that is being undertaken in the Committee on Trade and Development.

In analyzing the results of the Kennedy Round one of the causes for a certain amount of disappointment for developing countries became much clearer to me. One can see that the negotiations produced very significant and important advantages for developing countries in terms of new market opportunities, but that these countries may not be able to take advantage of these opportunities. I have therefore come to the conclusion that one of the things we should do in the GATT is to utilize the resources of the International Trade Centre more directly on trying to assist the developing countries to exploit the new market opportunities which the Kennedy Round represents. In other words, we should concentrate on the types of products that developing countries have identified as of importance to them and where new market opportunities exist, but where these countries are not yet equipped in the trade promotion field to take advantage of them. We ought to aim at making the fullest use of the Trade Centre which we have built up, with some success, over the last few years and to mobilize it in order to enable developing countries to make the maximum use of the new market opportunities which, undoubtedly, will result from the massive and very widespread reduction of tariffs and trade barriers in the Kennedy Round.