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THE GENERAL AGREEMENT ON TARIFFS AND TRADE

An address by the Minister of Trade and Commerce, Mr. C.D. Howe, made to the eighth session of the Contracting Parties to the General Agreement on Tariffs and Trade, at Geneva, September 18, 1953.

I wish to say a few words on behalf of the Canadian delegation. It gives me great pleasure to be here again today. This is my second appearance at a session of the contracting parties to the General Agreement on Tariffs and Trade, although this is the eighth session of the contracting parties. I look forward to more regular attendance in the future.

Our main task at this session is to ensure continued progress in the development of mutually advantageous trade among the nations of the world. I sincerely trust that we shall not be diverted from this task by other matters, which, however important they may be, are subsidiary to the main purpose. I would go further and express the hope that our deliberations will be inspired by a measure of that spirit of urgency and enthusiasm which gave birth to this great experiment in multilateral trading relationships.

It is common in my country, as it probably is in some of yours, to blame trade difficulties on the General Agreement. This is perhaps natural, because those who feel that their interests are adversely affected by the General Agreement are inclined to be more vocal than those who benefit. When trade developments are adverse, those affected blame the General Agreement; when trade improves those benefitting take the credit for themselves. While we all know that the GATT is an imperfect document, that improvement is possible and we all hope that steps towards improvement will not be too long delayed, I am convinced that, without the General Agreement, the dislocations resulting from the Second World War would have been much more persistent. I believe that all those associated with bringing the General Agreement into being must feel a sense of satisfaction in the accomplishments to date.

I do not intend, to express at this time the views of my Government on all of the important items of business arising at this session. I do wish, however, to refer to some matters related to the agenda, which I believe to be particularly important for the future.

I count myself amongst the supporters of the General Agreement on Tariffs and Trade. It is not a perfect instrument, for there are deficiencies and weaknesses in its provisions. It was drafted in troubled times, at the end of the war, as a temporary measure. Some of its important provisions represent only the common ground which could be reached, at that time, between different points of view. In spite of such a modest

beginning, however, this General Agreement has served the participating governments far better than might have been expected. Whatever its shortcomings, it does provide the best basis thus far attained for the successful and efficient conduct of world trade. Under this Agreement, governments have consulted one another on matters of trade, tariffs have been reduced, and fair trade practices have been established. While there are different viewpoints as to what we should do next, I do not suppose any responsible person wishes seriously to propose that we abolish or weaken the structure of international trade arrangements, which has thus been built up.

Some of the outstanding successes of an international agreement of this sort must go almost unnoticed, while undue attention is often paid to the failures. Although we cannot count the number of trade problems which have been successfully overcome by the influence of this General Agreement, we can at least recognize that the cases are numerous, and that a great service has been rendered to the cause of world trade.

I must now go on to express disappointment at some of the failures of the General Agreement, but in doing this I do not want to detract in any way from its accomplishments, to which I have already referred. There are reasons for disappointment. World trade is still being hampered by quantitative restrictions. That these are widespread is, on the fact of it, an indictment of this Agreement.

If we inquire into this situation, we find that the facts of international trade in the past six years have turned out to be very different from those that were anticipated by different countries when these commitments were entered into. Hard currency countries are dissatisfied that their tariffs have been reduced, and bound, while they have not enjoyed the corresponding freedom of access to markets in soft currency countries, which they expected when this Agreement was negotiated. At times, the question has been raised whether countries in external financial difficulties were adopting measures of policy appropriate to their circumstances. While the General Agreement contains escape clauses for countries which are in difficulties with their balances of payments, it is doubtful whether adequate consideration has been given to the best means of overcoming such difficulties.

On the other hand, many soft currency countries have encountered problems in excess of anything they anticipated at the end of the war. There have been complaints that, under this Agreement, much of the responsibility for the adjustment of world-wide difficulties is placed upon the shoulders of the weakest countries. It is claimed that the responsibilities of creditor countries should be more clearly defined.

The fact that criticisms are being expressed, from these divergent points of view, make me think it would be in the interests of all concerned to undertake a constructive re-examination of this whole Agreement. The time is clearly approaching for the general review of the General Agreement on Tariffs and Trade, which is envisaged in Article XXIX. The question is, when can this advantageously be undertaken? In addition to taking a fresh look at the basic provisions of the Agreement, we may well wish to provide for further multilateral tariff negotiations, connected with the accession of new governments. At the same time, an opportunity should be afforded to existing Contracting Parties, to carry on such negotiations amongst themselves as may be required.

When these major tasks are undertaken, constructive thought must, of course, be given to the best methods of rectifying the problems of deficit countries, so that they can participate in trade on the basis of the principles of this Agreement. The basic question will be, what policies are most in the interests of world trade and of the countries which participate in it? In answering this question, it will be necessary to give careful consideration to the responsibilities of creditor countries, as well as of debtors, and to reach understandings on this score.

It must be recognized that these large problems of trade and commercial policy can only be dealt with satisfactorily in circumstances where the governments concerned, and particularly the governments of the larger countries, have reached some conclusions on where they are going, not only in trade policy but in the field of international finance and payments as well. During the past year, proposals have been put forward, aimed at the achievement of progressively freer trade, and at the convertibility of currencies. While the urgency is very great, a good deal of time is necessarily involved in the consideration of these proposals, because some of them are broad in scope and complex in their details.

Meanwhile several governments, and particularly the Government of the United Kingdom, have moved courageously ahead with policies which bring ultimate convertibility much more firmly within the range of possibility. During a period of great difficulty for sterling, the United Kingdom Government instituted a policy of placing imports of primary foodstuffs and basic raw materials on a system of open general licence, a system in other words, of non-discriminatory import control. Since then, great progress has been made in improving the financial position of the United Kingdom and the position of sterling as a currency. If I may be permitted to make a comment, as an outsider, I believe at least some part of this notable success is attributable to these policies I have mentioned, which reduce the costs of production and increase the efficiency of industries. Other countries, which have been pursuing restrictive policies, are showing an increasing amount of interest in what the United Kingdom is attempting to do in this way. I think it clear that, if world trade can be conducted on a non-discriminatory basis for a sufficient number of important commodities, it should be quite possible to take the other steps necessary for the eventual restoration of the convertibility of currencies.

Turning to the United States, an important commission has recently been appointed in that country to study all aspects of foreign economic policy. It is obvious that proposals such as those emerging from the Commonwealth Conference are now in abeyance, pending the further formulation of policy by the Government of the United States. The conclusions of the United States Government on these questions are of crucial importance for other countries. I feel sure that the ultimate purposes of the United States are constructive in this broad field and I have no doubt that people in the United States are as aware as any in the world of their international responsibilities.

In various governments, studies are being made, conclusions are being formulated and informal consultations are undoubtedly taking place. This takes time but such work is a necessary part of the process. The Contracting Parties to the General Agreement on Tariffs and Trade will not, therefore, for some months to come, be in the best possible position to conduct the negotiations to which I referred. We have not yet reached that stage. When we do reach it, however, it will be important not to lose time.

In the meantime, my Government believes that the most important question to be faced at the present session is, what to do about the tariff schedules when the period of their assured life expires at the end of this year? In the existing situation, it seems to me that the schedules should be re-bound for a definite period. This period should be as short as possible and still provide enough time for the necessary arrangements to be made. We might consider a period of a year, to extend until the end of 1954.

In the present circumstances, it seems unwise to permit Article XXVIII to be used on a wide-spread basis, because there is no telling how far the withdrawals might go. As long as it is known that negotiations are being arranged for the latter part of 1954, it should not be too difficult for the governments concerned to re-bind the existing schedules until then. If any such re-binding is to be effective and acceptable, however, there must be no major withdrawals or impairments of the Agreement in the meantime, by any of those concerned. In the broad interests of our export trade in Canada, I believe we can do this, provided other countries will do the same.

I am not sure whether the problems confronted at this session are more difficult than those which were faced two years ago, when I attended the sixth session. There is no doubt that our present problems are of great importance. The opportunities in the next year for constructive progress are equally great.

Two years ago, bilateralism was probably more of a threat to the ideas of the General Agreement than it is today. In the meantime, more people have learned through experience that restrictive trade policies create problems rather than solve them, and that they lead to high costs and inefficiency. There is a tendency, among some of the financially weaker countries, to wonder whether they have been well served by their own restrictions. Two years ago, the threat of economic regionalism was probably more in people's minds than it is today. In various parts of the world, ideas have arisen from time to time about escaping from world-wide problems by organizing a restrictive trading system among a few countries and erecting barriers against outsiders. Small groups of countries cannot really live in self-sufficiency or in splendid solitude in today's world, however, and most of the advocates of regional blocs have had to come up against the inescapable facts of the world situation.

There is an opportunity at present to consolidate our past accomplishments and to prepare ourselves to meet the future. It is possible that new opportunities may arise, next year, for the Contracting Parties to take new initiatives in the development of multilateral world trade. The task of reconstruction of the international trading world is a very large one and it cannot all be done at once. It can only be done through sustained efforts of international co-operation and much has already been achieved. I hope that we shall be in a position to take full advantage of further opportunities when they do arise.

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