This session of the Contracting Parties to the General Agreement on Tariffs and Trade is a significant occasion.

We have moved from our customary meeting place in Geneva to convene for the first time in one of the world's great industrial and commercial centres. By doing so, we widen public understanding of the important work of GATT, and gain for ourselves a better appreciation of the trade problems which confront member countries.

It is, I think, especially fitting that we have inaugurated this new tradition in Tokyo, the capital of a nation whose economic future is so heavily dependent on the healthy expansion of world trade which it is the business of GATT to promote. The Japanese Government and people have done everything possible to make our meeting here successful and pleasant. My Government thanks them for their gracious hospitality.

This meeting at Tokyo is particularly significant, for the time is at hand when we must press forward, with greater vigour than ever before, in the task of freeing international trade from discriminations and restrictions. Success in this effort is essential to assure economic growth and raise standards of living in the industrialized and less-developed nations alike.

The members of GATT have initiated a new programme for the further expansion of trade. They have agreed to another general negotiation for the reduction of tariffs to begin in 1960. They have established special procedures to study the difficult problem of agricultural protectionism around the world. And they have undertaken an analysis of ways to increase the export earnings of the less-developed countries. It is the hope of my Government that at our present session we will give further impetus to all three parts of this new programme for trade expansion.

The year just past has been one of remarkable economic advance in many sectors of the economy of the Free World. The United States has recovered from the recession of 1957-58 and has moved to new highs in economic output.
In Western Europe and Japan, renewed economic expansion is taking place, and these nations have very substantially increased their gold and foreign exchange reserves. These developments, together with the actions of the Western European countries last December in making their currencies convertible on external account, have opened the door to a period of great progress in international trade. But unless we move forward while we can, there is the unpleasant prospect that the opportunity for progress may be lost. If forward steps are not now taken, I am afraid that the trend toward greater freedom of trade may be reversed. For the present situation is inherently unstable and cannot be long maintained. Either we move ahead to get rid of outmoded trade restrictions or we can expect a resurgence of protectionism and restrictive action.

The substantial gain in gold and foreign exchange reserves in other industrial countries has been associated with an exceptionally large deficit in the balance of payments of the United States during the last two years. Briefly, the facts are these:

The United States is currently running a surplus of exports of goods and services at a rate of about $1.5 billion annually. This surplus, however, has not been adequate to cover the large payments by the United States to the rest of the world which have resulted from our policies of assisting the development of the less-developed areas, of encouraging the flow of private investment abroad, and of helping to maintain defensive strength overseas in the interest of the security of the Free World. Net United States Government grants, loans and other capital outflow, most of which are associated directly or indirectly with United States exports, are running at about $2.5 billion annually. The outflow of private capital accounts for an additional $2 billion. And, finally, United States military expenditures abroad are about $3 billion per year.

If we measure the overall deficit in the United States balance of payments by the net transfers of gold and liquid dollar assets from the United States to the rest of the world, we find that the deficit was $3.4 billion in 1958 and is expected to be around $4.0 billion this year. Deficits of this magnitude cannot of course continue. For our part we have adopted domestic fiscal and monetary policies directed toward financial stability, including a balanced budget in the current fiscal year. There are signs of improvement in our exports and we look forward to some improvement in our payments situation next year. But if this deficit is to be reduced to proportions consistent with healthy world trade, prompt action is required by other countries as well. This action should be designed to expand world trade for the greater prosperity of all and thus avoid the undesirable alternative of restrictive measures to balance world trade at lower and less prosperous levels.

The most important immediate step which should be taken in this direction is the prompt removal of the remaining trade discriminations - the legacy of postwar economic conditions which no longer prevail - which have applied with special severity against imports from dollar areas.
The restoration of external convertibility to the main trading currencies of the world, made possible by the economic recovery of the other industrial countries and the marked shift in the world payments situation, has removed any balance-of-payments justification for discriminatory restrictions by countries whose export earnings are largely in convertible currencies. The continuation of discrimination can only weaken the world economic system and the international trade and financial institutions which all of us have laboured so hard to strengthen. Of equal importance, continued discrimination will make it exceedingly difficult for the United States and other affected countries to maintain forward-looking trade policies. The removal of discriminatory trade restrictions is therefore important to all of the CONTRACTING PARTIES - not merely to the United States and those other countries to whose trade these discriminations have been applied.

I do not mean to overlook the progress that has taken place. We appreciate the recent steps taken by several countries - Australia, France, Malaya, the Netherlands, New Zealand and the United Kingdom among others - to reduce discriminatory restrictions. We strongly feel, however, that the time has come to do away with discriminatory restrictions altogether. This task should be completed during the next few months. We therefore heartily endorse the statement presented to the CONTRACTING PARTIES by the International Monetary Fund making clear the Fund's view that discriminations generally are no longer justifiable on balance-of-payments grounds.

I would hope that the representatives of CONTRACTING PARTIES at this Ministerial meeting will express their support of the principle that the discriminatory application of quantitative restrictions under Article XIV of the General Agreement must quickly be brought to an end, taking into account the special considerations referred to in the Fund decision. The consensus that emerges from the Ministerial discussions could be reflected in the annual report on the discriminatory application of import restrictions, to be prepared by the CONTRACTING PARTIES at this session in compliance with Article XIV:1(g) of the General Agreement.

The improved financial position of the other industrialized countries also means that many of them will be able to dispense entirely with all quantitative restrictions, whether or not discriminatory, which were previously needed to protect the balance of payments. The United States recognizes that in some cases a limited period of time may be required to complete the elimination of all quantitative restrictions, and that in the case of certain products limited waivers from GATT's basic rules may be necessary. However, the United States and other GATT countries which have not resorted to balance-of-payments restrictions are entitled to expect that this period be short, and that where continued restrictions are permitted under waivers, the country benefiting from the waiver will make every effort to remove the permitted restrictions at the earliest possible moment.

While the economies of the industrial countries have been expanding, many of the less-developed countries have continued to face serious economic problems. The progress of a number of these countries has been
held back by the exceptional difficulties which they face in their struggle to achieve self-generating economic growth. Also, their problems have been intensified in recent years by the general decline in the prices of primary products, although some improvement of these prices has now taken place.

The United States has provided, and will continue to provide, financial and technical assistance to the less-developed countries. We are doing this bilaterally and through various international organizations. We are pleased that at the recent meeting of the Governors of the World Bank in Washington it was agreed to draft a charter for an International Development Association to supplement existing financial resources available for development assistance. We also hope and expect that other industrial countries will increasingly, through their own programmes, in the responsibility of providing capital for development purposes.

Capital alone, however, can do only part of the job. As we all know, expanded trade is vitally important to the growth of these countries. Imports must be relied upon to supply most of the capital equipment for new industries, some of the food needed for the nourishment of rapidly increasing populations, and some of the raw material supplies for manufacturing. As populations grow, living standards improve, and diversification and industrialization progress, the import needs of these countries will also grow. Only a portion of these increasing import requirements can be met by an inflow of capital from the industrialized countries. In short, less-developed countries must export if they are to achieve adequate economic growth.

We must continue to search for practical solutions. The preliminary reports of Committee II, relating to agricultural protectionism, and Committee III, relating to specific barriers to exports from less-developed areas, represent a beginning. It is important that the continuing work of these committees be done thoroughly and carefully so that the conclusions which emerge will be useful to governments in deciding upon practical courses of action. We may also take encouragement from the steps which have been taken to deal cooperatively with the problems of individual commodities. The activities of the GATT, the United Nations Commission on International Commodity Trade, the Food and Agriculture Organization, and the specialized commodity study groups represent a broad, well-balanced approach to the trade problems of the less-developed countries and place us in a better position than before to make headway against them.

Another difficult problem which is becoming more acute is that of exports of manufactures from countries with relatively low wages, especially as productive capacity in these countries increases. Various measures to limit the expansion of such exports have been applied by exporting as well as importing countries. Quantitative restrictions on imports by higher-income countries have not been eased as rapidly as improved economic and financial conditions would warrant. The United States believes these countries should accept a steady, if gradual, increase in imports of manufactured products from the low-wage countries. This is in their own economic interest as well as in that of the supplying countries.
We are particularly concerned that 14 countries still deny to Japan the full benefits of the General Agreement. We believe that the continuation of this situation for whatever reasons weakens the structure of the General Agreement and should be remedied as soon as possible. We strongly support Japan's hopes for full and equal treatment with other nations under the GATT.

It is, of course, recognized that sharp increases in imports, over a brief period of time and in a narrow range of commodities, can have serious economic, political and social repercussions in the importing countries. The problem is to find the means to ameliorate the adverse effects of an abrupt invasion of established markets while continuing to provide steadily enlarged opportunities for trade.

What can be done to meet this problem? We do not pretend to have the answer ourselves and would welcome comments from others. Perhaps it would be appropriate for the CONTRACTING PARTIES to establish a panel of experts to study this question.

One of the most important activities of the CONTRACTING PARTIES during the next few years will be to carry out successfully a new major tariff negotiation. Committee I has completed its preparatory work for these negotiations and has submitted to us an excellent report which merits our approval.

There is, however, one aspect of the arrangements for the tariff negotiating conference which is a cause for serious concern. It is, I believe, widely recognized that a test of the success of these negotiations will be the extent to which effective results are achieved in negotiating downward the level of the common tariff of the European Economic Community. If such results are to be accomplished, it is essential that as many GATT countries as possible participate in negotiations with the Community. My Government strongly hopes that all countries will signify their willingness to participate at an early date. Failure to do so could, in our opinion, gravely prejudice the prospects for really worthwhile results. More than that, unless there is broad participation in these negotiations, we may all stand to lose the most favorable opportunity to gain wider markets for exports to the Six.

At this session, as on previous occasions, the CONTRACTING PARTIES will receive a report from the European Economic Community on the progress made under the Treaty of Rome. That progress has been substantial. My Government considers that developments within the Community and the evolution of the Community's external economic policies should give all CONTRACTING PARTIES cause for satisfaction. Events, I think, will show that the true spirit of the Community is the endeavor to transform the economies of Six nations into one - a factor of great political as well as economic significance; and that the measures necessary to the creation of the Community will not be directed against outside countries.

We have noted the recent proposals of the Commission of the European Economic Community designed to emphasize the liberal orientation of the Community's relations with the rest of the world. We welcome these proposals.
We believe they should be supported by the Governments of the Six countries, and we urge that they be reinforced by further actions making evident beyond any doubt the intention of the Community to remove cause for concern that the creation of the Community may be harmful to international trade.

At this session the United States will again report to the CONTRACTING PARTIES on the agricultural restrictions which it maintains under Section 22 of the Agricultural Adjustments Act in order to safeguard domestic agricultural programmes. My Government is making strenuous efforts to seek a solution to the problem of agricultural surpluses. We have lowered our levels of price support and have sought to bring production and consumption more closely into line with the realities of the market. As we progress in these efforts we hope to lessen the need for import restrictions on the agricultural commodities involved, even though they represent only a small percentage of our agricultural imports.

The CONTRACTING PARTIES are wisely seeking to broaden the geographic extension of the GATT trading community. Steps are being taken toward the provisional accession of Switzerland and Israel, and it is anticipated that at the forthcoming tariff conference, negotiations will take place with Israel, Cambodia and perhaps other countries looking toward their full accession. My Government also welcomes Yugoslavia's closer relationship with the CONTRACTING PARTIES. We shall also be pleased to see the establishment of a formal relationship between the CONTRACTING PARTIES and Poland. The Decision and Declaration agreed upon by the Working Party on Relations with Poland at its recent meeting accomplishes this purpose. We regard these arrangements as entirely satisfactory.

Mr. Chairman, I would like to express the thanks of my Government for your sound counsel and constructive leadership in guiding the deliberations of the CONTRACTING PARTIES during the past year. I also want to pay tribute, once again, to our Executive Secretary, Mr. Wyndham White, and his staff. It is in large part because of their excellent work over the years that the General Agreement has come to take its place as the truly effective world economic institution it is today.

The great principles upon which GATT was established — of freedom of trade, of non-discrimination, of mutual advantage and fair dealing — these principles provide the only solid foundation for healthy economic relations in an increasingly interdependent world. We must continue to strengthen GATT as the primary international instrument for translating these principles into action — for applying them effectively in the day-to-day decisions of our governments. In this way we can look forward with hope to a bright future in which all our peoples will gain a richer life. Our meeting in Tokyo, I am confident, will mark another milestone of progress in the great enterprise upon which we are all embarked.