

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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JAMAICA: STATEMENT BY H.E. AMBASSADOR K.G.A. HILL, C.D.,  
HEAD OF DELEGATION, AT THE MEETING OF THE GATT CONTRACTING PARTIES  
AT MINISTERIAL LEVEL, 15-19 SEPTEMBER 1986, PUNTA DEL ESTE, URUGUAY

We, CONTRACTING PARTIES acting jointly, will launch a New Round of multilateral trade negotiations here in Punta del Este, under your leadership. The delegation of Jamaica joins in the universal expression of congratulations at your unanimous election as Chairman of this important and historic session of the GATT CONTRACTING PARTIES. Your standing as one of the international community's distinguished statesmen is in recognition of your broad experience, your wisdom and your unrivalled negotiating skills. You are truly, el hombre conciliado, the man of consensus. We commend you and your Government for the foresight and vision in hosting this Ministerial session, and express our appreciation for the traditional generous hospitality of the Uruguayan people.

Mexico is GATT's latest contracting party and participates with full rights in this session. My delegation extends a warm welcome to the Mexican delegation.

CONTRACTING PARTIES at Ministerial level, last met in November 1982. On that occasion Jamaica's Deputy Prime Minister and Minister of Foreign Affairs, the Rt. Honourable Hugh Shearer, in his opening remarks stated:

"The decision to convene this Ministerial meeting of the GATT signifies a wide appreciation amongst governments of the critical economic problems facing the international community and the near breakdown in the institutional framework for reconciling trade and related questions".

On several occasions the trade, monetary and financial systems came close to being overwhelmed. The breakdown has been averted in part due to emergency stop-gap measures taken. Thus have we avoided a repetition of the wasteful and cruel social, economic and political consequences which followed the Great Crash of 1929-30.

The central task before CONTRACTING PARTIES is to heal the reverses in the process of development and rekindle output growth. If not there will continue to be deterioration in living standards and to levels of unemployment, economically wasteful as they are socially unacceptable and politically dangerous. The means at our disposal are the reduction of tariffs, the elimination of quantitative restrictions and other obstacles to the expansion of trade, and the enforcement of multilaterally agreed rules and disciplines over an ever larger share of international trade.

Our institution, the GATT, and its charter, the General Agreement, provide us with a ready-made multilateral framework, proven in the heyday of the explosive expansion of the trade, and now tested in the protectionist crucible of the 1970s and 1980s. The GATT remains the multilateral framework for all seasons. Its universal principles will prevail. Its adaptability assures its resilience against adversity.

National economic policies and liberal trade measures which create equitable opportunities for free and fair competition and for the more effective functioning of markets remain indispensable parts of the unique GATT trading system. The Government of Jamaica is committed to fostering and strengthening this system.

Over the past six years these policy measures have set the Jamaican economy on a renewed growth path through inter alia, stimulating and attracting substantially higher levels of investment, especially private investment, increased productivity and efficiency through competition, established an exchange rate system based on market principles and which provide incentives for exports, along with the removal of most quantitative restrictions and other trade liberalization measures. Yet, the resulting significant structural adjustments in the Jamaican economy have not enabled us to increase output and employment at the pace required, largely because of the negative impact of cyclical and structural imbalances in the international economy.

The collapse of commodity prices, the decline in demand due to structural changes and the predilection for protectionism, have played their part in bringing about the worst terms of trade for Latin America taken as a whole. Since 1981, its terms of trade levels on average are comparable to the levels of the 1930s, with no relief in sight.

Liberalization of trade without an improvement in the terms of trade of less-developed contracting parties would at best be an illusory exercise. Without such an improvement it is difficult to stem the continued deterioration in the current account. Even with the reduction of nominal interest rates since 1984 which resulted in some savings, and the substantial surpluses stacked up by a number of Latin American countries, the current account has not improved due to the adverse terms of trade.

Jamaica, like a large number of other less-developed contracting parties dependent on commodity export earnings to finance imports and development programmes, lost hundreds of millions of dollars over this period due to the massive fall in prices and the fall-off in demand for bauxite and alumina. The Government has however pressed ahead with its programme of trade liberalization.

The Ministerial meeting affords an opportunity to address some central issues of the international economy as they relate to the international trading system. These require prompt and undivided attention, if the continuing upheavals in the international trade and financial markets are

to be reversed. I would like on behalf of the Government of Jamaica to set out in summary form some of the main issues as we see them:

1. The adoption of macro-economic policies designed to overcome structural imbalances, including international trade and payments and complementing growth-oriented adjustment programmes is a necessary prerequisite. Those contracting parties which have significant weight in the world economy and thus impart an influence beyond their domestic markets have special responsibility. The United States, the Federal Republic of Germany and its partners in the European Communities, as well as Japan, which together account for over 50 per cent of world trade, and likely in excess of 75 per cent of capital movements through the foreign exchange markets, are such economies in point.
  - Recent forecasts of slower growth particularly in, but not limited to the major economies add a sense of urgency to the need for stimulative measures that would contribute to correct the structural imbalances in the international trade and payments. A judicious blend of investment measures on the supply side and increased aggregate demand, equitably distributed among countries should avoid the worst excesses of the policies which fuelled inflation.
  - All contracting parties, however, must shoulder their share of responsibilities and therefore should commit themselves to adopt economic policies based on liberal economic principles. Domestic rules, regulations and practices should conform to GATT principles designed to achieve mutually advantageous benefits from and non-discriminatory treatment in international trade.
2. Such macro-economic domestic policies should be complemented by international action to reform the international monetary system, focused on achieving some measure of discipline over the magnitude of the fluctuation of exchange rates (and their relationship), and aimed at ensuring an efficient and effective allocation of financial resources for investment and for financing the expansion of trade. It makes neither economic nor political sense for less-developed contracting parties and other developing countries to be significant exporters of capital. Steps to bring about a better balance in international trade and payments cannot be limited only to removing restrictions on merchandise trade. Parallel action is required on other items such as reducing payments resulting from high real rates of interest.
  - This further underlines the urgency in ensuring the necessary complementarity between international trade measures and those in the field of money and finance if they are to play their parts in achieving the objectives of increasing output at higher levels of employment.

- The allocation of resources in the world economy is simply not efficient when industry's attention is diverted from industrial production to currency management. Today, the exchange rate system is not sufficiently responsive to the fundamentals of the real economy, especially with respect to trade in goods. It is more responsive to movements dictated by trading for speculative purposes. One estimate is of \$75 trillion per annum as the turnover on the London Eurodollar market alone. This volume is nearly thirty times the value of the total of world trade in goods and services.
3. Consideration of structural adjustment at the macro level only, overlooks important and relevant developments at the sectoral level. A better understanding of the many factors entailing unnecessary economic costs on the economy as a whole and impairing efficiency at this level is urgently needed. It might enable governments to resist pressures for restrictive and distorting measures, whether market-sharing arrangements or governmentally-financed subsidies. For agriculture alone this figure runs to at least \$50 billion per annum in only two of the major economies.

A first stage may be to develop some general principles and rules against which contracting parties might measure actions having trade-restrictive or distorting effects and which appear to inhibit structural adjustments in competitive market conditions.

In summary, there is need for sound macro-economic policies to stimulate growth and development, reforms of the monetary and financial system, and attention to structural adjustments at the sectoral level. The implementation of these measures would complement the programme of trade liberalization in the Declaration launching the New Round of multilateral trade negotiations. In the absence of these actions by governments, contracting parties could well be building sand-castles on the shores of Punta del Este. Delay exposes our economies to further risk. There is little justification in postponing action to the very end of the round of negotiations. Trade liberalization measures must be implemented without delay.

There are three draft Declarations before CONTRACTING PARTIES. The draft prepared by the Jamaican delegation in the course of the preparatory process is not one. It has served as one of the bases in the negotiations between some developed and less-developed contracting parties. From this process has sprung the draft jointly sponsored by Colombia and Switzerland referred to as W/47/Rev.2. Much of the Jamaican draft is to be found in W/47/Rev.2, which has attracted a broad measure of support as a basis for negotiations among Ministers in the search for a consensus-launching of the negotiations. The other two drafts are important contributions by a number of less-developed contracting parties reflecting their perspectives on the New Round.

Some of the main issues on which discussions are likely to focus, but which do not necessarily imply widespread changes if clarifications prove satisfactory, are:

- The inclusion in the section on Objectives, of those objectives which are attainable through macro-economic policy measures. Some of these have been agreed by governments, including contracting parties in other international forums, particularly the Bretton Woods institutions, which are in a special relationship to GATT.
- The inclusion in the General Principles Governing Negotiations of certain desiderata which will define and anchor the negotiations firmly in the GATT, and which ensures respect for the principles, rules and disciplines of the General Agreement.
- The strengthening of the commitments to standstill and rollback, and their full observance without which the fabric of the GATT multilateral trading system will continue to be rent by recourse to gray area measures.
- A satisfactory resolution of the areas of disagreement on the Subject Matter for negotiations. This requires recognition that the previous seven negotiating rounds have developed a rich body of expertise in trade liberalization in the traditional areas, which should lead to speedy agreement and implementation. Safeguards and Agriculture are two subjects on which progress should be made early in the negotiations. In those areas not central to, nor even included in previous rounds there may be grounds for inclusion within the framework of the negotiating groups, subject of course to the checks and balances that may be built into the negotiations. In this respect, it must be substantiated that these areas are amenable to the application of the principles, rules and disciplines of the General Agreement and that their incorporation into the GATT shall be decided by CONTRACTING PARTIES.

A very brief comment on the treatment of the subject Services. Subject to the checks and balances just indicated, my delegation is prepared to include services within the framework of the negotiations without prejudice either to existing rights and to its eventual incorporation in the GATT.

The proposal titled Ministerial Conference on Trade, which envisages the launch of "International Trade Negotiations" by a Chairman's Declaration referring to two decisions taken in two separate meetings, namely CONTRACTING PARTIES and an ad hoc Ministerial, and which lacks a clear juridical and organizational framework, will need to be studied carefully. My delegation is not convinced that procedural imprecision added to substantive disagreement is the appropriate approach.

- The Organizational aspects should be completed and form an integral and coherent part of the Declaration. This should avoid procedural delays in the commencement and in the course of the negotiations.
- The criteria for Participation in the negotiations should be set so as to encourage developing countries who are not contracting parties, not only to share the benefits of GATT trade liberalization but also to share in the rights and obligations of GATT membership.

These are among the more important issues which the informal consultations following the closure of the Preparatory Committee suggest are of great interest to contracting parties. In none of these areas do we see insurmountable obstacles to agreement.

The test of our resolve to halt and reverse protectionism and remove distortions to trade, the credibility of our commitment to preserving the principles and furthering the objectives of the GATT will be measured, not merely by our individual statements of intent, not so much by joint action in launching the New Round of multilateral trade negotiations, but more convincingly by the results which bring down barriers to international trade and foster the spirit of enterprise, raise the standards of living and the progressive development of the economies of all contracting parties, particularly the less-developed contracting parties.