

**PRESS COMMUNIQUÉ**  
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GENERAL AGREEMENT ON TARIFFS  
AND TRADE  
ACCORD GÉNÉRAL SUR LES TARIFS  
DOUANIERS ET LE COMMERCE

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FORTY-FIRST SESSION OF THE GATT CONTRACTING PARTIES

Opening Statement by the Chairman  
Ambassador Felipe Jaramillo (Colombia)

Geneva, 25 November 1985

Ladies and Gentlemen, distinguished delegates, I welcome you most warmly to this, the 41st Session of Contracting Parties. We are all well aware that this year's meeting of the Contracting Parties is a crucially important one and that there is a great deal of hard work ahead of us in the coming days. But we can also resolve to make it an enjoyable and fruitful meeting, in the good traditions of the GATT.

Before turning to the work we have to do, I suggest we should give some thought to the current economic environment. In looking at the performance of the world economy over the past year, I am forced to recognise that in purely economic terms the outlook today is far less encouraging than it was when Ambassador Ewerlöf opened the 1984 Session. We were then approaching the end of a year in which world production increased by 5 1/2 per cent and world trade by 9 per cent, helping to alleviate the economic difficulties of many contracting parties.

Though such rapid growth was unlikely to be sustained as the economic recovery matured, earlier this year forecasters were still expecting only a moderate slow-down in world output growth for 1985, to around 3 to 3 1/2 per cent. This implied a still-satisfactory increase in world trade volume this year of some 5 to 5 1/2 per cent. However, the current

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expectation is that the growth in world output in 1985 will be below that forecast just a few months ago. By September of this year the GATT Secretariat was forecasting trade growth for 1985 of less than 4 per cent, and more recently they have had to scale down even that estimate. The Secretariat now believes that this year's trade volume will be less than 3 per cent above last year's.

One reason for this is that economic growth in the United States, Japan and parts of South-East Asia - which had been the driving force behind the record trade figures in 1984 - has slowed down more than expected. There has been little compensating improvement elsewhere and unemployment in many parts of the world has remained stubbornly high or has grown worse.

Taking a somewhat longer-term view, it is apparent that in the past decade there has been a dramatic change for the worse in the relationship between economic growth and the growth of trade. Comparing the period 1973-1984 with the period 1950-1973, we find a sharp decrease in the responsiveness of world trade to increases in world income. This holds both for total trade and for trade in manufactured goods. In other words, world trade has grown more slowly over the past decade not only because world economic growth has been slower, but also because we are getting less trade growth per unit of economic growth.

This suggests that there has been a serious deterioration in the health of the international trading system. No doubt it has many causes, but it seems clear to me that since 1973, and particularly in the last five years, there has been a definite movement away from the steady liberalisation of trade policies which did so much to promote growth between 1950 and 1973. The present trend is towards protectionism, subsidy and managed trade. I think that we would all agree that our role here in the GATT is to ensure that that tendency is reversed, and reversed quickly.

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Certainly, we have no excuse for being unaware of the most recent trends in trade policy. The valuable six-monthly reports by the Secretariat on developments in the trading system provide unmistakable evidence of the continuing emphasis on managing trade through bilateral and sectoral arrangements, and of increased protection and subsidy in a number of sensitive areas. The most recent report lists ninety-four export restraint arrangements negotiated outside the GATT, many of which have been in place for years. They cover steel, machine tools, automobiles, consumer electronics, footwear, textiles and clothing, and agricultural products among others. The Report outlines new instances of subsidized agricultural export programmes and further recourse to subsidized export credits. It notes, moreover, the difficulties encountered in the area of dispute settlement in GATT.

There have of course been positive developments. The implementation of Tokyo Round tariff cuts has been accelerated, some countries have been able to take unilateral measures to improve access to their markets and very powerful pressures to resort to wholesale protectionism have been resisted. Nevertheless, in summing up the background to our meeting, I would have to conclude that if they were left to run their course, present economic and political trends would be likely to have disastrous consequences. The trading system, which means essentially the GATT, has been seriously undermined in recent years, not just by ill-advised policy measures but also by a growing crisis of confidence in the system itself - a feeling that GATT "is not working". I have no doubt that this feeling has contributed to the growth of bilateralism and market sharing and thus to the threat now overhanging the GATT.

Another serious threat to the GATT has been the possibility that trade policy would be made the scapegoat for failure to solve major problems in other areas - in macro-economic management, in monetary and financial policy and in the crisis of indebtedness. In recent weeks, however, there have been some encouraging developments in these areas. The Group of Five Finance Ministers, meeting in September, gave a welcome demonstration of

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political will to address problems in the monetary field through co-ordinated action. Such action must of course be sustained by necessary adjustments of domestic policies if it is to be effective in the longer term, but we must welcome the fact that a first step has been taken towards correcting major distortions of currency values.

The annual meeting of the International Monetary Fund and World Bank, in Seoul in October, also demonstrated a new determination to bring relief to the debt problem through increased institutional and private bank lending and a more imaginative and constructive approach to external financing generally. Much emphasis was placed on the need of indebted countries to expand their exports sufficiently to meet their debt-servicing commitments and to secure adequate growth. It was noticeable that the communiqué of the Group of Five and those of the Interim and Development Committees each referred positively to the prospect of a new round of trade negotiations in the GATT.

It is therefore more difficult than hitherto to argue that cooperative action in the trade field is made impossible by disarray in related areas of economic policy. Today it may be the inertia of trade policy makers in the face of an impending crisis which gives the greater cause for concern.

GATT's contracting parties have in fact recognised, for several years past, the need for a major cooperative effort to restore the integrity of the GATT system and resume the movement towards liberalisation of trade. The Ministerial Meeting of 1982, and the Work Programme to which it gave rise, were concrete expressions of this awareness. A great deal of valuable work has been done, notably in the committees and groups set up in response to the Ministerial Declaration and in the very thorough clarification of positions and views in the Senior Officials' Group.

But for this work to bear fruit, we now have to move the process a stage further - to the point at which political commitment to renewed liberalisation and to effective disciplines will inspire confidence in

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those whose investments will provide the employment of the future. A further step was taken in September, when the Contracting Parties in Special Session agreed that a preparatory process on the proposed new round of multilateral trade negotiations had been initiated. They then laid upon themselves an obligation to take, at the meeting which is now beginning, the decision whether or not to establish a preparatory committee to prepare the basis for the launching of a new round - a decision which will inevitably have crucial implications for the future of the trading system. The business world will therefore be waiting for the outcome of this Session of the CONTRACTING PARTIES with more attention and concern than for many years past. I hope that through our cooperation this week we shall be able to give a clear and coherent signal that the GATT is capable of dealing effectively with the serious problems which are threatening the trading system and that its member countries recognize how vastly their common interests outweigh their differences.

In your deliberations in the coming days, I ask you to keep three points clearly in mind. First, the international economic situation and the prospects for world trade are deteriorating, not improving. Second, in present circumstances protectionist pressures, from whatever direction they come, are not going to diminish or be easy to fight indefinitely without support from the institution which is the guardian of the open-trading system. Third, 1985 has seen a new willingness to seek co-ordinated and imaginative solutions to problems in the debt and monetary fields. While these actions will, among other things, support the smoother operation of the trading system, they are clearly not a substitute for the badly needed improvements in the trading system itself. It is now time for the Contracting Parties to decide how they can fulfil their own responsibility for the future of the system.

The year 1986 has been declared by the United Nations to be the Year of Peace. Let it be a year of peace in the GATT also - and a year of endeavour and concrete achievement as well. Let us now start our work and continue it throughout the week in a constructive spirit and with the degree of goodwill and co-operation that the world expects of us. I declare open the 41st Session of the Contracting Parties.

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