

GENERAL AGREEMENT ON TARIFFS AND TRADE

MIN(86)/ST/23
17 September 1986
Special Distribution

Original: English

HONG KONG: STATEMENT BY THE HON. E.P. HO, SECRETARY FOR TRADE
AND INDUSTRY, AT THE MEETING OF THE GATT CONTRACTING PARTIES
AT MINISTERIAL LEVEL, 15-19 SEPTEMBER 1986,
PUNTA DEL ESTE, URUGUAY

While enjoying the warm hospitality of our host and in the comfort of our stay in Punta del Este, no doubt all of us are nevertheless conscious of the fact that what has brought us together here is our common concern about the grave situation today facing the world trading system.

A creeping malaise has been afflicting international commerce, impeding development of world trade in all sectors ranging from basic resource products to advanced technology goods. Protectionism prevails, as is evident from the increasing tendency of trading nations, in particular major industrialized countries, to resort to national trade policies of an inward-looking and restrictive nature. The sole aim of these short-sighted, expedient policies is to insulate sheltered, often ailing, domestic industries from international competition, contrary to the fundamental principles of structural adjustment and comparative advantage, and resulting in distortion and contraction of international trade. Thus long-standing problems in the area of tariffs, such as tariff peaks and tariff escalation, remain unresolved. Non-tariff measures proliferate, and, such measures are often taken outside the rules of the GATT system - whether in the obvious forms of voluntary export restraints or orderly marketing arrangements or in less clear-cut administrative arrangements, obscure distribution systems, and even health regulations. The situation has deteriorated to the extent that not only the stability, but the very existence of the multilateral trading system is threatened. The erosion of the multilateral system can be clearly seen in the recent trend towards bilateralism, which addresses the immediate problems of some, but only at the cost of undermining the long term interests of all.

Hong Kong is a small contracting party but has nevertheless achieved a trade performance out of all proportion to its size and population, which has placed it well within the top twenty exporters and importers in recent years. Trade is our life blood and without it we would starve. Accordingly, we place a high priority on adherence to the principles of an open multilateral trading system. Hence also we view with concern the development and intensification of conflicts in key sectors such as agriculture, where existing rules are imprecise and scarcely adhered to. Those involved in farm trade are of course the most directly concerned, but as problems in this sector tend to inflame other sectors, no member of the international trading community can be unaffected.

Clearly the time has come to reverse the protectionist tide, to revitalize the multilateral trading system, and to achieve expansion of international trade. A global initiative with these objectives ought to attract the support of the entire trading community.

The foundation to launch the New Round must be the basic principles and objectives of the General Agreement on Tariffs and Trade. The concept of non-discrimination and the most-favoured-nation principle are the very basis of a fair and equitable trading system and cannot themselves be for renegotiation. Indeed the lasting validity of these basic GATT principles is clearly demonstrated in widely supported proposals for developing their applicability into non-traditional areas. The starting point must therefore be the preservation and strengthening of the ground rules of GATT upon which rests the entire multilateral framework, a framework that is applicable to more than 80 per cent of world trade in goods.

The initial action to be taken in launching the round must be to implement an effective standstill and rollback of protective measures, particularly those inconsistent with or not based on the provisions of the General Agreement or related instruments. It is essential to ensure in this process that no form of legality is conferred on those inconsistent measures that are for elimination and also to ensure, through full participation, that the interests of all are adequately taken into account. At the same time it will be necessary to demonstrate early and tangible results and to build on them progressively throughout the period of the negotiations.

Specific action also needs to be taken urgently in certain key areas which have been afflicted by persistent difficulties. There is a need for a comprehensive agreement on safeguards to elaborate rules and disciplines under Article XIX on the basis of the most-favoured-nation principle. Only on the basis of such strengthened GATT rules and disciplines for safeguards would it be possible to find long-term solutions for problem sectors, particularly textiles which accounts for 10 per cent of world trade and is of particular importance to developing contracting parties. Another area requiring attention is dispute settlement mechanism which ought to play a decisive rôle in ensuring a proper balance of rights and obligations - here the rules and procedures need to be improved and strengthened to facilitate, among other things, full and prompt compliance with adopted recommendations.

Apart from strengthening GATT, rolling back protective measures and addressing traditional areas, the round will also afford an opportunity to those who wish to make the GATT responsive to economic trends by addressing certain new subjects. In the services sector, Hong Kong has developed trade in excess of US\$10 billion in 1985, through its traditional approach of following open market principles. Whilst solving the problems in the traditional GATT areas remains Hong Kong's priority, we can nevertheless appreciate the desirability of extending to services the GATT disciplines and principles, strict adherence to which has served us so well in goods. We are therefore prepared to support efforts in that direction, and to participate actively in the elaboration of an appropriate multilateral framework of rules and disciplines with a view to increasing transparency and liberalizing trade. It should of course be understood that there is no scope in the negotiations for linkage with progress on other items or trade-offs outside the field of services.

It is clear from the communication to you by the Chairman of the Preparatory Committee that the key issues and all the ground to be covered in the round have already been gone over exhaustively in Geneva during the past year. One paper emerging from the preparatory process provides a comprehensive and balanced basis for the conclusions of this meeting. This is the document numbered PREP.COM.(86)W/47/Rev.2, which I support as the basis of the programme of negotiations, for the Uruguay Round to be launched at this session of the CONTRACTING PARTIES.