

GENERAL AGREEMENT ON TARIFFS AND TRADE

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Opening Address

by

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I should like to begin by expressing to Mr. Kuranari, the Minister of Foreign Affairs of Japan, my deepest thanks for his kind words. Coming from him and from the country he represents - which has a distinguished record of leadership and cooperation with this institution - his words have a special meaning for me and do me much honour.

I should also like to thank all the contracting parties for the great honour they have conferred on Uruguay and myself by electing me President of this meeting. I take it as a special mark of confidence in my country which does us honour. I am fully aware of the difficulties that this task entails. However, I hope I shall be able to acquit myself of it with the help of all of you. The active contacts that I was able to maintain with many countries in Geneva and during the past two days of preparations for the Conference make me confident that my task will be greatly facilitated by the fact that I can count on the friendship and goodwill of all delegates.

I am also well aware of the task before us. Yet I know that we will be able to meet the challenge and that in the next few days we will be able to reach an agreement on the content of the decisions that we are called upon to discuss.

It is no secret for anybody that international relations are hampered and threatened in various spheres. One of them is undoubtedly international trade. Yet it is not the only one.

This is due in large part to the difficult economic situation that has had to be faced in the past few years.

Although critical and catastrophic problems have been avoided and progress has been made with the macroeconomic management of certain variables of the world economy in some areas, serious problems remain, both in relations between the central countries as well as between those countries and the developing world.

The disequilibriums in the world economy are well known, and include sluggish production and economic growth, the decline in trade growth rates as compared with the brilliant periods of the 1960s and 1970s, the persistence of high rates of unemployment, trade imbalances, the volatility of currencies and the continuation of inflationary pressures.

For developing countries, a marked and dramatic drop in the volume of trade experienced by the great majority of our countries is accompanied by low rates of economic development, a decline in levels of living and the persistence of inflatory tendencies. And there is one element which looms dangerously over us, namely, accumulated indebtedness which has to be serviced in the context of a persistent and spectacular decline in the prices of most commodities, of real interest rates which still remain high and of the contraction of financing and risk capital flows compared with previous periods. The result of all this in the majority of countries - and I am thinking above all of the countries of Latin America - was a period of unbearably large transfers of real resources abroad, which led to a violent adjustment of critical proportions unknown since the 1930s at a social and political cost of dramatic proportions.

None of this is new to you and will certainly be described in detail by delegates who take the floor. Yet this is the backdrop against which our debates will unfold.

In the context of this reality, our meeting will have to broach a problem which emerges from all that I have already said and which, in some cases, is the cause and in others the effect of this long list of accumulated disequilibriums, namely, that in the past few years there has been an increasing tendency to call in question the viability of the system of trade which we built up at the end of the 1940s when GATT was created.

Many Governments are beginning to wonder what their countries derive from the system, which of its results are really beneficial and what, in the final analysis, it offers them. Never before has the usefulness and therefore the viability of the institution to which we belong been questioned so much. This is an obvious truth.

Protectionist pressures are increasing to such an extent that Governments are no longer able to resist them; this is a clear reflexion of the attitude of increasing doubt and political inability to cope with the basic problems connected with the origin of trade disequilibriums and the inability to apply the letter and spirit of the General Agreement.

In the circumstances, I believe that what is necessary is a thoughtful and frank discussion of whether we wish to maintain a system of trade built up around the principles of the Agreement which, as stated by the President of my country, has in many cases done good service to the international community but in others - possibly in respect of the majority of countries - has been unable to do so.

But the fact remains that, despite GATT's weaknesses and imperfections, nothing better has been found to replace it.

The point of departure for all of us is that the principles underlying the Agreement, if respected, offer all countries, and in particular the weakest, the best chance of participating in an equitable and reliable trade framework and, consequently of benefiting from it.

It is vital that we should take advantage of this meeting to create the necessary political conditions that will enable our Governments to tackle in a realistic but also courageous manner the problems that affect international trade at the present time and come to grips with tendencies that threaten to do irreparable damage to the integrity of GATT's trade system. This is the principal and greatest challenge facing this meeting which is beginning today.

However, our presence here is due not merely to the fact that we believe it is necessary to repair and strengthen the trade system. It is equally important, as a second objective, that we should regard this meeting and the process which led up to it as offering an opportunity to derive greater benefits from the liberalization of trade. It offers us an opportunity, on a multilateral basis and on a broad front, to create conditions favourable to the sustained expansion of trade on an equitable footing and for the benefit of all trading nations.

Lastly, this meeting should be an occasion for strengthening and bringing GATT up to date by subjecting its structures to a carefully thought-out but active process of modernization so that it can react effectively to changes in the world trade situation. We are all aware that revolutionary changes are taking place in various areas, especially in the technology sector, and that these changes will have implications of the greatest significance both for the volume as well as the quality of world trade. The task of preparing GATT to meet this challenge should be of a permanent nature, but today it is more urgent than ever before:

A gathering of this kind does not occur often. It is rare in the history of GATT's meetings that so many Governments and ministerial authorities gather from all corners of the world to participate in a process of this kind.

It constitutes, in the final analysis, a recognition of the historical importance of the task before us. An attempt is being made to confront at the same time - and possibly for the first time in GATT's history - the shortcomings of the past with the challenges of the future. It is this special combination of objectives that makes the task of this meeting so difficult but also so fascinating.

If we do not want to allow this opportunity to slip we must, before going our separate ways, reach a clear-cut and unequivocal agreement to launch a new round of multilateral trade negotiations and also achieve a consensus and the necessary understanding concerning the content of these negotiations and on the way in which we intend to conduct them. I feel that this is the unanimous desire of all contracting parties today and undoubtedly the best guarantee of success that we could desire at our point of departure.

What will happen if this meeting is unable to agree on its basic objective of launching a new round?

I believe we are all in agreement that failure to initiate a new round of trade negotiations would have serious consequences. Trade policy, just like any other policy, is not made in a vacuum nor does it remain unchanged for long. It is not difficult to imagine the wave of protectionist pressures that would arise in many countries if we fail to set the negotiations in motion. Indeed, that would be tantamount to telling the world that the contracting parties to GATT were unable to reconcile existing differences between them because they did not feel sufficiently motivated to maintain and strengthen the open trade system and to put an end to protectionism. In the short term, if we fail to launch the negotiations, trade opportunities would be lost and trade conflicts would increase with a resultant loss of the advantages derived from trade. So far this is obvious. What is less evident and even more dangerous is that if we do not manage to embark upon the negotiations we run the risk of dealing a death blow to the trade system itself.

These considerations are valid for all countries present here today. They are valid in particular for the major world trading partners, who must recognize not only that the trade system should be conceived in such a way that it ensures equal opportunities for all and not only for a small group of participants, but also that this goal can be achieved if the principles of GATT are respected and fully applied, particularly in respect of the agricultural and tropical product sectors which are of such importance to the developing countries.

The persistence of major imbalances and disequilibria in monetary, financial and trade variables is not good for the future of the world economy.

Nor does history allow us to believe that the macroeconomic devices that yielded certain results in the past could be used successfully in the future against the tricky combination of a number of concurrent disequilibria.

For this reason it is necessary not only to mobilize the political will of the major partners in the world economy in respect of economic, monetary and financial problems as has just been done at the Tokyo Summit, but also to make a similar political effort to tackle problems of world trade, persistent departures from GATT rules, protectionism and the growing lack of transparency in international trade relations.

We must avoid, in the 1980s - on the threshold of the next century the asymmetry that existed in the 1940s between our capacity to tackle monetary and financial problems on the one hand and trade problems on the other. We hope that the lessons of history will be borne in mind in this connection and will stand out starkly against the background of past events.

The developing countries, which are coping with the acute difficulties they inherited during the past few years and with their chronic problems of backwardness and underdevelopment, should view this meeting as a historical effort that should be part of the more general endeavour to create an international framework which promotes their economic and social development efforts. We cannot forget that trade is not a problem that can be dealt with in isolation but only within the context of other development problems. This was why President Sanguinetti took special care to emphasize the relationship between trade, financing and developing. It is vital that the progress achieved at this meeting should constitute an effective contribution, from the standpoint of trade, to the task of making world trade more free and a genuine driving force behind our domestic efforts to achieve more rapid and equitable economic and social development.

It is no secret that, despite the considerable efforts made during the preparations of the past eight months, the members of the Committee were unable to agree upon a common set of recommendations for this meeting. We are not offered the opportunity at a high political level to reach agreement upon the questions which were left pending. If we wish to achieve this agreement we must make a joint effort, in a spirit of cooperation and goodwill, to consider our problems in such a way that the interests of all participants in the negotiations are taken into account. Let us bear in mind that our immediate goal is agreement on the approach and guidelines necessary to tackle our problems, and not the solution of these problems, which will be subject of the negotiations themselves.

It would be pointless and inappropriate for me at the present time to embark upon a detailed analysis of the questions of substance which still divide us. However, my conversations with the Director-General and my consultations with a large number of delegations have convinced me that

there is much more that unites us than divides us. It is clear, for example, that it is the unanimous view that negotiations should begin at this meeting. I do not believe that this unanimity existed when the process of preparing the negotiations began. There is also a broad consensus that standstill and rollback agreements are vital to the success of the negotiations. There is complete agreement about the desirability of taking up, in a frank manner during the negotiations, various difficult and pressing problems confronting the international trading community, such as safeguards and agriculture; this list is not exhaustive. On the other hand, some of the pending questions we will have to consider at the meeting are complex and we should not simplify them too much nor tackle them in an unduly rigid and unimaginative manner. What we lack now is the political will to finish what we have begun. We have to pinpoint our common agreement and initiate a new round of multilateral trade negotiations whose results will benefit all participants and ensure a viable, equitable and dynamic framework for international trade in the coming years.