ADDRESS BY MR. ERIC JYNDEHAM WHITE, EXECUTIVE SECRETARY, GENERAL AGREEMENT ON TARIFFS AND TRADE, TO THE WORLD ECONOMIC CONFERENCE OF FREE TRADE UNIONS, GENEVA, ON 18 MARCH 1959

I have read with close attention document WECFTU/2 setting out "Free Trade Union Views on World Economic Problems". With most of what is contained in this somewhat sombre analysis we would agree. There are, however, points on which our analysis might be somewhat different. For example, we would not be inclined to go so far as to say that there has in the last two years been a "sharp economic recession". We would agree, however, that there has been a slowing-down in the rate of growth of world industrial production, and a reduction in the volume of world trade. Thus, according to our investigations, there was no absolute decline in industrial production outside North America. The combined OEEC production in each quarter of 1958 was higher than during 1957, and much above 1956.

Individual countries have fared unevenly - with a marked decline only in Belgium, lesser reductions in the United Kingdom, Norway and Sweden, no change in the Netherlands, but higher levels in Germany, France and Italy. Moreover, in the last quarter of 1958, recovery has been nearly general.

As regards world trade, the value of world exports in 1958 was $5,000 million or 5 per cent lower than the all-time peak of 1957, the rate of decline being about the same for the industrial and primary producing areas. It was almost entirely accounted for by the United States whose exports dropped by $3,000 million. The value of world imports (c.i.f.) dropped by more than 5 per cent because of lower freight rates. Again the decline was at the same rate in the industrial and primary producing areas.

By contrast with the movement of exports, most of the decline was concentrated upon the imports of Western Europe, whereas the fall in North America's imports was much more moderate. In particular there was hardly any reduction in North America's imports from non-industrial sources.
In view of the fact that the bulk of the decline in industrial production affected North America, the maintenance of imports into that region, specially from the primary producing areas, is noteworthy and encouraging.

These are, however, as I say, rather points of emphasis than of fundamental divergence, and the problems set out in the memorandum are both fundamental and urgent. We would also agree with the Federation that they call for an energetic and constructive response from governments. In the remarks which I will have to make I shall naturally concentrate upon the field of international trade for which the GATT provides the basic instrument of international co-operation.

The Annual Reports of the GATT secretariat on International Trade, which have in recent years been concentrating on the problems to which the Federation addresses itself, led the Contracting Parties to GATT, at their Twelfth Session in the autumn of 1957, to review the present state and prospects for international trade. At the conclusion of this review - in which Trade Ministers of many countries took part - it was found that on the whole, the picture was reassuring, as the experience of recent years had been one of steady expansion. However, to a number of governments there appeared to be some disturbing elements which merited careful investigation. They cited in particular the prevalence of agricultural protectionism expressed in restrictive measures in international trade in agricultural and food products, and the building-up of large stocks of these products which have no outlet through the normal channels of trade; sharp variations in the prices of primary products accompanied by wide fluctuations in the export earnings of primary producers, and finally the failure of the export trade of the under-developed countries to expand at a rate commensurate to their growing import needs. In the light of this discussion the Contracting Parties established a Panel of expert economists to analyse all these problems. This expert panel published its report in October 1958 under the title "Trends in International Trade". Upon the basis of this report the Contracting Parties decided in November 1958 to launch a programme for trade expansion comprising three broad areas of action. The first is a further general round of negotiations for the reduction of tariff levels. The second an exhaustive examination of agricultural policies directed towards a lessening of the harmful effects of agricultural protectionism on international trade. The third a special enquir
into the difficulties which face the expansion of trade of the less developed countries, with a view to an expansion in the export earnings of these countries.

It is, however, one thing to establish programmes for action and committees to elaborate such programmes. It is another to carry out these programmes with resolution and imagination. It is for this reason that I feel that the discussion here in this Federation of Trade Unions is particularly timely and significant. In most countries the Trade Unions have come to have an important rôle in influencing the economic policies of national governments. In this respect they have clearly a serious responsibility since their influence may well be a determining factor in deciding whether national policies shall be directed towards expansion, or towards restriction. The idea that unemployment is a commodity which can be exported to other countries has been discredited through bitter experience, but it still lingers on and exercises from time to time a malign influence on the course of national policies. Moreover, the shifts and changes in production and trade patterns which are inherent in a system of international trade based upon comparative efficiency and specialization involves adjustments which bear directly upon the interests of labour. The goodwill and intelligent comprehension of these problems of adjustment by the Trade Unions is, therefore, an essential prerequisite of success in our efforts to promote the expansion of international trade. In this connexion I may perhaps - since I cannot hope to cover the whole vast field to which I have referred - draw attention to one particular problem which will come to the fore in the further elaboration for the programme for trade expansion. I refer to the problem of exports of manufactured products from the less-developed countries, and particularly from those where labour is plentiful and rates of wages substantially lower than those prevailing in the industrial countries. Now, it is clear that as new industries enjoying relatively favourable conditions of production come into existence and start to have an impact on export markets, they will cause more or less acute difficulties to industries established for many years in the more industrialized countries. It will be a test of the common sense as well as the goodwill of the more industrialized countries how they react to this problem. So far the tendency has unhappily been in one way or another to restrict imports of such goods on a discriminatory basis. This is clearly not the solution to the problem. Adjustments will certainly have to be made and they will not be easy, but I find it difficult to conceive that the industrial
world can offer no better response to the desperate needs of the less developed countries than to confront them with restriction and discrimination when at last they begin to reap the rewards of their urgent efforts towards industrialization.

We have also seen in times of economic stress industrialized countries have imposed restrictive measures even on imports of primary products in order to shelter marginal domestic producers.

Restraint in imposing obstacles to the trade of the less developed countries is not enough. More positive and more imaginative steps are also called for. It has been claimed for example that certain fiscal measures adopted in some industrial countries have the effect of impeding the expansion of consumption of some of the important export products of the less-developed countries. If investigation confirms this, surely it would not be asking a great deal that the industrial countries should put themselves to some inconvenience in a readjustment of their taxation systems which, without involving any real cost to them, might afford real advantages to the less favoured countries.

Serious and unprejudiced thought must also be given to the difficulties experienced by under-developed countries because of sharp fluctuations in the prices of primary products. The stabilization of commodity prices presents formidable difficulties in practice and these difficulties will not yield to any facile panacea. But they should be faced with an open mind and a comprehension of the impact of price instability on millions of human beings.

As your report shows and our own reports have demonstrated, far from the gap in the standards of living between the less developed countries and the more highly developed countries becoming narrower, it is tending at the present moment to widen. Such a situation is unacceptable whether on grounds of principle or on the less idealistic grounds of enlightened self-interest. I think we should also be on our guard against the assumption that the problems of the under-developed countries can be solved by capital movements alone, whether in the form of aid or loans. Certainly vast capital movements are a
necessary condition of the economic development of the less developed countries. But these countries must also expand their export earnings. These are their only resources for paying service charges on loan capital, for the repayment of capital, and also for financing a large part of their import needs, whether for capital goods or for essential items of consumption.

In the agricultural field international trade tends increasingly to be hampered by the search in the industrial countries after self-sufficiency in agricultural and food products, sometimes almost with no regard to the cost involved. Such policies can certainly not fail to be harmful in the countries where they are practised insofar as they force up the prices of food and erode the value of money wages, or artificially restrict the expansion in consumption of basic foodstuffs. They have even more obvious and damaging effects on countries which are the more efficient producers of agricultural products, and whose incomes derive largely from their sales of such products in international markets. The purchasing power of these countries depends to a very large degree on their export earnings and therefore their capacity to import industrial products, including capital equipment, is likewise seriously diminished.

This brief survey would not be complete without a reference to the European Economic Community, which has also been touched upon in the Federation’s memorandum. I think it is a mistake to take a negative or defensive approach to the European Economic Community. It is indeed a challenge, but a challenge, I suggest, in the best sense of the word. The preamble to the Rome Treaty clearly sets out the desire of the six countries to contribute by means of a common commercial policy to the progressive abolition of restrictions on international trade. It seems to me that the best thing to do is to take the Community at its word and engage with these countries in an energetic effort to reduce trade barriers on the widest possible front. We shall certainly in the GATT expect that the European Economic Community will play a prominent part in the programme for trade expansion and that the added strength which the member countries draw from their association with the EEC will induce them to move forward with added courage and imagination in the promotion of international trade in general. There have been differences of opinion in the GATT
discussions about the Rome Treaty, particularly about the provisions relating to the overseas territories. In connexion with these problems, a series of consultations are taking place within the framework of the General Agreement. These consultations are certainly not without difficulty. It is obviously very difficult to prove damage or injury until after it has occurred, and when, therefore, it is too late. It is on the other hand clearly unreasonable to expect the Community to deal with mere apprehensions which they themselves do not feel are justified. But again, given goodwill and common sense on both sides, there would appear to be no insuperable difficulty, and every incentive, to arrive at adjustments and mitigations by discussion and negotiation through the machinery of the General Agreement.

Above all, and running through all these activities, there must be an urgent sense of the need for expansion and growth, for it is only in an expanding world economy that the policies of full employment and rising standards of living, which are our accepted goals, can find their fulfillment.

END.