

GENERAL AGREEMENT ON TARIFFS AND TRADE

MIN(86)/ST/39
17 September 1986
Special Distribution

Original: English

WORLD BANK: STATEMENT BY MR. BARBER B. CONABLE,
PRESIDENT OF THE WORLD BANK AND INTERNATIONAL FINANCE CORPORATION,
AT THE MEETING OF THE GATT CONTRACTING PARTIES
AT MINISTERIAL LEVEL, 15-19 SEPTEMBER 1986,
PUNTA DEL ESTE, URUGUAY

I have come a long distance for a brief encounter because I want to emphasize to you the importance the World Bank places on your deliberations. The fact that these meetings are being held in the Third World underlines the importance to development of trade and the need for a full rôle for developing countries in these negotiations.

We meet here today at a time of grave uncertainty about the prospects for global trade. The fact is that there has been little growth in global trade in real terms in 1985 and 1986. The latest GATT statistics show that export earnings of developing nations fell by 5.5 per cent last year, while their imports fell by 6.5 per cent in value terms. New GATT negotiations must be launched to help create a more certain outlook for trade and, indeed, for the world economy.

My twenty years of experience in the Congress of the United States have convinced me that unless there is hope about an improved trade environment, protectionism inevitably sets in. When trade negotiations are under way or contemplated, even the most nervous legislator can postpone response to special interests demanding protection until the negotiators have a chance to do their good work. Inaction spurs backsliding.

But why, specifically, is the World Bank anxious to keep open the avenues of trade? The interdependence in the world economy means that economic growth in all countries can only be achieved in the context of a liberal trade environment. In the long term, developing countries benefit from trade because it offers opportunities for specialization and efficiency and because it enables them to overcome the drawbacks of their small domestic markets. Countries that have been highly active in international trade, adopting outward-oriented development strategies, have had a much better economic performance than those that have tried to develop behind protectionist barriers. In other words, economic inefficiency is the price of protection, and in this sense trade liberalization is the handmaiden of efficient development.

In addition, promoting trade expansion yields other significant development benefits. Export development in the developing countries is not possible without generation of the skills the modern market and modern technology require, and the transfer of these skills becomes the cutting edge of education. Human resource development ultimately goes hand in hand with the realization of human potential which most of us consider the real goals of constructive human activity.

Expansion of developing countries' exports is especially important at this time to secure the resolution of the debt servicing problems many of them face. The export expansion must be sufficient to secure the foreign exchange needed by developing countries to finance imports essential for growth and bring about a reduction in debt service ratios - thus strengthening creditworthiness. This requires a liberal trading environment.

Restoration of economic growth in the developing countries will benefit the export industries of the developed countries. Output and employment in the industrial countries has suffered from the curtailment of economic activity and imports in the developing countries as they have faced financial difficulties.

Without export growth, new capital cannot be attracted to the developing countries, nor can existing debt be serviced. The alternative is not stagnation, but instability, possible economic collapse and human suffering.

In recognition of this, the Bank attaches great importance to securing a more open trading environment. It is encouraging all its members to adopt more liberal trade policies. We have specifically supported developing countries' trade reform programmes through our lending. In the past five years, the World Bank has extended structural and sector adjustment loans amounting to \$12 billion for forty-three countries. In most of these programmes, we have assisted our members to undertake reforms involving the removal of internal obstacles to trade. To succeed, trade reforms must be adapted to the economic realities of each developing country and totally acceptable within the politics and traditions of that country. But countries trade not only because one country has improved its trade practices, but also because having done so, the rest of the world finds value in its goods and accepts it as a trading partner. This does not happen unless the trading system is open - unless most countries are willing to be part of a multilateral system in which everyone benefits from the reduction of obstacles to trade.

That is what these GATT negotiations are all about. Our encouragement of trade outreach and open markets in the developing world cannot be effective unless the developed world recognizes the benefit to both sides of the trade equation, and supports openness as well. For this reason, these negotiations should include discussion of all issues of importance to international trade between developed and developing countries, and they should also increase opportunities for trade among developing countries themselves.

We feel so strongly about this that we are encouraging vigorous participation by developing countries in the upcoming GATT round. We are determined that developing countries participating in the negotiations have as strong an information base and analytical support as possible for pursuing their interests in expanding trade. We would like your suggestions of specific ways in which we can be helpful, while acknowledging that ultimately the terms of agreement depend upon the individually negotiated decision of each government involved.

I want to add a personal concern. The last two GATT negotiations did very little to reduce the sensitivities identified with the world's agricultural surpluses which frequently are ascribed to distortions in the pricing of agricultural commodities. The World Bank does much work in agricultural development, and it should since many hundreds of millions of people are surviving only through subsistence agriculture at a low level. Improvements in agriculture are vital to securing higher per capita incomes. An apparent paradox is that as living standards and agricultural production in developing nations increase, quite frequently, demand by these countries for imported food also rises. Calls for protectionism are too often based on misunderstandings in this area. Worse, the competitive mood in industrial countries often leads to efforts to boost agricultural sales in the short term through subsidies and special arrangements, and creates opposition to international agricultural development of a kind that is most needed.

A rationalization of the world's agricultural trade is necessary. It will benefit everyone in the long run. Failure to deal with this subject in your negotiations, for whatever historical reason, will continue conditions which damage trade relations generally and which impede the development process. I am confident that the world would be better served by your squarely facing this issue than by your refusing to discuss it.

Even as the difficult negotiations ahead unfold, liberalization must proceed. Protection in the industrial countries should be rolled back, and developing countries must continue their structural adjustment efforts. Where these efforts result in import liberalization, I am hopeful that contracting parties follow the suggestions of the last Development Committee meeting by taking such liberalization measures into account in the context of trade negotiations within the GATT framework.

These negotiations here form a key part of broad efforts to strengthen the world's economy. For example, as we meet here this week, delegates are convening in Washington in a preparatory committee meeting to establish the Multilateral Investment Guarantee Agency (MIGA), an agency designed to stimulate international private investment. Actions on investment, on capital flows, on trade, are all needed today to secure long-term development.

The World Bank is proud of its rôle in development, but we recognize the limits of our power to raise the hopes and living standards of the world's poor. Our effectiveness will be greatly enhanced by your work to improve global trade. This is the message I wanted to bring to you today, and I want to urge you to launch negotiations that will secure a better world.