Mr. Chairman,

I am pleased to have the privilege of participating for the first time in the deliberations of the CONTRACTING PARTIES, and would like to express to the Imperial Government the sincere appreciation of my delegation for the hospitality extended to us during our stay in Japan.

Less than a month has passed since our host country, Japan, was struck by a typhoon of unusual severity which inflicted heavy casualties on the local population and caused extensive damage to property. I am sure, Mr. Chairman, that all visiting delegates to this session of the CONTRACTING PARTIES will wish to associate themselves with me in expressing to the Japanese delegation our deepest sympathy with the Government and the people of Japan in the tragic disaster which has befallen this country.

When Ministers of contracting parties last met in October 1958, the clouds of recession were lifting and there were unmistakable signs that the international economic scene was changing for the better. In the United States a new upsurge of economic activity had set production rising and unemployment declining. In Europe the recession had proved to be of a milder nature and of shorter duration than was originally expected, and the countries in that part of the world were already once more firmly established on the road towards increased economic and financial strength. The decline in world primary commodity prices had been arrested, while relatively important gains had already been registered in the prices of some commodities in consequence of which moderate improvements had occurred in the depressed export earnings of certain primary producing countries.

Ministers then concluded that the prospects were promising for a continuing steady expansion of international trade.

They noted, however, that serious trade and payments problems continued to confront many of the less-developed countries, that unsatisfactory conditions still prevailed with respect to world trade in a number of primary commodities, and that special difficulties threatened to impede the future growth of international trade in agricultural products. They decided that there was need for a detailed study, within the framework of the General Agreement, of agricultural policies affecting international trade and of other measures which restrict the export earnings of the less-developed countries, and they also agreed that arrangements should be made for a further round of tariff negotiations under the auspices of the General Agreement.
How have we fared since these decisions were taken, and what are the prospects for the future? The report of the secretariat on International Trade for 1957-58 clearly shows that, both in respect of world trade and production, 1958 turned out to be a better year than many of us had originally expected. The revival of economic activity in the leading industrial countries which had set in towards the middle of the year, was reasonably well maintained until the end of 1958. After a sharp drop in the first half of the year, the value of world trade again started moving upwards in the third quarter, and by the end of the year had recovered much of that loss. The volume of world trade reached a new peak during the second half of 1958 while the volume of world production of commodities (including agriculture, manufacturing and mining) similarly made a strong recovery during the second half of the year and in that period exceeded the preceding maximum level attained in the latter half of 1957.

However, not all countries have shared equally in these improved conditions. Broadly speaking, the industrial countries have continued to gain in strength, both economically and financially, while the non-industrial countries have continued to experience difficulties which have been aggravated by the sustained weakness of primary commodity prices.

Although there has been some recovery in the prices of certain primary commodities during the second half of 1958, the degree of recovery has differed substantially from commodity to commodity while some commodities have actually lost part of their earlier gains. On the other hand, world prices of manufactured goods have, in general, been well maintained, and have shown a tendency to rise rather than to fall, with the result that the terms of trade have moved appreciably against the non-industrial countries. It is, therefore, hardly surprising to note from the secretariat's report that the continuous decline of recent years in the percentage of world trade represented by exports of non-industrial countries to the industrial areas has proceeded still further during the past year.

The problems confronting the primary producing and exporting countries as a result of unpredictable and sometimes violent fluctuations in primary commodity prices have already been discussed on frequent occasions and at great length in this Organization and elsewhere during the past few years. It is, therefore, not my intention to go over this field in detail again at our present meeting. Nonetheless, I believe that, in reviewing the future prospects for world trade, we could hardly ignore the fact that the ability of the non-industrial countries to contribute towards the maintenance and possible expansion of this trade is vitally affected by the present relatively depressed state of most primary commodity prices and by the reduced export earnings on these countries. Moreover, the adverse movement in their terms of trade which occurred early in 1958 and which, to a certain extent, still persists today, clearly makes it impossible for the non-industrial nations to maintain their purchases from industrial countries without running the risk of incurring mounting trade deficits.

It is, of course, impossible to conceive of anything like a proper overall relationship between primary commodity prices and the prices of manufactured goods, just as it is also unrealistic to imagine that measures could be found
which would eliminate all fluctuations in primary commodity prices. The best the primary producing countries could hope for in a search for the solution of their difficulties is that they will be able to achieve a greater measure of stability in their export earnings by means of the increased diversification of their productive activities. The responsibility for action in this field clearly rests with the primary producing countries themselves. It is up to them to devote an increasing proportion of their resources to the domestic processing of their primary products in the hope that they may be able to sell more semi-processed and finished articles abroad instead of continuing to rely largely or exclusively on the export of primary commodities.

We, in the Union of South Africa, have already made considerable progress in this direction, and increasing quantities of our primary products are being processed in the country for domestic consumption and for export. We have thus been able to reduce to an appreciable extent the harmful effects on our export earnings of sudden and violent declines in world primary commodity prices, to enhance the economic and financial stability of our country and to provide more stable incomes to all sections of our population. What is more, we have in the process been able to raise to a substantial measure the standards of living of our people. But we still have a long way to go in the uphill struggle of attaining a greater diversification of our productive activities and relief from the vicissitudes of world primary commodity price movements. This is clearly brought out by the notes prepared by the Executive Secretary for the Report on Commodity Developments during 1958, which shows that, as a result of the drop in world commodity prices, South Africa's export earnings declined by as much as 10 per cent between 1957 and 1958.

We have also learned from experience that the increased diversification of the productive activities and export earnings of primary producing countries is an objective which cannot be achieved overnight. It calls for increased investment by the primary producing countries in existing and new processing industries, for the training of more technicians and skilled labour to man these industries, for the acquisition of technical know-how and improved standards of management, for expanded basic services and, above all, for the energetic development by these countries of export outlets for their processed articles.

As far as South Africa is concerned, the pursuit of these aims are taxing our resources of capital and manpower to the full - but we regard them as essential for the wellbeing of our population.

I also wish to stress that the efforts of the primary producing countries to diversify their productive activities and in this manner to secure a greater measure of stability in their export earnings can, in the final analysis, only succeed to the extent that the industrial countries are prepared to provide liberal opportunities for access to their markets in favour of the semi-processed and processed products of the former.

In the meantime the instability and unpredictability of the export incomes of these countries as a result of excessive and sometimes violent fluctuations in primary commodity prices prevent these countries from implementing stable internal economic policies, and restrict their contributions towards the
achievement of an expanding world trade. As far as the objectives of this Organization are concerned, there also remains the problem associated with the continuous decline, due to a variety of factors, of the relative share of world trade enjoyed by the non-industrial countries. The situation is a complex one which merits a reappraisal by the CONTRACTING PARTIES of all possible courses of action which could appropriately be taken under their auspices to alleviate the difficulties of the primary producing countries. In particular I would suggest that one possible course of action which should again receive the consideration of the CONTRACTING PARTIES, is an examination, on a commodity-by-commodity basis, and in co-operation with other interested international organizations, of the feasibility and practicability of international price stabilization arrangements as a means of moderating excessive movements in the prices of individual primary commodities. This examination can be fruitful only if it enjoys the full support of all major industrial nations. I trust that these nations will agree that it is in their interest, no less than in that of the primary producing countries, to cooperate with the latter in fully exploring to what extent international commodity agreements could usefully contribute towards a solution of the problems with which primary producing countries are confronted. I think the solution of these problems would benefit all contracting parties and would constitute an important supplement to the other forms of action which are currently being taken by the CONTRACTING PARTIES to achieve a further expansion of world trade.

Since the last Ministerial meeting of this Organization we have witnessed the establishment of external or non-resident convertibility of the major European currencies. It seems to me that the stage has now been reached where we could justifiably expect the further dismantling of discriminatory import restrictions by those countries which have participated in the convertibility move.

The discrimination practised against South Africa's export trade under the OEEC liberalization programme has for long been a cause of considerable concern to us.

Some of the OEEC countries have even taken this form of discrimination so far as to extend some of their liberalization measures to goods from dollar sources while witholding the benefits of these measures from South Africa. The inference to be drawn from this action is that the countries concerned have dollars to spend on imports from dollar sources which cannot, however, be used by them to buy from a sterling source such as South Africa - in other words, that the dollar cannot be freely converted into sterling. I am sure, Mr. Chairman, that our United States and Canadian colleagues, who have for so long been campaigning for the removal of discrimination against dollar goods, will readily agree with me that the injury caused by discriminatory import practices extends far beyond the export interests of countries of the dollar area. I also submit that the type of action to which I have just drawn attention seriously undermines the integrity of the rules of non-discrimination to which all contracting parties are committed. I would, therefore, appeal to our friends in Europe, who still maintain discriminatory import restrictions, to reconsider the discriminatory aspects of their restrictions in the light of the recent convertibility developments which, I submit, have removed the financial justification for such discrimination.
Moreover, South Africa’s export trade with some of its trading partners in Western Europe is also being injured as a result of the bilateral agreements of these countries in terms of which exclusive import quotas or specially favourable treatment are exchanged between the signatories. We are concerned lest these two types of discriminatory import practices may be carried into the regime of the European Economic Community and the proposed European Free Trade Association, and that we may, in the end, be confronted with a substantially intensified form of discrimination in the markets of Western Europe which are important outlets for some of our export products.

Countries such as South Africa which do not conduct their foreign trade on the basis of bilateral agreements can only view with concern the continued maintenance of this discrimination against their products which has been in operation ever since the war and is causing material injury to their export trade.

I assume it will be argued that bilateral quota arrangements have become so ingrained in the trading philosophies of these countries as to make it impossible for them to do without these arrangements even after the financial justification for this form of discrimination has disappeared. If that is the case, I think we, as contracting parties, should ask ourselves whether the principles of unconditional most-favoured-nation treatment and multilateralism, to which we have committed ourselves, still represent realistic policy objectives in the trading world in which we live today.

I pose this question not merely because of the continued discrimination which is being practised under the OEC liberalization programme and the bilateral quota arrangements of a number of contracting parties, but also because of the rather lenient interpretations which participants in existing or prospective regional trade groupings in Europe and elsewhere are apparently placing on their rights of recourse to Article XXIV of the GATT.

Article XXIV constitutes a fundamental exception to the GATT rule of non-discrimination, and is explicit about the types of regional trading arrangements which would be regarded as permissible departures from that rule.

It may perhaps be argued that, from the point of view of their practical effects on the trade of outsiders, it matters little whether such regional trade arrangements comply fully with the provisions of Article XXIV or whether they go only part of the way towards the difficult goals of true customs unions or free trade areas. However, if we were to accept this argument, we would be opening the door to a multitude of new preferential trade groupings which would almost certainly undermine the integrity of the GATT rules of non-discrimination.

In saying this, I do not wish to infer that South Africa is opposed to regional trade groupings. On the contrary, we are fully conscious of the economic and political importance of such groupings to the participating countries, and of the contributions regional trading arrangements can make towards the attainment of the objectives of the General Agreement. But I suggest that each arrangement should be carefully considered on its merits and with due regard to its likely effects on the implementation of the GATT rules of non-discrimination as well as the trading interests of outside countries. Moreover, it is particularly important that we should work out suitable
procedures by means of which the existing and prospective regional arrangements in Europe and elsewhere can be harmonized with the wider trade objectives of the GATT. These arrangements may establish precedents which may vitally affect the continued application of the GATT rules of non-discrimination and the prestige of the CONTRACTING PARTIES as the recognized organization for trade cooperation on a world-wide basis.

Since last year's Ministerial meeting of the CONTRACTING PARTIES the members of the European Economic Community have taken a number of important steps in connexion with the implementation of the Rome Treaty. We have also witnessed the evolution of proposals for the formation of another regional grouping in Europe while the negotiations for a Latin American Free Trade Area have been carried to an advanced stage.

These regional groupings all have their indisputable economic and political merits. We in the Union of South Africa have the greatest sympathy and understanding for their objectives. In particular we see in the European Economic Community and the proposed European Free Trade Association potent forces for the possible promotion of Western Europe's economic strength and stability. But the participants in these two regional groupings are important markets for many of our export products, and we are, not unnaturally, concerned about the effects which these arrangements may have on our export trade with the countries concerned. Our prospects of maintaining and accelerating South Africa's rate of economic growth are, in no small measure, dependent upon the extent to which we can rely on the enjoyment of increased opportunities of access for our main export products to the markets of Europe. If the developments now unfolding themselves in Europe should restrict these opportunities, we ourselves may, in the end, find it impossible to avoid the adoption of restrictive import policies which may harm our European friends no less than other countries.

In addition we have our fears about the possible harmful effects which regional trade groupings consisting of large numbers of important contracting parties may have on continued fruitful cooperation in this Organization. If the tendency towards regionalism should spread, and if the participants in regional arrangements should develop divided loyalties which detract from their faithful support of this Organization and its objectives, we may well reach the position where it would be extremely difficult for the CONTRACTING PARTIES to continue to exercise their competence in the field of international commercial relations and for the General Agreement to remain effectively in operation. Such a development may undermine the whole structure of international trade cooperation which was created with so much painstaking effort after the war.

I am sure the drafters of the General Agreement never intended Article XXIV to have this effect, and I am also convinced that no contracting party participating in the current projects of regional trade groupings would wish to see this happen. How, then, could the legitimate goals of the participants in these regional groupings be harmonized with the wider objectives of GATT?

I think that, as a first step in this direction, the countries participating in regional trade arrangements should undertake to give continuous and careful consideration to the possible repercussions which their policies and actions are likely to have on the export interests of other countries.
Secondly, they should agree to take the CONTRACTING PARTIES fully into their confidence whenever policies and actions of this nature are contemplated by them, and also to consult with interested contracting parties within the framework of this Organization about the possible damage which such policies and actions may cause to the export trade of these other contracting parties.

Thirdly, they should recognize that, in terms of Article XXIV, the CONTRACTING PARTIES have been assigned specific responsibilities in order to ensure that regional arrangements concluded under that Article do not undermine the rules of the General Agreement, and they should co-operate fully with the CONTRACTING PARTIES in ensuring that the latter will be in a position effectively to carry out these responsibilities. Without in any way wishing to re-open the legal issues which have temporarily been shelved as far as the EEC is concerned, I suggest that such co-operation should take the form of the regular submission by members of regional trade groupings of full reports and other relevant information on the progress made with the implementation of their regional arrangements, as well as effective participation by them in a detailed examination of such reports and information by the CONTRACTING PARTIES which would enable the latter to assess the practical effects of the implementation of such regional arrangements on the trade of other contracting parties rather than their legal compatibility with the provisions of Article XXIV.

I know it will be said that my first and second suggestions are nothing new since they are already being followed by the countries of the European Economic Community. My third suggestion, again, will probably be criticized on the score that, in its practical implementation, it will have the effect of once more bringing to the fore the legal issues on which a divergence of views is known to exist in this Organization.

I suggest, however, that consultations between members of regional trade groupings and other interested contracting parties as well as the submission of regular information to the CONTRACTING PARTIES on the policies and actions contemplated by those participating in these regional trading arrangements should be such as to satisfy all contracting parties about the efficacy of these two procedures. And, as far as my third proposal is concerned, I sincerely believe that such full and effective co-operation between members of regional trade groupings and the CONTRACTING PARTIES would materially strengthen the role of this Organization in relation to these trading arrangements and would thus contribute towards the integrity and prestige of the General Agreement.

I now wish to say a few words about the programme of trade expansion which was initiated at the thirteenth session and on which the preparatory work has since been proceeding in the three Committees appointed for that purpose. We have already received the report of Committee I which contains recommendations regarding the arrangements and procedures for a new round of tariff negotiations amongst contracting parties, as well as interim reports from Committees II and III on the progress made thus far with the consultations on the agricultural policies of individual contracting parties and with the examination of measures to increase the export earnings of the less-developed countries. These reports of the three Committees will, no doubt, be fully
discussed at a later stage during the present session. At this point I merely wish to confine myself to a few general observations about the objectives and the likely results of the three courses of action embodied in the co-ordinated programme for trade expansion.

Firstly, as far as the 1960/61 Tariff Conference is concerned, it should be recognized that there are limitations on the ability of individual contracting parties to concede further reductions or bindings of their tariff rates which will noticeably affect the extent of the markets they are able to offer for imported goods. This applies particularly to young developing countries such as South Africa which have already assumed obligations under GATT in respect of a considerable number of items in their customs tariffs, whose most-favoured-nation rates of duty are relatively low, and which are constantly experiencing the need for granting a reasonable measure of tariff assistance to their developing industries or for finding new sources of customs revenue. Most of us have been participating in various rounds of GATT tariff negotiations ever since 1947 and many of us have reached the point where there is little room left for any worthwhile cuts in our tariff rates. Countries which find themselves in this position obviously are at a considerable disadvantage in bargaining for more liberal tariff treatment for their export products in the markets of others and their participation, if any, in the next round of negotiations for new tariff concessions will also necessarily have to be of a restricted nature. We should, therefore, not expect much by way of positive contributions towards trade expansion to come from the results of such tariff negotiations as they may feel able to undertake.

The procedures formulated by Committee I have, of course, tried to take account of the difficulties with which these countries are confronted in so far as their participation in the next round of tariff negotiations is concerned. It has, for example, been recommended that participating governments should make a maximum effort towards the attainment of the objectives of the negotiations by offering overall concessions commensurate with the overall concessions received. Moreover, it is the intention in these negotiations to adhere to the principle that a relatively small reduction in a low rate of duty should be regarded as a concession equivalent in value to a relatively larger cut in a high rate of duty. The Tariff Negotiations Committee which is to function during the 1960/61 Tariff Conference is also to be given powers to review the tariff offers of individual participating governments as soon as possible after the commencement of, and also during and in the final phase of the negotiations. Nevertheless, the basic problem of the countries with little scope for further cuts in their tariff rates remains unsolved, and will necessarily restrict the field of new or improved concessions which will emerge from the 1960/61 Tariff Conference.

The consultations on agricultural policies which Committee II has thus far conducted with certain contracting parties have, I think, already provided ample proof of the complexity of the issues with which this Organization will be confronted in its efforts to find practical and realistic solutions to the problems of trade in agricultural products. In its final report after the conclusion of the consultations with all contracting parties, Committee II will, no doubt, present its views on the adequacy or otherwise of the existing rules of the General Agreement for dealing with the effects of agricultural policies and agricultural protection on international trade. In the meantime
it would seem that progress in dealing with the problems confronting the agricultural exporting countries could best be achieved by means of the normal procedures of consultation provided by the General Agreement, and that all contracting parties should, if so requested, be prepared to consult with other contracting parties with a view to reducing the harmful effects of their agricultural policies on the trade of the latter. These consultations should be supplementary to those now being conducted by Committee II and should be directed towards a fuller appreciation of the problems of both importing and exporting countries in order that mutually acceptable understandings may be reached between them as to the most practical courses of action for moderating the harmful effects of the former's policies on the trade of the latter.

I do not wish to say much at this stage about the work of Committee III, except to emphasize the importance of the task which has been entrusted to that Committee. It is clearly essential to the attainment of our objectives of a steady continuing expansion of world trade that the difficulties confronting the less-developed countries in their efforts to diversify their economics and to increase their export earnings should be alleviated by means of constructive solutions involving action by these countries as well as the economically more advanced nations of the world. I need hardly stress that the sustained economic progress of the less-developed countries and the raising of the living standards of their peoples are essential to the maintenance by them of stable political institutions and the expansion of their contributions towards world trade. We, in the Union of South Africa, are directly interested in the economic advancement of the other states on the African Continent, many of whom are still in the early stages of development and are struggling to solve problems of the nature with which Committee III will be concerning itself.

Mr. Chairman, I have endeavoured to deal with what, in my opinion, constitutes the main factors which are likely to affect our advance along the difficult road towards a high and continuously expanding volume of world trade. I do not wish to place undue emphasis on the difficulties of the tasks which lie ahead of us since these difficulties are already too well-known to all of us. I would prefer rather to highlight the great potentialities for the successful attainment of our objectives which stem from our co-operative efforts in this Organization. And, as an economist who was trained in the traditional philosophies of pure theory but who has also had a life-long experience of the arduous task of trying to reconcile pure theory with practice, I may, perhaps, be forgiven for reminding my colleagues of the fundamental purpose of international trade - a purpose which, I believe, is sometimes ignored by those who formulate policy in our individual national capitals. All trade seeks in essence to achieve an exchange of goods and services for other goods and services, and the benefits which participants expect to derive from this trade establish a necessary relationship between a country's imports and exports. I have a feeling, however, that many of us are at times inclined to ignore the existence of this relationship between exports and imports in our efforts to expand the former and to curtail the latter. The concern which we feel
over the need for increased exports and our neglect of the need for also opening our markets to imported goods seems to be due in large part to a confusion of means and ends. We often seem to think of imports as a necessary evil, which must be tolerated if we are to export - as though the bootmaker, in trading his services for the goods of the grocer, should grudgingly accept the latter only in order that he might dispose of the former. A removal of this popular misconception of the purposes which underlie our participation in international trade would, I suggest, do much to improve the climate for a steady expansion of that trade.