The Paris Economic Meetings: Discussion in Plenary Session

In January 1960 economic meetings were held in Paris which have led to developments which are of close concern to the Contracting Parties to the General Agreement. In particular the Executive Secretary has been associated with some aspects of the discussions which took place at these and subsequent meetings. He therefore considered it appropriate and useful to present a report to the Contracting Parties. His report deals broadly with two aspects of the developments; first, the invitation to the Executive Secretary to present his views on certain questions to the Group of Four which was appointed to study the re-organization of the Organization for European Economic Co-operation (OEEC). This Group, known as the Four Wise Men, published its report in April 1960 under the title of "A Remodelled Economic Organization". The proposed new organization would be called the Organization for Economic Co-operation and Development (OECD) and its membership would be open, initially, to the eighteen members of the OEEC and to the United States and Canada. The Report of the Four Wise Men also provides proposals concerning the structure of OECD, its relations with other international organizations, the obligations of membership and so forth.

The other aspect of the Executive Secretary's report concerns the work of the Committee of Twenty on Trade Problems. The work of this Committee, in whose activities the Executive Secretary was invited to take part, has been centered largely on possible changes in the levels of European tariffs which might come about on 1 July 1960. (The Deputy Executive Secretary of MGT(60)36 English only/Anglais seulement
GATT, M. Jean Royer, has directed the work of the secretariat of the Committee of Twenty).

Against the background of the Executive Secretary's report on the Paris Economic Meetings a number of representatives of contracting parties have expressed their views, in plenary session.

Mr. Fernando Garcia Oldini, Chile, said that the work being undertaken towards reorganizing the OECD, so as to enable it to play an important rôle in the sphere of European cooperation should be encouraged. Nevertheless the proposed OECD would not have world-wide membership; in fact, neither Latin American, nor Asian nor African countries had been invited to join this club. This was all the more serious as, apart from certain European exceptions, all developing countries had been excluded. He feared that aid to less developed countries, which was one of the tasks of OECD, might be channelled in particular directions since a number of members of OECD had special and close relations with less developed countries and territories to which they had in the past given considerable assistance. The Latin American countries, which form the largest group of Western countries in course of development would have neither direct or indirect representation in OECD and would be seriously handicapped. Mr. Oldini said that certain aspects of the OECD Convention seemed to open the way towards dangerous interference with the work of GATT and towards a weakening of GATT's influence. The new organization envisaged activities in GATT's sphere without limitation and this might result in the formation of a bloc of great industrial powers and traders whose point of view would be presented as united and coordinated, vis-à-vis the uncoordinated group of less
developed countries. For these countries the weakness of the new organization appeared to be that it was a group of great economic power, from which the voices of less developed countries had been excluded.

Shri T. Swaminathan, India, said that in the last six to twelve months there had been such rapidity of development in so many fields that many governments had found it difficult to keep up with what had gone on in many forums on the European Economic Community and its policies, and latterly with the formation of the European Free Trade Association. He said that his government would be formulating its views on the proposed OECD in the near future, and he suggested that in relation to the task of the Executive Secretary as the liaison officer between GATT and the various committees and organizations it would be helpful if delegations and governments could give him the benefit of their thoughts and suggestions. Mr. Ephraim Haran, Israel, referred in particular to the recommendations in the Report of the Four concerning the future of the OEEC code of liberalization and said that he felt that this important activity should not be allowed to lapse but rather that GATT should take over where the OEEC leaves off and that a GATT code of liberalization would contribute to the liberalization of trade on a world-wide basis. In addition, some thought might be given to establishing under GATT a body similar to the OEEC's Steering Board for Trade. In conclusion, Mr. Haran said that many GATT members not represented in Paris on the Committee on Trade Problems might wish that Committee to bear in mind that the building of bridges between those inside the new regional economic arrangements and those outside would, in the long run, be of decisive importance.
Sir John Crawford, Australia, said that Australia's sympathy for the general objectives held by those working for economic integration in Europe had been made clear on many occasions. However, he had to express certain worries in relation to the proposals in the Report of the Four Wise Men. These worries, he said, reflected a genuine anxiety that nothing should be done to weaken the role of GATT as the foremost instrument for developing an effective system of trade rules to govern the growing volume of trade among nations. Nothing said by way of criticism of the proposed OECD should be construed to mean opposition to continued consultative practice in Europe; indeed he wished well of any process of consultation which promised to overcome any serious effects resulting from the different paths being taken by two trading blocs.

First, regarding membership of the proposed OECD: he wondered if a body composed of the European countries plus the United States and Canada would be able really to confine its discussions to European and North American relations. If not, they must inevitably impinge on world policies, which seemed to Australia to be equally the concern of other countries. A form of association of other countries concerned in particular subject matters would perhaps be the most constructive solution to this problem; but any device for extending membership immediately raised the question, why are not these matters better discussed in GATT itself.

Secondly, it appeared that decisions reached by OECD would require unanimity for their adoption. If this was the basis for trade discussions in OECD, then a quite serious threat to GATT could develop, since OECD membership would represent a very powerful proportion of total GATT membership.
Views, if unanimously adopted (or with near unanimity) could practically commit GATT before a proper discussion of them had taken place by the Contracting Parties to GATT. He felt that the proposed members of OEEC would agree that in these days of very complex trade problems it was important that GATT should not lose its place as the moulder of world trade rules. He therefore welcomed the stress placed in the Report of Four on the need to make OEEC work in proper relationship with GATT. It seemed to him that there was a prior claim on all contracting parties to strengthen greatly the ability of GATT to play its role of ensuring that all the new developments in world trade evolve consistently with the interests of all contracting parties taken together.

Mr. B. Sward, Sweden, said that the twenty governments forming the Committee on Trade Problems had not yet met to consider the Report of the Four Wise Men. He was confident that all the twenty, most of them also being members of GATT, were well aware of their obligations and responsibilities towards third countries, and that - whatever their future co-operation may be - it would not be detrimental to non-members but, on the contrary, beneficial to world economy and trade. Regarding trade problems, he agreed that a new situation had arisen with the advent of convertibility. It was, however, important that OEEC commitments should not be scrapped before or unless at least as satisfactory results could be achieved in a wider organization. It was natural that Western Europe after its economic recovery must assume considerable responsibility for assistance to countries in course of development. In this context it should be stressed that the pursuance of a policy of stable and sustained economic growth is of paramount importance. In their
commercial policies the industrial countries should pay due regard to the interests of the less developed countries.

Mr. Toru Haguiwara, Japan, said that the European countries should unmistakably understand that the non-European countries also have immediate interests in the way the problems are solved in Europe. It was quite natural that non-European countries should be apprehensive over the current attempts to solve trade problems in Europe within the bounds of the European countries concerned or in the Organization in which the United States and Canada are to participate. He considered that the problem should first of all be discussed in the GATT. He was afraid that the EFTA and the bridging operations between EFTA and EEC would be accepted by GATT as a fait accompli. He recalled that in the past OEEC had its own code of liberalization and that discriminations were created against outside countries; now that they were no longer justifiable, for balance of payments reasons, for most of the European countries, attempts were being made to maintain some of those discriminations by seeking loopholes in the GATT provisions. From these past experiences it was natural for non-European and non-American members of GATT to feel much apprehension.

Regarding the proposed OECD Mr. Haguiwara asked several questions. Will the function of OECD be only that of consultation on economic policy? Why should such consultation not be extended to all important free nations? Why is a special body needed to study the world conjuncture when this can certainly be done by the GATT if sufficiently strengthened and with the collaboration of the Monetary Fund? Will the OECD aim to be an exclusive club regarding the trade of certain countries which have attained a certain level of economic development and social advancement? Will this become a
pretext for providing a new set of discriminatory trade policies? These questions must be discussed and answered at the meeting of the Contracting Parties. In Japan's view regionalism, whether political or economic, was always dangerous. GATT, being universal in character should be able to over rule any decision made by the regional scheme at any time.

Mr. Charles W. Adair, United States, said that with respect to both the work of the Trade Committee and the reconstitution of the OEEC the U.S. government had always stressed the primacy of the GATT in the trade field, and the Group of Four both in their report and in the draft OECD Convention placed emphasis on the primary position of GATT in the trade field. It was the U.S. view that the countries in the western area of the free world which had co-operated to accomplish the major task of furthering post war economy now had new and important tasks to accomplish and that the habit and machinery of economic recovery should not be lost; the organization should be reconstituted to meet new challenges within the broad field of national economic policy. This would promote the stability and growth of these nations, which is so important for the world economy as a whole.

Mr. Julio A. Lacarte, Uruguay, said that as Uruguay was a member of a regional organization dealing with economic matters, namely the Organization of American States, and was a signatory to the Latin American Free Trade Association Treaty it was natural and logical for her to sympathize with and fully understand measures such as those now under way in Europe. Nevertheless he shared the preoccupations expressed in the debate particularly those of the Chilean and Australian delegates. He welcomed the proposal that the matter should be further discussed at this session and said that the
consideration of the matter led to the conclusion that the strengthening of GATT was a natural consequence of those developments. GATT, he said, is universal in scope and it requires to have an organization that is in relation to that character.

Mr. D.P. Taylor, New Zealand, said that by far the greatest part of New Zealand's trade takes part with the twenty countries concerned. While not denying the right of any regional group to make special arrangements in matters of mutual interest there was always a suspicion on the part of outsiders that such co-operation would extend into fields in which existing international obligations would be affected. One wondered, he said, what OECD can do that could not equally well be done in GATT itself where all of the contracting parties have a voice. If GATT does not now have sufficient machinery, our perspective should be broadened to take in additional requirements. He agreed that OECD had performed a valuable task in the difficult post-war years, but in recent years some difficulty had arisen through the discrimination due to the narrow application, by some members, of the Code of Liberalization. He would not like to see such a situation arise again. He agreed with views expressed by the Executive Secretary that it would appear to be both dangerous and confusing for a revised OECD to move beyond consultation into the field of operation. New Zealand had some serious doubts about the new Organization and he welcomed the suggestion for further discussion and consultation. The item should be kept on the agenda.

Mr. V.L. Warashima, Ceylon, said that his delegation shared the misgivings expressed by many delegates about the composition of OECD. Regarding
the objectives of OECD he agreed that there was a need for a forum for a high level discussion of economic policies and also a need for co-ordination of policies relating to economic development of the less developed areas. But these objectives were not the exclusive concern of the twenty countries; they were problems of interest to all contracting parties and his delegation had difficulty in appreciating the need to confine the membership of the new organization to the twenty countries. His delegation felt that the membership should be made broader and, best of all, that it should be extended to all the countries of the GATT. His delegation also shared the misgivings, expressed by the Australian delegate, about the risk that deliberations of the GATT might be prejudiced by decisions taken by the members of OECD in advance of deliberation in the GATT of identical or similar questions. He welcomed the proposal for further discussions of the matter.

Mr. C... Jardine, United Kingdom, said that the governments concerned had not yet had an opportunity to discuss the Report of the Four. He considered that the Report provided a useful basis for consideration of the general recommendations that consultations on economic policy should be one of the main functions of the future Organization and that the Organization should have the power to take decisions and to take over most of the existing activities of the OECD. These were in line with the views of the U.K. government. The U.K. government, he said, was particularly concerned that the future Organization should not result in any weakening of the General Agreement. It was valuable that the Report itself recognized that, so far as work in the trade field is continued in this future body, any activities should be carried out in conformity with the General Agreement. The United
Kingdom had this aspect very much in mind.

Mr. Jaroslav Pseolka, Czechoslovakia, said that the views of his Government on the formation of close economic groupings in western Europe had been expressed on several occasions. Now they were faced with a new group of twenty major economic nations which was about to be formed. He said that his delegation shared the apprehensions and the anxieties raised by this development and mentioned by various speakers. In this situation when there was a danger of weakening the GATT his delegation joined those who raised their voice of caution. His delegation felt that the tendencies which would lead to weakening of the GATT had to be opposed and he welcomed a further discussion of the question of the formation of economic groupings. His delegation saw in the formation of further economic blocs a brake on the further development of world trade and he firmly believed that more should be done in order to promote world-wide trade cooperation.

Mr. A.G. Riza, Pakistan, said that his anxiety was to know how the two objectives of (a) furthering the development of the less developed countries and (b) pursuing a trade policy directed to the sound use of economic resources and the maintenance of harmonious internal relations were going to be achieved at the same time, particularly as there had been a switch over in some of the less developed countries, in so far as they are becoming industrialized and their interest is to become industrial producers like the West as fast as possible. He assured that it was not the intention that the less developed countries would remain the producers of primary commodities only. In this context the apprehensions of the Australian and Chilean delegates became relevant. The present position was that they were still
exploring how this Organization was going to work. The bulk of Pakistan's trade was at present with the countries which are going to form this bloc. He agreed that time was needed for further study on this subject before definite views could be formulated.

Mr. Toncred Ibsen, Norway, said that Norway had taken a very active part both in the GATT and in the OEEC. He gave an assurance that when his government came to participate in the discussions about the reorganization of the OEEC it would have in mind particularly the interests of third countries and Norway's obligations in the GATT.

Mr. J.F. Grandy, Canada, said his delegation fully understood the apprehensions and concerns of numerous contracting parties about the way the proposed new Organization could affect them if it was operated along the wrong lines. He regarded it as fortunate and valuable to have had this opportunity of hearing views of other contracting parties before the twenty governments meet to consider what action they may take on the Report of the Group of Four. He considered that the apprehensions of other contracting parties could only be allayed over a period of time through experience and observation of the action of the twenty, and he gave an assurance that the strength of the General Agreement remains the overriding interest of the Canadian Government.

Mr. E.P. Barbosa da Silva, Brazil, said that everyone favoured the idea of consultations within an area so that countries with a common interest in that area could adjust and harmonize their policies. But the participants in the proposed Organization played a very important role in world trade and world economic activities and this was the reason for concern as to the
possibility of their deciding to become an exclusive club. In the field of economic development his delegation added a particular word of caution because they felt that the economic development of the less developed areas was a matter on which there could not be a division of opinion nor a division of responsibility. There could not be constructive solutions if part of the nations of the world found themselves on one side of the table and part on the other side. His delegation joined those who had expressed this concern. He said that, unless the fears and anxieties expressed on the part of the existing members of GATT could be allayed, other prospective participants might be discouraged. He felt sure, however, that in expressing their views regarding this regional association and their anxiety to fit regional problems into the world-wide picture the result would be to strengthen the authority of GATT and to further the objective of widening and expanding trade for the benefit of all.

Mr. H.E. Kastoft, Denmark, supported the views expressed by the delegates of Sweden and the United Kingdom, and repeated that the governments concerned had not yet had an opportunity to discuss the Report of the Group of Four. He was heartened to hear from many speakers their recognition that the work of OEEC had contributed significantly to achieving the aims of the General Agreement. He hoped that in a couple of years' time similar recognition would be expressed with respect to the results of the work of a possible new organization.

Shri T. Swaminathan, India, (in a second intervention), said his delegation agreed with all that had been said by the Australian delegate.
It was obviously not possible to tell twenty sovereign countries, powerful industrial countries, that if they wished to join together and discuss their mutual interests they should not do so. But it was equally obvious that the General Agreement, being the most important trade organization in the world, could and should exert its influence to see that the functions of the new Organization are so defined and delimited that they do not out across the principles of the General Agreement. If the GATT had been strengthened by becoming the Organization for Trade Cooperation, the Contracting Parties would have been in a very much stronger position to meet the situation now before them. The GATT was rightly now assuming responsibilities concerning a number of far-reaching questions and for that reason, too, the strengthening of GATT seemed to be an immediate necessity. If the OTC could be brought into being, nothing could be better. In this he appealed particularly to the United States to throw its weight very much on the side of the Contracting Parties so as to make them a much stronger and much more effective organization.

The Chairman of the Contracting Parties, Mr. E.P. Barbosa da Silva, in closing the discussion said that the views expressed by the delegates would be of great help to the Executive Secretary in carrying out his task in Paris. He would make arrangements to revert to the matter under discussion at an appropriate time.