



STATEMENTS AND SPEECHES

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No. 54/58 THE GENERAL AGREEMENT ON TARIFFS AND TRADE

An address by the Minister of Trade and Commerce, Mr. C.D. Howe, at a meeting of the Contracting Parties to the General Agreement on Tariffs and Trade, at Geneva, December 6, 1954.

It is a great pleasure for me to attend again a Session of the Contracting Parties. I have been interested in the development of the General Agreement on Tariffs and Trade since its early days. I count myself as one of its consistent supporters. The Canadian Government regards this agreement as an effective instrument for the promotion of world trade and the furtherance of our common economic objectives.

I have come here to consult with my own delegation and to study the issues of this conference at first-hand. I am grateful for the opportunity of addressing the Contracting Parties while I am here. You had a number of ministerial representatives in attendance earlier in the conference. By their standard, I am a late arrival. I was sorry to miss seeing them, because most of them are close friends.

My official duties were such that I had no choice but to come at this time. I am very interested in being here at this stage, however, when the real problems are emerging and the negotiations are beginning to take shape. Perhaps I should add, Mr. Chairman, that I have always been curious to find out why our Canadian representatives must spend such a long time at these GATT conferences. Possibly I shall now be able to reach some conclusions on this subject.

This is the most important session of the Contracting Parties since the General Agreement was first drafted. Our agreement has served the cause of world trade during seven years of severe and widespread difficulties. In spite of this, it is encouraging to reflect on the extent to which this Review Session of the General Agreement is a review of successes rather than failures.

Under GATT, world tariffs have been reduced and stabilized. Most-favoured-nation treatment has been generalized and extended to all our members. A common code of commercial conduct has been formulated, with increasing clarity and with increasing acceptance throughout the trading world.

We must face the fact that import restrictions, and other barriers to trade, are, unfortunately, still prevalent. A good deal has been done through the Contracting Parties, however, to limit the scope and the effects of such restrictions, in ways which would not otherwise have been possible. Most important of all, an international forum has been created, in which trading nations can meet to discuss their problems and to resolve difficulties. If there were no General Agreement on Tariffs and Trade, I am sure the governments of the countries represented here would be impelled to create one.

The past record provides evidence, therefore, that it is essential to continue the GATT into the future and to strengthen it. We must consolidate our gains and arm ourselves, jointly, to cope with the problems which are certain to arise. We must ensure that our agreement is well designed for this purpose. None of us will be able, of course, to achieve all of the objectives we have in mind, because our short-term interests are not in all cases identical. Personally, I believe we shall achieve a healthier pattern of international trade, because of the checks and balances which we impose upon one another, than would be the case if each of our governments were free to go its own way. Each country must adapt its commercial policies, to some considerable extent, to the needs of its trading partners.

I suppose that all of the governments represented here are tempted, from time to time, to pursue two goals which are self-contradictory: unrestricted access to the markets of others, combined with freedom to keep out imports. We all know that such a policy would not be in the economic interests of any government, even if it could be carried out; but the temptation is there. The Canadian Government is concerned at all times with formulating a trade policy which is in our own national interests, and which is responsive at the same time to the legitimate needs of our friends elsewhere. It is my experience that these dual considerations are seldom in basic conflict with one another, and never for very long periods of time.

Each of our governments, therefore, must seek to understand the problems, the policies and the aspirations of the others. We are in search of joint solutions, formulated in common. At this Review Session, we must decide what are the next steps to be taken in the development of the General Agreement. None of us expect any complex formulation to be produced, and accepted, which is capable of solving all of our problems at one stroke. We can try, however, and we must try, to ensure that we do the important things first.

Many of us are already in agreement that the greatest single task of this Session is to provide for new rules of trade, which will limit the use of quantitative import restrictions, and which will eliminate discriminatory trade restrictions. There is a close connection between the elimination of discriminatory restrictions and the

achievement, at the right time, of convertibility of the major currencies. My Government has been encouraged by the progress towards freer trade and payments in many countries. Restrictions have been relaxed in many instances and trade discrimination has been reduced. Countries which have turned to these more liberal policies have thereby strengthened themselves. Because success breeds success, this movement is continually building up momentum.

Support is being given at this Session to a set of related proposals to carry forward the liberalization of world trade. As a forthright expression of governmental policies, the Canadian Government is sponsoring and supporting proposals along these lines. Our Government attributes importance to the obligation of countries to dismantle restrictions as quickly as possible. The time is ripe for a new attack on the problem of quantitative restrictions. When we examine the trade and financial relationships of the major trading countries, we realize that the conditions are propitious. There can be little doubt as to where our collective interest lies.

Quantitative trade restrictions, imposed for balance of payments reasons, should become the exception in the future rather than the rule. The application of quantitative restrictions should be more closely examined by the Contracting Parties, and their duration more clearly limited, than is possible under the present GATT rules.

My delegation is very happy to see the amount of support which exists for the attainment of these objectives. As long as discriminatory trade measures persist, everyone is being hurt by them. The people who are hurt most are in the countries which impose them, because of the highest prices they pay for imports.

I fully realize that there are some delegations at this Conference, particularly from Asia and Latin America, to whom these objectives may appear overly ambitious in present circumstances. Each country will find that its own situation will be improved, however, when we have achieved convertibility of the major currencies and the dismantling of trade restrictions on the part of the major trading countries. The other problems, which today appear difficult, will then be much easier to solve. From this point of view, I would ask each of these delegations, to which I have referred, to consider how far its government can participate in this common effort.

None of us are much inclined to question the financial necessities of the post-war world, which led to the widespread imposition of import restrictions. There was a severe shortage of production and of purchasing power. There was so much disruption after the war, that these measures of emergency first-aid became imperative. With the general improvement of economic conditions,

however, most of these measures have outgrown their usefulness, and their original necessity. Our primary objective should be to complete the task of dismantling restrictions. This is the pre-condition of establishing world trade and the world economy on a secure and prosperous basis.

Each of our governments wishes to improve standards of living, to develop material resources and to live in harmony with its neighbours. None of us can afford to live in a world which is economically divided, now that better arrangements have become possible.

Having spoken of quantitative restrictions, I should refer also to export subsidies. Just as quantitative restrictions disrupt trade, so do export subsidies disrupt trade. Both types of measures tend to distort trade from its normal and efficient patterns. When countries apply export subsidies, there is always a danger that they will take export business away from someone else. Such policies are uneconomic, to say the least, and they lead to a great deal of friction between governments. Export subsidies are also subject to the criticism, which I understand has been expressed by several delegations, that only wealthy countries can afford to employ them on a large scale. My delegation hopes that a satisfactory agreement can be reached on this matter.

Another major objective of this Review Session is to provide continuing arrangements with regard to tariffs. This is the field in which the accomplishments of the Contracting Parties have been the greatest, and in which our techniques of work have been the most highly developed. In successive rounds of international negotiations, tariffs have been reduced, and they have been contractually bound in GATT schedules at these reduced levels. Opportunities will again arise to effect reductions in world tariffs, and the Contracting Parties should be prepared to take advantage of them. The Canadian Government will be interested in studying any proposals for mutually advantageous negotiations in the future, in the light of the balance of the agreement, as it exists at that time.

While on the subject of tariffs, I want to say just a word about preferences. My Government has no intention of wholesale abandonment of existing preferences. In our view, preferential margins, like tariffs, should continue to be subject to reduction through the normal processes of negotiations. Any increases of preferences would, of course, be contrary to the principles of the General Agreement. On this matter, the position of the Canadian Government has not changed and we would not wish to see any change in the agreement.

The immediate task is to ensure the status of the tariff items which are now bound in the GATT schedules. It is now seven years since the first major round of tariff negotiations,

which took place here in Geneva in 1947. This is a considerable period of time. My delegation recognizes, with others, that we must provide in an orderly way for the readjustment of individual tariff items, from time to time, as special circumstances arise. It is of crucial importance, however, to avoid a situation in which the governments concerned might make widespread and substantial withdrawals of tariff concessions from one another. In that direction would lie trade wars, which it is one of the central purposes of the GATT to avoid. I was happy to see, from the opening speeches of this Session, that most governments share this view.

On a closely related subject, it is important that individual governments, by their own actions, should observe all of their GATT-commitments, which are designed to safeguard the integrity of tariff concessions. There is an increasing tendency for governments to adopt seemingly minor measures of evasion and this tendency should be checked. Through measures of taxation, for example, governments can sometimes frustrate the intent of tariff agreements. It is to be hoped that the Contracting Parties will devote careful attention to this problem.

A further task of this Review Session is to strengthen the organization arrangements, which provide for the administration of the General Agreement. Most of the Contracting Parties to the GATT are also members of the International Monetary Fund, which deals with international financial matters. We need a similar organization, equal in status to the International Monetary Fund, to deal with international trade and tariff matters. This organization should not be too large but it should aspire to a high level of competence in its field.

My delegation shares the prevalent view that the Contracting Parties have outgrown their present administrative arrangements. Our periodic Sessions are already becoming insufficient to cope with the flow of problems. Our general conferences should be supplemented by a representative executive committee, capable of meeting frequently and at short notice. In the new conditions to which we are looking forward, there will be a continuing need for the new GATT organization to move quickly and effectively into problem situations, as these arise, with services of consultation and arbitration. This in itself points to the need for improvements in organizational arrangements.

My delegation shares the respect in which we all hold the Executive Secretary and his associates. They have performed valiant services during difficult times. We appreciate the fact that this has been done on an exceptionally low budget, in comparison with other international organizations. This is a matter of real significance to our taxpayers. To meet

new needs, however, we can envisage an expanded secretariat.

At this Review Session, I must stress the importance of each of our governments being willing to submit its trade measures to the scrutiny and to the rules of the Contracting Parties. Our internationally agreed principles will not work in practice if individual governments attempt to withhold large areas of their trading policies from the scope of the General Agreement. Various proposals are on the table, at the present time, which indicate that some delegations regard some of their trading problems as too difficult to subject them to our agreed rules. I do not intend to intervene in the details of negotiations which are at present in progress, but I cannot let this subject go unmentioned. The General Agreement will be seriously undermined, if individual Contracting Parties insist upon important reservations. Proposals of this kind are particularly disturbing in the field of agricultural trade, upon which depends the livelihood of so many countries. Trade in agricultural products accounts for too large a proportion of world trade to expect that the General Agreement can function effectively without exercising its principles in this field. The balance of mutual advantages represented by the concessions set forth in the General Agreement would be too much upset by such changes. It is the earnest hope of my Government that mutually satisfactory solutions can be reached on this subject.

The continuation of the General Agreement is, of course, not at stake at this Review Session. Most of the Contracting Parties have declared themselves in favour of strengthening it. Let us face the fact, however, that the agreement would become ineffective if individual governments were to insist upon pursuing a purely selfish course. It is worthwhile, therefore, to reflect on where we would be without this agreement. If there were no GATT, we would be certain to have a great deal of conflict on trade matters, between the major trading countries. For lack of agreed rules, and for lack of a forum in which to resolve disputes, difficulties would become enhanced and all of those involved would pay a heavy price. In questions of international trade, smaller countries might lack any effective voice at all.

It is a great tribute to the development of international co-operation, that all of our delegations meet here as equals. When we look around this room, we see a chair at the table for one representative of each country. When our proceedings require a vote to be taken, each country casts just one vote.

If the General Agreement on Tariffs and Trade were to disappear, or if it were to be seriously weakened, our world-wide multilateral arrangements would dissolve, into regional blocs and currency groupings. Economic development would become more difficult. Prosperity would be undermined, to the extent that these groups of countries would then clash with each other's essential interests. There would be no effective means of resolving the conflicts.

Regional groups of countries provide a notoriously weak and unstable basis for trade. My delegation would not deny that regional trade arrangements may have served a real purpose, in exceptional circumstances, and for brief periods, when multilateral arrangements have broken down. In the difficult circumstances which have prevailed in Europe, regional arrangements accomplished a good deal in the way of liberalizing trade amongst the countries concerned. All such arrangements, however, finally reach the point where they cease to facilitate progress and, instead, they begin to make further progress difficult.

With few exceptions, there appears to be almost unanimous recognition of the limitations of regional solutions. The countries which now participate in discriminatory regional arrangements are evidently prepared, in most cases, to broaden and merge these arrangements into the multilateral trading world during the period that lies ahead. My delegation welcomes the general interest that is being shown in the strengthening of the rules of trade under GATT. This is, in our view, the most constructive way of dealing with the present situation.

This brings me to the end of my remarks, Mr. Chairman. My delegation will continue to participate in the detailed work of this Review Session with particular emphasis on the broad objectives to which I have referred. If the Contracting Parties can reach constructive conclusions, on the important subjects under review, they will have made a contribution almost beyond the limits of sober appraisal. The Canadian Government, and the general public in Canada, are awaiting with interest the constructive results of this Session. I shall leave here in a few days' time, but I shall continue to keep in very close touch with the progress of your work. If any useful purpose can be served by my returning at a later stage, I shall certainly attempt to do so. I wish to thank the representatives of the Contracting Parties for this opportunity of speaking. In closing, I leave you with my sincere best wishes for successful conclusions to your negotiations and their early termination, which I know you would all welcome.