International trade has been developing in a satisfactory manner since the end of the Second World War, and the progress made during the last two years has been continuous and particularly encouraging. For the first time during the last twenty-five years the increase in international trade in 1953 and 1954 exceeded the increase in the volume of the world's industrial production. In spite of these favourable trends, many exporters and importers in the World, and more particularly in Western European countries, are expressing their disappointment at the slowness with which obstacles to trade are eliminated and their fears about the future prospects of international trade.

It would seem that, notwithstanding the extraordinary success achieved during the last years in the quickening of interchange among Western European countries, the slow but steady increase in trade with the dollar area, and the incipient revival of trade relations with Eastern countries, the fears expressed in trade quarters are not without some foundation. An analysis of the economic trends and psychological forces which influence the commercial policy of the various governments shows clearly that, in practically all countries in the world, the liberal forces have lost some of their impetus and the protectionist elements are gaining in strength. This evolution reflects to a large extent the confusion which exists in the minds of economists, business people and governments, about the part which international trade should play in the formation of domestic economic policies and in the noble attempt to raise the standard of living of the peoples. It may be said without exaggeration that practically all economic and political forces are bent on the achievement of quantitative increases in domestic production which they consider as the necessary and sufficient means of raising standards of living. Much less attention is paid to the qualitative value
of such production programmes in terms of prices and the contribution which
these programmes will actually make in real, as contrasted with nominal
terms, to the rising of the standard of living. Therefore, a number of
governments have relegated to a very secondary rôle the influence which
foreign competition and international division of labour might have on the
general price level of goods delivered to the consumer, and therefore on the
real standard of living of their people.

In order to assess the prospects of international trade, it may be useful
to review the situation in the four main sectors of trade which are of interest
to European countries and to draw some general conclusions from that analysis.
Then, my intention would be to examine to what extent the machinery established
under the General Agreement on Tariffs and Trade may contribute to the
solution of the problems which will be found to exist in these sectors.

European traders are mainly interested in trade within Western Europe, trade
with the dollar area, trade within the non-industrial areas, and trade with
the planned economies of Eastern Europe and China.

During the last six years, trade within Western Europe has increased in
the most spectacular manner. It had nearly doubled from 1948 to 1950, and,
since that date, the increase has been by nearly 40 per cent. Although this
increase cannot be ascribed to a single factor, it is beyond doubt that the
removal of quantitative restrictions under the auspices of the OEEC has been
largely responsible for this development. The fact that this trade contains
a high and rising proportion of manufactures and, in particular, of finished
goods shows that, although the development of modern production techniques
may have reduced to a certain extent the local advantages which exclusive
production processes or skills gave to the various industrial countries in
the XIXth century, the benefits of an international division of labour are still
substantial, even when the trading countries produce more or less the same
range of products. This confirms the view that this trade is not only
profitable as an exchange of primary products against manufactured goods
as was the normal pattern until recently and that, in the long run, industriali-
ization is not necessarily an obstacle to a fruitful interchange of goods.
It should be noted, however, that, even in the industrial sector, the free flow of goods is still hindered by many obstacles such as quantitative restrictions, high tariffs, and subsidies. The percentage system of liberalization adopted by the OEEC, and which is based on 1948, a year in which trade was severely restricted, may somewhat obscure the fact that there is still an important sector where unhampered competition of foreign products is not admitted. If foreign competition has been accepted up to a point, the dismantling of trade barriers has seldom gone so far as to allow foreign competition to bite into the pattern of domestic production, even if that pattern was obsolete and if inefficient producers had to be weeded out in the general interest.

When we tried, at the last session of the Contracting Parties, to provide for a rapid and total elimination of protective quantitative restrictions, it was necessary, even in the industrial sector, to provide for a transitional period, and to devise special rules and procedures which are expected to assist the governments in eliminating once and for all quotas and import licences as a normal means of commercial policy as they undertook to do when they accepted the General Agreement some years ago.

The elimination of quantitative restrictions in European trade will be no more than the first step in the right direction. It will also be necessary to continue the efforts which we have pursued ever since 1947 for the gradual lowering of tariffs and the progressive elimination of tariff disparities. In this connexion, it is gratifying to note that a new Tariff Conference will be held under the auspices of the General Agreement in January next year, and that the participation of the United States in this exercise will not only facilitate trade with the dollar area but also remove the major difficulty which has delayed action within Europe for the reduction of present tariff disparities.

While the prospects for the industrial sector of intra-European trade are reasonably satisfactory, the position is decidedly more confused in the agricultural sector. The problem of agricultural protectionism is not
a new one, but before the 30's that protection was achieved through tariff measures. Although a tariff may be an effective barrier to trade, it has at least that advantage that the exporter can assess with accuracy in terms of prices the obstacle he has to overcome, moreover, the exporting government has some chance of obtaining, by negotiations, a reduction or, at least, a binding of the duty against increase. Apart from extreme cases of prohibitive rates, tariff protection does not completely shut out foreign competition. Since the 30's, however, agricultural interests in most European countries have obtained from their governments that they introduce quantitative limitations on the imports of foreign products. In many cases, this pressure reflects the desire of farmers' interests to be isolated from world conditions and to be free from any foreign competition. In a number of countries, this system of protection which is sometimes implemented by state-trading practices, has been accompanied by, or results from domestic policies of price support. The combination of price-support policies and import controls has had the effect of transferring onto the shoulders of the consumers of any product thus protected the entire cost of any miscalculation or any inefficient operation in agricultural production. Imports of foreign goods are not allowed to compete with domestic production; whatever may be the price of the imported product or the quantities offered, domestic producers are sure to sell all their supply at prices fixed without regard to the law of supply and demand. Often, imports are allowed to enter the country only when domestic producers, which have a first call on the market, have disposed of their crop and when the economic prices of imports can no longer affect the prices at which domestic products are marketed. In other words, the exporting countries are expected to adjust their production to the vagaries of such an erratic demand so that the importing countries may turn on and off the tap of imports if and when domestic supply has to be supplemented.

Whereas it was still correct to speak of agricultural protectionism when commercial policy was based on tariffs, it would be more appropriate to speak of agricultural prohibitionism now that commercial policy has generally resorted to these new and more subtle devices.
This development clearly poses a very difficult problem for intra-European trading relations. It is not likely that the importing countries which are under such a pressure from their farmers today will, in the very near future, entirely deprive their agriculture of protection or that they will let domestic prices fluctuate freely. Therefore, it will be necessary to reconcile the requirements of international trade in agricultural products with the political and social needs of the importing countries. It would seem that the most profitable prospect is offered by the "hard core" decision which the CONTRACTING PARTIES adopted at their last session. The solution outlined in that decision, if governments and public opinion give it their full support, could induce the importing countries to abandon their present methods and replace them by a more lenient form of protection, such as tariffs or tariff quotas. If necessary, they might supplement these measures by deficiency payments or other subsidies to producers which would leave a wider field for consumers' choice and be less restrictive of competition.

As regards trade with the dollar area, the improvements during the last years have been on the whole satisfactory although the restoration of a durable equilibrium in the trade between Western Europe and North America is still far from being achieved. As was to be expected, imports from North America have lost ground to other suppliers when the post-war transitional period came to an end. Europe does not need now the same quantities of foodstuffs and raw materials from the dollar area as it did immediately after the War. On the other hand, many European countries have found it profitable to eliminate discrimination against that type of dollar goods in order to reduce the cost of some of their raw materials and to improve their competitive position on third markets. Exports from Western Europe to the dollar area have been increasing substantially since 1948, although the variations in the business activity in the United States have been reflected in the trend of European exports, especially as regards semi-manufactures and raw materials.

In spite of the progress thus achieved, the trade relations between North America and Western Europe are still different from what was contemplated when the GATT was drafted. It was then clearly expected by the United States and Canadian negotiators that before ten years elapsed after the end of the War,
trade would be free from discriminatory practices and that their exports would meet on the European markets no other obstacle than tariffs. The substantial tariff concessions granted by the United States and, to a smaller extent, by Canada to European export trade, were of immediate value to European exporters, whereas the tariff concessions which the dollar countries obtained in return could only be of value when quantitative restrictions and more particularly those of a discriminatory nature disappeared in Europe. The hopes of the United States and other dollar countries have been frustrated partly because events did not develop as rapidly as was foreseen. But there is a growing body of opinion in the United States which is convinced that the natural factors cannot be entirely responsible for the lack of progress and that the European governments are unduly postponing the date on which they should pay in full for the concessions they have enjoyed ever since 1947. The feeling that the bargain struck when the GATT was negotiated was not fairly balanced is perhaps the most dangerous argument which the protectionists in the United States are using to oppose the continuation of the present liberal commercial policy of their government.

As regards the European countries, and especially in a few large industrial countries, many people fear that, so long as the interchange of goods with the dollar area is not in a permanent equilibrium or at least as long as their current balance-of-payments cannot be balanced, it would be very dangerous to abandon the right to maintain discrimination against dollar goods at the risk of a slowing down of their profitable intra-European trade. A number of European governments are convinced that, so long as the gap in their balance-of-payments with the dollar area is filled by extraordinary financial measures, such as the granting of aid, off-shore purchases or expenditure by US troops abroad, the full vigour of non-discrimination cannot be accepted. They feel that the remedy is in the hands of the United States Government, which could, for instance, encourage imports from Europe without claiming at the same time exact reciprocity, which would nullify the equilibrating effect of their
action by prising open European markets to dollar exports. Unfortunately, such an action would not be practicable in view of present U.S. political conditions. It should be remembered in this connexion that, unlike the European countries which have had more than a century of experience at trade negotiations and have gradually been accustomed to the idea that commercial policy is a matter of give and take, the United States has refused, until very recently, to enter into any international commitments which might limit its sovereign right of deciding the level of its tariffs and of shaping its commercial policy; the only treaty obligation which the United States was prepared to accept until recently was that of non-discrimination or most-favoured-nation treatment. For these historical reasons, and also because foreign trade accounts for a small fraction of the national product of the United States, the temptation to go back to an autonomous policy in the commercial field is very strong and the supporters of export interests are particularly less powerful than the vocal partisans of commercial independence and economic isolation. In addition, agricultural interests, which had for many years to look after their export interests, have been relieved of this responsibility by the agricultural policy of the United States which throws on the government or its agencies the task of finding markets for the export surplus of the farmers.

Another disturbing factor which has deepened the apprehensions of the European governments is the uncertainty which still persists about the permanency of a liberal commercial policy in the United States. Although the United States Government has, with very few deviations, maintained in practice its loyalty to liberal principles of commercial policy as embodied in the GATT, the indifference or, rather, the hostile neutrality of the U.S. Congress has not been of a nature to pacify the sceptics abroad. This nervousness about U.S. policy is certainly responsible for the excessive reaction which the comparatively few successful invocations of the escape clause by the U.S. Government have brought forth in Europe. Although the withdrawal of concessions which the United States have made since 1948 are very few and cover a very small fraction of the total import trade of that country,
European public opinion has failed to see the forests for the trees. It has forgotten that such adjustments are bound to occur when a country has bound tariffs applicable to about 90 per cent of its trade, as has been the case with the United States. Whatever may be the cause, resort to the escape clause has discouraged would-be exporters in Europe who have become more and more reluctant to invest money in order to get a foot-hold in the U.S. market, convinced as they are that any successful penetration of that market would lead to immediate reaction on the part of the domestic competitors. In these circumstances, they are naturally led to try and concentrate their efforts on the privileged or easy markets which may be within their reach.

Another factor which is responsible for much of the misunderstanding there exists at present about the intentions of the United States in the matter of commercial policy is the persistent distortions that the agricultural policy followed by the United States since the war have brought in the import and the export policy of that country. The high level of agricultural support prices and the huge production of the United States farmers which is partly the result of the price support policy have obliged the United States to reserve their freedom to restrict imports of agricultural products when unlimited imports would conflict with their price support policy. This power has been used sparingly and, during the last year, some of the measures taken before have been suspended, but the example thus given to other industrial countries which are also restricting the import of agricultural products made it more difficult to enforce the rules in other continents, and the single fact that the U.S. claimed the right to take unilateral action over a wide field has thrown some doubts on the chances of inducing the United States to accept the same rules as are required of other governments and of becoming a real partner in a trading community. On the export side, this situation, although it does not affect so much the European countries, has had a serious effect on the attitude of countries producing agricultural products and some other primary commodities, not only vis-à-vis the United States, but in general vis-à-vis all industrial countries.
It should be recognized that the United States Government has taken many precautions to reduce to a minimum the adverse effects which the disposal of surplus stocks on international markets may have on the trade of primary producers, but the very existence of these stocks, the knowledge that the United States Government may be obliged as a result of political pressure or for financial reasons, and simply because it lacks adequate storage space, to dispose of these stocks in one way or another, and the favourable conditions which the United States Government is prepared to grant to its would-be customers, all these factors are bound to affect the export possibilities of other producers, especially when the market is already glutted. In some cases, the repercussions of this situation extend beyond the purely economic field; they have influenced the political attitude of some countries which, rightly or wrongly, consider themselves to be adversely affected by the United States agricultural policy.

This brief analysis of some of the problems to which the trading relations between the United States and the rest of the World give rise today indicates that it is of particular urgency to find an early solution to these difficulties. The discussions which took place at the last session of the CONTRACTING PARTIES were directed towards finding such a solution. If the hopes of an early return to convertibility are not frustrated, discrimination against the dollar area and, by the same token, against the other currency areas should disappear as a durable means of commercial policy. The dismantling of these discriminatory practices will not be immediate, but it was agreed that a definite time-limit should be set for that operation. The United States Government has accepted the view that a gradual disappearance of discrimination should not have the effect of reducing the percentage of liberalization now reached in the intra-European trade; and it will be content with a gradual approach. The European countries have also agreed that when currencies become convertible, discrimination could no longer be justified on financial grounds and would not be permissible for commercial reasons. This compromise would probably silence opposition, but convertibility should not be delayed too long.
Turning now to the trade relations with the so-called under-developed countries, we find that, apart from a few exceptions, the situation is chaotic indeed. It may be said without exaggeration that trade tends to go back to the most primitive forms of barter and similar arrangements which were prevalent before countries realized the need for a more coherent system of collaboration. In those countries, tariffs are high or, when they have been reduced, either as a result of agreements or of a depreciation of the purchasing power of the currency, they have simply been set aside and replaced by a series of imaginative protective devices such as quotas, licences, multiple exchange rates, exchange taxes, stamp taxes, surtaxes, fees, etc. In many cases, however, this chaotic situation is not due to a deliberate policy of the government but results from the unstable financial situation in which the country finds itself.

The present is bad enough, but the future may be worse. A general economic and philosophical doctrine is in the course of elaboration in many under-developed countries and is readily acceptable by the economists, business people and governments of those countries. According to that theory, efforts should be directed towards a rapid increase in the volume of production of practically all types of goods; every other financial or commercial consideration should give way if it clashes with this all-pervading need for development. In some of the Latin American countries, it has become nearly dogmatic to recognize that economic development is irreconcilable with foreign trade commitments. Investments and efforts should be directed preferably towards substitution of imported goods rather than towards the development of export resources which would increase earnings in foreign currencies, widen import possibilities and provide better or cheaper goods to the consumer. It may be true that relying exclusively on the promotion of exports would retard the rate of development, but the encouragement that such sweeping theories would give to the natural tendency towards isolation and autarchy may have unfortunate results both for the underdeveloped countries and for their trading partners. The insufficient attention paid to the price structure would jack up the level of prices, the more so as the economic development policies
usually unleash dangerous inflationary forces. The nominal progress made in the improvement of the standard of living of the people may be partly, if not entirely nullified by the increased cost they may have to pay for having the privilege of consuming national products. This assumption is supported by a comparison between the huge capital lavished on economic development programmes with the meagre result often attained in the standard of living.

In addition, the practice which is current in many countries of resorting to exchange manipulations to solve all kinds of economic or financial problems obscures the concept of cost, not only as regards imports, but also as regards exports. In a number of cases, an industry of doubtful efficiency may drive out European products from their traditional markets because exchange practices enable it to invade a market irrespective of the real cost of production. This tendency is bound to become more apparent as industrialization becomes more widespread.

If this trend continues, European countries may well lose their traditional markets for some of their main export products (in particular of consumer goods), and suffer severe competition from the under-developed countries themselves on other markets. As trade between the industrial areas and the non-industrial areas of the World still represents nearly half of the total world trade, such developments cannot be ignored.

The view is generally expressed that, in the long run, industrialization may bring about a revival of trade with the under-developed countries and the experience of European inter-trade shows indeed that industrial countries are the best customers of industrial countries. It is also true that, on the whole, under-developed countries buy abroad, and mainly from industrial countries, as much as they can afford. In this connexion, there is no serious risk that under-developed countries would restrict their general import level below what their available foreign exchange would allow them to buy. But, even if an overall equilibrium is maintained, the shifts from one type of export to another may have very adverse effects on the export and production interests of the industrial countries. Apart from that, there is some danger of a continuous decline of the export earnings of the
under-developed countries which would of course limit their import possibilities. This reduction of export earnings could result from various factors: firstly, industrialized countries are competing with under-developed countries on the market for primary commodities and, as I indicated earlier, competition from some U.S. exports may have a significant influence on the export prospects of a number of under-developed countries. Secondly, competition from substitutes and synthetic products is beginning to influence international markets; least, but not least, programmes for economic development tend to reduce directly or indirectly the export availabilities of many products unless provision has been made in those programmes for an expansion of the production of such goods. Any significant improvement in the standard of living results in a large increase in the consumption of, and a substantial reduction of the quantities of food-stuffs available for export; this has happened for instance in Argentina and Uruguay. The building up of new factories processing domestic raw materials results in an increase in the consumption of, and a reduction in the exports of those materials. This has been the case, for instance, for cotton in Turkey and in Brazil. The attraction which modernized urban communities may have for the rural population reduces the labour forces devoted to the production of raw materials, and the comparative high salaries which are paid in the industrial sector may also react on the salaries in primary production and raise the price of the export products. This would react unfavourably on the competitiveness of the exporter and tend to reduce the volume of exports, or, if export is subsidized to maintain the volume of such exports, the actual amount of foreign exchange which such exports may bring to the country.

This trend may be of a transitional nature, and it may be hoped that, when industrialization has made sufficient progress, the conditions of commercial intercourse will improve and that a balance on a higher level could again be struck between the import requirements of the under-developed countries and their export availabilities.

One thing is, however, certain. Even if programmes for economic development are reasonably balanced and the rate of increase in domestic production remains comparatively moderate, a number of traditional exports from
industrial countries will no longer be needed. This would be true, for instance, of cement, cotton yarns and piece goods, and, to a lesser extent, of rayon goods, pharmaceutical products, glassware, iron and steel semi-manufactures. No doubt, the virtual disappearance of traditional export markets for those industries would be compensated by the opening up of new markets for equipment and other capital goods. This shift to capital goods may prove a meager consolation for the traditional export industries which will be hard put to find alternative markets, but it has influenced the conditions of bargaining between industrial and under-developed countries. The European countries, or at least many of them, have competed actively to secure a large share of the profitable trade in public contracts and orders for the equipment of new factories, etc. which represent now a substantial part of the import trade of the under-developed countries. Naturally enough, they have been less insistent on the protection of their traditional exports. This competition has thus enabled under-developed countries to acquire a greater freedom of action in the conduct of their commercial policy than would have been the case normally. Thanks to this influence, many of the countries in Latin America and in other parts of the world had been able to repudiate, without loss to their export, trade commitments which they had entered into earlier to protect their export markets. Indeed, the arrangements made by them with European suppliers for the delivery of equipment or other capital goods have had for them a double advantage: that of securing medium-term credits which they would not have found on the financial markets and, on the other hand, that of securing additional outlets for their export products. It is now a current practice for these governments to give contracts or orders preferably, if not exclusively, to nationals of those countries which are prepared to grant financial facilities to pay for the equipment as well as to buy during a certain period a fixed quantity of one or several of their export products, sometimes at a guaranteed price. The competition for these contracts and orders is no longer limited to European countries. American suppliers are now in a position to grant credit terms similar to or better than those offered by Europeans. Eastern European countries have also entered the scene and, as they are not inhibited as private producers by price considerations, they are often in a position to compete successfully with other suppliers by
offering better prices for the export products of the country wishing to buy equipment as well as better terms for the delivery of that equipment.

These exceptional circumstances may offer temporary advantages to those European countries which may secure a large share of that kind of trade, but the boom on the equipment market may be of short duration and the lack of interest displayed by both parties for traditional trade, which explains the facility with which many under-developed countries have slipped out of their commitments, would make it far more difficult for them to accept at a later date the modicum of discipline which European countries would then find indispensable for the smooth conduct of their trade with those countries.

Moreover, the emphasis laid on the quantitative results of economic development and the disregard for the cost of such development in terms of domestic prices will more and more isolate the developing country from the outside world, and a return to normal relations with the world trading community would meet violent opposition from the domestic producers who were sheltered during the transitional period. It is difficult for any country to find a correct solution to these problems, as post-war experience in Europe has made abundantly clear: but it is far more difficult in any under-developed country which wants badly to increase production and increase rapidly; the dangers of excessive prices and insufficient productivity are bound to be regarded as negligible as compared with the attraction of spectacular increases in production. A new factory is a magnificent jewel, even if it is so costly that it may impoverish the people. Would it not be in the common interest of industrialized and the under-developed countries to try and collaborate in order to work out a sensible solution which would maintain their mutual trading relations on a reasonable basis during the transitional period and prepare the under-developed countries for a fuller participation in a world-wide community of trading nations as soon as conditions improve?

This is what the Contracting Parties tried to achieve at their last session when they revised the rules applicable to the under-developed countries. The revision of the code has had the most beneficial influence on the general attitude of those countries. But the real task will consist in working out
in each case the solution which would be reasonable and practicable in the
light of the circumstances of the country concerned and of the projects
contemplated. The conciliation of divergent interests in these very delicate
the complicated issues will require much skill. If these discussions were
conducted bilaterally, they would create more difficulties than they would
resolve. Under-developed countries will not be prepared to accept advice from
their trade partners. On the other hand, if they have confidence in the
impartiality and objectivity of an international organization such as the GATT,
there are some chances of hammering out workable compromises and thus of
avoiding a permanent decline of trade between industrial and non-industrial
countries.

Finally, there has been during the last few years a revival of trade be­
tween Eastern Europe and mainland China, on the one hand, and the rest of the
world, on the other. The planned economy of the Eastern countries and the
monopoly of foreign trade which is generally applied in those countries have
made it practically impossible to conduct trade with them along the traditional
lines which existed before the war or along the new lines which have been
embodied in the General Agreement. When a country possesses a complete
monopoly of its import trade, when its statistics of trade are not fully
available, when there is no adequate means of checking under what terms the
monopoly purchases or sells in the various markets, the traditional concepts
of most-favoured-nation treatment, non-discrimination, etc. have very little
substance left. Tariff concessions are practically without effect when
imports are affected by State agencies. It may, it is true, be possible to
substitute for tariff concessions commitments to buy minimum quantities of
certain products each year, and such commitments might be the counterpart
of tariff commitments granted by the partners. Other ingenious devices may
be thought of in order to bridge the gap between the two types of economy.
In practice, however, the most convenient method of negotiating with Eastern
countries has been the conclusion of quantitative bilateral agreements, i.e.
of agreements which involve on both sides a commitment to buy certain
quantities of specified goods, or a range of goods for a minimum amount of money,
or to open quotas for a range of goods for an agreed amount.
This type of bargaining may, in certain cases, react adversely on the commitments entered into vis-à-vis third countries. For instance, a country may have some difficulty in conforming strictly to the most-favoured-nation clause if it is obliged, as a result of bilateral commitments towards East European countries or China, to purchase goods for which it is not in a position to grant similar facilities to the suppliers of other countries. It seems, however, that the special situation of the Eastern countries has been widely recognized, and that no serious conflict has resulted so far from the co-existence of two different types of trade negotiations. However, as I indicated a moment ago, the kind of competition which industrial countries of the West have to meet in a number of under-developed countries from the East European countries may force the West European countries to cling to bilateral bargaining as a protection against the commercial practices of Eastern Europe. The prospects of an early return to multilateral trading may be frustrated unless the European countries which are at present engaging in bilateral trading are prepared to sacrifice some of the short-term advantages which these methods may bring to them and enter into a covenant to reject all proposals for bilateral agreements and to bring back their trade into multilateral channels. In this respect, the conclusion of a trade and payments agreement between Brazil on the one hand, the United Kingdom, the Netherlands and Germany on the other, is a step in the right direction. It would strengthen the course of international trade if other countries could associate themselves with this project and if similar projects could be initiated with other countries of Latin America and possibly of other continents.

Traders have certainly been attracted by the new openings offered by the recent development of trade with Russia, the Eastern European countries and mainland China. They have, however, been careful not to exaggerate the long-term advantages which such trade may offer. During the last few years, Russia and the Eastern European countries have become major consumers of foodstuffs and industrial raw materials. East Germany became in 1954 the second largest importer of butter, while the USSR is becoming the third largest importer of meat after the United Kingdom and the United States. These countries continue to absorb a large share of the wool and rubber supplies and are also
active in other markets of primary commodities. They continue to send orders for a growing range of manufactured goods.

This development seems to be continuing, but it is difficult to say at present whether this sudden appearance of these countries on the world markets for primary commodities is due to a permanent re-orientation of their production and trade policies, or to the temporary need of meeting the requirements of an expanded market for consumption goods so long as the production policy has not yet been adjusted to meet the demand of products whose supply was strictly curtailed until recently.

This uncertainty regarding the level at which interchange with the Eastern European countries and mainland China may stabilize itself in the future and the lack of protection for trading interests which results from the fact that the trading partner is not a private firm which is led by commercial motives but by State agencies which may be swayed by political considerations, raises a number of difficulties different from, but not less onerous than, those which exporters may find in other countries. Any attempt at bringing the planned economy countries into a single world community with other countries appears to defy human ingenuity: any attempt at drafting a code of commercial policy which may apply to both types of countries may have the unfortunate effect of inducing many countries to abandon the strenuous task of building up a disciplined international club and to revert to more primitive methods of bargaining. Many under-developed countries and even a few industrial ones are not yet convinced that it would not be easier politically and more profitable economically to become entirely independent in the conduct of their commercial policy. A number of them have already denounced all their trade agreements and enjoy complete freedom in the management of their tariffs, quotas and other means of protection. Others are only committed to grant most-favoured-nation treatment, whatever that may mean when they contend that that treatment is limited to tariff measures and does not extend to the so-called "selected" measures. Others, again, have entered into short-term trade agreements containing a vague indication of the types and quantities of goods which they may import if circumstances permit. The fashionable bargaining instrument is the barter agreement, the "parco" and other similar devices which
may be an unavoidable evil in exceptional circumstances, but which are detrimental to a development of international trade on a sound basis and destroy that stability in trading conditions which is a necessary prerequisite for any attempt to build up a real International Trading Community. If no workable solution can be devised to associate the planning countries to a Community of non-planning countries, it would therefore be safer to keep whatever methods may be applicable to trade with those countries and to concentrate on the formulation of rules or policies designed to maximize the benefits which mutual interchange of goods may bring about for the rest of the world.

* * *

Autonomous commercial policy is now definitely condemned. Unilateral action, based on the sole consideration of national interests, strangles trade and depresses standards of living. International trade cannot spread about the benefits of international division of labour unless it enjoys certain guarantees of stability, equality of treatment, and reasonable opportunities to penetrate foreign markets. Trade agreements of the traditional, bilateral type can no longer offer such guarantees. The circumstances which influence world trade today are so variable that it is no longer possible to enforce rigid provisions such as those contained in those agreements. Such agreements can only be today of short duration, or they run the serious risk of becoming rapidly a dead letter.

The experience gained since the War is that the only satisfactory way of giving to international trade the guarantees it requires is to set up an international machinery which administers a set of general rules accepted by the governments, with a view to settling difficulties as they arise by means of objective recommendations which commend themselves to the parties concerned. This does not involve, of course, the creation of a super-state, and the organization should not be in a position to impose on any government commitments going beyond what that government has formally accepted, but if the organization is called upon to make a determination or a ruling, under the terms of its Charter, it would be reasonable to expect governments to accept that determination or ruling, if it is so provided in the Charter.
There are at present a number of international organizations which are dealing with trade matters. It may be useful to consider which of these organizations is best qualified to perform the functions outlined above. It would seem that, on the basis of the experience of the last seven years, the GATT is probably the organization which would be in the best position to organize international trade and the conditions of competition on international markets, but, before we reach any definite conclusion, let us examine the claims of the other organizations. It has been said that trade was inseparable from finance and that the International Monetary Fund should supervise the whole field. No doubt, the Fund is interested in trade, but only in so far as it affects the general financial and currency position of the various countries, and this interest is particularly acute when a given country suffers from balance-of-payments difficulties. It is clear that, when the Fund enters into consultations with one of its members regarding exchange restrictions, it cannot ignore what is happening in the commercial field. But trade is only a side-line in the Fund's activities. As soon as a large number of currencies become convertible, the interest of the Fund in trade matters will become academic for these currency areas. It would be difficult to imagine the Fund dealing with tariffs or protective quantitative restrictions. On the other hand, the re-establishment of a durable equilibrium in a large number of under-developed countries is going to be of concern to the Fund for a number of years to come, and, to that extent, its interest in trade matters will remain. Even if that interest is maintained, it is hardly possible for an organization of this kind to exercise an overall jurisdiction on commercial policy, and, besides, there is no intention on the part of the Fund to claim that jurisdiction.

The United Nations and its subsidiary bodies, in particular the regional commissions, have often entered the trade field and are reluctant to abandon jurisdiction in these matters as they believe that trade cannot be divorced from the general economic problems which are of interest to them. It is recognized, however, by all concerned, that the United Nations which is essentially a political body, is not suited for the kind of operational work which the GATT is presently performing. The lack of permanent status for the
GATT organization has presented until now a clear delimitation of jurisdiction and the risk of duplication and confusion may subsist in the near future. From time to time, one government or another has proposed the convening of a world trade conference under the auspices of the United Nations, and there has been an attempt to generalize the type of trade consultations which have been organized lately by the Economic Commission for Europe. Although such meetings may perform some useful work, it is doubtful that they could be a satisfactory substitute for the activities performed by the General Agreement. Either these debates would be limited to general problems, and they would duplicate discussions held elsewhere, or they would aim at the setting up of a real, permanent international machinery and in that case it would gradually weaken the structure built up by the GATT and put the clock back. It is highly improbable that GATT and the new organization, based on a different philosophy, could co-exist. Governments would have to choose between an organization based on definite commitments, such as the GATT, which will lead to the building up of a real Trading Community, and a Forum standing for loose principles and bilateral bargaining which may well lead to autarchy and anarchy.

So much for world-wide institutions. On the regional basis, the OEEC has been particularly successful in handling certain trade matters, in particular the elimination of quantitative restrictions. There is no doubt that the collaboration of West European countries in the OEEC has greatly assisted in the achievement of one of the main objectives of GATT, and of any programme of development of trade, namely the elimination of quotas and licences as a normal means of commercial policy. The time has come, however, when the efforts of the OEEC and the GATT have to be harmonized. The existence of two bodies which are called upon to deal with the same type of problems but in a somewhat different spirit and with different rules creates some confusion in public opinion and often affords an opportunity to governments to choose in the two codes the provisions which are less onerous to them. Certain people believe that is a fundamental opposition between the two institutions, in the sense that the OEEC aims at maintaining at the highest possible level intra-European trade whereas the GATT aims at bringing to the highest possible level the trade of European countries with all their GATT partners. Some countries have expressed
the fear that the extension to all GATT members of the OEEC liberalization measures would have adverse effects on intra-European trade which represents to them a major part of their export trade and would retard the achievement of European integration plans. Now that most OEEC countries have in fact extended a large part of their liberalization measures to their GATT partners, this fear should be allayed up to a point. Moreover, this question is not going to be solved by discussions: the knot will be cut by events and facts. The decision will not be influenced by the jurisdictional interests of either organization, but by the overall interests of the European countries, from an economic as well as from a political point of view. If convertibility is to become a reality, those divergences will be rapidly forgotten. Apart from this opposition which has been grossly exaggerated, difficulties may arise as a result of numerous discrepancies between the OEEC rules and the GATT code.

I do not wish to enter into this question in detail, and shall simply point out that business people should exert their influence to obtain from their governments that they avoid as far as practicable that questions of trade restrictions, export incentives, tax refunds, etc. should be regulated in a different manner in the two organizations, as uncertainty regarding the law will only lead to endless discussions and meagre results.

There should be close co-operation between the OEEC and the GATT, and I may assure you that the secretariats of these organizations are doing everything in their power to make that co-operation effective. But there is one field in which the OEEC is not qualified to intervene, that of trading relations between Western European countries and the rest of the world, on the one hand, and among the non-OEEC countries. This leaves out of the OEEC jurisdiction, in any case, more than three-quarters of international trade. Unless European governments are prepared to ignore those wider interests and confine their efforts to a limited sector, it is clear that any real effort at building up a world-wide Community can only be entrusted to a world-wide organization such as the General Agreement on Tariffs and Trade which at present covers 85 per cent of world trade.
What are the achievements of the GATT so far and its prospects in the near future? So far as tariffs are concerned, the achievements have been real and unchallengeable. For the first time in history, tariffs have been reduced and stabilized for more than seven years over a very wide sector of international trade. The improvements introduced by GATT in the negotiation techniques have avoided some of the restraining effects of the traditional practices. By trial and error, these techniques have been constantly reviewed and streamlined. A necessary modicum of flexibility has been injected in the tariff commitments and renegotiations have been conducted in such a way as to minimize the effects of adjustments in the overall opportunities offered to trade. It cannot be stated that the GATT negotiating rules are perfect. Far from it, and the efforts which have been made since 1950 to substitute for these rules a more automatic system of negotiation show that a number of countries, and in particular the so-called "low-tariff" countries, are dissatisfied with the rules. Although hopes were entertained at times that a revolutionary change in the negotiating rules might commend itself to governments, opposition to such a reform was so strong that the old GATT rules will still govern the negotiations in January next. This does not exclude the possibility of introducing a number of improvements in the procedure which may have the effect of widening the scope of negotiations and of facilitating the conclusion of valuable agreements. Another idea which is beginning to gain some support in international quarters is the idea of agreed tariff ceilings for the whole range of goods or different types of goods. In present circumstances, governments have entered into no international commitments regarding the incidence of their tariffs. Whereas quantitative restrictions are condemned, prohibitive tariffs are not. Tariffs are taken as they are and governments are simply asked to reduce some of them by the process of give and take if they find it profitable. The starting point of the negotiations is determined by each country independently, in the sense that no rule prevents any country from starting from a prohibitive or a very high level before negotiations start. The introduction of a kind of ceiling, as implicitly recognized in the new United States legislation, is a timid beginning, but the success which the concept of tariff ceilings initiated by the Council of Europe in their Low
Tariff Club proposal and taken up in the GATT Plan for Tariff Reduction, has met in public opinion is a hopeful sign for the future.

Another important task which the GATT has also performed with some success is the enforcing of measures designed to protect exporting countries against evasion of tariff bindings by the introduction of special import taxes (disguised as exchange taxes, statistical taxes, stamp taxes, consular visas and fees etc.), the application of discriminatory internal taxes, or resort to the armoury of administrative protectionism. Whenever a government has brought up such a case before the GATT, it has obtained the support of the organization and if the incriminated measures have not always been repealed immediately, the constant moral pressure exercised by the GATT in these matters has certainly facilitated the solution of the differences and infused a sense of morality in commercial policy. It is no longer considered smart to cheat.

Another group of problems which is of growing importance is the risk of an unjustified application of anti-dumping or countervailing duties. These measures are authorized under the GATT when there is a clear case of dumping or of subsidy, but the remedy should not exceed what is necessary to neutralize the effect of the dumping or subsidy. These measures, which are, of course, of a discriminatory application, are not easy to apply and they may easily be diverted from their real objective and be applied to combatting not only cases of dumping, but also cases in which the exporter is simply more efficient than the domestic producer and can offer better prices. This tendency, if not checked in time, would clearly make a farce of international trade since it would automatically penalize all efficient producers. The GATT has been called upon to deal with specific cases, but it may be necessary to examine these problems on a wider basis.

Whereas international collaboration in the tariff field is comparatively simple, because the facts are clear and the commitments definite, the problems raised by the elimination of quantitative restrictions are far more difficult, so long as a large number of countries experience difficulties in keeping in equilibrium their overall balance of payments or their balance with certain currency areas. Of course, as soon as a country gets out of balance of payments
difficulties, the GATT obligations become perfectly definite but problems would arise if that country has a substantial trade with, or is competing with, a large number of countries which continue to be widely protected by provisions relating to balance-of-payments difficulties, and which may provide to their industries an incidental protection which would distort trading conditions. This preoccupied the Swiss authorities in 1947 and was one of the main obstacles to the entry of Switzerland into the GATT. On the other hand, the traditional view that commitments in the quantitative restrictions field should be the same for countries having genuine balance-of-payments difficulties and those which have a favourable financial situation is no longer tenable. Even in the CEEC, where the undertakings are based on reciprocity, it has been necessary to provide in the code of liberalization for an escape clause in case of balance-of-payments difficulties. Although, on the face of it, the CEEC code of liberalization starts from different premises than the GATT, the CEEC practice has conformed largely in this respect to the GATT rules.

Of course, when a number of important currencies become convertible many of these difficulties will disappear, but, even at that time, governments will invoke the "hard-core" decision and ask for some additional time to eliminate their most obdurate restrictions. The responsibilities of the GATT in this connexion will be both important and invidious. It will require both persuasion and gentle pressure to stiffen the governments' opposition to sectional pressures.

Even after the European problems have become more manageable, the financial position of the under-developed countries will remain uncertain for some years to come. If trade is to go on between this large sector of the world and the industrial countries, constant attention will be required to follow closely the trend of events and to seize upon the smallest opportunity to improve the situation and to bring gradually the under-developed countries to the right path. These problems could not be considered only from the narrow angle of trading interests, they should be assessed on the basis of wider considerations with a view to reconciling the legitimate interests of international trade in general with the legitimate needs of economic development. This will require not only technical expertise, but also an unusual amount of political and
diplomatic skill. The risks of acrimonious and fruitless debates would be lessened if governments were prepared to send to these discussions officials who have a broad view of these problems. It is sometimes difficult to achieve results in these delicate trade matters if they are left in the hands of officials whose duty it is to defend the interests of groups of exporters and a solution can be reached only if the discussion is transferred to a higher plane, at a ministerial level, or even at a governmental level. The atmosphere prevailing at GATT meetings, the case-law and empirical methods which have been evolved during the last seven years give some hope that the GATT may be equal to its assignment.

There are a number of other problems which would have to be tackled by the GATT as a world trade organization and which may be only amenable to the kind of friendly, impassionate discussion which has been traditional in GATT surroundings. There is, for example, the awkward problem of export subsidies and artificial incentives to exports, the problem of devising some form of international action to deal with untoward events in international markets and, if possible, to mitigate short-term fluctuations in the prices of primary commodities. There are many other problems for the discussion of which no adequate forum has been provided so far and which may have to be faced internationally if competition on international markets becomes more severe.

The need for international collaboration in the trade field is pressing and the prizes to be expected from it are valuable, in terms of material gains and moral tranquillity. What the GATT has achieved so far is only a very modest and tentative beginning. It has become the symbol of international co-operation in trade matters and, as such, has been violently criticized by protectionists and perfectionists in all countries. The spectacular progress made in production and distribution methods during the last century or so has not been followed, as might have been expected, by a corresponding rise in the standard of living of all countries. It is not exaggerated to believe that this may be due largely to the reluctance of many countries to benefit from the advantages of international division of labour. Man, by a wrong commercial policy, has rejected many of the bounties which scientific and technical progress placed at his disposal. Far from us the idea that...
international trade could be entirely free for many years to come, and the GATT is not based on a free-trade philosophy. It recognizes that commercial policy is not exclusively governed by economic considerations and it accepts the view that protection may be necessary when economic factors are less important than other factors. We believe, however, that, when all the social, political or military elements which compete with economic considerations are fully taken into account, there is far more protection in the world than is really necessary and that the consumer should enjoy the benefits of competition far more than is the case today. The consumer is today considered as expendable and, in many cases, he is unable to know what price he is paying for the satisfaction of the legitimate or spurious requests made on him by sectional interests. If the cost of a protective measure dictated by political or social problems were clearly stated to public opinion instead of being buried in the obscure workings of administrative rules, it is quite possible that international trade would have a better chance. The protectionist forces are not going to give up the battle; their fertile imagination invents every day new arguments to justify their opposition to liberal measures; protection is necessary to maintain the preparedness of the nation in time of war, to neutralize low wages in foreign countries (irrespective of productivity differences), to neutralize differences in the tax system, in the level of social charges, etc. One may wonder whether there is in their eyes any case in which international trade would be permissible. Of course, it would politically be difficult to scrap all tariffs and protective measures, if conditions of competition are substantially diverging, and this explains why there is some justification for protection. But, usually, existing protection is taken as granted, and any possible disparity seems to justify additional protection over and above the present protection which often takes care very generously of all other factors of distortion. No real progress can be achieved unless producers are prepared to accept a certain amount of competition from abroad. Nobody would nowadays dream of building up internal barriers between the various regions of one country because the climate, the soil, the wages, etc. are different. Even in federations where the fiscal charges may be substantially different from one state or province to another, nobody recommends that trade barriers should be erected between the states or provinces. The fact
is that public opinion has been accustomed for years to consider only the
negative aspect of the problem; it should be educated and realize that
a privilege given by protection to one group of citizens is paid, not by
foreign competition, but by another group of citizens or consumers.

In spite of the serious difficulties which governments have to face when
they decide to pursue a liberal policy in trade matters, there is no need to
be despondent. The collaboration between governments in the GATT club and
the readiness of those governments to accept the recommendations and the rulings
of the Contracting Parties and to collaborate towards the creation of a Trading
Community, shows that some positive results can be achieved if there is com­
prehension for the problems of the others and if there is a proper machinery.
But more rapid progress will be necessary in the future; to this effect,
the Trade Organization should not rely only on the comprehension of government
officials, it should be able to count on the active support of those people who
are actually engaged in business and trade and for whom GATT is actually working.
The mission of the GATT is somewhat of a paradox: it has been set up by
governments to restrict the freedom of governments to interfere with the free
flow of goods. Contrary to what certain of our enemies are often saying, the
GATT is certainly not a planning super-state and has no intention of becoming
such a super-state. Its only ambition is to act as an international umpire
in order to see that international traders and free enterprise have a fair
chance and are not unduly limited by governmental intervention. Governments
have recognized that it may be useful for them to find in an Organization an
adviser which may assist them in resisting pressure of sectional interests and
refraining from taking unilateral or unconsidered action. Let us hope that
business people will also feel that it is useful for them to rely on such an
Organization as a guardian of the general interests of trade and to encourage
governments not to act against their better judgment.