OPENING ADDRESS BY THE CHAIRMAN OF THE CONTRACTING PARTIES, Shri L.K. JHA, INDIA DELIVERED AT THE PLENARY MEETING ON 16 OCTOBER 1958

When we parted company at the end of the last Session, we had decided to address ourselves courageously to some of the major structural problems of international trade. The future effectiveness of the General Agreement in contributing to the continued expansion of international trade depends, I feel, upon our success, or lack of success, in finding answers to these problems. As a first step towards this we set up a Panel of Experts to make an objective study of certain trends in international trade which had been causing concern to many of us. We were fortunate in securing the services of economists of international repute under the distinguished Chairmanship of Professor Haberler for this task and we now have their report before us. Economists do not readily agree with each other. That they have on this occasion presented us with a unanimous report is to my mind clear evidence of the compelling character of the issues confronting us.

We owe the fact that we took this important step to the presence at the last Session of a number of Trade Ministers who gave the necessary direction to our work. It is, therefore, a matter for satisfaction that we are able to begin this Session also with a meeting of Ministers. Unhappily, owing to an unpropitious set of circumstances such as national elections in some countries, the convening of Parliamentary sessions in others, and conflicting international engagements elsewhere, the attendance of Ministers is less general than we had hoped. We have nevertheless a truly representative meeting of Ministers from under-developed
areas, primary producers, nations relying on the export of agricultural products as well as the industrially advanced countries of the world, and we are also fortunate in having with us two members of the Commission for the European Economic Community to take part in the Ministerial deliberations. The presence of Ministers is of the greatest value in giving direction and guidance to our deliberations when we are seeking to break fresh ground and to formulate new lines of policy in pursuit of our agreed objective. I do not, therefore, propose to trespass at length upon the time set aside for the Ministerial meetings. I will, however, try briefly to provide the setting for the discussions which will take place in the next few days.

By common consent, we have made great progress since we first set our hands in 1946 to the creation of effective international machinery for co-operation in the trade field. The means employed have differed from some of the concepts we set out with. Thus questions relating to technical assistance and economic development which we had envisaged as being dealt with by an International Trade Organization have, in fact, been taken up through other institutions. In the field of commercial policy proper, we have built up in the GATT an instrument of co-operation based on empirical methods and strengthened by a long period of practical experience. I think that the success of the GATT has surpassed many expectations. It is beyond doubt that the General Agreement has been a significant factor in the great expansion of international trade in the last few years, and that the GATT has shown itself through practical results as an essential institution which we should all do well to support and buttress to the best of our ability. Its success, I suggest, derives from the fact that we first of all agreed on our objectives, and then translated these objectives into a set of rules by which we all have agreed to guide our commercial policies. Then in the application of the rules we have shown a sense of understanding, realism and flexibility.

Thus, we were able in 1954/55 to review the operation of the Agreement and its provisions, and to re-affirm and strengthen it. Some of the fruits of this review have, it is true, not been gathered in. For example, the Organization for Trade Cooperation which we designed as a permanent and strengthened administration for the GATT is still not in existence. Nor have contracting parties moved to accept the Agreement definitively under Article XXVI.

Nevertheless the re-affirmation of the GATT remains an established fact, and Ministers might, I suggest, usefully consider ways in which the effectiveness and efficiency of our work can be improved. Our main weakness in matters of administration lies in the fact that we meet at present only once a year, and when urgent and important problems arise between sessions the existing
arrangements for representation often prove to be inadequate for their consideration. There seems to be a good case, therefore, for shorter sessions at shorter intervals and for a strengthening of the permanent representation.

To revert, however, to points of substance, although we had the Review Session less than four years ago, we have felt it necessary to study afresh some of the latest developments in international trade and particularly what I have called the structural problems. There is nothing surprising in this. In a fast changing world, new questions are constantly arising to which we must seek new answers and not merely repeat the old ones. Change is an essential ingredient of permanence, and that which is built forever is forever being built.

One such new development which has been engaging our attention is the Treaty of Rome. On the one hand it appears to be an energetic move towards liberalization of trade which the GATT has always stood for. On the other hand, a good deal of concern has been expressed about the possible impact of the application of some of the provisions of this Treaty on the trade of countries outside the Six. The six countries have given assurances that it is their intention to contribute to the expansion of trade generally and that they, therefore, look forward to taking a vigorous part in our activities in the GATT directed towards this end. They have also agreed that they will consult sympathetically with us about the problems which we see ahead of us as the Community begins to be realised. I hope that in this Session we shall move forward along these lines and, in particular, profit from the willingness of the Six to shape their policies with an eye to world-wide expansion.

The negotiation of the Rome Treaty started off a similar movement towards the regional liberalization of trade through the initiation of discussions among a broader group of European countries to establish a Free Trade Area. Similar movements, it seems, are developing in other regions. These important moves in the direction of freeing trade must, as I see it, be accompanied by a vigorous pursuit of the efforts of the GATT towards the liberalization of trade in its broader framework. This, I take it, is what the Intersessional Committee had in mind when as part of the agenda for these Ministerial discussions, it talks of harmonization of regional and broader programmes. If we can indeed address ourselves to this task, we shall be creating a climate of expansion which will facilitate the adjustments which will have to be made to take account of the important developments to which I have referred.

Another important matter on which we focussed our attention at the last Session is the failure of the trade of the less developed countries to develop as rapidly as the trade of the more advanced nations and to keep pace with their own growing needs. The necessity for accelerating the economic
development of the less developed areas of the world is now so widely accepted that I will not dwell on its importance. Very substantial efforts are being made in various international organizations to promote and assist this process and to bring about a flow of capital and skills which are essential to it. It remains, however, a hard fact that the success of this effort depends to a very large degree on the ability of the less developed countries to expand their exports, and thus increase their earnings of the foreign exchange needed to finance the growing volume of imports. On this point as on so many others we find matter for thought in the Haberler Report. The efforts of the less developed countries themselves will be unavailing unless other countries, and especially the highly industrialized countries, are sensitive to the urgent necessities of those less favourably placed, and endeavour in their own policies to facilitate so far as lies in their power the export trade of the less developed countries. Whilst I cite this as a necessity in the name of economic development, we should not forget that this is also a policy in the enlightened self-interest of the industrial areas themselves, since the developing countries are in themselves important markets and offer the brightest promise for continuous expansion in the future.

Throughout the last Session there was an undercurrent of anxiety about the possible effects on international trade in general and on the economies of the less developed countries in particular of a recession in the United States. It is a matter of satisfaction that the downward trend in industrial activity has been arrested and reversed. I think we can also claim some credit for the GATT that on more than one occasion when there has been a threat of a recession there has been no general intensification of restrictions on imports.

I am conscious that there have been unfortunate exceptions to this broad principle. Some of the recent problems confronting the producers of non-ferrous metals are clearly matters of concern to us all. Then again one must not forget that a decline in business activity in a major industrial country even when it is not accompanied by an increase in import restrictions can and does have serious effects on the world outside and reduces the export earnings of many countries, particularly primary producers. If, as a result, any country gets into serious difficulties, not only does it have to take action to restrict its imports, but it also might resort to short-term remedies of doubtful value. Thus, some countries are driven to bilateral arrangements in an effort to sustain exports and to provide for the imports essential to the economy. Then again in such a situation, nations often turn to the grant of subsidies and other similar devices in the hope of improving their export trade. The fact that many countries are outside the GATT and not subject to its discipline makes the temptation for seeking such remedies even stronger.
It is for these reasons of the utmost importance from the point of view of all of us that we should apply our minds to the special problems of trade in primary products particularly its instability. This question too has been analysed so competently in the Haberler Report. It is, I think, a mistake to imagine that this instability affects the trade of the primary producers only. Their partners in trade are also equally though less obviously affected.

Last but not the least important of the issues before us which have been considered in the Haberler Report is the problem of trade in agriculture and food products. For reasons which are well known, most countries feel a need to take special measures for the protection of agriculture and it is an undoubted fact that the trade rules as embodied in the General Agreement are very widely disregarded when it comes to agricultural products. This fact has obtruded itself on our attention on a number of occasions in recent years. During the Review Session we were faced with this question when considering certain applications for waivers, and the issues at stake were re-emphasized with special forcefulness at the last Session. I think we were wise to decide to face up to this problem and we would do well to ponder carefully the far-reaching implications of the report of the experts on this question. I have no hesitation in saying that unless we can find a modus vivendi which is acceptable both to countries relying heavily on exports of agricultural products as well as to the industrialized nations the prospect of maintaining a world-wide multilateral trading system is doomed.

There are many other points of importance on our agenda, but the ones I have cited necessarily somewhat over-shadow the rest. I am confident that the Trade Ministers present here today will apply themselves with courage and imagination to a consideration of the vast structural problems of international trade to which I have referred.