"REFORMING THE INSTITUTIONAL MACHINERY OF WORLD TRADE"

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1. THE PROBLEMS TO BE SOLVED

The UN has decided to call a Conference on World Trade and Development in the spring of 1964. From the discussions held in the Preparatory Committee of this Conference there seems little possibility of reaching any agreement of importance on the fundamental problems. As usually happens in such cases, the delegates will probably seek to set up institutions charged with settling the questions which the Conference itself has been unable to regulate.

In certain respects, however, those decisions of the Conference which deal with institutions will touch the heart of the problem. Indeed, even if international bodies are not able, of themselves, to create or arrest trade currents, it cannot be doubted that the remarkable expansion of world trade in the course of recent years has been stimulated, or at least greatly facilitated, by their activities, however imperfect these may have been. It is essential, therefore, that the Conference should result in added means of action open to the organizations which deal with problems of trade, and not in weakening the means and the institutions which already exist.

To a certain extent some delegations' attitudes to this question are dictated by a principle of hostility towards some of these institutions, and by a wish to see them disappear, or by a feeling of impatience which makes some countries think they would achieve their aims more speedily under a different yoke, without asking themselves whether the obstacles they encounter are of such a kind that institutional changes will be powerless to remove them.

It would seem that the only way to achieve practical institutional solutions lies in analysing the problems to be solved and then seeing, in the light of the excellent results obtained lately despite everything, which arrangements and methods have yielded concrete results, and which factors have checked the adoption of
measures which would do justice to the legitimate hope of the developing countries, or the putting into operation of recommendations passed by international bodies with a view to settling their problems. It will then be possible to study whether any reforms could cure these faults in the international mechanism or whether it would be necessary to sweep the table bare and start afresh.

The main motive for convening a UN Conference on Trade and Development is the disequilibrium, becoming more and more evident, between the import needs of the developing countries and the receipts which they can draw from the export of goods and services. Nowadays all governments recognize that the rhythm of economic development is tied to trade movements, even though their policies do not always seem to be dictated by this idea. Although exports from developing countries have of late achieved a more satisfactory rhythm than in earlier periods, they are nonetheless less dynamic (in relative terms) than those of the industrialized countries or the countries with planned economies; and above all, their rate of expansion is slower than that of the uncontrollable increase in imports of these countries, which must shop abroad for the capital equipment, basic materials and energy requirements, as well as for the intermediary products necessary for their industrial transformation.

Today the cases of this phenomenon are well known: some of them do not seem at all susceptible to international or even governmental action, but others are not of this fatalistic kind. In many cases new markets or a higher valuation of traditional exports could be obtained if the governments would modify their present policies. Unfortunately, it is not a question here of minor modifications: in many cases the governments would have abandoned the principles which decide their commercial, fiscal and general economic policy, or they would have to sacrifice the interests of groups whose political influence is far from negligible.

2. THE CREATION OF AN INTERNATIONAL TRADE ORGANIZATION

It is generally agreed that the number of international organizations concerned directly or indirectly with trade problems is excessive - whether on an international or regional scale, for localized or general trade, for specialized groups of products or the whole sphere of economic production - and that the growth of these institutions is a source of weakness and of unnecessary expense to those concerned. Without doubt, the failure to ratify the Havana Charter is largely responsible for this regrettable situation. It would seem logical to take advantage of the current discussions and reconstitute the organization proposed at Havana. This seems to be what some UN experts wish to suggest.

In fact, their proposals are very different from those which were studied at Havana, because the new organization would not be found on any legal agreement dealing with trade policy. By definition, this would have to be a world-wide organization and, also by definition, the authors of this plan consider that if governments were asked to accept wider commitments than those contained in the UN Charter, then certain countries would refuse to do so and the organization would no longer be world-wide. One would be back in the present situation, where the existence of restricted groupings prevents the specialized bodies from working efficiently. These groupings are restricted, however, not because they refuse admission to new members, but because they impose certain commitments on the countries who wish to join.
The new organization would therefore be in essence a forum for discussion, an addition to the long list of institutes which discuss trade problems and whose creation would entail the suppression of or tight control over the existing specialized bodies.

It is not without interest to ask what would happen if the trade problems of concern to the developing countries were dealt with solely in a body of this type, or in an organization directly under the authority of the UN. The vision of the UN Conference risks distortion if those problems which concern the developing countries are separated from the rest of the problems of trade. World trade is a whole, and it cannot be divided into well-defined parts; even the concept of a developing country is not static: where does the demarcation line run between those countries which are developed and those which are not? Are not differences between countries at the bottom of the ladder and those halfway up as clearly marked as those between halfway countries and those which are said to be developed? To deal with these problems other than in an organization which is competent to deal with trade in general, and on other than a legal and practical basis, is to risk adding to the present confusion.

What is more serious is that the countries concerned risk losing even the advantages which they have at the moment. In practice the existing bodies - and especially GATT - do not only provide a meeting place where the developing and the industrialized countries can discuss their problems, but also they are formed by agreements which benefit the developing countries. The idea is commonly held that GATT in particular imposes too heavy a burden of commitments and that the industrialized countries are favoured by it. The truth is somewhat different. The behaviours of the industrialized countries towards the developing ones is bound by detailed agreements, and if they do not always keep to these agreements the injured countries can have recourse to legal means to defend their interests. They have at their disposal the same rights as others; nowadays they form the majority and they take part in decision-making in the same way as the others. Their influence is felt more and more strongly, although they are not yet sufficiently practised in the procedures to use them to the full.

The developing countries' commitments towards the industrialized ones are in theory the same as the latters' towards the former, but in practice they are allowed, as of right, to fall short of these commitments in some respects, especially where restrictions are concerned, and special procedures have been established to take into account their development needs. Indeed the persisting financial difficulties of many of the developing countries negates much of the value of their international commitments. With restriction, inherent in their delicately balanced payments situation, they enjoy a wide freedom of action, any control being exercised by the IMF rather than other bodies; their undertakings with regard to tariffs are limited and are in any case rather theoretical as their imports are restricted by purely administrative means. When faced with particular difficulties most of these countries ask for and obtain the necessary release from their obligations; indeed they often act first and ask afterwards. GATT, far from being a "Procrustean bed" on which the industrialized countries torture the developing ones, is generally held by the industrialized countries to be dubiously effective in protecting their interests against the rest of the world.
If the developing countries do succeed in isolating their problems from those of world trade in general to discuss them in a body other than GATT, where they will not have to undertake detailed commitments, they will find the present rules of the game no more applicable than in the trading relationships of industrialized countries. In that case these countries could easily do without GATT; they are already grouped together in OECD and, inasmuch as they are OECD members, they have agreed to abide by the rules of GATT; there is nothing to prevent them making this organization responsible for the application of the GATT rules in their mutual relations; that they have not done so already is due to the fact that this idea has raised strong objections from the developing countries.

If the final solution adopted were of this kind, trade relations between the industrialized and developing countries would be regulated solely by the unilateral decisions of the individual governments, and in the course of events one would return to the bilateralism of former days. To this situation would be added eventually the enforcement of the political body's recommendations. It is up to the developing countries to decide whether this would be any improvement for them. There was a time when those of the developing countries who had achieved independence placed all hope for the stimulation of their exports in the negotiation of bilateral agreements. This method does not seem to have given the satisfaction expected of it, for the power relationship between the developing and the industrialized countries is not of a kind to favour the former group in such negotiations.

Despite the sometimes violent attacks made on GATT, it seems unlikely that the majority of developing countries would like to see this institution disappear, for even if it has not fulfilled all their hopes, GATT has at least been of use in protecting the trading interests of its Members and in furthering the continual expansion of world trade. Thus it seems that if the working of this institution could be improved in such a way as to do justice to the legitimate demands of the developing countries, the search for some practical form of co-operation between the political body to be either created or designated and specialized bodies such as GATT could result in acceptable compromise solutions.

We shall now look, therefore, at what reforms would be necessary in GATT, this being, after all, the principal specialized institution in the field of trade. In the present climate of opinion, moreover, these reforms seem quite possible. Then we shall attempt to outline the forms of co-operation which could take place between GATT and other specialized bodies on the one hand and a political co-ordinating body on the other.

3. **THE BASES FOR A REVISION OF GATT**

Apart from ideological criticisms, made either by delegates from countries with planned economies or by representatives from certain of the developing countries, which we will leave aside - since we feel that the governments concerned wish to expand their trade and not engage in sterile, rhetorical debates - the main complaints directed against GATT seem to be the following:
(a) That the philosophy of GATT is impregnated with a liberalism unfavourable to the developing countries' interests and preventing the organization from attacking their trade problems effectively;

(b) that admission into GATT entails limitations on the developing countries' freedom of action in the field of trade policy through inflexible agreements. It can be advantageous to the industrialized countries to submit to these agreements because their trade benefits from the discipline involved, whereas the developing countries do not gain sufficient advantage from taking part in GATT activities to justify their acceptance of such obligations,

(c) that, because of the limitations on sovereignty, GATT remains a closed circle. The majority of the countries with planned economies, as well as many developing countries, hold themselves aloof from the organization and GATT cannot, therefore, successfully undertake the necessary reform of the rules governing world trade, since it is not a worldwide organization; and it cannot become a worldwide organization because it demands payment of an "admission fee";

(d) lastly, that GATT limits its activities to the minor problems of trade policy, in the narrowest sense of the term, and that it is not in fact competent to deal with the large-scale problems of trade and development which alone interest most of the world.

In general, these criticisms are not without foundation, or, to be more exact, their foundation was certainly built into GATT when this body took up the torch of the Havana Charter. Since then GATT has not ceased correcting these faults, either by amending the founding agreement, or by making its procedures more flexible, or - and this is the most important point - by working on governments and public opinion to make them appreciate the developing countries' problems and progressively modify their trade policies to the advantage of these countries.

It is only natural that the developing countries should find this evolution too slow; it is also proper to study whereabouts in GATT reforms should be concentrated, in order to speed up this evolution.

The working of an international body can be divided into four parts:
- Analysis of the facts;
- Investigation of practical possible solutions;
- Seeking an agreement on the best solution among these governments whose influence is decisive;
- Applying the agreed solution, despite resistance within the countries, by persuasion and recourse to the forces of law.
On the first point, GATT can scarcely be reproached for not awakening world opinion as to the seriousness of the developing countries' trade problems. The secretariat of GATT was the first to draw attention to the appearance of a disequilibrium in the trade of these countries; GATT was the first to analyse the causes of this phenomenon. Its conclusions - confirmed by the studies of other international organizations whose works are cited more often than those of GATT - were sufficiently alarming for the governments of the contracting parties to the General Agreement to decide that four economists of world reputation should be charged with studying this question on a wider basis. Their report, which confirmed the secretariat's analysis, has been accepted by these governments and has been used as a basis for further action by the organization.

We come now to the investigation of practical solutions. As soon as the facts were established, GATT launched its Action Programme for trade expansion. To be sure this Programme was not limited to the problems of the under-developed world, but it did lay particular emphasis on them. The study of these questions was entrusted to a special committee, whilst another committee considered agricultural problems of particular concern to the developing countries. The labours of GATT have allowed the elements of a solution to the whole problem to appear, little by little - elements which have, moreover, been taken up in a memorandum presented by the interested countries as a body. This memorandum does not cover all the points: it is only a first run-through of possible measures. This work should be followed up, but it must be said that at no point in time have GATT statutes or procedures hindered in any way the search for solutions suitable to the problems in hand; the only exceptions have been problems relating to the stabilization of primary product prices which, rightly or wrongly - wrongly in my humble opinion - many governments have preferred to deal with elsewhere.

In the field of negotiating an agreement as to which of the proposed solutions should be adopted by the governments represented, important progress has been made. The developing countries' plan has been accepted in general outline, and if there are still reservations about it, this is because negotiation is an arduous affair, and because the approval of a decision within GATT is far more binding than a resolution in other bodies.

Lastly the application of the decisions taken. Without wishing to undervalue moves made to apply GATT decisions and recommendations, it cannot be doubted that progress is slow and that, despite the convening of several meetings at ministerial level, international inertia has not been overcome and - what may be even more serious - public opinion in many countries is not convinced of the justice or the necessity of the measures proposed. To say that other bodies have not been any more effective in putting their decisions into operation does not justify the relative failure of GATT in this field. At the same time the recognition of this fact confirms - what any honest observer will acknowledge - that in the field of trade policy, where so many interests are involved and where governments have to reckon with the political influence of interested parties; international bodies are forced to act slowly. It is interesting to note, however, that GATT's moral authority over the governments and public opinion of the industrialized countries has grown of late; if the developing countries would give more wholehearted support to this organization, perhaps progress would be achieved more easily.
However that may be, the evolution of GATT in a direction which favours the consideration of the under-developed world's trade problems is far from ended. The last ministerial meeting in May this year, was most encouraging in this respect, and it is hoped that a decisive impetus in the direction wanted by developing countries, will be given to the activities of this institution without too much difficulty and resistance.

4. A PROGRAMME OF REFORM

In my opinion the reform of GATT should deal with the following points:

(a) The obligations of the developing countries should in many cases be made less rigid.

(b) Means should be established to put into operation any measures which would facilitate the economic development of the "tiers monde" without being prejudicial to the over-riding interest of the international trading community.

(c) GATT should systematically study and recommend, at the request of the countries concerned, suitable ways of stimulating the production of exportable goods and of eliminating the barriers to their export.

(d) Administrative changes should be made, so that those developing countries who are not in a position to accept the GATT obligations, even such as result from the reforms under (a), are still able to take part.

(e) A code of trading practices should be drawn up, which would apply to trade relations between Members of GATT and countries with planned economies; this code would have to be negotiated with the latter countries, and its acceptance by all the countries interested, or even by a substantial majority of them, would allow the countries with planned economies to take part on an equal footing in those activities of GATT which concern them.

(a) Revision of the obligations assumed by the developing countries

It is easy to agree that the obligations which GATT imposes on these countries are too heavy. This opinion is not shared by the industrialized countries, who hold that the developing countries are in fact subject to a wholly theoretical discipline. The truth is that for most of these countries the obligations only appear to be heavy. Nonetheless it remains a fact that this appearance has its psychological significance and that it would be useful to correct this optical illusion without, however, going so far as to destroy the feeling of solidarity among the various countries which is strengthened by the voluntary acceptance of a common discipline.

In the field of tariffs the Member countries' undertaking only relate to consolidated duties, the countries being free to amend the levels of the other duties. At the beginning, the tariff negotiating rules of several countries had led countries producing raw materials to accept comparatively extensive obligations
which they subsequently considered to be excessive. These anomalies were then put right, especially in the case of Brazil. It became the habit to allow the developing countries to introduce customs surtaxes, on a temporary basis, in order to meet balance-of-payments difficulties. It would be expedient to codify these practices and include them, if need be, in the new text of GATT.

With regard to the well-known "entry fee" and the compensation sought during tariff negotiations, the de facto situation would be recognized legally. Strict rules of reciprocity no longer apply, and indirect concessions negotiated with third countries are granted to the developing countries without any counterpart. These countries would like to get every concession without payment; this is not impossible, but it is not certain that this solution is really in their interests; concessions obtained in this way would be unilateral and could be withdrawn at any moment. Moreover, the lack of a counterpart deprives the exporting country of any means of protection in the event of such withdrawals; this would be confirmed by the countries which joined GATT without paying the admission fee or who failed to negotiate the duties affecting their export products. It would seem to be more advantageous, from every point of view, that the developing countries, instead of making concessions on the items indicated by their partners, should be free to suggest themselves the tariff position they are prepared to consolidate and that this counterpart be allowed provided it is considered adequate by an impartial organization. The experience of various countries has shown that it can be of interest to a government to entrench itself behind international obligations in order to resist excessive pressures favouring the over-protection of national production; moreover, in the field of capital equipment, there are many cases where the interests of the importing country demand continued exemption from duty, or else the imposition of a very low duty.

On the other hand, the developing countries must be allowed to release themselves easily from their tariff commitments when their development needs require this. Renegotiation procedures have been made very flexible, but it would be of value to carry further the work begun at the last revision of GATT, and make these procedures ever more flexible in order to speed them up and to reinforce arbitration procedures.

Another question which caused a lot of difficulty with the developing countries is the rule which prohibits recourse to quantitative restrictions as a means of protecting home industries. Although this question remains of theoretical interest so long as most of these countries have balance-of-payments' difficulties and are authorized to limit their purchases abroad, it still causes discussion between governments. The procedure used at present, when a developing country wishes to use means incompatible with GATT rules, aims above all at enabling the government to weigh with a little more care than it would otherwise exercise, the advantages and disadvantages of recourse to a restrictive measure which could easily give rise to abuse. This present procedure could easily be improved, but grave dangers would be faced if things were made too easy. The risk would be run of the industrialized countries using GATT merely as an easy method of
ratifying all the plans, whether sensible or not, put forward by the new countries, and of protecting them against the justified reactions of their trading partners. Public opinion is prepared to admit that the young countries should enjoy the advantages of living with others without taking on all their obligations, but it remains convinced that as these countries reach adolescence, they should progressively accept the obligations which would devolve on them later. In other words, the industrialized countries will accept much, if they have the impression that the eventual goal is a solid and dynamic community, whereas their opposition will be very difficult to overcome if they have the impression that the aim of the operation is to reserve the obligations for themselves and the privileges for the rest of the world.

With regard to subsidies, the de facto situation allows developing countries not to bind themselves as the industrialized countries have done. This situation could be made legal; it would be helpful to give the developing countries the right to have recourse to direct or indirect export subsidies to encourage the introduction of new products, and to subject anti-dumping or compensatory duties directed against the developing countries' exports to the organization's control.

There remains the problem of the most-favoured-nation clause. Is there any point in exempting the developing countries from this major obligations and, if so, under what conditions? A general exemption would entail a return to pure and simple bilateralism, and as all bilateral agreements, even those negotiated by countries with planned economies, include a most-favoured-nation clause, the result would be less spectacular than is imagined. It is however true that in a bilateral agreement the clause can be surrounded by reservations, whereas under GATT it is absolute. On the other hand, bilateral agreements are somewhat precarious, and it is not certain a priori that such an agreement is more advantageous to developing countries than the firm commitments of GATT.

This does not mean that there is no place for considering whether the export expansion of countries in the course of industrialization could not be considerably stimulated by measures giving special advantage to their products, either in the markets of the industrialized countries or in the markets of other developing countries. However, nothing could contribute more to the failure of such a plan than the adoption of a general decision making the developing countries grant similar treatment to the products of their various suppliers. Preferences would be established in a disorderly fashion; efforts made to thin out the inequalities resulting from the preferential systems fought by a number of developing countries would be condemned in advance, and the hope of increasing trade with the countries of the rest of the world ("tiers monde") would vanish. It seems wiser to consider recourse to special concessions and procedures.

(b) Adoption of special procedures

The solution to the trade problems of the developing countries may require, at any rate in the coming years, measures which depart noticeably from the ordinary rules of international trade. For the reasons given above, it will be much easier to induce governments to take these measures or to authorize the
application of such measures if they form part of an action programme which has been studied and negotiated by an international body acting in accordance with contractual provisions accepted by the governments themselves and after the advantages and disadvantages of the solutions for all the contracting countries have been carefully examined.

GATT contains a provision which, by way of rules, so to speak, enables it to adapt the obligations of one or more of its Members to suit special circumstances, wherever it is agreed that derogations of this kind are in the general interest. Although used with restraint at first, this provision has enabled GATT to become very flexible and to cope with the special problems which have never ceased to occur since its creation. The advantage of this method is that it confers the authority belonging to an impartial body to the decisions taken, and protects the beneficiary country, to the extent authorized, against any pressure or reprisal from the countries whose trading interests might be prejudiced. As the developing countries form a majority in GATT, they have only to fear that a small group of countries might block the adoption of reasonable measures. This procedure could be applied in particular wherever it might be expedient to give preferential treatment to the industrial products exported by developing countries either to the industrialized countries or to other developing countries.

If this solution were adopted, there would not be any point in also amending the provisions relating to general derogations from the most-favoured-nation clause and in recognizing the right to any derogations from this clause other than that of a customs union or a free-trade area. In fact, the forms of regional integration of benefit to developing countries, require the creation of a common market for the various partners' products; in other words, the regional planning which justifies derogation from the clause, presupposes the complete suppression of obstacles for the whole of the region. Theoretically, these common markets could be established separately for each product; in practice this sector-by-sector approach meets with very serious practical and political difficulties and, in most cases, it is indispensable to success that the governments should accept in principle a common market for all their products, even if a transition period and the possibility of temporary exceptions has to be provided for. The conclusion of preferential agreements of the classical type is scarcely possible whenever the partners are at different levels of development; and this is nearly always the case.

From the legal point of view, it would be enough to retouch the present text of GATT for this institution to have the powers necessary for it to solve the developing countries trade problems by means of releasing them from their contractual obligations.

(c) Measures designed to promote the production of exportable manufactures

It is now agreed that economic development can only be guaranteed if the developing countries obtain, by the export of goods and services, the foreign exchange needed for the import of capital equipment, raw materials, energy requirements and the intermediary products necessary to the establishment and working of new industries. Financial aid is a help, but it cannot replace export earnings. In recent years, it represented an eighth of the cost of imports and it is doubtful if this percentage will increase in the years to come.
There are two major difficulties: on the one hand, the developing countries are tempted to concentrate upon industries supplying the internal market, so as to save their foreign exchange; on the other hand, the industries hesitate to rush into the export business, where competition is fiercer and where an appreciable risk is found in barriers of all kinds.

International organizations have an important rôle to play in studying the possibilities of expanding the markets of the various exportable products and in eliminating barriers which might exist. This is a complex task and can only be done on the basis of the different countries' production programmes. Committee III of GATT has tried to set up the basis of this new activity, in examining India's and Pakistan's plans with regard to their export programmes. Comparing these programmes with the market's potential ability to absorb the products can save the exporters from doubling up and the consequent disappointments. Where potential outlets exist, but these are closed through protection or other government measures, GATT can be effective in eliminating these obstacles. Positive results in this field can only be obtained if production programmes, conditions of competition and the nature of the potential markets are considered, product by product.

In the agricultural sector too, concluding world agreements on the main export products, such as are envisaged in GATT at present, might lead to a better organization of world agricultural production; besides the advantages of such a formula with regard to the relative stability of prices and their valuation, it would make it easier to adapt agricultural development programmes to suit the outlets available for these products.

In this respect it would not be necessary to alter the legal basis of GATT; it would be enough to organize more systematically the efforts already made in this field by GATT, either on its own or in co-operation with other organizations such as the FAO and IBRD.

(d) Participation by non-member countries

Although the parties to GATT represent more than 80 per cent of the world's trade there are still some countries not in association with this institution. There are only two Members and two associate members from the countries with planned economies, and participation by countries of Latin America and the Near East is still weak. Some of the non-member countries send observers to the meetings of the CONTRACTING PARTIES and have good relations with the secretariat; but if GATT is to be more actively concerned with the developing countries' trade problems, these contacts with have to become closer.

The formula of association, which has been used successfully in several cases, could be altered so as to allow non-member countries to take a more active part in the functions of GATT which concern them. It can be objected that this formula would create two categories of Members, with differing rights. This argument carried some weight, but its importance must not be exaggerated.
Other organizations have instituted associate membership, with varying articles of association, and there would be no difficulty in arranging for all the members' articles of association to be identical on the question of the developing countries' trade. Of course, when it comes to administering any particular agreement, only the countries bound by the terms of this agreement would be entitled to vote.

However, the participation by developing countries in practical discussion such as those of a specialized body will meet more with administrative difficulties than legal barriers. With few exceptions these countries lack the personnel needed to keep in contact with the work in hand, whether in their capitals or at the headquarters of the organizations. The lack of timely instructions, the hasty preparations of instructions and inadequate documentation all make it very difficult for their countries' representatives to act. Special importance should therefore be attached to training personnel, and to more effective organization of the liaison and decision-making sections.

(e) A code of trade practices, regulating relations with countries with planned economies

The Havana Charter contained provisions relating to the trade of countries with planned economies; as these countries did not attend the 1947/8 Conference, however, these provisions remained a dead letter. The GATT mechanism rests on the existence of markets where the State plays only a secondary rôle in production and distribution. So long as this situation continues, the GATT rules will yield positive results; but when State intervention is extended over the whole of economic life, the mechanism will be distorted. If such rules were applied to trade with countries with planned economies, the free market countries would be in an unfavourable position; whilst their own market would be wide open to their trading partners, the growth of their export trade would be entirely dependent on decisions taken by the governing authorities of those partners. To maintain some degree of reciprocity, exchanges are made on the basis of bilateral agreements, sometimes supplemented by payments' agreements which keep the exchanges within a fairly rigid framework.

Several attempts have been made to adapt GATT rules to the conditions special to this kind of trading; but it seems that it would be easier to apply a completely separate code of practices to it than to try, for the moment at any rate, to apply a single code to the two types of trade. Useful experience has been gained from the association of planned-economy countries with GATT, and it would be possible, if political conditions were favourable, for a code of this kind to be set up and for it to be accepted by the governments concerned. If the administration of a code of this kind were entrusted to GATT, countries will planned economies would then be able to take full part in this institution's activities, thus remedying the absence of universality which, in some people's view, is paralyzing GATT activities in the sphere of trade with the developing countries.
It would also be advisable to consider, separately from the general aspect of the question, whether trade between the developing countries and the countries with planned economies could not be stimulated. According to the experts from the socialist countries, the difficulties that have appeared in trade relations between developing and industrialized countries do not exist between the former and themselves. According to the representatives who sat with the group of experts set up by ECOSOC "the direction and character of the planned development of the economies of these (socialist) countries offer, both at present and in the future, the widest and ever-growing possibilities for the development of trade and economic relations of these countries with the developing countries". For them the present system of long-term bilateral agreements offers the perfect solution to the problem.

When international trade statistics are studied, however, the parallels existing between the two types of trade are striking. The developing countries' exports to the countries with planned economies follow the same general pattern as their exports to the industrialized countries. Whereas they formed 12.3 per cent of the total imports of the countries with planned economies in 1950, they formed only 8 per cent in 1960. The corresponding figures for the industrialized countries were 32.2 per cent in 1950 and 22.8 per cent in 1960. The exports of the countries with planned economies, on the other hand, formed a larger part of the developing countries' imports: 2.7 per cent in 1950 and 4.7 per cent in 1960. The same is true of the industrialized countries, whose share of the total imports rose from 68.8 per cent in 1950 to 75.3 per cent in 1960. These increases were at the expense of exports from the other developing countries. As these divergences between the movements of imports and of exports constitute the major problem to be studied by the conference, it would at first sight seem advisable to consider how the conditions for trade with the countries with planned economies could be improved in the same way as those which govern trade with the so-called industrialized countries.

Whatever the advantages and improvements added to the system of bilateral agreements as practised by the countries with planned economies, it does not altogether escape the disadvantages of bilateralism: so long as trade has to be balanced on a bilateral basis, its level tends to be established in terms of the weaker partner's export capacity: the buyer's right of choice is limited to one supplier country only and the risk remains that exports will be diverted away from markets where sales are paid for in freely exchangeable currencies, and directed to markets where the counterpart is provided in goods and services which must be purchased on the partner's market.

The present system could usefully be made more flexible, to enable the developing countries to have part of the proceeds from their exports available to them in freely exchangeable currencies; they could then buy what they needed from other countries, if their bilateral partner's market did not provide the goods they wanted or the most advantageous conditions.
A further limitation on the expansion of the developing countries' exports is that, in countries with planned economies, it is in practice impossible for the consumer or user to choose as between home or imported products. This rigidity can, to some extent, be of use to the developing countries, if the governments force consumers to buy goods exported by them in preference to similar goods from the industrialized countries; on the other hand, this rigidity deprives the exporting countries of even the possibility of competing freely with home products, as they can do even where import barriers exist in the industrialized countries.

It is difficult to see how this situation could be improved without a radical change in planning methods. In the sphere of capital equipment, relaxations have been introduced which allow the manufacturer some influence in the choice of supplies, but, in the case of manufacturers exported by the developing countries, a way would have to be found of moulding purchasing policy, so that it gave more consideration to consumers' preferences, as established by the national distribution bodies.

Moreover, the demand for consumer products such as coffee, tropical fruits, etc. is largely determined by their sale price. In industrialized countries this price is affected by customs duties and internal taxes; in countries with planned economies it is directly fixed by the government, and, in many cases, fixed at a very high level. It would be helpful if the countries with planned economies made efforts similar to those of the industrialized countries to reduce the sale price to consumers and thus to promote the exports of countries producing these goods.

Lastly, the raw material market should be organized, the countries with planned economies taking an active part both in agreements of the classical types and in the new forms of agreement nowadays envisaged. They already play an active rôle in agreements concerning certain products, but co-operation in other cases could be closer.

As can be seen, there are many possible ways in which GATT could take a greater part in studying the trade problems of developing countries. The suggestions put forward will certainly create difficulties, but these difficulties do not seem insurmountable, provided that the conditions under which collaboration with the desired co-ordinating body take place are such as to combine the efforts of the various mechanisms at work, and avoid maintaining the fundamental divisions which have hindered the proper functioning of these mechanisms in the past.

(f) Methods of collaboration between the specialized bodies and the co-ordinating body

Under present circumstances, the least bad solution is undoubtedly that of preserving, whilst altering them, the bodies which have proved themselves, and providing a co-ordinating body on the political side. In reality, it is unlikely
that, on the level of analysing facts, seeking solutions, and technical negotiations the new organization will do better than existing ones, and, for reasons which it would be tedious to enumerate, it is probable that it would be less effective. On the other hand, the existing bodies need political support to ensure the application of measures envisaged and - to be frank - to shake them up when they tend to be satisfied with easy solutions.

The co-ordinating body must not try to replace the specialized bodies by performing their tasks; to conceive this organization as being of a superior essence and as an authority which would deal with the larger problems and leave the undergrowth of day-to-day questions to the specialized bodies would lead to serious disappointments. The co-ordinating body should, on the contrary make use of the specialized bodies when studying the problems and searching for their solutions. It should be the driving force which would launch ideas, and invite the specialized bodies to study this or that particular question, but which would take care not to become too involved in practical detail for fear of quickly becoming a mere forum for academic discussions.

Lastly, this body should take note of the specialized bodies' reports and support with all its authority those of their proposals and decisions which need to be put quickly into operation. This procedure does not differ greatly from the collaboration practices of the UN and its specialized agencies, with the reservation, however, that the co-ordinating rôle would be more important in the present case because there is no single organization charged with the study of trade problems.

Opinions differ as to the choice of body to be charged with this mission. The solution most likely to give effective results would seem to be that of entrusting this co-ordinating task to periodic meetings of the Ministers for Foreign Affairs, assisted as the need arose by other specialized Ministers. These Ministers would appoint deputies to meet more frequently. The deputies would prepare the ministerial meetings, which would perforce be of short duration and whose agenda should therefore be concerned with definite points upon which joint action was required; they would also be responsible for the practical co-ordination of the specialized bodies. Lastly, the work of the committee of deputies would be easier if co-ordination between the secretaries of the organizations concerned was maintained continuously; the functioning of the Administrative Co-ordinating Committee and of its subsidiary bodies, which play an important part in this field, could then be under review.

5. CONCLUSION

The programme outlined above has only one merit: it has been drawn up in the light of experience gained both from the international organizations which have endured since the end of the war, and from those which tried to set up means to international economic collaboration before the war. International
organizations like living organisms, can only prosper in a setting which suits them. Some are more robust than others. Wisdom demands that one should make use of those which have vitality, and profit from the advantages they offer.

For reasons which are often inexplicable, such organizations have more weight with governments, or with some governments than do others; it is advisable to make full use of existing favourable circumstances and to guide organizations which have proved themselves into activities which lead to the end desired. The time is not yet right for building the final edifice. Too many mistakes have been made in the past, and passions still run too high for the ideal solutions to triumph.

The compromise solution which is proposed has the advantage that it can be achieved; like all compromises, it is not perfect and will give no one complete satisfaction. Let us hope that the situation will improve rapidly and that it will be possible in a few years' time to resume the work begun at Havana and to create a true International Trade Organization, which will be entrusted, under the aegis of the UN, with administering a trade policy code accepted by all the countries of the world, whatever their political regime, whatever their state of development, and with handling all the trade questions which today are scattered among many bodies. This organization should benefit from the accumulated experience of these bodies which have, with greater or lesser success, worked to improve trade relations and which have pioneered a field that is over-complex and over-loaded with political passions.