It is a great pleasure for me to take part for the first time in a session of the CONTRACTING PARTIES to the General Agreement on Tariffs and Trade. I should like to take this early opportunity of thanking the Japanese Government, through the distinguished leader of their delegation, for the courtesies and hospitality which have been extended to me and to my colleagues.

The growth of world trade is of particular importance to New Zealand because we depend, perhaps more than most countries, on the international exchange of goods to provide the basis for the development of our economy. It is well known that New Zealand's agriculture is highly efficient, but we have still much progress to make in developing our industries. The ratio of export earnings to national income for New Zealand is about one and a half times as great as that for the United Kingdom or for Australia, and about four times that for the United States. It may interest Ministers to know that over 40 per cent of all goods consumed in my country are imported.

Our population is growing at a rate of nearly 2 1/2 per cent per annum, and this calls for a corresponding increase in production to maintain existing standards of living. Because of our very limited mineral resources, New Zealand's industrial development is heavily dependent on imports of raw materials and equipment, which in the long run can be obtained only by earnings from increased exports.

Over 90 per cent of New Zealand's export earnings are derived from the products of livestock farming; wool, meat and dairy produce. While on an economic basis we expect to be able to increase the volume of our output in these products, at the same time we need to be able to find increased export outlets if our external income is to expand sufficiently to maintain our economy. Consequently, the preservation and strengthening of the system of multilateral trade which is the very purpose of the GATT, must ever remain a major objective of our external commercial policy.

In our consideration of the many urgent and pressing problems at this session we are greatly assisted by the valuable report on international trade in 1957/58 which has been prepared by the secretariat. The report brings into sharp focus the problems facing non-industrial countries. The extreme sensitivity of primary-producing and less-developed countries to the effects of even a moderate decline in economic activity in the major industrial countries, was once again demonstrated in the period under review.
New Zealand's experience amply confirms the general conclusions of the report. The sharp fall in the prices of our exports in 1957 and 1958 resulted in substantial deficits on current account, and only by extensive borrowing overseas were we able, in 1958, to finance the minimum flow of imports essential to maintain a reasonable growth of production and to pay for essential consumer goods. During 1959, the improvement in prices received for our wool and dairy produce overseas led to an improvement in our exchange reserves and the Government immediately took action to liberalize the import controls introduced in 1958. Two substantial relaxations were made early this year and these have been followed by a further liberalization in the 1960 Import Licensing Schedule which was issued early this month. The Government has announced its intention to review the basis of the schedule as early as possible in the New Year and to make any further provision for imports which may be possible in the light of our trading position and prospects at that time.

The problems arising from such changes in world economic activity as we have recently experienced can be overcome to a large extent by the maintenance of a high level of demand in industrial countries. Apart from this question, and important as it is, there is also the problem of the lack of balance between the growth in the trade of industrial countries and that of non-industrial countries to which the Haberler report drew timely attention. If the non-industrial countries are to share in the expansion of world trade they must be given the opportunity to expand their exports on the sale of which they depend heavily to support their development programmes.

Much progress has been made in recent years towards the removal of quantitative restrictions and other barriers to trade, but this progress has been confined mainly to trade in industrial products. Unfortunately much less has been achieved in reducing barriers to trade in the case of agricultural products and those manufactured goods in which less-developed countries have a particular interest.

The Haberler report demonstrated this point with great clarity. It is as a result of that report, to which Ministers gave close attention at the thirteenth session, that the CONTRACTING PARTIES are now engaged in a major exercise in an endeavour to find ways in which the problems of expanding trade — not only that of the industrial but also the non-industrial countries — can be overcome. The three committees that have been established by the CONTRACTING PARTIES have already done useful work.

The reduction of tariffs is, of course, of considerable importance, and the round of tariff negotiations planned for 1960/61 with which Committee I is concerned, should open the way for another advance. However, if this Tariff Conference is to be truly successful in its aim of expanding trade on a multilateral basis, the primary-producing and less-developed countries should be enabled to take part in the firm knowledge that any concessions made to them
will be meaningful and will not be frustrated by the use of non-tariff devices of protection. Unless a solution can be found to this question, the benefits of a tariff conference in which all participate would accrue very largely to the industrial nations. For that reason primary-producing and less-developed countries may not consider it worth-while to participate in such negotiations. In these circumstances the disparity between the growth in trade of industrial and that of other countries could become even greater.

The growth of world trade in agricultural products has been inhibited by internal policies in many developed countries - policies which either stimulate the expansion of agricultural production by the use of subsidies or which curb consumption by a combination of high domestic prices and quantitative restrictions on imports.

For this reason New Zealand is vitally interested in, and has taken an active part in, the work of Committee II. We hope that its work will result in general agreement among contracting parties on the means of promoting greater freedom of international trade in agricultural products. In this regard we endorse the conclusion of the Haberler report that a moderation of the levels of agricultural protection will go a long way towards achieving this objective.

I was particularly interested in the remarks of the United States representative on the efforts being made by his Government to seek a solution to the problem of agricultural surplus production. I earnestly hope that the United States will be successful in these efforts and that it will be possible in the near future to moderate the import restrictions on the agricultural commodities involved. Some movement by the United States in this direction would provide a significant lead to other countries maintaining agricultural restrictions and would increase the prospects of a satisfactory outcome of the work now being undertaken by Committee II.

The New Zealand Government also recognizes the special problems faced by the less-developed countries in seeking to develop and diversify their economies through expanding their export earnings. In a different field, their problems are similar to those confronting primary-producing countries, and my Government fully supports the work of Committee III in its efforts to find satisfactory solutions.

New Zealand attaches the greatest importance to the problems being examined by Committees II and III and it is our considered view that unless these problems can be overcome, the GATT as an instrument for increasing world trade will have failed in providing reasonably equal opportunities for all Member countries to benefit from the Agreement.

In view of its concern with the promotion of a system of world trade on a multilateral basis, the GATT has a special interest in the emergence of regional economic groups and we were particularly interested in the comments made on this issue by the Chairman of the CONTRACTING PARTIES in his opening address.
The formation of a customs union or free trade area inevitably entails different tariff treatment of members of the group as against countries outside. It may prove correct that economic integration in Europe will lead to an increased rate of economic growth in those countries, and hence to a greater demand for the products of countries outside Europe. But this is not a proposition that is self-evident either in general or as it relates to individual commodities. It must always be a matter for careful consideration whether such arrangements will not create serious difficulties for the trade of outside countries. It is especially difficult to prevent barriers from arising where the countries concerned represent a large element in world trade and where they could become a largely self-sufficient trading system.

So far as New Zealand is concerned, we are particularly interested in arrangements for agriculture within these regional groups. We have in the past expressed our concern that they will involve an intensification of restrictions against competing agricultural products from outside. Agricultural exporters already have to contend with the effects of protectionism in Europe and elsewhere. They must view with apprehension the possibility that the emergence of regional economic groups will aggravate the present position by further restricting their export opportunities.

The Swedish Minister has told us of the negotiations for the establishment of a European Free Trade Association. It is difficult to judge how these proposed arrangements will affect the interests of other contracting parties until we have studied the terms of the final treaty. I was pleased to note the desire of the countries comprising the EFTA, that their Association should not lead to a weakening of trading links in other directions and that it should prove to be a liberalizing force in world trade. However, the Swedish Minister has said little about the special arrangements for agriculture. The New Zealand Government is concerned that these may not reflect these liberal concepts. Therefore our final attitude to the EFTA will be greatly influenced by the nature of the special arrangements for agriculture.

Mr. Chairman, a number of speakers have referred to the great improvement in the trading position of many countries during the past year. I agree with Mr. Dillon and other representatives that the door is now opened to a period of great progress in removing trade restrictions which are no longer justifiable on balance-of-payments grounds.

The measures taken during 1959 to restore the convertibility of currencies have been a significant and welcome development. Since the currency justification for discrimination in trade no longer exists, we support the views expressed that prompt action should be taken to remove the discrimination which now remains.

For our part, we have made progressive advances in the elimination of discrimination in the import controls which we are obliged to maintain for balance-of-payments reasons, and in the Import Licensing Schedule for 1960 discrimination on currency grounds has been virtually eliminated. There remain
only two items which for special reasons still require separate licensing for importation from dollar countries.

In considering the problem of discrimination we have been accustomed for a long time to think in terms of discrimination against the dollar area. In the circumstances of convertibility this is no longer a relevant concept and enables us to appreciate more clearly that discrimination on other than currency grounds is also practised. I believe it is important to recognize that the task of contracting parties in the immediate future is to make a determined attack not only on the residue of discrimination against dollar goods, but also against all forms of trade discrimination.

Finally, I should like to refer to the statement made yesterday by our distinguished Chairman, speaking as the representative of Japan -

"... that what Japan desired was an opportunity for fair competition in, and non-discriminatory access to, the world market ..."

Although New Zealand at this stage still applies Article 35, I am glad to be able to say that in terms of the Trade Agreement between our two countries signed last year, New Zealand does not discriminate against Japanese goods in any way and accords full MFN treatment both as regards tariffs and import licensing. As a result of the Trade Agreement there has already been an increase both ways in the trade between our two countries.