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GENERAL AGREEMENT ON TARIFFS AND TRADE

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The recent check in the growth of production in North America and, to a lesser extent, in Europe, has brought home forcefully one of the most important economic lessons of the post-war period - that for the maintenance of economic well-being, all countries have a common interest in steady economic growth and expansion. In the face of the symptoms of recession, which might easily have turned into a major depression, there has everywhere been a pressure for measures designed to stimulate production and to restore the expansionist momentum of national economies, even at the risk of some inflation. Fortunately and significantly there has been no general resort to national protectionist measures. It is a healthy sign that there is a growing awareness of the importance of continuing and, if possible, accelerating the expansion of international trade. This of course is the fundamental reason for the existence of the General Agreement on Tariffs and Trade which must constantly be judged by its contribution to the realization of this aim. Conscious of this responsibility, the Contracting Parties to the GATT, having carefully analysed the trends in international trade, have decided to undertake a programme for trade expansion, - a particularly timely initiative in view of the new opportunities which have been opened up by the restoration of currency convertibility in many countries and the increase in the resources of the International Monetary Fund. Before describing in outline what is involved in this initiative I would like to explain why I lay stress upon it here. The theme of this Congress is the responsibility of leaders of business in various fields, including the liberalization of international trade. Every government before embarking on important trade negotiations, proceeds to an exhaustive consultation with the national interests involved, and its attitude in the negotiations is vitally affected by the advice it
receives in these consultations. This is where the element of responsibility comes into play and where business circles can have a far-reaching impact on the success or failure of international negotiations. If the advice tendered is narrow and restrictionist, the policy of the government is hardly likely to be broad and expansionist.

It is for this reason that I have been profoundly disappointed that in an economic climate where the whole emphasis should be on the resumption of the progress of recent years, the GATT programme for trade expansion has apparently awakened no echo and evoked no response in business circles. I am hoping that this Congress may change all that; that this Congress will specifically endorse the GATT programme for trade expansion, and exhort the National Committees to study the possibilities, and urge upon governments constructive measures which will give the maximum content and meaning to the programme.

What then is the scope of the GATT programme for trade expansion? In the first place it is contemplated that a general round of negotiations on a world-wide basis for the further reduction of tariff barriers shall be initiated in the fall of 1960. It would be unwise, however, to minimize the difficulties involved in this operation. In the first place this negotiation will be the sequel to a series of tariff negotiations since the war, in the course of which much of the water has already been squeezed out of national tariffs and therefore further concessions will be far more difficult to negotiate, and will have a greater impact than in the past. This is all the more so in that we have, over the last few years, witnessed substantial progress in the elimination of quantitative restrictions and of their discriminatory application, with the result that the tariff has a far more decisive rôle as an instrument of protection than it has had in many countries in the recent past. This then is a factor which will make the negotiations arduous and difficult. On the other hand it will also give the negotiations a higher significance. Another factor in the same direction is that these negotiations
will include a review of the common tariff established by the European Economic Community, as well as negotiations which have to be undertaken as a result of the gradual application of the common tariff, stage by stage. The negotiations should, however, go beyond this and afford an opportunity for the rest of the world to negotiate with the European Economic Community on the rates contained in the common tariff, and thus facilitate the adjustments in trading relations which the creation of the European Economic Community makes necessary. In this connexion I suggest that great emphasis must be laid on the fact that the six members of the European Economic Community, in the preamble to the Rome Treaty, specifically assert their desire to contribute by means of a common commercial policy to the progressive elimination of restrictions on international trade. This seems to me to be a stimulating challenge to the rest of the world to take part in a further forward movement to trade liberalization which should be taken up in the adventurous spirit which has animated the six European countries in their great endeavour. Only in this way can we be sure of not losing a great chance for all countries to move forward together. If that chance is neglected we run serious risks of seeing an increasing division of interests, and an increasing compartmentalization of international trade.

Secondly, the GATT programme for trade expansion contemplates a realistic approach to the problems created for international trade by national protectionism in the field of agricultural and food products. Everyone recognizes the special political, social and economic reasons which have led to the growth of protectionism in this field. On the other hand I think there is almost equally universal recognition that unlimited protection for food and agricultural production will not only lead to a wasteful and uneconomic use of resources, but also seriously limit the possibility of maintaining and expanding a world-wide system of international trade based upon comparative costs and efficiencies. As I have said, the GATT approach to this problem is a realistic one.
and no one imagines that the trumpets of liberal trade will cause the walls of this obstinate Jericho to crumble, but there is still time and urgent need for international consultation and discussion on these problems, and for these consultations to lead to adjustments of national policies and interests to the benefit of all.

Thirdly, there is a growing awareness and concern with the problems of under-developed countries in their international trade. Everyone has accepted that one of the central problems of our day and age is the promotion of economic development of the less developed areas of the world. Everyone agrees that a situation in which the living conditions of hundreds of millions of human beings in some parts of the world are far below what are considered acceptable standards elsewhere, is not an acceptable or viable situation. Accordingly, much international effort is being devoted towards the assistance of economic development through technical assistance, through aid, and through loans. Great attention has also been given to creating the conditions in which private capital will flow into the under-developed countries. But all this is not enough. The under-developed countries must be given every opportunity and incentive to expand their export earnings. These form practically their only resources for the servicing and eventual repayment of loans, and for the import of essential goods whether for capital investment or for essential consumption needs. The GATT programme for trade expansion, therefore, contemplates a careful examination of what measures should be taken to maximize the export trade of the less developed countries, and above all to eliminate restrictions which impede the development of their trade and therefore hamper the ability of the less developed countries to earn vitally needed foreign exchange. Our thinking on this subject is, at this point, still in a somewhat elementary stage, but there are already some problems which are clearly discernible. In the first place there is the problem which arises where less developed countries with new and modern equipment, and an abundant supply of labour at wages which are substantially lower than those which are paid
in the more wealthy countries, begin to produce the simpler types of manufactured goods for the international market. This form of competition naturally creates problems for established industries in the industrial world, but is it a sufficient answer to this problem that the exports of such less developed countries in these limited ranges of production in which they have competitive advantage should have to face restriction and discrimination? Apart from such restrictions on manufactured products, there are also instances where even the primary products, which are the staple exports of the underdeveloped countries, meet with restriction in international trade, usually imposed in favour of marginal producers in the more highly developed countries. Further, it is claimed - and we shall be examining the validity of this claim in the course of the working-out of the programme - that the consumption of certain imported primary products such as coffee and tea, to name two examples, is being restricted in some countries by heavy fiscal duties or internal taxes. If this claim is substantiated, would it be imposing too heavy a strain on the countries concerned to forego this form of taxation and to undertake, at no real cost to themselves, some modification in their fiscal structures? It is also possible that the export earnings of some primary producers could be substantially augmented by facilitating the export of their products in a semi-processed rather than in the raw form. On the other side of the picture we shall also, I hope, examine ways in which the less developed countries themselves, by appropriate adjustments in their policies, could stimulate their own export possibilities. This is an aspect of commercial policy which in the less developed countries has tended to be overlooked because of the emphasis on development planning, and above all on the planning for industrial development.

It may seem somewhat surprising that in this outline of the GATT programme I have not made mention of the question of stabilization of commodity prices which is currently the subject of so much discussion.
This apparent omission is due in part to the feeling of the Contracting Parties to the GATT that this subject is receiving ample attention in other organizations perhaps better adapted to dealing with it. But it is also due to the feeling that if we can find a key to a steady expansion of international trade - which also means to a steady expansion of the world economy - many of the problems of primary producers will in practice be solved by the creation of a steady and rising demand for primary products which will be reflected not by a somewhat negative stability of the incomes of primary producers, but by a steadily rising expansion in their export trade upon increasingly favourable terms.

Such then in very brief outline is the major task which the Contracting Parties have set for themselves, and the programme through which they will attack it. But to establish a programme and to carry it out are two different things, and I hope that you here in this assembly will feel that it will be a worthy object for the exercise of that responsibility which is the theme of this Congress, and that the Congress should express itself in stimulating and encouraging governments to ensure that the programme is carried forward in a constructive and energetic fashion.