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Statement of Ambassador Clayton K. Yeutter  
Representative of the United States to the Thirty-  
Second Session of the Contracting Parties to the  
General Agreement on Tariffs and Trade,  
November 22/23, 1976 Geneva, Switzerland

Clayton K. Yeutter

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STATEMENT OF AMBASSADOR CLAYTON K. YEUTTER  
REPRESENTATIVE OF THE UNITED STATES TO THE  
THIRTY-SECOND SESSION OF THE CONTRACTING  
PARTIES TO THE GENERAL AGREEMENT ON  
TARIFFS AND TRADE, NOVEMBER 22/23,  
1976 GENEVA, SWITZERLAND

MR. CHAIRMAN:

IT IS AN HONOR FOR ME TO REPRESENT THE UNITED STATES AT THIS THIRTY-SECOND SESSION OF THE GATT CONTRACTING PARTIES. THE SIGNIFICANCE OF THIS MEETING EXTENDS WELL BEYOND THE SPECIFIC TRADE ISSUES ON THE AGENDA BEFORE US. IT REPRESENTS A CONTINUING EFFORT TO RESOLVE COMMON ECONOMIC PROBLEMS THROUGH INTERNATIONAL COOPERATION. THE IMPORTANCE OF THIS EFFORT SHOULD NOT BE UNDERESTIMATED. WE ALL SHARE A FUNDAMENTAL SELF-INTEREST IN PRESERVING, IN THE FACE OF MAJOR ECONOMIC DIFFICULTIES, AN OPEN TRADING SYSTEM BASED ON COOPERATION UNDER AGREED INTERNATIONAL RULES.

THE PAST YEAR HAS NOT BEEN AN EASY ONE FOR WORLD TRADE AND PROSPECTS FOR THE NEXT ONE GIVE NO CAUSE FOR COMPLACENCY. MOST COUNTRIES, INCLUDING THE UNITED STATES, ARE JUST RECOVERING FROM THE EFFECTS OF THE INTERNATIONAL ECONOMIC RECESSION. THE PROCESS HAS BEEN SLOW AND ERRATIC. THE RECOVERY IS PRECARIOUS, FOR INFLATION STILL THREATENS ALL OF US. THERE ARE NO EASY SOLUTIONS TO OUR COMMON ECONOMIC PROBLEMS. ALL OF THEM REQUIRE PAINFUL ADJUSTMENTS AND A SELF DISCIPLINE THAT IS SOMETIMES DIFFICULT TO MUSTER.

MANY OF THE COUNTRIES REPRESENTED HERE ARE ONCE AGAIN FACED WITH THE POSSIBILITY OF A SEVERE ECONOMIC JOLT THROUGH AN INCREASE IN THE PRICE OF OIL. WE BELIEVE THAT SUCH AN INCREASE IS UNJUSTIFIED. BUT EVEN IF OIL PRICES DO NOT INCREASE, WE FORESEE A CURRENT ACCOUNT SURPLUS IN THE OPEC COUNTRIES OF NEARLY \$50 BILLION IN 1977. THIS, OF COURSE, WILL REQUIRE MAJOR ECONOMIC ADJUSTMENTS. ADD TO THIS THE AGGREGATE DEFICIT WITH OPEC COUNTRIES FOR THE PAST SEVERAL YEARS - SOME \$150 BILLION - AND THE DIMENSIONS OF OUR ECONOMIC PROBLEMS BECOME OBVIOUS.

IN SOME RESPECTS, THE DANGERS ARE NOW MARKEDLY MORE PRONOUNCED THAN BEFORE. SINCE 1974, DEFICITS OF THE OIL IMPORTING COUNTRIES HAVE BEEN SUCCESSFULLY FINANCED IN LARGE PART THROUGH FLEXIBLE AND IMAGINATIVE ACTION BY THE INTERNATIONAL FINANCIAL SYSTEM. PRIVATE SOURCES HAVE BEEN AUGMENTED BY THE IMF OIL AND COMPENSATORY FINANCE FACILITIES AND THE BORROWING NETWORK OF THE EUROPEAN COMMUNITY. UNFORTUNATELY, HOWEVER, MUCH OF THE BORROWING APPEARS TO HAVE BEEN USED TO SUSTAIN AND EXPAND CONSUMPTION RATHER THAN TO CREATE NEW PRODUCTIVE CAPACITY TO SERVICE THE DEBT. MANY COUNTRIES ARE NOW APPROACHING THE LIMITS OF THEIR BORROWING CAPACITIES. AS A RESULT, THEY MUST SOON FACE DIFFICULT ECONOMIC POLICY DECISIONS WHICH HAVE HERETOFORE BEEN POSTPONED.

AS IS INVARIABLY THE CASE, THERE WILL BE RENEWED PRESSURES ON ALL OF US TO SHIFT THE BURDEN OF ADJUSTMENT ABROAD THROUGH IMPORT RESTRICTIONS, EXPORT INCENTIVES, OR BOTH. SUCH POLICIES ARE, OF COURSE, GENERALLY NOT ONLY SHORT-SIGHTED BUT SELF-DEFEATING. ATTEMPTS BY ONE COUNTRY TO REDUCE A PAYMENTS DEFICIT BY TRADE DISTORTING MEASURES WILL ONLY BE REFLECTED IN INCREASED DEFICITS OF OTHER COUNTRIES. THE END RESULT IS A DOWNWARD SPIRAL OF RESTRICTIVE MEASURES AND COUNTERMEASURES.

WE, AS MEMBERS OF THE INTERNATIONAL TRADING COMMUNITY, CANNOT ALLOW THIS TO HAPPEN. TO DATE, WE HAVE BEEN SUCCESSFUL IN KEEPING THE INCIDENCE OF RESTRICTIVE TRADE MEASURES TO A MINIMUM. THE RECORD IN THIS REGARD IS NOT PERFECT. SOME COUNTRIES - INCLUDING THE U.S. - HAVE APPLIED TRADE RESTRICTIONS. HOWEVER, TO DATE THESE ACTIONS HAVE BEEN NARROWLY LIMITED. WE MUST CONTINUE TO MAINTAIN THIS STRONG SENSE OF COMMON PURPOSE. THE COST OF FAILURE WILL BE A REVERSAL OF A 40 YEAR EFFORT TO DEVELOP AND MAINTAIN AN OPEN WORLD TRADING SYSTEM.

THE IMPACT OF RECENT ECONOMIC DISRUPTION HAS NOT FALLEN EVENLY AMONG NATIONS. THE DEVELOPING COUNTRIES, IN PARTICULAR, HAVE BEEN SEVERELY AFFECTED. IT IS NOT ENOUGH FOR THE STRONGER AMONG US TO AVOID RESORT TO DISTORTING TRADE MEASURES AND PIOUSLY URGE OTHERS TO DO LIKEWISE. OURS IS AN AFFIRMATIVE RESPONSIBILITY TO PURSUE SOUND, SUSTAINABLE GROWTH POLICIES. THOUGH THE U.S. ECONOMY HAS LEVELED OFF IN RECENT MONTHS, WE <sup>EXPECT</sup> ~~TRUST~~ THE LULL <sup>TO</sup> ~~WILL~~ BE TEMPORARY. THE RECOVERY TO DATE HAS CLEARLY BENEFITTED OUR TRADING PARTNERS, AS IS EVIDENCED BY THE SWING IN OUR CURRENT ACCOUNT BALANCE FROM A SUBSTANTIAL

SURPLUS IN 1975 TO A LARGE DEFICIT IN 1976. THOSE BENEFITS WILL CONTINUE IN 1977, AND WILL ACCELERATE IF THE ECONOMY IMPROVES FURTHER, AS <sup>ANTICIPATED</sup> ~~IS HOPED~~.

THE GATT IS, OF COURSE, ONLY ONE OF SEVERAL FORA IN WHICH THESE ECONOMIC PROBLEMS ARE BEING, AND WILL CONTINUE TO BE, DISCUSSED. EFFORTS TO SHAPE INTERNATIONAL SOLUTIONS ARE UNDER ACTIVE REVIEW WITHIN THE IMF, THE UNITED NATIONS, THE WORLD BANK, THE COMMISSION ON INTERNATIONAL ECONOMIC COOPERATION, THE OECD AND THE MULTILATERAL TRADE NEGOTIATIONS. THE UNITED STATES HAS SUPPORTED REASONABLE AND RATIONAL INITIATIVES ON ALL FRONTS, AND WILL CONTINUE TO DO SO. I WOULD, HOWEVER, LIKE TO TAKE THIS OCCASION TO FOCUS MORE NARROWLY ON WHAT CAN BE DONE WITHIN THE GATT AND THE MULTILATERAL TRADE NEGOTIATIONS.

ON THE GATT ITSELF, THE BEST CONTRIBUTION THAT WE AS CONTRACTING PARTIES CAN MAKE IS TO CONFER WITH EACH OTHER ABOUT OUR PROBLEMS, AND FIRMLY AND FAIRLY ADMINISTER THE GATT RULES. WE SHOULD NOT BE CONTENT, AS WE ALL TOO OFTEN ARE, TO CONSULT OR ACT IN THE GATT AFTER THE FACT. EACH OF US SHOULD INDIVIDUALLY AND COLLECTIVELY INCREASE OUR EFFORTS TO IDENTIFY POTENTIAL PROBLEMS IN ORDER TO INCREASE OUR FLEXIBILITY IN DEALING WITH ACTUAL PROBLEMS WHEN THEY OCCUR. WE SHOULD, AS A GENERAL RULE, BE PREPARED TO CONSULT WHENEVER POSSIBLE BEFORE WE ACT. IN CASES WHERE EMERGENCY ACTION IS REQUIRED, PRIOR CONSULTATION WILL OBVIOUSLY BE IMPOSSIBLE. BUT EVEN IN SUCH CASES

IT IS ESSENTIAL THAT ACTIONS BE SUBMITTED AS SOON AS POSSIBLE TO THE CONTRACTING PARTIES FOR CONSULTATION AND REVIEW UNDER REGULAR GATT PROCEDURES. WE ARE DISAPPOINTED BY THE RELUCTANCE OF SOME CONTRACTING PARTIES TO NOTIFY THE GATT OF TRADE MEASURES TAKEN AND THE RESISTANCE TO REGULAR REVIEW PROCEDURES.

A SYSTEM OF AGREED RULES CANNOT FUNCTION EFFECTIVELY UNLESS INTERNATIONAL NOTIFICATION, CONSULTATION, AND REVIEW PROCEDURES ARE HONORED. EACH OF US HAS A STAKE IN THIS CONSTRUCTIVE PROCESS.

ONE ENCOURAGING DEVELOPMENT OVER THE PAST YEAR WITH RESPECT TO EFFORTS TO PROMOTE AN OPEN EXCHANGE OF VIEWS ON CURRENT TRADE PROBLEMS HAS BEEN THE MEETINGS OF THE GATT CONSULTATIVE GROUP OF 18. THE OPEN AND FRANK EXCHANGE OF VIEWS THAT HAS TAKEN PLACE AMONG MEMBERS IS IMPRESSIVE IN THESE DAYS OF SENSITIVE INTERNATIONAL RELATIONS. WE HOPE THAT THE CG-18 WILL CONTINUE TO PLAY AN IMPORTANT ROLE IN PROMOTING A BETTER UNDERSTANDING OF TRADE POLICY ISSUES - PARTICULARLY BETWEEN DEVELOPED AND DEVELOPING COUNTRIES.

AS THE UNITED STATES URGES ALL CONTRACTING PARTIES TO BRING THEIR TRADE PROBLEMS TO THE GATT FOR PURPOSES OF INTERNATIONAL CONSULTATIONS AND REVIEW, SO WE URGE ALL COUNTRIES INVOLVED IN THE MULTILATERAL TRADE NEGOTIATIONS TO STEP UP EFFORTS TO REACH A SUCCESSFUL AGREEMENT ON THE SWEEP OF ISSUES UNDER NEGOTIATION.

COUNTRIES PARTICIPATING IN THE MTN HAVE SET AN AMBITIOUS

GOAL FOR THEMSELVES - AGREEMENT BY THE END OF 1977 ON A WIDE VARIETY OF ISSUES DESIGNED TO REDUCE BOTH TARIFF AND NON-TARIFF BARRIERS. TANGIBLE PROGRESS HAS TO DATE BEEN SLOW. THIS IS, IN PART, A FUNCTION OF THE PREVAILING ECONOMIC CLIMATE. AT A TIME WHEN PROTECTIONIST PRESSURES ARE STRONG, IT TAKES A FIRM POLITICAL WILL TO NEGOTIATE ON TRADE BARRIERS. YET THE ECONOMIC BENEFITS OF TRADE LIBERALIZATION HAVE NEVER BEEN MORE SALIENT AND PROGRESS IN THE NEGOTIATIONS IS, OF ITSELF, A COUNTERWEIGHT TO PROTECTIONIST SENTIMENT. A MAXIM OF TRADE POLICY - THAT IT IS IMPOSSIBLE TO STAND STILL - PRESENTS A PERSUASIVE ARGUMENT FOR FORWARD MOVEMENT IN THE MTN. NOTWITHSTANDING OUR PENDING CHANGE IN ADMINISTRATION, THE UNITED STATES STANDS READY TO MOVE QUICKLY AND DECISIVELY OVER THE NEXT YEAR TO MEET THE 1977 DEADLINE. WE HOPE ALL OTHER COUNTRIES WILL JOIN US IN THIS EFFORT.

THE GATT HAS SERVED ITS CONTRACTING PARTIES WELL OVER THE PAST THREE DECADES, AND ALL WHO HAVE BEEN ASSOCIATED WITH IT CAN BE PROUD OF THE PROGRESS THAT HAS BEEN MADE. BUT A MULTITUDE OF CHALLENGES LIE AHEAD. DURING THE NEXT THREE DECADES A DRAMATIC EXPANSION OF INTERNATIONAL TRADE IS INEVITABLE, PARTICULARLY IF WE ARE SUCCESSFUL IN REDUCING BARRIERS TO THAT TRADE. IN ADDITION, TRADING RELATIONSHIPS WILL BECOME INCREASINGLY COMPLEX. THE WEB IN WHICH WE FIND OURSELVES WILL BE MORE AND MORE INTERWOVEN. WITH BOTH MAGNITUDES AND COMPLEXITIES INCREASING, DISPUTES BETWEEN AND AMONG US ARE BOUND TO MULTIPLY. DEALING WITH

THOSE DISPUTES IN A PROPER WAY IS OUR PRINCIPAL CHALLENGE AS CONTRACTING PARTIES.

IT IS IMPERATIVE THAT THE GATT BE A VIABLE AND RESPONSIVE ENTITY IN THE COMING YEARS. TO DEAL EFFECTIVELY WITH THESE CHALLENGES IT MAY BE NECESSARY TO CHANGE SOME OF THE EXISTING RULES, OR TO ALTER THEIR INTERPRETATION OR THE WAY IN WHICH THEY ARE ADMINISTERED. THAT IS THE CARDINAL OBJECTIVE OF THE FRAMEWORK IMPROVEMENT GROUP THAT WAS RECENTLY ESTABLISHED IN THE MTN. WE HOPE THAT IT WILL BE SUCCESSFUL IN ITS ENDEAVORS.

BEYOND THAT, IT IS IMPORTANT THAT ALL NATIONS WHICH ARE TRULY INTERESTED IN A LIBERALIZED INTERNATIONAL TRADING SYSTEM BECOME MEMBERS OF THE GATT. THERE IS NO ALTERNATIVE IF THE GATT IS TO BE TRULY EFFECTIVE, AND IF IT IS TO RESOLVE MULTILATERAL TRADE ISSUES IN A FAIR AND NON-DISCRIMINATORY WAY. THE GATT SHOULD NOT BE A RICH MAN'S CLUB, NOR A POOR MAN'S CLUB. ITS ACTIVITIES SHOULD NEVER BE VIEWED IN AN EAST-WEST CONTEXT, NOR IN A NORTH-SOUTH CONTEXT. IF IT IS TO BE DYNAMIC AND VIABLE, IT MUST BE A TRULY INTERNATIONAL ENTITY DEDICATED TO KEEPING WORLD TRADE ON AN EVEN KEEL.