I should like to express our sincere thanks to the Government of Japan for having invited the CONTRACTING PARTIES to hold the present session in Japan, as well as for the particular friendliness and hospitality, with which we are being received here. We are especially happy to stay in this country, the population of which has made such important contributions to the cultural and economic development of the world. I think it was a happy idea to hold a session at a place other than Geneva. The choice of a place in Asia is particularly valuable to all of us because it offers us opportunities to examine at close quarters the important economic problems of this part of the world and to discuss them with a great many representatives of the governments and business life of the individual countries.

This year again the secretariat has provided us with a very valuable basis of facts and ideas for our discussions by submitting its report on International Trade in 1957/58. I should like to express my feelings of high esteem and thankfulness to our secretariat on behalf of the German delegation. My Government have carefully studied the report and noted with great interest the indicated trends of world trade. We shall have to consider in detail the contents of the report in the course of the session. Meanwhile, I avail myself of this opportunity to refer to two conclusions in the report which appear to me to be of particular importance.

It is gratifying to find in the report the conclusion that the unsettled economic conditions and the slowing down of economic growth during the last two years did not produce so strong effects on world trade as had been feared at the outset. Nevertheless, I consider the rate of 4.7 per cent by which the value of total world exports declined in 1958 to be noticeable. Therefore, the reasons underlying that decline as mentioned in the report should be the subject of careful consideration by all of us.

In this connexion, however, I feel that one of the factors which has affected the export proceeds of the countries producing and exporting primary commodities during the past decades has been excessive production of certain products. I think this problem must likewise be solved if we want to avoid continued effects on the development of world trade resulting from considerable fluctuations of the primary commodity prices.
The efforts made hitherto for stabilizing the prices of primary products at a certain level will not be sufficient, by themselves, to remedy the situation. We think it would be appropriate to establish international study groups which could analyse the particular conditions of the market for singular products and make recommendations to producing and consuming countries accordingly. In this way attempts should be made to balance the position of supply and demand. Action upon such recommendations will require both sides to make sacrifices, but I consider this to be the only possible way of achieving the long-term aim of sound markets for primary products.

A study of the statistical data in the report concerning the extent of the decline in value of the exports effected by non-industrialized countries to the rest of the world reveals different facts. While, in 1958, the total value of world exports decreased by 4.7 per cent, the value of the exports from non-industrialized countries to the Federal Republic went down by 2.7 per cent only. This decline was due mainly to the fall of primary commodity prices, as was likewise stated in the report. Taking this fact into account, we find that the volume of exports from non-industrialized countries into the Federal Republic did not diminish at all but even increased slightly. This favourable result was largely obtained thanks to the expansive anti-cyclical policy of my Government which was likewise mentioned specifically in the report. Having maintained for ten years such an anti-cyclical policy designed to maintain stability, we believe to have acted in accordance with the recommendation of the Haberler report, namely to ensure a steadily increasing demand within our national economy, while reducing cyclical fluctuations to a minimum.

This economic policy was accompanied by efforts on the part of the European countries to expand trade and payments with the whole world. The establishment, within the framework of OEEC, of the convertibility of important European currencies constitutes a significant advance towards the liberalization of world trade. We do hope that, where some restrictions and discriminations in this field still exist, such remaining obstacles can be removed progressively on the basis of mutual understanding and in close co-operation with the competent organizations.

I noted with great interest the last statement of the International Monetary Fund concerning the question of gradual abolition of restrictions and discriminations still existing in the field of international payments. The Federal Republic has abolished practically all restrictions on international payments and maintains no restrictions on balance-of-payments grounds. As to a certain number of quantitative restrictions still maintained by the Federal Republic not on balance-of-payments grounds but for other very important reasons, my Government highly appreciated the decision of the CONTRACTING PARTIES at the fourteenth session. The measures of liberalization to be taken until now in accordance with that decision have been put into effect. The German delegation will report on this point in connexion with item 4 of the agenda.
We shall also report on the actual stage of the consultations to be held with various interested contracting parties.

As regards the chief problem of the present session, that is the programme for an expansion of international trade, I should like to declare that my Government is prepared to contribute to any economically reasonable action which is designed to expand international trade. I have in mind here especially such measures as take into due consideration the interests of both less-developed countries and industrialized countries on the basis of true partnership. I beg, therefore, to comment briefly on some basic questions concerning the activities of the three committees.

The Federal Republic considers, just as the other Member States of the European Economic Community do, that the next tariff conference will constitute a very important and effective new instrument for the promotion of world trade. We welcome the results obtained hitherto in the preparation of that tariff round by Committee I. However, the idea of including internal charges in the tariff negotiations as pleaded for by certain contracting parties appears to me to raise a thorny problem. On account of the close and inextricable interconnexion between internal charges and the overall system of finance and taxation, my Government does not believe that such charges should be included in the negotiation. Moreover, we hold the view that it is a question which largely still needs to be clarified whether or not a reduction of excise taxes on specific products will affect considerably the level of consumption and, thus, of imports. Although the conclusions of the Haberler report are correct as far as the years from 1952 to 1954 are concerned, studies made recently in my country have shown that the situation has changed fundamentally meanwhile. Considering the fact that consumption has already increased substantially, I feel that the significance of the price coefficient stressed by the Haberler report has lost much of its earlier momentum. Finally, it should be taken into account that the relatively small advantages a reduction of excise taxes will offer to the exporting countries are probably out of all proportion to the heavy loss of tax revenue involved for the importing countries. That would benefit neither exporting nor importing countries. Nevertheless, my Government remains prepared also in future to consider any means tending to expand consumption of the products concerned.

Within the framework of the activities of Committee II, the main problem we are faced with is that of finding a possibility for applying the liberal principles of the GATT to the field of agriculture in view of the fact that to a large extent they are not adhered to in practice in all parts of the world. Therefore, the result of the present consultations on the actual conditions in this field will be very important. It is hoped that we shall be able then to see what kind of action is required in order to adapt the general liberal principles of the GATT, subscribed to by all of us, to the realities and fundamental necessities of life of the individual contracting parties. While adhering likewise in this field to the principle of a maximum of liberal development of international trade, we abide by our conviction that agricultural problems cannot be appraised only on the basis of balance-of-payments criteria.
The measures for expanding the trade of less-developed countries, under consideration by Committee III, require the co-operation of all contracting parties to a particularly large extent. The difficulty and complexity of these questions demand great patience and acceptance of the fact that nobody can expect to terminate at one stroke a process of evolution which in many cases requires decades to come to an end.

I have already mentioned the contribution of the anti-cyclical policies of industrialized countries and the suggestions for a balancing of production and consumption. Other proposals aim at diversifying agricultural production and at promoting the establishment of manufacturing industries. Closely connected therewith is a problem which is particularly relevant just in this economic area, namely the problem of ensuring a market to the manufactures of countries which are engaged in economic and social process of industrialization.

On the basis of the general GATT principles, all contracting parties should have an interest in facilitating the marketing of industrial products of such countries. But, on the other hand, shocks to the markets and repercussions in the economic and social field of the importing countries would have to be avoided. In my view, the actual situation requires a serious consideration of the issues we are faced with. Most of the contracting parties to the GATT apply quantitative restrictions or measures with equivalent effect to imports of industrial products from the new industrial countries.

In this connexion I quite understand the attitude adopted by the Japanese Government with regard to the application of Article XXXV. For several years, already, the delegation of the Federal Republic has stressed the opinion that the effects of the application of Article XXXV constitutes a serious problem which, in the interest of the co-operation of all contracting parties, calls for an urgent solution.

In the light of our general principles, the present situation appears to be most unsatisfactory because it has led to an unequal and inequitable distribution of advantages and obligations among the contracting parties to GATT. All these problems are becoming more and more urgent as industrialization advances in many less-developed countries. In cases where quantitative import restrictions were abolished, attempts have now been made to obtain guarantees by concluding agreements on voluntary export control. In view of the rapid pace of industrial developments which results in more and more new products appearing on the market, I doubt whether such attempts can really solve the problem in the long run. In any case, it is our opinion that a maximum number of contracting parties to the GATT should co-operate in the efforts to find a solution in order that appropriate measures be taken to open a fair share in the market to the manufactured products of countries engaged in the process of industrialization. The exports of those countries can only be developed if a maximum number of contracting parties are prepared to open their markets to such products on the basis of equal rights. In view of the increasing urgency of this problem, the efforts we are undertaking in this field will in any case be a test of the CONTRACTING PARTIES' common-sense and goodwill as the Executive Secretary put it in his address to the World Economic Conference of Free Trade Unions.
The countries engaged in their industrialization, in turn, can furnish a significant contribution to the task of easing the situation by increased efforts for the development of their internal markets and for the intensification of trade among themselves. I wonder whether the existing rules will permit to find a solution, based on pragmatic measures. I wish to support, therefore, Mr. Dillon's proposal to appoint a panel of experts with the task of studying the various legal and economic aspects of this problem and working out suggestions towards a satisfactory solution.

Finally, I should like to devote a last remark to the question of regional organizations which seems to gather ever-increasing momentum as a result of the urge for integration manifested in several parts of the world. The Havana Charter and the GATT explicitly admit customs unions and free trade areas, provided that such regional organizations lead to an expansion of international trade. We hold the view that the European Economic Community is developing into such a regional organization. It is on this understanding that we are observing with great interest the efforts made by other contracting parties for the establishment of integrations pursuing the same objective. It seems to me that our co-operation within GATT is a good basis for reconciling the various interests existing in this field and for finding pragmatic solutions to any arising difficulties.

The rapidly advancing development of economic structures all over the world will face us with an infinite series of new problems in the future. The General Agreement, during the twelve years of its existence, has solved many problems and helped to harmonize the developments of world trade on the basis of its general objectives and principles. It succeeded again and again in reconciling the different interests of individual contracting parties. I wish to express my trustful hope that we shall make further progress in this way also in future. The present session in Tokyo will certainly contribute to the promotion of mutual understanding and co-operation of all parts of the world.

Finally, I wish to express our most sincere thanks to our President, Mr. Garcia Oldini, for having so excellently conducted the activities of the CONTRACTING PARTIES during the past year. His good advice, friendly attitude towards all and everyone, his impartiality in all questions as well as his great experience have been invaluable for the co-operation of the CONTRACTING PARTIES.

I should like to express our thanks also to the Executive Secretary, Mr. Wyndham White, and to all members of his secretariat, whose expert knowledge and never-tiring energy have been of great help to all of us.