May I, first of all, "in common with other distinguished delegates who have already spoken, express on behalf of the delegation of the Czechoslovak Republic my thanks to the Government of Japan for the great courtesy and hospitality which they have displayed as the host of this session as well as for the excellent way in which they have made arrangements for our work and stay in Japan.

Starting with a short reference to Czechoslovakia’s trade with our host country, I am glad to state that the participation of Czechoslovakia and Japan in GATT brought about normalization of our mutual trade relations on the basis of equality and without resort to Article XXXV even before the restoration of our diplomatic relations and thus created a basis for development of mutually beneficial trade co-operation between our two countries.

Mr. Chairman, it has become already a tradition in GATT that in the opening general debate the problems of trade of the contracting parties are considered against the general background of economic development trends of the world as a whole and in the light of the prospects opened up for international co-operation. This time we are meeting in a period when the consequences of the recent economic decline in many countries have as yet not been fully overcome. On the other hand it is a period when great perspectives have just been opened up for a world-wide peaceful co-operation among all nations. Both these aspects of the present situation involve, of course, more than only trade relations. Much deeper forces are reflected in the development of the present situation. Suffice it to mention only the potential sources to be released as the result of an effective policy of peaceful co-existence and the problem of economic development of the less-industrialized countries. Trade questions ought to be considered and, no doubt, are being considered by many countries in this broader context.

As for the past period, it has been a difficult time for foreign trade of many countries and in particular of those at early stages of industrial development. The economic decline in the industrial western regions in 1958 brought about a sharp fall in commodity trade and the losses incurred then have as yet not been made up during 1959.
The difficulties of the developing countries in obtaining stable commodity incomes for financing their industrial development came to the forefront in connexion with the recent economic decline; they do not, however, stem only therefrom. Their main cause lies in the gap between the level of industrial development of the industrial countries on the one hand and that of the developing countries depending on commodities, on the other.

Should this gap be left to the functioning of spontaneous market forces and to the deliberations of big vested interests, then it must be realized that this disproportion in world industrial development would continue widening and the share of the developing countries in world trade diminishing.

As for Czechoslovakia and other socialist countries, their economics do not suffer from cyclical declines and both their production and their trade continued to increase. Based on the rapid expansion of the national economy and on the progress achieved in the industrial technique and scientific research these countries have laid economic foundations for a continuing expansion of their trade exchange with all other countries and for the growing economic and technical assistance to the developing countries. It is a well known fact that their imports of commodities continued to increase steadily in the period of the western industrial decline and thus exercised an important stabilizing influence on many commodity markets. Simultaneously the high technical progress and the general tendency of the world industrial production to grow opened up growing possibilities for our trade with the industrial countries, especially in the field of machinery, industrial equipment and of the wide range of products used in a highly developed economy.

In this situation it became even more evident that the interest of all nations called for strengthening and expanding the world market as a single market with wide participation - on the basis of equality and mutual advantage - of all countries irrespective both of their social system and of the level of industrial development. The progress achieved in this direction has so far been too small and in several countries it is still being hampered by various practices remaining from the notorious cold war policy.

Experience has shown that the policy of trade discrimination against socialist countries, as practised by several western countries, ran counter to their own interest. Life itself is bringing now many western countries to see matters more realistically and to abandon their former attitude towards the development of trade relations with countries with whom they are still restricting trade for political reasons.

On the other hand there appeared in the recent years in Western Europe a growing tendency to create narrow economic and political groupings instead of world-wide co-operation among all countries. The
position of my country to such groupings was already explained on previous occasions. We consider, apart from all other aspects, that an integration based on the idea of discrimination of the outside countries is detrimental to the world-wide co-operation and creates additional obstacles to the expansion of a single world market.

Hence, Mr. Chairman, we believe that one necessity is overshadowing all other problems of world trade, namely the necessity of strengthening trade ties among all countries taking part in the world market irrespective of their economic, political or any other differences. The major challenge today and in the years ahead, no doubt, arises there where the world market is the weakest or most vulnerable. It is in the relationships between the industrial and the developing countries, and between the countries of different social systems.

Until the gap between the industrial and the developing countries can be seen to be narrowing and the obstacles to co-operation between countries of different systems disappearing, the advance of the world as a whole towards prosperity and well-being will remain in jeopardy. This is the background, Mr. Chairman, against which to our mind the problems of the world trade have to be tackled.

In this connexion I would like to say a few words on the question of convertibility to which so much attention is being paid, especially in the Western European countries.

However, it should be taken into consideration that, both by the condition of its origin and by its impact, convertibility of currencies is not an independent and still less a determining economic factor. It is only a reflection of the present temporary condition in the payments situation of certain Western European countries, that means in a sphere which is only derived from the changing pattern of trade and economy. The payment relations can undoubtedly have their active influence upon trade and economic development and an inadequate payment system could hamper the functioning of the economic mechanism. Nevertheless, no technical measures in the sphere of payments can effectively help to eliminate the underlying cause of the balance-of-payments difficulties, namely the basic disproportions in the economic strength of different countries. The achievement of an overall external balance over a period of several years is a material prerequisite of a smooth functioning of convertibility and this prerequisite cannot be brought about by the convertibility itself. Unless a stable and proportionate economic development is warranted, the convertibility
involves a risk that in its final consequences it will lead to a further weakening of the economies of the countries in an economically weaker position and thus will create a new and even deeper disproportion in the world economy.

Mr. Chairman, the GATT and the CONTRACTING PARTIES are called upon to play an important role among the bodies responsible for expansion of the world trade. GATT's main responsibility in our opinion lies in the field of trade relations between the industrial and the developing countries. From this angle I would want to comment on the activities of the three committees established to deal with the problems of trade expansion.

So far, main attention has been given to the tariff conference being prepared by Committee I. The lowering of customs barriers is, no doubt, desirable for the expansion of trade. The tariff negotiations alone cannot be expected to solve the main problem of world trade which I mentioned. Nor could one expect its principal solution to emerge from discussions on the lowering of agricultural subsidies as initiated by Committee II.

In my opinion, it is the problem of commodity trade which deserves that the main efforts be concentrated thereon because of its decisive role for the development of the less-industrialized regions. While this problem is dealt with by various bodies of the United Nations, it is equally important that GATT should make every effort to find ways and means to contribute actively to its solution. In this field the Committee III has made promising first steps to identify the difficulties facing trade in individual commodities. I do not want to underestimate the value of the method of "commodity by commodity" investigation which - provided that effective co-operation of all concerned is secured - might produce useful results. It has to be realized, however, that this approach is not dealing directly with the major question, namely with the needs of economic development. Thus it risks to leave aside one of the underlying causes of the present difficulties of the world trade.

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We are of the opinion that the present situation of world trade requires more than the traditional approaches which are applied in GATT usually in such a way as if its objectives were only to do away with the governmental activities in trade and economic matters and to let the so-called market forces do the job. However, the objectives of the GATT are quite different. Article I of the General Agreement says that "the contracting parties recognize that their relations in the field of trade and economic endeavour should be conducted with a view to raising standards of living, ensuring full employment and the large and steadily growing value of real income and effective demand, developing the full use of the resources of the world and expanding the production and exchange of goods, and promoting the progressive development of the economies of all the contracting parties."

This is the overriding aim of the General Agreement and all measures contributing to this end are to be welcomed and supported. As for the linked problems of commodity trade and economic development it has by now been, I believe, generally recognized that they cannot be solved by means of spontaneous market forces, without active assistance of the governments and without their co-operation. Far-reaching measures in various branches of economy are imperative to achieve this end. If we confine ourselves in these deliberations to trade only, appropriate new approaches to commodity trade and development problems ought to be developed. It will not, of course, be an easy task for Committee III. However, certain new approaches thereto have already emerged and proved useful, such as: long-term contracts with stabilized prices, arrangements which make it possible to exchange surplus commodities for machinery for development purposes, need to protect and expand domestic markets of products of newly built national industries in the developing countries, necessity to give these countries opportunity to expand export of their new industrial products. In my opinion GATT should not stand in the way of these new developments, on the contrary, it should support such co-operation and give thus its answer to the urgent needs of the world trade at present.

Mr. Chairman, I should like to conclude my statement by a few words, on the other of the two major points essential to the expansion of world trade, namely on the problem of trade relations between countries of the different economic system. I believe that it has proved useful that GATT has tackled this problem on an ad hoc basis. Among the original drafters and signatories of the General Agreement Czechoslovakia was the only country having the system of the monopoly of foreign trade. Nonetheless provisions were made in the General Agreement arranging relations between Czechoslovakia and the other contracting parties. They are to be found mainly in Article XVII on State trading in connexion with the new Article III, paragraph 4 on the transposition of the original customs concession after the introduction of the monopoly. They are to be found further in certain interpretative notes and also in the Decision of the CONTRACTING PARTIES of 5 March 1955 as amended in 1957. This set of rules providing for Czechoslovakia's participation in GATT on the basis of equality and mutual advantages was not easily worked out in the past and is not easily put into effect in particular in relation to certain countries. They can, however, be considered as GATT's first contribution to the strengthening of trade relations between the countries of different economic systems.
During this session the CONTRACTING PARTIES are called to make another step in this direction arranging for participation of Poland in the General Agreement and its activities. Their task will be to work out specific arrangements allowing for Poland's participation on the basis of equality and mutual advantage.

We hope that efforts in this field trying to find out appropriate specific solutions will represent the practical contribution which GATT should make in this important field of trade relations.

Basing itself on this consideration Czechoslovakia wholeheartedly supports Poland's participation in the General Agreement.

The delegation of Czechoslovakia following the traditional Czechoslovak policy of supporting international co-operation and peaceful relations among all nations will do its best to contribute to the successful results of this session.

Thank you, Mr. Chairman.