"INTERNATIONAL TRADE COOPERATION IN AN EXPANDING WORLD"

Address delivered by Mr. Eric Wyndham White, Executive Secretary of the General Agreement on Tariffs and Trade, before the Academy of Science, Prague, September 1957.

The title of my address is "International Trade Cooperation in an Expanding World". It is directed, therefore, towards examining the institutions through which trade cooperation is sought - and in particular, the General Agreement on Tariffs and Trade - rather than towards the substantive problems of international trade. From a broad survey of these institutions and their work I hope I may be able to arrive at some conclusions of value in relation to the great tasks which still lie ahead of us in this field.

I think it worth while casting our minds back for a moment to the period of strife and stress some thirteen or fourteen years ago. Plans for tackling the multitudinous difficulties that were expected to arise when the military effort ceased were being very actively formulated in Washington, Moscow and London. Not unmindful of the chaos, the hunger and the disillusion which followed the end of the First World War, governments and their planning staffs were laying special emphasis on the economic aspects of the settlement. This policy of giving priority to the establishment of machinery for cooperation in economic affairs is borne out in the fact that the Food and Agriculture Organization, the International Monetary Fund and the World Bank were created and put to work some time before the United Nations itself was in a position to exert its influence in the economic sphere. In fact, throughout the history of the post-war settlement, there is clear evidence that the governments realized the paramount importance of setting up effective machinery to deal with problems of international commerce and finance which would provide the basic economic stability that was so essential for the attainment of the social and economic ideals of the United Nations. The goal was an expanding system of international trade which would promote higher standards of living in conditions of security. The disastrous experience of the 1930's was never absent from the minds of those who were working out the plans for a better post-war world.

By the end of 1945 the groundwork had been laid for inter-governmental cooperation in the spheres of food and agriculture, exchange stability and long-term finance for reconstruction. In the sphere of international trade there had been extensive negotiations extending back over several years, but formal action at the international level was not initiated until after the United Nations had been established.

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One of the first initiatives taken by the Economic and Social Council of the United Nations was to establish in 1946 a Preparatory Committee to draft statutes for an International Trade Organization. Today, ten years later, we find the Council again discussing a proposal to establish "within the framework of the United Nations" an organization to deal with international trade questions. On the face of it one might conclude that little progress had been made in the development of machinery for trade cooperation. In fact the contrary has been the case. One has only to examine the debates which have taken place recently in the Economic and Social Council of the United Nations. These debates have served a useful purpose in bringing under review the nature of the progress made in international trade cooperation and suggesting directions in which improvements may be sought. Such a review and assessment is the purpose of my address to you.

I shall consider first the General Agreement on Tariffs and Trade. This Agreement was negotiated in 1947 in the course of the second session of the Preparatory Committee for the International Trade Organization. It therefore owes its origin to an initiative of the United Nations. It was negotiated in the first instance as a tariff agreement, intended to implement one of the commitments in the Charter for the International Trade Organization (that is the Havana Charter), namely that which bound the members to negotiate with each other to reduce tariffs and other barriers to trade. In order to protect the value of the tariff concessions and prevent their being nullified by other actions in the field of trade policy, negotiating countries agreed upon a set of rules regarding the conduct of commercial policy. These rules reproduced the substance of the commercial policy provisions of the Havana Charter, which — it will be recalled — was drafted by a United Nations Conference of fifty-six states. It was intended that the General Agreement should in due course be superseded by and absorbed by the International Trade Organization. In the event, the latter never came into existence. The Havana Charter was a highly elaborate and far-reaching document. It was completed in 1948 at a time when governments were facing new and grave political problems. It was also a time when the attention of governments in the economic field was primarily directed to urgent tasks of post-war reconstruction. The failure to create the ITO left a serious gap in the framework of international cooperation set up after the war. The General Agreement on Tariffs and Trade has filled part of this gap.

At this point, before reviewing our experience of the GATT at work, I would like for a minute to make a few comments about its structure. The structure of GATT possesses some rather unique features which sets it somewhat apart from the generally accepted pattern of international cooperative effort today.

The most distinctive characteristic of the GATT is its essentially contractual nature. Most of the existing international organizations repose on a basic instrument which sets out certain general principles and a commitment by the members to work together towards certain objectives. The commitment
rarely goes further than this, though in the process of working through the organization governments may reach specific agreements embodying rights and obligations. Membership of the General Agreement on Tariffs and Trade, however, carries with it specific rights and specific obligations. The General Agreement also provides a mechanism for interpreting the Agreement and for ensuring compliance. This contractual character of the GATT explains the exceptional procedures for accession.

Although the GATT lacks the formal juridical status of an organization, it has taken on all the essential de facto characteristics of an organization. The GATT provides for the participating countries to meet together from time to time in order to take joint action which is required by many of the provisions of the Agreement. Particularly significant among the provisions which require joint action is the settlement of disputes between Member States and the carrying out of consultations between CONTRACTING PARTIES collectively and individual Member States. To prepare for these meetings, (which are held once a year usually) and to ensure continuity of action between meetings, it was necessary to establish a secretariat. For this purpose the CONTRACTING PARTIES took over the secretariat of the Interim Committee for the International Trade Organization which had been established at the Havana Conference. This device further strengthened the ties of the GATT with the United Nations since the secretariat of the Interim Commission, being the secretariat of a prospective Specialized Agency of the United Nations, established - and continues today to maintain - arrangements for administration, co-ordination and representation, which are patterned upon the relationship between the United Nations and its Specialized Agencies. Finally, it was found necessary to establish an Intersessional Committee to prepare for the Annual Sessions and to deal with urgent business arising between the Annual Sessions. Thus we find the familiar pattern of Annual Conference or Assembly, Executive Committee, Secretariat and a Budget financed by governmental contributions. The General Agreement, in addition to developing an organizational structure, has also steadily grown in membership. Originally negotiated between twenty-three of the States represented on the Preparatory Commission for the International Trade Organization, the membership has grown by successive stages, as a result of the tariff conferences in Annecy and Torquay, and of the separate negotiation for the accession of Japan, until it now comprises thirty-five States who between them are responsible for more than 80 per cent of the world trade. A basis has already been prepared also for the provisional accession of Switzerland, and the new State of Ghana has decided to avail itself of the simplified provisions for accession which are open to countries which were previously dependent on another State party to the GATT, and which subsequently gain their independence.

I now turn to examine some aspects of the operational side of the GATT. The development of the GATT as an institution corresponds to the growing importance of the work of the CONTRACTING PARTIES to the GATT. The trade rules incorporated in the General Agreement represent the only world-wide framework for the discussion of particular trade problems and for the co-ordination of national trade policies. The GATT works in intimate collaboration with the
International Monetary Fund which provides a counterpart of international cooperation in the field of payments and exchange policy.

By 1954 the GATT had shown that it was widely accepted as a useful and, indeed, essential piece of inter-governmental machinery. The GATT no longer wore the appearance of a stop-gap device. It had come to stay. Now that the International Trade Organization had been abandoned it was obvious that the GATT should be equipped for a permanent rôle. Member governments could now afford to throw open the GATT for examination in depth. This was undertaken at the meeting held in the winter of 1954/55 when the Agreement was subjected to a complete revision. This review improved the Agreement in many respects. In particular the provisions relating to the special problems of under-developed countries were re-drafted in a form which is more acceptable to the less developed countries and which provides a more sympathetic and practical approach to their special problems. As part of the Review an Agreement was drawn up to establish an Organization for Trade Cooperation. In addition to carrying out the primary objective of providing on a permanent basis for the administration of the General Agreement, the Organization for Trade Cooperation is also called upon to sponsor international consultations on trade questions and to facilitate negotiations on trade problems. These additional duties should enable the Organization to develop and broaden the sphere of international collaboration on trade questions when such initiatives appear appropriate and propitious.

This description of the rôle of the GATT would be incomplete without a further reference to the International Monetary Fund. A sound international trading system cannot operate unless it is complemented by a satisfactory and stable system of international payments. In fact trade and payments constitute an indivisible problem. To compensate for the separation of institutional responsibilities for two aspects of the same problem the two international organizations, the GATT and the International Monetary Fund, are linked by the closest arrangements for consultation. Indeed, whenever the GATT is called upon - as it frequently is - to deal with trade problems arising from balance-of-payments and exchange questions, consultation with the Fund is obligatory and the Fund findings are in practice binding upon the GATT. This system of collaboration works most harmoniously.

The International Monetary Fund, however, contributes more to the development of international trade than facilitating the application of the GATT. As I have just said, a satisfactory multilateral system of payments is an essential prerequisite for an expanding and stable system of international trade. The Fund works continually with its members towards maintaining and, if necessary, re-establishing equilibrium in their payments position with a view to the eventual elimination of exchange restrictions which are the other side of the coin of trade restrictions. The Fund also uses its resources to enable member countries to meet short-term deficits in their balance of payments which would otherwise inevitably result in intensified restrictions of trade. Finally, the annual meetings of the Finance Ministers of the Fund
member countries is the occasion for regular annual consultation at a high political level regarding the economic policies of those countries and their repercussions on each other.

The GATT has not been through this period, nor is it today, the only mechanism through which governments have sought international action in the trade field. There has been a marked tendency to deal concurrently with trade questions on a regional basis. This has taken place both inside and outside the United Nations. Inside the United Nations the three Regional Economic Commissions, established by the Economic and Social Council, have been playing an increasingly important role in the trade field. They have in the main concentrated on trade within the regions for which they are responsible, although suggestions have recently been made for trying to expand this cooperation to intra-regional trade through appropriate coordination between the Regional Commissions. The Economic Commission for Europe has concentrated mainly on problems connected with trade between the countries of Eastern Europe and Western Europe. The Economic Commission for Latin America has done a great deal to improve sources of information about trade between countries of the region, and is now examining the possibilities of expanding this trade through the establishment eventually of a Common Market for the Latin American countries. There has been somewhat less scope for the trade activities of the Economic Commission for Asia and the Far East, but valuable practical work has been initiated by the Commission and is being judiciously developed. Outside the United Nations the Western European countries established the Organization for European Economic Cooperation which after successfully overcoming the acute problems of reconstruction, made great strides in the liberalization of trade. The OEEC programme of liberalization concentrated in the first instance on trade between member countries, but has since been progressively extended to countries outside the region. In Eastern Europe there has been established the Council for Mutual Economic Aid. On this organization we are less well-informed than on the others. Recent reports, however, appear to suggest that this organization is working in a direction not dissimilar from that taken by other organizations, that is to say towards improving the payments mechanism through the establishment of a multilateral clearing system which would make it possible to move away from the practice of conducting trade exclusively through bilateral agreements. This is an interesting parallel to the evolution of the liberalization programme in the OEEC which in its turn was preceded and made possible by the European Payments Union. To complete this picture it should be recalled that questions of international trade figure prominently amongst the subjects which are exhaustively discussed in the Economic and Social Council in its annual review of the world economic situation. The Council has also taken a direct responsibility for coordinating and supervising international discussion on problems of trade in primary commodities. It has established an Interim Committee for co-ordinating inter-governmental commodity arrangements as well as a Permanent Commission for trade in primary commodities.
It is clear therefore from this brief review that there is no lack of international machinery. Moreover, there appears to be no substantial divergence in the direction in which these multifarious organizations are working. There is even a striking similarity in the conclusions and directions of their work. I refer in particular to the common desire to move away from the rigidities and inefficiency of bilateral trading and payments arrangements.

If we can note an abundance of machinery and in general a concordance of aim and method, we can also note a substantial degree of success in realisation. I refer, here, to the annual reports published by the GATT secretariat. The report "International Trade, 1955" noted that in the year 1955 the value and volume of international trade established a new record, reaching a level of 13 per cent in value above that of 1951, and one-fifth in volume. This progress, as shown in "International Trade, 1956" continued in 1956 when the value of international trade was 11 per cent higher than in 1955, and the increase in volume was 9.5 per cent.

On the face of it, therefore, it is somewhat difficult to discern the reasons why the Economic and Social Council and the General Assembly of the United Nations should find themselves in 1956 and 1957 discussing as a matter of urgent importance the setting-up of further machinery for collaboration in the trade field. What are the defects and insufficiencies which have led up to this debate? In the first place although the growth of international trade has been striking, this growth has not been evenly distributed. In particular, it was noted in the GATT report for 1955 that the growth had been largely concentrated in the trade between the industrial areas and that there had been a decline in the share represented by trade between the non-industrial areas and the industrial areas.

In the GATT report for 1956 this phenomenon has been more closely examined and seen to be largely a consequence of the rapid economic development in about eight of the less-developed countries which are now semi-industrialized and have ceased to contribute to the export market as much as they formerly did.

Secondly, there is continuing anxiety in the primary producing countries about the instability in export markets and particularly prices for primary produce. This has always been a matter of concern to primary producers but it is more acute today because of the vital importance of export earnings as a means of promoting and sustaining a programme of economic development.

Finally there has been a feeling in some quarters that more emphasis should be given, and on a broader scale than has been attempted in Europe by the Economic Commission for Europe, to the development and expansion of trade between the countries which have a completely State-controlled economic system and the rest of the world.
It is I think principally these three considerations which have led to a reopening of this debate on the question of international trade cooperation.

In the course of the debate in the Economic and Social Council the merits and demerits of the General Agreement have been much in dispute. Those in favour of new institutions have emphasized that what is needed is an organization "within the framework of the United Nations". As I have explained, the General Agreement owes its origin to an initiative of the Economic and Social Council. It has followed closely the co-ordination arrangements of the United Nations and its Specialized Agencies. Although for most of its life it may have worn the air of a poor relation, it is nevertheless entitled to be considered as being in the family. More closely analysed, however, this insistence on being "within the framework of the United Nations" refers principally to the limitations on membership of the GATT. On the one hand the countries represented in the General Agreement are drawn from all parts of the world and there is a substantial representation from four continents. All types of economies are represented in a greater or lesser degree, and as I have indicated earlier, the participants conduct over 80 per cent of the world's trade. On the other hand it is true that a large number of countries which participate in the work of the United Nations and its Specialized Agencies, hold aloof from the General Agreement on Tariffs and Trade. Some of them are unwilling to accept its rather precise commitments since they consider that the benefits and advantages they could derive from the Agreement are not substantial. Some of them prefer to continue to enjoy many of the benefits of the General Agreement through the operation of bilateral most-favoured-nation agreements with GATT members, without accepting the obligations of membership. Others consider that the rules of the GATT are not appropriate to their particular circumstances. Some of those which hold aloof have claimed to see in the GATT an exclusive club which is not open on equal terms to outsiders. This last criticism seems to me to confuse the issue since, as I have pointed out earlier, the membership of the GATT has been progressively enlarged over the years and new members have not been asked to accept, in return for receiving all the benefits enjoyed by existing members, any commitments beyond those which were voluntarily and freely accepted by the original members.

It appears, however, that what a number of States would like - that is those states which are not prepared to accept the firm commitments of the Agreement or do not think that these rules and commitments are relevant to their circumstances - is an organization, in which all states could join, for the purpose of discussing international trade problems, but without accepting any specific commitments. The same sort of idea is partially reflected, as I have already said, in the Agreement establishing the Organization for Trade Cooperation. In that Agreement, it is provided that the essential purpose of the Organization for Trade Cooperation would be the administration of the General Agreement, and the members of the Organization would therefore be the contracting parties to GATT, but it is open to the Organization to invite governments which are not contracting parties to participate in some of the activities of the Organization other than the administration and interpretation of the General Agreement. What would be these other activities? They are described in the Agreement as being (1) to facilitate inter-governmental consultations on questions relatir
to international trade, (ii) to sponsor international trade negotiations, (iii) to study questions of international trade and commercial policy and, where appropriate, to make recommendations thereon. The field, therefore, is potentially wide, and it is possibly through this system of association that a more universal forum for discussion of more general questions of international trade could evolve. Any such developments should, I suggest, be approached with a degree of caution. Our experience in the GATT has shown the value of discussion of trade questions in a purely technical atmosphere. This has been facilitated by the fact that the discussions take place upon the basis of established and agreed rules. If the discussion of more general problems without any previously agreed ground rules were to cause a deterioration in the effectiveness and practical nature of international trade collaboration, there might well be a sacrifice of substance for shadow.

The word "discussion" may also imply discussion in a public forum. There is no doubt, in my mind, that the purely objective approach developed in the GATT has been facilitated by the holding of meetings in closed session. There has thus been no temptation to indulge in political discussion in order to impress public opinion. It has not been necessary to make statements for public consumption which impede the speedy and efficient completion of business. At the same time, it has created an atmosphere in which divergent views are freely and frankly expressed.

The second principal criticism which has been voiced against the GATT is that being a mere tariff agreement, it is too narrow in its scope to provide a suitable basis for a world trade organization. It is considered therefore to exclude the broader structural problems of international trade. This criticism - no doubt based upon the origins of the GATT and the circumstances of its negotiation - overlooks both the broad scope of its provisions and the experience of nearly ten years of its application. As regards its content, it is sufficient to refer to the range of matters covered by its articles - most-favoured-nation treatment and non-discrimination, national treatment in respect of internal taxation and trade regulations, dumping, valuation, import and export restrictions, balance-of-payments problems, subsidies, State trading arrangements, special problems relating to economic development, customs unions. In the practical application of the Agreement few of the major structural problems of international trade fail to come under discussion, not, it is true, as abstract problems, but in relation to their practical effects. For the structural factors at work in international trade are reflected in the commercial and financial policies of governments and these in turn lead to consultations in both the GATT and the Monetary Fund in the course of which all the relevant elements are the subject of consultation and discussion. The business of the annual session of the CONTRACTING PARTIES fully reflects the comprehensive nature of the Agreement. For example, the business of the Twelfth Session, which will open at Geneva in October, will include discussion of the Rome Treaty to establish the European Common Market; it will include a
broad review of balance-of-payments restrictions in many countries and the problems underlying them; there will be a review of trends in trade in primary commodities; the regular annual consultation with the European Coal and Steel Community will be undertaken. Among other matters scheduled for discussion are surplus disposal problems, problems of agricultural protection, cartels, training programme for officials of underdeveloped countries etc.

In conclusion, therefore, I find myself persuaded of the wisdom of the decision of the General Assembly that the way to proceed is to make more effective use of the existing machinery. The establishment of the Organization for Trade Cooperation would be an important step in this direction. As I have shown, this Organization would offer possibilities of growth and adaptation which could go a long way to meeting such deficiencies as the present machinery may have. Moreover, if for any reason there is substantial delay in the establishment of the Organization for Trade Cooperation, we should not be deterred from making those adaptations of our present machinery as circumstances may require. In particular, I myself — and here I speak in a purely personal capacity — would see some advantage in making it possible for countries which would like to take part in the work of international trade cooperation, but do not think it practicable or appropriate to accept the full obligations of the GATT trade rules, to be associated in an appropriate manner with the CONTRACTING PARTIES.

It is also evident that if the United Nations should at some future date find it desirable and appropriate to establish some overall machinery for trade matters the contracting parties to GATT — who are also members of the United Nations and therefore parties to its decisions — would at that time have to consider appropriate arrangements for relating the General Agreement to that organization in such a manner as to preserve the integrity of their contractual relations, and to preserve the system of practical cooperation which has been one of the most valuable products of the General Agreement.

The General Agreement has provided us already with a number of lessons. It has shown us that international collaboration is only fruitful when it is based upon the acceptance of common objectives, but it has shown also that the best results are to be obtained when these objectives are translated into a set of generally accepted rules by which the member governments agree to bind themselves. The rules, however, must contain an element of flexibility, and the application of the rules must be accompanied by full and frank consultation. But given these firm foundations, we should clearly not be static in our ideas and we should be prepared to adapt and extend these techniques so that a basis of cooperation in the vital field of trade can be established which will embrace all economies, whatever their diversities of evolution or practice.

Finally, we should not lose sight of the fact — a fact which has been cogently and forcibly stated by Professor Gunner Myrdal in a recent paper, that international organizations are essentially a mechanism for negotiation between governments and a means for reconciling national policies. International organizations are therefore effective, to a greater or lesser degree,
in proportion to the willingness on the part of governments to seek fruitful agreements. The establishment of a new international organization is, unhappily, only too often an alibi for an agreement to disagree, a means for shelving problems on which it has been impracticable to reach agreement. This is a noxious and an undesirable practice which undermines the whole fabric of international cooperation. It is far better to continue to work on these problems persistently and unobtrusively in order to establish the basis for negotiation and agreement. It is then, and only then, that international organizations can contribute effectively and provide the formulae of agreement and the modality of their application.