



STATEMENTS AND SPEECHES

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THE FUTURE ROLE OF GATT

Translation of a speech delivered in French at the Fifteenth Session of the General Agreement on Tariffs and Trade in Tokyo, on October 27, 1959, by Mr. Leon Balcer, Solicitor General of Canada.

...Both Canada and Japan are countries of the Pacific. Japan is one of Canada's most important markets and my country is a growing importer of Japanese goods. We value our trade relations with Japan and the close links between our two countries. Canada and Japan have exchanged most-favoured nation treatment through the GATT. We have found that, when problems arise in our trade, it is possible, in a friendly and constructive way, to find workable solutions acceptable to both countries. We look forward to a steady growth in trade in both directions to the mutual advantage of our two countries. We are most grateful for the hospitality of the Japanese Government on the important occasion of the Fifteenth Session, and especially in connection with the current meeting of Trade Ministers. I trust our deliberations will be as fruitful as our reception in Japan has been gracious and generous.

Canada continues to attach great importance to the basic principles and objectives of the General Agreement and their faithful implementation. This flows naturally from our profound interest in international trade and from the conviction that trade problems are best dealt with on the broadest possible multilateral basis. The GATT embraces over forty countries, which together are responsible for 90 percent of world trade. At this Session, we welcome the participation of Israel and Yugoslavia, and the Contracting Parties have before them a declaration providing for the establishment of closer and more effective relations with Poland. The family of GATT countries is growing and this is as it should be. It is recognition also of the mounting appreciation throughout the world of the value of multilateralism in world trade.

The GATT is the only instrument of international cooperation in the trade field which brings together trading countries on a world-wide basis. It is vital that full use be

made of it not only in dealing with the familiar and continuing problems of the past but also with the challenges of the future as we move from the period of postwar recovery and consolidation into the new era of the Sixties.

We may look to the years ahead with a good deal of hope and optimism. New problems there will no doubt be, and some of them will require a high degree of understanding and cooperation if they are to be resolved to the common good of the world trading community. But if we compare the trading world as it is today with the dislocation and difficulties which faced our countries at the time of GATT'S inception, we must be impressed with the very great progress which has been made and take heart for the future.

I doubt whether since, before the First World War, the international environment has at any time been more propitious for attainment of the broad objectives embodied in the General Agreement. The industrial countries have recovered from the recession of 1957-58. The reserve and payments position of the majority of countries has greatly improved. There has also been a strengthening demand for the exports of primary producers, an enlargement of the resources of the International Bank and the International Monetary Fund, and a growing understanding of the needs and potentialities of the less-developed countries. These are all evidence of the health and vigour of our world trading community. World trade is at record levels. The recent recession in North America has again demonstrated that periodic declines in economic activity on that continent need not have magnified repercussions in the rest of the world. Indeed, the maintenance of North American imports at a high level was a marked feature of the 1957-58 contraction.

Given sound domestic policies, we should be able to look forward to progressive growth of world trade in the years to come, unfettered by the restrictions which have plagued international commerce in the postwar years. The time has come to close the book on the postwar transitional period and the special international provisions which were made to accommodate the difficulties of that era.

Canada gives its full support to the programme for the further expansion of international trade which was decided upon at the last Ministerial Meeting. Committee One has made good progress in developing the necessary arrangements for the next round of tariff negotiations in 1960-61. These negotiations will provide a further opportunity to secure mutual advantageous lowering of tariff barriers and we recognize the value of the initiative taken by the U.S.A. in proposing this new round of negotiations. It is significant and welcome that the countries of the European Economic Community have indicated their intention to participate in meaningful tariff negotiations. Canada will participate in these important negotiations and we trust that no

trading country with a contribution to make will be absent from the negotiating table. Committee One has recommended rules for the negotiations and we shall be discussing the Committee's proposals during the Session. We wish to see these rules as simple and flexible as possible and believe that they should be based largely on those accepted for previous negotiations which have proved their worth in practical terms.

In Committee Two, consultations with individual Contracting Parties in the field of agriculture are continuing. When this process has been completed, it will be important to follow through. The emerging picture is one of widespread agricultural protectionism significantly interfering with the flow of trade. No one can realistically expect that national measures to support agriculture will be eliminated. For many reasons, social, political and economic, this is not possible. On the other hand, collectively we should be prepared to examine whether significant downward adjustments in the level of agricultural supports and the lowering of tariff and non-tariff barriers to trade in agricultural products are not possible and desirable both from the trade and domestic points of views. The vast array of impediments to trade in agricultural products stands out clearly as one of the areas to which the Contracting Parties must now address themselves.

Another area warranting the close attention of the Contracting Parties is the export trade of the less-developed countries. The desirability of greater stability in raw material markets has been widely recognized both as a trade matter and as it relates to the financing of development in the materially less-advanced areas. I am convinced that the best contribution which the industrialized countries can make in this field lies in the steady expansion of their economies, which will be reflected in orderly and growing demand for basic raw materials. International commodity arrangements have their place but are not the whole answer. Some commodities lend themselves to international marketing agreements, but others do not. Canada is a member of the International Agreements on Wheat, Sugar and Tin. We remain ready to examine individual commodity situations to see whether there is additional scope for arrangements of this kind which will take fully into account the interests of both producers and consumers.

But the interests of many of the less-developed countries are no longer related simply to trade in foodstuffs. Some of them in fulfillment of their aspirations to diversify their economies are emerging as competitive suppliers of manufactures goods and this is to be expected as their economies are developed. Contracting Parties must recognize this dynamic change and adjust to it. But the adjustment should be orderly, so that the sudden disruption of established industry in other countries is avoided. It would seem the wise and more forward-looking course for the highly industrialized countries to approach

the problem of low-cost industrial competition in a positive manner and with a view to finding a solution which will allow these exports to find an appropriate place in world markets. Similarly, the new suppliers should be prepared to take measures which would permit them to increase their exports without disrupting the internal markets of the importing countries. Orderly adjustment to the new pattern will require the cooperation of exporting and importing countries alike and there is reason to believe that solutions can best be found through the GATT, where most trading countries are represented. Bilateral arrangements cannot provide complete answers to these problems.

I have spoken of some of the problems of the future, but there are a number of current matters to which I would like to direct attention. It will come as no surprise if I refer first to the question of restrictions and discrimination. Since the Ministerial Meeting last October events have moved fast and in a most desirable directions. The introductions of convertibility for the world's main trading currencies, reflecting as it does the basic strength of the countries concerned, has created circumstances making possible the achievement of non-discrimination in world trade. Most countries now finance all or most of their trade in convertible currencies. The International Monetary Fund, in an important decision last week, has given formal recognition to the requirements of the current payments situation. We must now take full account of this decision in our work in GATT. We must make sure that the vestiges of quota discrimination are eliminated so that each of us may truly enjoy the benefits of most-favoured nation treatment in the markets of the others. We welcome the substantial progress that has been made in dismantling restrictions and eliminating discriminations, but much still remains to be done. Now that the payments justification for discrimination has disappeared, we must ensure here in the GATT that discrimination in the trade field is not perpetuated under any other guise. We must also ensure that restrictions are only maintained in circumstances where they are fully justified by the payments position of the country concerned. If restrictions and discrimination are used when they are no longer justified, a severe strain would be placed on trade relations between countries. We must take care to avoid unnecessary strains of this kind.

At this Session we shall again be considering the question of German import restrictions, this time within the framework of the waiver negotiated at the Fourteenth Session. We hope that Germany will proceed to dismantle its remaining restrictions more quickly than envisaged under the waiver. We look forward to examining the non-discriminatory administration of Germany's present quotas as required under Article XIII. We look forward also to reviewing the possibilities which exist for increased access to German markets for products still under restriction particularly in the field of agriculture.

The Canadian Delegation considers that another important task at this Session will be to discuss the European Common Market.

I wish to reiterate our sympathy for and understanding of the broad political and economic objectives of the Rome Treaty. We are well aware of the benefit and advantage that could flow for the trading world from a stronger and more prosperous EEC. We believe, however, that these benefits can only be realized if the policies pursued by the six are such as to strengthen and not impair commerce between the member countries and the rest of the world, consistently with the requirements of the General Agreement.

I understand that, by the end of this year, the Common Market countries expect to be in a position to give other Contracting Parties complete information concerning their proposed common tariff. Our next session will no doubt provide an opportunity to discuss and examine the level of this tariff and to make any recommendations that may be necessary. I feel certain that the Common Market countries will take fully into account their tariff obligations under the agreements and will wish to demonstrate their interest in expanding world economy by setting the common rates of duty at levels that will encourage trade with the outside countries. This is particularly important for Canada in the field of raw materials, many of which are on list "G", the tariffs for which as yet remain undecided. In a sense, the decisions of the six on the list "G" items will be a test of their intentions. Do they, as major manufacturers and exporters, wish to take advantage of world availability and world prices for necessary raw materials or do they prefer to insulate themselves to varying degrees from the world markets and to protect limited local productions without adequate regard to the higher economic costs involved? The world awaits the answer.

We are looking forward also to hearing from the Six about the common agricultural policy which is to be adopted by Common Market countries. This is a matter of major concern to many Contracting Parties. The policies of the Six in this field are being developed at a moment when, in Committee Two, the Contracting Parties are addressing themselves to the fundamental problems which arise in agricultural trade. Although the Rome Treaty spells out certain principles and methods, the contracting Parties have not, to date, had sufficient information to enable them to appreciate fully what is intended and what the implications will be for outside countries. I should like, here, to remind the Six of the necessity of avoiding a restrictive policy in this field, and to take into account fully the major trading interests of other countries. I assume that as soon as the plans of the Six in the agricultural field have been developed an opportunity will be provided for the contracting parties to review the proposed arrangements in the light of GATT objectives and principles and the requirements of Article XXIV. To permit a timely and expeditious review, various procedures can be considered in the GATT, but there should be no unwarranted delay. There is also the outstanding question of the association of the overseas territories of the Six with the Common Market. We have welcomed the opportunity which the consultations under Article XXII have provided to place before the Six

the concerns to which the proposed Association gives rise, particularly, but not exclusively, for the under-developed countries. It is not enough to think only in terms of mitigating damage when it occurs. Statesmanship requires consideration of measures to avoid unnecessary damage before it arises.

The Treaty of Rome is a fact of life and its provisions hold great hope for the future. To the extent that it poses problems for outside countries in the trade field, solutions must be found which will prejudice neither the legitimate objectives of the Six nor the Multilateral objectives of the Contracting Parties as a whole. I am confident that, given goodwill on both sides, common and fertile ground can be found. We have already heard a preliminary report on the proposed Convention for a Free Trade Association between the United Kingdom, the Scandinavian countries, Switzerland, Austria and Portugal, and we may be given further information later in the meeting. This new grouping, like the European Common Market, must, at the appropriate time, be examined by the Contracting Parties. The sooner the Contracting Parties can be informed of what is planned, the sooner it will be possible to form judgments and make any necessary recommendations. As in the case of the Rome Treaty, Canada is prepared to examine these proposals judiciously and sympathetically. We shall have to satisfy ourselves that what is proposed will conform with the objectives and principles of the GATT and in particular with the requirements of the relevant Articles of the Agreement.

... I have listened carefully to the statements made by Ministers and Heads of Delegations who have so far spoken. When I return to Ottawa, I shall be reporting to the Canadian Government on the many important points which have emerged. More than ever I am convinced of the need for maximum cooperation in the field of international trade and of the importance to this end of maintaining and strengthening the GATT. It is at Ministerial Sessions such as these that we are able to take stock and to chart the way ahead. Trade relations and political relations go hand in hand. We must ensure that trade continues to provide a beneficial link between our many countries. We must take care that through lack of foresight or understanding it is not permitted to become a divisive force between nations.

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