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GATT ON THE THRESHOLD OF A NEW ECONOMIC ERA

Statement by the Honourable Robert H. Winters,
Minister of Trade and Commerce, to the Ministerial
Session of the Gatt Meeting, Geneva, November 22,
1967.

I think it was Hegel who said that people and governments neither learn from history nor act on the principles deduced from it. The fact that ministers and senior representatives from about 50 countries are meeting here on the twentieth anniversary of the GATT is, I believe, a refutation of this dictum.

We meet following the successful conclusion of the Kennedy Round, to consider a new programme for the expansion of world trade, and thus to lay the basis for a further attack on trade barriers in the years ahead.

For over two decades, governments have worked together, through the GATT and the other international institutions, to raise living-standards, maintain high levels of employment and expand production and trade.

This has been a striking reversal of the autarkic policies of the prewar period and a signal demonstration that the lessons of history have been learned. There is a singular unity of view among historians on one point: the sharp increase in trade barriers and discrimination which marked the prewar period, far from solving problems, only served to impoverish the world. It was the promise of another world - where nations are not rivals in their efforts to grow and prosper but necessary partners -- that gave birth to the GATT, the IMF and the World Bank. These institutions, now joined by UNCTAD, represent landmarks in the development of the multilateral system of trade and payments which is surely one of the major and most solid achievements of postwar international co-operation.

Canada is among the world's foremost trading nations, heavily dependent on international commerce for its prosperity, for the development of its resources and the efficient expansion of its secondary industry. It is an open economy, oriented to the world market. Canada is also one of the middle powers, particularly conscious of the interdependence of nations and of the importance of the "rule of law" in international trade. Canada has thus been a strong and active supporter of the GATT since its inception.

The outstanding contribution of the GATT lies in the establishment of a framework for world trade - firmly based on the MFN principle - which provides and progressively extends the benefits of international specialization through the multilateral reduction of trade barriers. Within this framework, the trading nations of the world have over the years conducted six rounds of trade negotiations, culminating in the Kennedy Round, the largest and most sweeping trade pact in history.

The GATT has led the successful assault on discrimination and on quantitative restrictions. It has established the principle that disagreements between governments on trade matters should be resolved through consultation. It has provided the guide-lines and framework of agreement whereby regional groupings can develop in harmony with the economic interests of the trading world as a whole. By its early recognition of the importance and urgency of the trade problems of less-developed countries and the action taken on various fronts to deal with these problems, the GATT has shown its flexibility and capacity for continued growth....

The Kennedy Round has been, so far, the crowning achievement of the GATT; but this is not the end of the road - far from it.

An immediate priority for all of us is to secure full and effective implementation of the extensive results negotiated. While the generality of tariff commitments made in the Kennedy Round is, by and large, to go into effect automatically over the next four years, there are three major issues on which early positive decisions will be required by various countries.

One is ratification by the legislative bodies in various countries of the International Grains Arrangement. This Arrangement will, on July 1, open a new era of co-operation and stability in world grain trade, of benefit to both exporters and importers. It will create a new multilateral food-aid plan of special significance to the less-developed world.

A second priority is the elimination by the United States of the American selling-price valuation system on chemicals, which will mark a major and welcome step in placing world trade in this sector on a more normal competitive basis. This pioneer effort in dismantling non-tariff barriers sets a valuable precedent for tackling the vexing problems in this area.

The third is the implementation by July 1, 1968, of the International Convention on the Application of Anti-dumping Duties.

The Canadian Government has already announced its schedule for implementing the tariff concessions it made in Geneva, certain of which, particularly on tropical products, will go into effect in one step on January 1, 1968. The Government is currently consulting with business and labour, in preparation for translating the new anti-dumping code into Canadian law by July 1 of next year. Canada signed the Wheat Trade Convention and the Food Aid Convention on November 2.

Failure to implement these important elements of the Geneva agreements could not only jeopardizes the Kennedy Round results but seriously damages the

prospects for further trade liberalization. In this regard Canada has been concerned about the current protectionist pressures in some countries. The Canadian Government has welcomed the announcement of the President of the United States that everything possible will be done to ensure that such pressures in the U.S. do not succeed. The leadership and initiatives of the U.S. throughout the last two decades, notably in the Kennedy Round, have been recognized by the leading trading nations. It will be important in the future, as in the past, that United States trade policy be a progressive and positive factor in the continuing task of dismantling trade barriers.

I wish now to refer to the main purpose of this meeting - prospects for the years ahead. I recognize that it is unrealistic to envisage any major new initiatives in the immediate future - governments, business and labour must be given a chance to adapt effectively to the new situation flowing from the Kennedy Round. On the other hand, there is no marking-time in the field of international trade -- there is either progress or regress.

I should like to propose that the governments here represented take this opportunity to reaffirm their basic policy commitment to the cause of freer multilateral trade and their determination to ensure that the impetus to trade liberalization given by the Kennedy Round is maintained. To this end, broad directives should now be established for a future work programme in GATT, an agenda for future action towards freer trade. The Contracting Parties, working with the Director-General, would thus be in a position to explore, without commitment as to the timing, nature or scope of future trade negotiations, the items which this agenda might contain. The four-year experience of the Kennedy Round showed that intensive and prolonged advance preparation will be required in breaking new ground and that an early start in setting the machinery in motion is essential.

Canada's suggestions for future work of the Contracting Parties might conveniently be grouped under the following headings: Trade and Tariff Negotiations; Non-tariff Barriers; Trade in Agricultural Products; Trade Problems of the Developing Countries and Trade Relations with Countries with Centrally-Planned Economies.

(A) TRADE AND TARIFF NEGOTIATIONS

(i) Trade Liberalization by Sectors

A promising avenue for further trade liberalization on a multilateral basis may lie in the conception of "sectoral" negotiations. This would involve freeing trade not by geographical areas but by important commodity sectors, covering both the primary, semi-processed and manufactured forms of production within that sector, and dealing not only with tariffs but with all governmental and other measures that affect trade in that sector.

It became clear in the Kennedy Round that there are certain sectors which might lend themselves particularly well to this approach. Generally, these are industries characterized by high levels of capital investment, advanced technology, large-scale production and, not infrequently, widely-dispersed international operations. Corporate policies, no less than governmental

measures, can have profound effects on trade in these fields, and the position of multinational corporations is a factor which may need to be taken into account. In addition, attention must be given to those domestic industrial programmes that have similar effects to high tariffs in that they seriously distort the efficient allocation of resources.

This comprehensive sectoral approach would represent a new departure in international negotiations. It would require careful and detailed advance preparation, both in terms of the negotiating rules that should apply and with respect to the identification and selection of commodity sectors that warrant consideration. In the give and take of bargaining, the criteria for determining the balance of advantages between countries flowing from the selection of sectors would be of particular importance and complexity.

We consider, in this context, that the possibility of moving forward on a sectoral basis to "free-up" trade in aluminum and aluminum semi-fabricated products should be positively considered. Other sectors which may merit similar investigations are forest products, nickel, lead and zinc.

(ii) Primary Industrial Materials

The desirability of world free trade in basic industrial commodities should, I believe, also be examined as a matter of high priority. This is an area where much of world trade already moves duty-free but where certain tariffs and restrictions still remain. The GATT should assess the post-Kennedy Round situation in these areas and consider ways and means of achieving world free trade for these commodities where this is not likely to be accomplished through the sectoral approach to which I have already referred. All countries would clearly stand to gain.

(iii) Low Duty Items

Building on the precedent of the recent negotiations, consideration should be given to the elimination of very low, or "nuisance", duties, which serve little protective purpose but which, in practice, have a disproportionate and unnecessarily hampering effect on trade because of the administrative burdens involved.

(iv) Other Tariffs

The GATT work programme should also examine possibilities and appropriate techniques for the future reduction of tariffs in those areas of trade not covered by the proposals already described.

(B) NON-TARIFF BARRIERS

Urgent consideration should also be given to ways and means of reducing the impact of non-tariff barriers. These cover such disparate measures as customs administration, surcharges and prior deposits, import licensing and subsidies, internal taxes, export and technical standards, governmental procurement policies, as well as certain types of corporate policies and practices which may frustrate the intent of tariff agreements.

The Kennedy Round achieved certain important results in this area, but the bulk of non-tariff obstacles to trade remain. Many of these obstacles would presumably be covered in any consideration of free trade by sectors. However, the Canadian Government considers that special attention should be given to the whole field of non-tariff barriers which can be no less effective than tariffs in thwarting the efficient international allocation of resources. Furthermore, as tariffs come down, these non-tariff obstacles will have a correspondingly greater impact on world trade. Indeed governments will need to be alert to resist pressures to increase such barriers.

I urge the Contracting Parties to undertake a detailed study of non-tariff barriers with a view to identifying their effects, examining the possibilities of the removal of such barriers on an international basis, and determining whether means can be found to impede their proliferation.

(C) AGRICULTURE

Canada was a strong supporter of the decision taken in 1963 to work for an improvement in the conditions of access to world markets for agricultural products as part of the Kennedy Round. The International Grains Arrangement, with its food-aid programme, represents a major achievement for exporters and importers, for developed and developing countries alike. There were significant gains for some other agricultural products but, for some basic commodities, including grains, governments pulled back from the difficult decisions on domestic support policies necessary to reduce the obstacles to trade in farm products. In relation to the extent of the problems facing agricultural trade, and to the objectives set out over four years ago, the outcome of the Kennedy Round is disappointing.

The recent negotiations focussed attention on the problems of world trade arising from agricultural protectionism. Most countries have adopted measures to support one or more sectors of their agriculture, to protect them from international competition, and to achieve a greater measure of self-sufficiency. But this has gone too far. Massive protection is not the answer. It is to be remembered that the GATT provides orderly procedures for dealing with cases of serious injury arising from imports on a temporary basis. Canada, like other countries, from time to time also faces such special problems.

Agriculture is a sector of trade relations marked by long-standing "waivers" from GATT obligations, by residual quantitative restrictions, by domestic programmes and devices which, while perhaps conforming to the letter of the law, in practice represent a serious and unjustifiable impediment to trade.

The cost of income support to inefficient producers and the cost of lost markets to efficient producers is an increasing burden on all countries. The significant liberalization of trade in industrial products achieved in the Kennedy Round, as compared with the relatively more modest results in agriculture, can only result in a further widening of the gap between the productivity and incomes in agriculture and in industry. This presents a major challenge to governments, but it is a challenge which must be faced.

While recognizing the special factors affecting production and trade in agricultural products, the Canadian Government considers that new and positive steps must be taken in liberalizing trade in agricultural products. Unless progress can be made in this sector also, trade liberalization in industrial goods will be much more difficult.

(D) TRADE WITH STATE-TRADING COUNTRIES

Canada warmly welcomes the presence of Poland as a full Contracting Party, as well as the attendance of Hungary and Bulgaria as observers.

In the Kennedy Round, Canada strongly supported efforts to establish a new multilateral framework for trade relations with countries with centrally-planned economies. There are opportunities to make further progress on a pragmatic basis with individual countries.

(E) DEVELOPING COUNTRIES

Of particular importance in the future work programme for the GATT will be the expansion of trade of the developing world. Almost ten years ago, the GATT report by a distinguished panel of experts on trends in international trade emphasized that the avoidance of business cycles and the maintenance of a steady rate of domestic growth are the most important contributions which the highly-industrialized countries can make to the rapid economic growth of the LDCs. Nevertheless, it has long been recognized that we cannot rely solely on growth in the industrial world to solve the problems of the developing countries. Vigorous, imaginative and courageous measures, specifically directed to assist these countries, are also essential.

Much has already been done in the GATT in this regard. What further steps can and should the GATT take to meet this growing crisis? This is a time of challenge and decision, reminiscent of the period when the Marshall Plan was launched to deal with another set of urgent issues. I should like to mention some of the trade aspects which could form part of a new plan to assist in overcoming the problems of development.

The most important priority is improved access to the markets of industrialized countries. There is little logic in encouraging development in the LDCs through aid and at the same time imposing barriers against imports of the products that they can produce on a competitive basis.

To this end, the Contracting Parties should examine:

- (1) the possibilities of free trade in tropical products, a proposal which Canada, with some others, put forward in the Kennedy Round;
- (2) the possibilities of further reductions of tariff and non-tariff barriers on products of special interest to developing countries; and
- (3) the possibilities of further action, e.g. through work of the GATT Trade Centre, to assist developing countries to take full advantage of the new opportunities offered by improved access to developed markets as the Kennedy Round results are implemented.

International commodity agreements have an important role to play in improving the trade prospects of developing countries, and international co-operation in this area of work should be continued and intensified.

Recent discussions of trade measures to help the developing countries have centered on the question of a system of temporary generalized tariff preferences extended by all developed countries to all developing countries. It is clear that the Contracting Parties will need to address themselves to any consensus on this matter which may emerge at the UNCTAD Conference. If there is to be some special tariff treatment for exports of developing countries, we must ensure that its impact is equitable and that it does not impede or prejudice movements towards further trade liberalization on a non-discriminatory basis.

The expansion of trade opportunities for the LDCs must continue to go hand-in-hand with sustained high levels of aid.

Reference has been made in other quarters to the growing disparity between the total aid flow from the developed world and the steadily increasing absorptive capacity, as well as the mounting needs of the developing world.

Canada strongly supports, as a first step, the proposals made by World Bank President George Woods that an independent and authoritative group of key personalities should conduct a full-scale review of the last 20 years of aid efforts and performance. This study should assess the current situation, and should recommend a new programme of exceptional action of sufficient scale to deal with the critical aid challenge of the future.

Mr. Chairman, much has been accomplished in the GATT over the past two decades. This in a sense is an anniversary and we all like to make special efforts on such occasions. But any time is a good time to look ahead. We are on the threshold of a new era with new issues, requiring new initiatives. It is up to the governments represented here to ensure that the challenge of the future is successfully met.

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