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FORTY-FOURTH SESSION OF THE GATT CONTRACTING PARTIES

Opening Statement by the Chairman  
Ambassador Alan Oxley (Australia)

Geneva, 7 November 1988

I would like to welcome Representatives to the 44th Session of Contracting Parties.

These annual sessions provide opportunities to assess the international trading environment and the operation of the GATT over the past twelve months, and this will be the thrust of my remarks.

The Uruguay Round is not among the formal responsibilities of this Session. However, I am obliged to note first, because of its importance, that we meet during the closing stages of preparations for the Mid-Term Review by Ministers of the Uruguay Round to be held in Montreal in early December.

This Round encompasses the most comprehensive review of international trade issues since the entry into force of the GATT.

On the international trade scene at large, there are many aspects which are not satisfactory. However, if we step back and review the last few years, there is something important to note.

The mood is more optimistic than it has been for years:

- annual rates of growth in international trade have risen,
- liberalization of international trade is now one of the major priorities on the international agenda,
- there has been intense work to date in the Uruguay Round on many of the major problems in international trade,

- and, as a result, the international standing of the GATT has grown.

This has been a busy and important year for the GATT. It is evident that the Uruguay Round has already enhanced the international authority of the General Agreement on Tariffs and Trade; and, as a result, increased the credibility among governments of the concept of liberal, multilateral trading arrangements.

This early benefit from the Round was unexpected. Most of us assumed that it would be one or two years before governments and the business community saw results which demonstrated that the GATT trade regime could open up trade opportunities.

Also, most of us assumed that, from the launch of the Uruguay Round in 1986, as work in the Uruguay Round wound up, work in the GATT would wind down.

On the contrary, the workload in the GATT has risen. This has occurred because of the extraordinary increase in resort to the dispute settlement procedures of the GATT. Right now, fourteen disputes are in process.

Until September 1986, the average rate of referral of disputes to the GATT was 2.5 per year. Since Punta, the launching of the Round, there has been a dramatic rise. In 1987, 7 panels were established. And this rose to 14 in 1988.

There are substantive aspects to this which are important.

- The GATT procedures have been shown as capable of handling serious disputes.
- Panels have been brought on agricultural trade questions, matters which for many years had effectively been taboo.
- Recommendations from panels have been accepted which require significant restructuring of industry to implement.

The significance of these developments is that governments do not use institutions like this one, unless they believe in them.

Nevertheless, we need to be careful not to underestimate the brittleness of the foundation upon which this recent reinvigoration of the dispute settlement process rests. The discipline of playing according to the rules has been easy in the past for the powerful to shrug off, especially to satisfy domestic pressures. For so long as this temptation lingers, it poses a threat to the newfound confidence in the GATT processes.

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Another example of the growing vitality of the GATT is the considerable number of new requests for accession and the greater interest being shown in GATT by non-members. GATT membership of one hundred is foreseeable.

The renewed interest in liberalization and structural change is global. Over the past two years an impressive number of countries have begun moving unilaterally to open up their economies and reduce trade barriers.

These processes of change are easier to manage when there is economic growth. Over the past eighteen months, the expansion of trade has been well above the average throughout the Eighties. The excess of trade growth over output growth is again almost as high as it was in the buoyant sixties.

While the overall mood is optimistic, there remain serious flaws some of which are potentially fatal.

- There has not been much diminution in the existing network of discriminatory export restraint arrangements which so constrain trade in key areas such as motor vehicles, steel and textiles,
- Levels of support for agriculture remain unacceptably high,
- The possibility of resort to unilateral or bilateral protection is still reserved.

Not all countries can share the benefits of this growth in world trade. Very high levels of protection in particular sectors such as agriculture and textiles prevent the benefits of global growth spreading evenly. And no adequate, long-term solution has yet been found to the debt problem. Many indebted countries cannot sustain necessary levels of essential imports and economic growth and standards of living.

The big trade and payments imbalances remain to haunt us throughout the rest of the trade round. Furthermore, many economists predict a downturn in the world economy in the year ahead.

A final point to remember is that the question of whether regional approaches are preferable to improved multilateral obligations remains a subject of continuing debate in the background.

While the Uruguay Round has already had a positive effect on the standing of the GATT, judgement now about the outcome of the Round itself is premature. The Round is only at mid-point. But this does not diminish the importance of Montreal. It must mark the beginning of substantial engagement over the big issues.

Our message at this Session then must be that, first, Montreal has to be a success. The next six weeks are going to be as important as any in the Round so far.

The second part of the message is that the next two years will be even more critical for the international trading system and the GATT. The opportunity to capitalize on the general mood of optimism is there. It is up to Contracting Parties and other participants in the Uruguay Round to make this happen.

I declare open the Forty-Fourth Session of the Contracting Parties.

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