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CONTRACTING PARTIES
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This Forty-Second Session of the CONTRACTING PARTIES, the first after the Ministerial meeting in Punta del Este, will be at the same time the first test of political readiness of governments to start implementing the commitments undertaken in Punta del Este.

Our assessment of world trade in 1986, developments in the trading system and prospects for international trade in 1987, are primarily based on the GATT document entitled "Developments in the trading system April-September 1986" (C/W/502 and Add.1), but also on our own experiences.

It appears that the growth in the volume of world trade in 1986 should be much the same as in 1985, a modest 3 per cent. The estimated growth of the volume of trade of the developing countries for this year is even lower. This confirms the main trend since the early 1980s that the share of developing countries in the volume of world trade has continuously declined. The erosion of the position of developing countries in world trade is an alarming indicator for the CONTRACTING PARTIES. It points to an urgent need for changes in trade policies and practices that would lead to a reversal of current negative trends.

In 1986 the protectionism of developed countries in respect of exports from developing countries has been further intensified. Both the agricultural subsidies and support to inefficient industries by developed countries on the one hand and inadequate international monetary and financial systems on the other, have undermined the prospects for the economic growth, development and trade of a large number of developing countries. These include primarily a number of countries which largely depend on commodity exports. Proliferation of voluntary export restraints and other non-tariff measures in agriculture, textiles, footwear, automobiles, steel and steel products and other sectors are also weakening trade performance of developing countries. Some developing countries have achieved trade surpluses in 1986 at the cost of great sacrifices, cuts in imports and new investment restrictions, all these with far-reaching negative effects on their development. This will affect the developed countries also and the world economy as a whole.

The Punta del Este Ministerial meeting and the adopted Declaration fully reflect the complexity of the situation in international trade and trade-related areas.

The governments of the CONTRACTING PARTIES have undertaken in Punta del Este to achieve the recovery of international trade through observance and consistent implementation of GATT disciplines as well as through the process of multilateral trade negotiations. It is without any doubt that the effective conduct of negotiations and the achievement of adequate and timely results will depend on the implementation of the standstill and rollback commitments.

For the Yugoslav Government, it is extremely important that the 1986 Ministerial Declaration has reaffirmed the application to the negotiations of the principle of differential and more favourable treatment of developing countries as embodied in Part IV and other relevant provisions of the General Agreement and in the Enabling Clause. The criteria and techniques for effective implementation of these provisions should be elaborated in all areas of the negotiations.

Recent developments in world trade and progress in negotiations necessitate the reaching of a comprehensive agreement on safeguards. More discipline and predictability in agricultural trade is also indispensable and urgent in that respect. The Uruguay Round of multilateral trade negotiations must lead to the liberalization of trade in textiles and clothing and define modalities for a return of this sector to GATT rules and principles.

We are aware that the 1986 Ministerial Declaration represents a delicate balance of interests of all its participants and that it is necessary to ensure a consistent implementation from the very outset of the negotiations of both the letter and the spirit of the Declaration. This will not be an easy task to achieve. It will require elimination of long-lasting misbehaviour as well as adjustment of unfairly acquired market positions.

It is essential that parallel measures be taken in the area of the international monetary and financial system, as defined in the Punta del Este Declaration. Thus, in the view of the Yugoslav delegation, it would be desirable to examine the possibility of convening within the time-frame of the Uruguay Round a joint meeting of the Ministers of Trade and the Ministers of Finance of the governments of the CONTRACTING PARTIES.