AVOIDANCE OF MARKET DISRUPTION

Statement by the Representative of the United States on 3 May 1960

Mr. CHAIRMAN, the question of the avoidance of market disruption was raised at the fifteenth session of the CONTRACTING PARTIES in Tokyo by Mr. Dillon. He had one idea clearly in mind. This was to seek practical ways to facilitate an orderly expansion of trade.

World trade has expanded greatly since the end of the war. Further expansion is essential to the economic and political health of the world. Thus, we continue to urge the further lowering of tariffs and the reduction of the use of quantitative restrictions in international trade.

As pointed out in Tokyo, a major remaining obstacle to the continued reduction in restrictions and, consequently, the expansion of world trade, is the fear that it will be disruptive, that there will develop "sharp increases in imports, over a brief period of time and in a narrow range of commodities" which "can have serious economic, political and social repercussions in the importing countries". Mr. Dillon described the problem as one of finding "the means to ameliorate the adverse effects of an abrupt invasion of established markets while continuing to provide steadily enlarged opportunities for trade".

The task for the sixteenth session is to find a procedure which will permit the steady expansion of trade and which will provide a mechanism to reduce the disruptive effects which a sharp increase in imports might cause. The United States hopes that the development of such safeguards will permit the fourteen countries which now invoke Article XXXV against Japan to remove this barrier. We also hope that the safeguards will be accompanied by the liquidation of quantitative restrictions which no longer conform either to the General Agreement or to current economic conditions.

The United States delegation, therefore, proposes that a Working Party of interested importing and exporting countries be established to consider the problems described in the secretariat's report on this subject and to suggest solutions for those which require immediate action.

We have some general ideas in mind which the Working Party might consider in its deliberations.
First, importing countries must make every effort to reduce current restrictions and to avoid the erection of new ones. Clearly, this is in their interest.

Second, the exporting countries also have a responsibility. Sharp increases in imports in a narrow range of commodities can cause serious problems. The problems thus caused might well be of sufficient importance to halt, or even reverse, the post-war progress towards a freer world trading system.

Third and finally, we believe that safeguards are best developed through the multilateral forum provided by the General Agreement. Such a forum provides an opportunity for the exporting countries to make sure that their interests are protected. It also provides an opportunity for the importing countries to share equitably the increase in imports among themselves. In such a manner, the impact on any one market becomes much less.

What the United States delegation is proposing, therefore, is to search for pragmatic solutions to one of the most difficult problems in world trade today. We recognize that we are going into unchartered territory and, accordingly, that we should proceed carefully.

For this reason, it would also be wise to carry on a broad study of the economic, social, political and commercial factors involved in problems of market disruption and their possible solutions. Such a study might include, among other things, consideration of the following subjects:

(i) the role of expanding exports in economic development;

(ii) the contribution of imports to economic growth and individual welfare;

(iii) the possibility of undesirable repercussions of an abrupt increase in imports;

(iv) the implications of various types of measures to avoid such market disruptions; and

(v) the relevance to international trade of differences in various factors of production and marketing, including differences in wages, social charges and productivity; in this connexion, we would welcome appropriate co-operative arrangements with the International Labour Office.

The broad study, which we envisage the Working Party would be requested to submit to the CONTRACTING PARTIES, would not be a substitute for the immediate action programme of the Working Party. Needless to say, the study must not be used to delay progress in the development of practical solutions. The study is a necessary companion to the action programme, helping to guide the CONTRACTING PARTIES away from the many pitfalls which lie in the road ahead. Moreover, the entire programme of work on the "Avoidance of Market Disruption" must not be used to delay progress in the removal of current restrictions to trade no longer justified under the provisions of the General Agreement.
Last, but not least, Mr. Chairman, I wish to commend and express the appreciation of my delegation for the excellent work which the secretariat has done to assist the further work of the CONTRACTING PARTIES on this subject.