

FORTIETH SESSION OF THE GATT CONTRACTING PARTIES

Opening Statement by the Chairman  
Ambassador Hans V. Ewerlöf (Sweden)

Geneva, 26 November 1984

First, may I extend a warm welcome to you all as we begin this 40th Session of the GATT CONTRACTING PARTIES. Our task over the coming days is to consider the present situation after the busy and difficult year that has just passed and to look forward to the opportunities and challenges which will face us in the coming twelve months and, perhaps, over a much longer term.

Of course, this Session is only one stage in a continuing process of discussion and negotiation. On the other hand, this session does represent, at least in part, a pivotal point in the work programme set out for us by Ministers in November 1982. It was, in fact, a programme for the 1980s but, two years on, it is incumbent upon us to take stock and to consider if, how and when we can take the process further, moving inevitably to a substantive phase of negotiation.

As we look at the achievements - and, it must be said, the failures - of the past two years, we need to keep the political and economic background to our work very much in mind. The differences of vision that we have seen emerge, as this Session, neared are a product of many different political and economic circumstances. Our ability to accommodate all perceptions, to ensure that benefits of GATT membership are demonstrably enjoyed by every contracting party, is now our greatest challenge.

As 1984 draws to an end, it is satisfying to note that world trade has strongly recovered over the past twelve months. In the first nine months of 1984, the volume of world trade increased by as much as 8½ per cent as compared to the same period in 1983. This was largely the result of a vigorous export performance of a number of developing countries and a rapid export growth - a ten per cent increase over the period - of the industrial countries as a group. In contrast, the export performance of the oil-exporting developing countries, the Eastern trading area and many African countries lagged behind the world-wide growth of trade volume.

Until recently, the vigorous United States recovery was the major, if not the only, driving force behind the recovery of world trade. In the first nine months of 1984, the value of United States imports was about one-third higher than in the first nine months of 1983. This is the highest one-year import jump the United States has recorded in more than three decades. For comparison, during the same period, the value of imports into Europe increased by 5 per cent only. However, there are some indications that import growth in Europe is picking up.

Certainly, a broader base is needed if world trade is to continue expanding at its present pace. It is now clear that growth in the United States economy was fairly weak during the third quarter. Moreover, it is the consensus among economic forecasters that the US economy is entering a more moderate growth path. Yet neither in Europe nor in Japan is economic growth expected to accelerate in 1985. There is little hope, in spite of some revival of import growth in Europe, that the dwindling stimulus from the United States will be fully compensated by vigorous growth elsewhere in the world economy. This prospect is particularly worrisome for the highly indebted developing countries which need rapid export growth to cope with their debt-service problems.

The facts of the present economic situation require us to look deeply at the state of trade policies. The rather stale debate on the failure of the US recovery to be transmitted effectively to Western European and other economies - often depicted only in terms of interest rates, the US budget deficit, or allegedly over-restrictive economic policies elsewhere - has been invigorated by the recent observations of the GATT Secretariat which linked the lack of investment confidence outside the United States with the uncertainties of the trading environment.

Our world today is one in which unemployment - or, more positively, the maintenance and creation of jobs - is constantly at the front of political consciousness, and especially so in the context of protectionist demands upon governments. The idea that stable and secure access to markets helps create the confidence which creates investment which creates jobs may seem simplistic but has basic logic to it. What appears to be a simple equation only illustrates the good sense of the ideas which underly the open-trade system.

Particular food for thought was contained in the final part of the recently-released first chapter of the GATT Secretariat's International Trade Report: the conclusion that we need to revert to the fundamentals of Article I of the General Agreement - non-discrimination in trade policy. The view that actual or potential discriminatory trade restrictions affecting their overseas markets have been a significant cause of the loss of confidence on the part of would-be investors must be recognized. Perhaps we do need to take up the idea of a new and binding commitment to non-discrimination.

Certainly, we can readily agree that the climate of international trade relations is currently very uncomfortable indeed. And we can equally easily agree that we have to improve that climate to make progress. Of course, the record of the past twelve months could have been worse. None of us who know the intensity of the pressures on governments to protect uncompetitive industries can doubt that some very hard battles against such pressures have been fought and won in certain capitals. In some instances - too many - governments have found it impossible to withstand the pressure. Nevertheless, the trading system based upon the General Agreement remains largely in place - battered, perhaps, but still with strong political credibility and support.

Yet, the warning signs are there for all to see. We cannot ignore the conclusions of the Textiles Surveillance Body that the Multi-Fibre Arrangement is being implemented more restrictively than before. We cannot ignore the report presented to the last Special Council meeting which indicated an increase in the number of trade restrictions taken for balance of payments reasons; a larger number of subsidy investigations; an increase in reported voluntary restraint arrangements as well as more countertrade agreements.

Some of us might be surprised that the situation has worsened at a time of relatively encouraging economic news. We all remember the sombre economic backdrop to the GATT Ministerial meeting which, so many of us said, made it impossible then to make concessions in the positive direction of trade liberalization. In retrospect, and inevitably, it was a delusion to believe that, when the economic recovery came, circumstances favourable to trade liberalization would evolve naturally. Even the countries enjoying the best of the recovery have found that the situation is quite different - they are facing renewed not subdued protectionist pressures.

The fact is that the pain, or expected pain of adjustment - for that is the issue always at the bottom of trade policy considerations - is not necessarily less in times of economic growth than in times of recession. Thus, governments, which understand perfectly well the need to support the open trading system in the interests of the world's long-term prosperity, seem perpetually driven to treat adjustment difficulties in ways which distort the international price mechanism and which perpetuate economic rigidities rather than reduce them. Such actions are generally presented as the unavoidable results of exceptional but temporary circumstances. How well we all know that phrase.

In summary then, while trade has improved significantly in the recent past, only if commitments made at high political levels - and they have been made - are translated into action will trade policies actually improve. If this does not happen then the current up-turn in world trade could be short-lived.

The Ministerial Declaration and the work programme was meant to be our prospectus for a more promising future. I think we all regard it with a great deal more affection now than when we put our names to it two years ago.

Our business, for much of this week, is to assess the situation some two years after the Ministerial Declaration and to consider how best to proceed into 1985. Any assessment of our work so far is bound to be subjective. We all had our own particular objectives and aspirations when the programme was agreed in 1982 and we all have differing perceptions of the present state of work as well as of future priorities. I certainly do not believe that we should over-inflate any successes we have had over the past two years. However, I also do not believe that an excessive degree of gloom is in order when we have some decidedly positive developments to report.

It is, perhaps, in the field of agriculture that the last two years have been most profitable. We shall discuss in detail, later, this and other aspects of the work programme. But, at the very least, the proposals can be seen as the outcome of the healthiest, most forthcoming debate on the nature and scale of trade-related policies in the agricultural sector that we have ever experienced in GATT. And I do not believe that the process is going to stop at this point.

Perhaps it is that governments, taxpayers and consumers are finally realizing how much agricultural protectionism and agricultural subsidies are costing them. Certainly, it is becoming transparently obvious just how far out of control many aspects of trade in agriculture have run.

While trade in textiles and clothing can hardly be said to be out of control, it is, nevertheless, a sector in which the high costs of protectionism are becoming more publicly evident. It took the Secretariat report 'Textiles and Clothing in the World Economy', published this summer, to demonstrate in detail what most of us have recognized instinctively or through experience; that protectionism in this sector has been of little benefit to the textiles and clothing industries of the developed countries and of enormous harm to other sectors as well as to the economic prospects of the developing world. The working party set up to pursue the Ministerial mandate has only recently started its work. Nevertheless, it must be encouraging that there is now a wide-ranging discussion of alternatives to the over-managed trading system that has developed in textiles and clothing over the past quarter of a century.

If knowing the extent and variety of a problem is half the battle in solving it, then we can be equally encouraged by the work that has been done in the area of quantitative restrictions and other non-tariff barriers. This is a vast and exceedingly difficult part of the Ministerial remit, yet the group set up for the purpose has been able to put forward a report which contains some challenging proposals provided governments are prepared to accept them in their intent and purpose.

We have the next few days to consider just how solid are the prospects for translating some of these successes, which have created the basis for negotiation, into negotiation itself. We must look also at other areas where we have not had similar success and at those on which we are a long way from agreeing that a problem exists, let alone that negotiation in the GATT is appropriate and possible.

The Chairman of the Council will report on our continuing attempts to achieve a comprehensive agreement on safeguards. This problem is, undoubtedly, fundamental to the urgent need to get the trading system operating more effectively, yet it has defied solution for years. As so-called voluntary restraint arrangements and other market-sharing agreements have proliferated, so the situation has worsened. Gentlemen's agreements to ignore or circumvent the system of rules to which we are committed do not, as is sometimes said, serve to preserve the system itself. In reality, they serve to chip away at the credibility of the system making strict observance of the rules a less and less attractive political option.

We must look too at the state of work relating to the developing countries. While we have seen some comparative success with the major Part IV consultations this year, other aspects of the Ministerial programme which relate to developing countries have made little progress outside fairly comprehensive examination and consultation.

Before ending, I must recognize a certain lack of confidence - in some quarters, at least - in the multilateral system that, up to now, has served us so well. We increasingly hear statements that suggest an impatience with the system so deep that allegiance to it is in question. In particular, we hear the view expressed that while multilateralism is the preferred and wise choice, if it does not provide results then a bilateral alternative is unavoidable. While I understand, to an extent, the evident feeling of frustration, the medicine sounds very much worse than the illness - or to be more medically apt: some of the patients seem to be avoiding the search for a fundamental cure and are looking instead for a witchdoctor.

That said, it must also be recognized that GATT is not, and cannot be, a static, unchanging entity. It has been extending its horizons and refining itself ever since its inception and the process of change cannot stop here. The world changes daily as does the nature of international trade and its problems. This is the institution that, uniquely, has responsibility for administering and evolving a set of binding rules of trade. We are not here to cope with the world trading system of the late 1940s or the 1950s, or 1960s. This is 1984, and we must face up to last half of the 1980s in which the nature of international trade is going to continue the process of change.

I believe that this session of the CONTRACTING PARTIES is going to be about our ability and willingness to live up to the expectations of long-standing - to finally create the conditions in which a rolling back of trade barriers can become a reality. It will also be about our vision of the future, our recognition of the need to cope with new challenges and grasp opportunities to open up the international trading system in the interests of all our CONTRACTING PARTIES. Above all, we must uphold and strengthen the multilateral approach - in bilateralism we can look forward only to further fragmentation of the world economy, less fairness not more in world trade and, ultimately, a reduction in the economic opportunities of all nations.

It has been suggested that 1985 is a window of opportunity - our last chance for a lengthy period to reconstruct and push forward the

horizons of the trading system. I do not think that we should take the apocalyptic view that it is 1985 or never. Nevertheless, I can see both political and economic sense in the idea that 1985 may be propitious.

With these thoughts in mind, may I thank you for your attention, wish us all a constructive and rewarding week, and declare this 40th Session of the CONTRACTING PARTIES formally open.

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