GENERAL AGREEMENT ON TARIFFS AND TRADE

Meeting of ministers

REMARKS MADE BY THE HON. GEORGE HEES, MINISTER OF TRADE AND COMMERCE OF CANADA, AT THE MINISTERIAL MEETING ON 27 NOVEMBER 1961

This meeting is of vital importance to all of us. I welcome the opportunity to participate in these deliberations. We are faced with major issues and are here to map out ways and means of dealing with them.

First of all let me reaffirm Canada's support for the General Agreement on Tariffs and Trade. Since its inception we have considered the GATT forum as the most appropriate framework for dealing with the major problems facing the multilateral trading community. Canada was a founding member of the organization, and its objectives and principles are a central feature of Canadian commercial policy.

Canada, more than most countries, is vitally dependent on international trade for its economic well-being. Close to twenty per cent of Canadian income is derived from exports. Twenty-five per cent of Canada's farm income comes from foreign sales. Finally, we have a large, diversified and long-established manufacturing industry in Canada. This industry requires increased market opportunities. Every effort is being made to make Canadian manufacturing increasingly efficient. But this will not be enough unless the terms of access for Canadian products on foreign markets are such that trade can develop. Retrograde steps must be avoided. We must move forward.

The General Agreement and the basic concepts on which it is founded have been faced with many challenges. Widespread deviations from the provision of the Agreement, particularly as regards agricultural trade, have been a matter of serious concern, and have significantly disturbed the balance of trading advantage among nations. These challenges are perhaps greater today than at any other time in our post-war history.

The recent emergence of important regional trading arrangements, particularly in Europe, has significant implications for established patterns of international trade. As time passes the effects will become increasingly apparent. Canada is sympathetic with the broad political and economic objectives of such arrangements and hopes that the expected stimulation and strengthening of economic activity within the countries concerned will result in increased trading opportunities for all of us. We would be seriously concerned, however, to see these regional arrangements lead to significant diversions and restrictions of trade whether in the agricultural sector or other fields of international commerce. Such preoccupations have been given added force by the United Kingdom's current negotiations for possible accession to the European Economic Community. Canada is directly and fundamentally involved in all these developments.
These new economic groupings comprise powerful and important components in the world trading system. It is essential that these groupings play a responsible role consistent with this stature. It is in their own interests that the system of international trade cooperation, built up through our common efforts, should not now be undermined. It cannot and must not be a question of the ins and the outs. While in the short term the economic interests of GATT members may appear to diverge, we all have a common stake in a healthy and expanding world trading system. Without this even the strongest among us cannot fully prosper. Accommodation must be found for all within the framework of the multilateral trading community. Further, we must be conscious of the link between satisfactory economic and trade arrangements and our political relationships.

It is against this background, Mr. Chairman, that I would like at this time to refer briefly to the specific problems before us. With respect to agriculture the report of Committee II clearly confirms — and we all recognize — that to a large degree the trade rules of the General Agreement are being frustrated. Agricultural exporting countries are being denied the advantages which they could reasonably expect to obtain and to which they are entitled. Serious and perhaps irremediable damage will be done to the established multilateral trading community if a better balance is not found. We cannot afford further delay in seeking effective action to ensure the restoration of reasonable trading opportunities for the many countries which depend to a large extent upon agricultural exports.

It is most important that there be clear recognition of the seriousness of widespread agricultural protectionism. Such policies directly affect the flow of multilateral trade, and disturb the fundamental principles of equity on which the General Agreement is based. We must resolve to work towards the expansion of agricultural trade through the elimination of excessive protective devices which stimulate production, inhibit consumption, and distort trade patterns. Our approach must be practical and specific. It must provide a fair, a better deal, for agricultural trade.

Turning to tariffs, Canada as one of the world's major trading nations has an obvious interest in seeking improved tariff access to all markets. The Contracting Parties have already made a significant progress. There is an urgent need to maintain the momentum in the reduction of tariff barriers to trade. To this end, all nations, the less-developed as well as the industrialized countries, must be prepared to play their part. The growing interdependence of nations, the need for advancement of less-developed countries call for the steady reduction of trade barriers.

Canada is particularly gratified by the imaginative and far-reaching proposals which are now under consideration by the United States administration. Previous tariff negotiations under the General Agreement, their scope and their limitations, have been significantly influenced by the negotiating authority of the United States under its Reciprocal Trade Agreements Act. We have followed, with the closest interest, the recent statements made regarding the kind of new trade legislation which may be placed before Congress. Under any
circumstances, a course of action to be followed by the United States is of the utmost importance to world trade. In the present situation, however, the scope and character of the tariff negotiating authority to be obtained by the United States Government may influence the course of history, both political and economic, for years to come. In order to deal with the many and pressing problems of world trade, each country or grouping will have to play a part commensurate with the strength of its economic position. No one country alone can hope to provide adequate solutions. I am sure we are all encouraged by the determination of the United States Government to take a lead in this matter. It is vital that they succeed.

We are also reassured by the remarks with respect to tariffs of Mr. Baumgartner and the representative of Germany speaking for the Community. It is vital that this great grouping also show leadership and responsibility in securing reductions in barriers to trade. The existence in Europe of a Common Market, the world's largest trading area, is a new factor of critical importance.

Concerning negotiating techniques, it has been suggested that the product-by-product bargaining which has done so much to lower tariffs in the past has outlived its usefulness. Proposals have been made that serious attention now be given to the possibility of across-the-board reductions within the various commodity sectors. Canada is prepared to examine seriously any methods which would facilitate further progress in reducing tariff barriers to trade. We would, of course, expect that they would take into account the special position of countries like our own which depend on a more limited number of exports than the larger industrial countries or groups. Techniques which permit the exclusion of tariff reductions on major commodities of particular importance to individual countries might in some cases preclude meaningful negotiations and must be avoided. The techniques should also take into account the special problems of the less-developed countries. The concept of rigid reciprocity in trade negotiations is not always compatible with the special problems of these countries since they may not be in a position to make fully equivalent concessions in return. Suggestions have been made for free trade in tropical products. As a practical matter should we not also be considering free trade in raw materials to the mutual benefit of manufacturers and producers?

I have been most impressed by the concerns of the less-developed countries. The report of Committee III provides an excellent exposé of the obstacles to their export trade. Effective action must be taken to provide increased trading opportunities for the economies in the process of development. It is certainly not enough merely to list these problems. We must work to bring about an international trading environment in which the national aspirations of less-developed countries can be fulfilled.

The Canadian Government has firmly and consistently supported full acceptance of Japan in the Western trading community. Canada was one of the first countries to sign a trade agreement with Japan in the post-war period.
Canada supported and encouraged Japan in its accession to the General Agreement. It has been a matter of serious concern to the Canadian Government that so many countries have had recourse to the provisions of Article XXXV and thereby withheld the extension of full GATT treatment from Japan. I would strongly support Japan on this matter and urge those countries which have invoked Article XXXV to withdraw that invocation. Canada is convinced that Japan can make an even greater contribution to the multilateral trading community as a full member of that community.

These problems are urgent and must be dealt with without delay. Canada stands ready to play its full part.