

GENERAL AGREEMENT ON TARIFFS AND TRADE

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SINGAPORE: STATEMENT BY BG (RES) LEE HSIEN LOONG,
AT THE MEETING OF THE GATT CONTRACTING PARTIES
AT MINISTERIAL LEVEL, 15-19 SEPTEMBER 1986,
PUNTA DEL ESTE, URUGUAY

Allow me to extend my congratulations on your election as Chairman. We will need to be guided by your able chairmanship in this crucial but difficult meeting.

The last Ministerial meeting of GATT was held in Geneva in 1982. At the time, the world economy was in a recession. Protectionist sentiments were rife. The world trading system, which GATT represents, was under strain. Concerted, decisive action was needed to solve the problems. Unfortunately, the 1982 meeting was unable to act decisively to bring about the outcome which all desired.

Four years later today we meet again. The strains in the world trading system have grown even greater, the threats to its integrity have become even graver.

Persistent slow growth and unemployment in the developed countries have made the gains of free trade seem an idealistic dream, if not a delusive mirage.

The problem of third world debt remains unsolved, because a true solution would require major changes in trade patterns. Creditor countries would have to run persistent trade deficits, to match the necessary trade surpluses of the debtors; and this the creditors, not surprisingly, are loath to accept.

Massive agricultural subsidies in the developed countries have led not only to domestic distortions, but also to international consequences. Governments, scrambling to unload surplus stocks of agricultural produce, have depressed world prices, disrupted other producers, and unintentionally benefitted net consumers.

Trade in services has grown rapidly, much more rapidly than trade in merchandise, but is as yet unregulated by any coherent orderly framework.

Trade imbalances, resulting from currency misalignments, but more fundamentally from ill coordinated fiscal and monetary policies, have spotlighted restrictions on international trade. And even where such restrictions may not have been the cause of the imbalances, their existence has generated pressures for aggrieved trading partners to retaliate in kind.

The consequences of such retaliatory protectionism can be seen in the dismal growth of world merchandise trade - 1 per cent in value terms in 1985. The cost of protectionism is high, not only to the world economy as a whole, but even to those economies trying to protect themselves. According to one study done by the Institute of International Economics in the United States, US protectionist policies cost US consumers the staggering sum of US\$53 billion in 1984; far more than the total salaries from all the jobs these policies were supposed to save. Yet it is a political reality that in the absence of an agreement by all nations to play by the rules, governments have no choice but to pay this price, in order to be seen to protect their own producers against alleged unfair competition.

Perhaps the developed economies can afford to pay this high price for protectionism. Unfortunately, protectionism also imposes willy nilly a penalty on developing countries which is far more serious. Developing countries, including ASEAN, depend on international trade to grow and progress. Last year saw an absolute decline in the value of our imports and exports. The shrinkage of world trade deprives us of our best hope of developing our economies, raising our standard of living, and becoming even more important markets for the developed world.

Singapore is a major trading nation. Our foreign trade amounts to three times our GDP, the highest ratio of any country in the world. Trade is our lifeblood. It is because we export goods and services to the entire world that we in turn are able to import a large amount of goods and services ourselves, from both developing as well as developed countries, and so create growth and prosperity for our people. Singapore itself adheres to a firm policy of free trade, more so than nearly any other contracting party. But unless other countries too allow us to trade freely with them - not in an ad hoc bilateral manner, but in a comprehensive, multilateral fashion, we will be choked off. For Singapore, a breakdown of the world trading system would not mean merely the loss of a few percentage points of GDP, it would be the end of our livelihood - a total economic disaster.

Singapore would not be alone in suffering grievously from a collapse of the system. The framework of GATT has given the world an unparalleled period of sustained economic growth since the Second World War. Its collapse would have grave political and strategic consequences stretching far beyond the realm of economics, for every country in the world. That is why what is at stake at this meeting is not just the individual issues - services, agriculture, standstill and rollback - which are important, and must be addressed. But our overriding responsibility is to preserve the integrity of the world trading system, generate renewed confidence in GATT, and reestablish multilateral discipline in international trade. We should not forget this higher objective in our preoccupation with narrower concerns.

Achieving this overall goal will require moderation, a spirit of compromise, and a common desire to preserve and strengthen the framework. Singapore will do what it can, and will use its influence to contribute to the success of this meeting. Singapore hopes that others too will do the same.