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GULF SITUATION MAKES MULTILATERAL COOPERATION IN
THE TRADE AND ECONOMIC FIELDS MORE ESSENTIAL THAN EVER

The Gulf crisis has important positive lessons for international trade relations and makes success in the Uruguay Round more essential than ever, said Mr. Arthur Dunkel, Director-General of GATT, in a speech to the 10th International Monetary and Trade Conference of the Global Interdependence Centre, on 27 September, in Philadelphia. Mr. Dunkel commented:

"The present slowing down of world economic growth will, unfortunately, increase the temptation of protectionist policies. For a number of countries there is also the aggravation of debt and balance-of-payments burdens which are directly or indirectly related to more costly oil. And, there is the danger of increased tensions due to uncertainties caused in economic and trade relations among nations. But the Gulf crisis has important positive lessons as well. The most important, by far, is the success of multilateral cooperation - in fact, the need for it - in establishing and maintaining the rule of law in international relations. We have seen governments around the world determined to stick together in defending this rule of law.

What is true in politics is true in trade and economics as well. I might go even further and say that for this renaissance of multilateral cooperation in the United Nations system to endure, the existing cooperation in the trade and economic fields must not be allowed to falter. To the contrary, the high level of integration of the world economy and the globalization of markets makes this cooperation not only desirable but more essential than ever. Political cooperation will, increasingly, have to be underpinned by economic cooperation. And since trade has been a major engine of economic growth in the last four decades - a trend likely to continue in the foreseeable future - trade relations are, and will remain, a central pillar of international cooperation."

The full text is attached.

THE URUGUAY ROUND - THE POLITICAL VISION

Four years ago, when the trading nations of the world got together in Punta del Este, Uruguay to launch the so-called Uruguay Round of multilateral trade negotiations, their objectives were very specific and clear.

Their aim was to carry out fundamental reforms in the international trading system and not merely to tinker with it on the margins. They considered this essential for two basic reasons:

one, the trend of market sharing and arbitrary deals was spreading from sector to sector - agriculture, textiles, automobiles, steel, footwear, machine-tools, consumer electronics and now the high technology industries - and had to be reversed;

two, even with its shortcomings, the system of GATT rules and disciplines had proved valuable enough to be extended to areas of increasing importance for growth and development such as services, trade related investment and intellectual property rights.

These aims still provide the basis for the political consensus which drives the Round forward. But, today, four years after the launching of the Round, we find ourselves in an economic and political environment which makes the stakes in these negotiations even higher. And this for all participants.

On the negative side, the present slowing down of world economic growth will, unfortunately, increase the temptation of protectionist policies. For a number of countries there is also the aggravation of debt and balance-of-payments burdens which are directly or indirectly related to more costly oil. And, there is the danger of increased tensions due to uncertainties caused in economic and trade relations among nations. But the Gulf crisis has important positive lessons as well. The most important, by far, is the success of multilateral cooperation - in fact, the need for it - in establishing and maintaining the rule of law in international relations. We have seen governments around the world determined to stick together in defending this rule of law.

What is true in politics is true in trade and economics as well. I might go even further and say that for this renaissance of multilateral cooperation in the United Nations system to endure, the existing cooperation in the trade and economic fields must not be allowed to falter. To the contrary, the high level of integration of the world economy and the globalization of markets makes this cooperation not only desirable but more essential than ever. Political cooperation will, increasingly, have to be underpinned by economic cooperation. And since trade has been a major engine of economic growth in the last four decades - a trend likely to continue in the foreseeable future - trade relations are, and will remain, a central pillar of international cooperation. This brings me to the Uruguay Round of multilateral trade negotiations.

Let us not deceive ourselves. The task of creating an orderly trading environment is far from easy. It becomes even more challenging when you

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keep in mind that there are more than one hundred governments involved in the negotiating process and that overall results can only be meaningful if they contain something meaningful for all. But the challenge has to be met if we are to achieve success.

A great deal has been said and written about these negotiations. But what counts is that ministers will meet in the first week of December in Brussels to conclude the Round on the basis of the tremendous amount of work accomplished by the negotiators. The ministers set up this rendezvous in Punta del Este four years ago. For a number of important reasons, it is a deadline which must be kept. For one, governments are human and, even with the best intentions and goodwill, they need deadlines to concentrate their efforts and deliver the goods. December is a multilaterally accepted Ministerial deadline. If this opportunity slips, there may be a loss of momentum which could delay results not for months but for years. How much longer must the international business community and the farming community be asked to wait before governments can get their acts together and lay down what the rules of competition are going to be?

Second, the Gulf crisis and its short- and medium-term implications for the world economy provide further reason, if any were needed, for urgency.

These two factors are enough to prove my point. But let me go further. The Uruguay Round is not an end in itself. Nor are the negotiations taking place in a vacuum. The aims are closely related to the very concrete demands that the real world is already making on the GATT system.

In the last two years, we have seen profound and revolutionary changes around the world. Governments in Asia, Latin America, and Africa, not to speak of Central and Eastern Europe and the Soviet Union have committed themselves to drastic reform programmes designed to integrate their economies into open world markets. The success of these reforms depends entirely on a well functioning, liberal international trading system. Will the governments who have founded this system and benefited from it so greatly during the last four decades now fail the new-comers?

Let us look at what happened in the GATT in this respect. Just last month, Tunisia, Venezuela and Bolivia joined as new members. This raised membership to ninety-nine. Costa Rica is likely to become the 100th member in the coming weeks after its ratification. Algeria, Bulgaria, China, El Salvador, Guatemala, Honduras, Nepal and Paraguay are all negotiating membership. The GATT now covers around 90 per cent of international commerce.

Membership of GATT is not, of course, merely a matter of writing a letter to the Director-General. It involves a long and difficult negotiating process and the entry ticket is becoming more expensive. Tunisia, for example, agreed to bind tariffs on a majority of its imports at levels ranging from 17 to 52 per cent. Venezuela bound its entire tariff

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schedule at 50 per cent and has agreed to lower tariffs to 40 per cent in two years. It had already reduced its tariff rates from a level as high as 135 per cent. Bolivia bound its entire tariff schedule at a ceiling of 40 per cent. These three accessions are only the confirmation of a trend which includes Mexico and others.

Binding tariff schedules is a significant concession in GATT terms. For one, it is a legal and contractual obligation. For another, once tariffs are bound, they cannot be raised unless compensating trade concessions are granted to GATT members.

Why are an increasing number of countries turning to the GATT? Why are they prepared to pay a higher and higher price to gain entry into GATT? Bolivia described its accession as an act of faith in the multilateral trading system and in GATT. These words describe perfectly the general mood and the expectations that governments and the international business community have from the GATT system.

In this sense, the Uruguay Round is our only chance to nail down this world-wide process of reform and prevent it from unravelling or dissipating itself in uncontrolled disputes and tensions. If we fail to come up with meaningful results in December, political and economic events may not give us another opportunity soon.

This is the challenge we face today. And this is why the United States - and, indeed, other nations, developed and developing - continue to place the Uruguay Round on top of their list of priorities.

I welcome this political consensus and support. But, to be honest, I must also say that this, by itself, is not enough. The immediate need arises from the stark fact of a looming deadline ten weeks away.

Positive results have already emerged. One is the very substantial market opening achieved through the wave of accessions to the GATT linked to the right of participation in the Uruguay Round. Another is in the area of strengthened dispute settlement procedures. Yet another is the acceptance of strict multilateral surveillance of national trade policies. Other results are taking shape as well. Negotiators are now focusing on concrete options, on issues that need to be resolved, and on possible meeting points. But it is no secret that, overall, much remains to be done. Major issues remain open. Discussions on many complex matters are still far short of the point where they can be settled by a simple "yes" or "no" decision. Moreover, all issues are interlinked. There are linkages both within and among subjects and this arises from the Uruguay Round being one single undertaking. Linkages can, and should be used positively to push the whole process forward. Unfortunately, up until now, they have tended to be used negatively with negotiators largely playing hide-and-seek with each other and not revealing their hands. While saying this, I must also immediately acknowledge that things have, at last, now begun to move in two or three critical areas. September has been our first working month after the brief summer break. In these four weeks we have seen some of the

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initial adjustments in national positions that are needed to reconcile divergent interest. I refer especially to textiles and agriculture.

We have now to take this process forward in all areas to reach actual agreements. From now on, our work has to be conducted on an intensive, daily schedule. Fifteen different negotiations are going on concurrently on issues as different as tropical products and intellectual property rights. Putting it mildly, this is a highly complex process. The negotiations can be broadly grouped together under three main headings: market access - traditional objectives of a GATT round; strengthened rules and disciplines of the multilateral trading system; and extending such rules and disciplines to new areas of trade such as services, trade-related investment and intellectual property rights.

Negotiators have probably the greatest accumulation of past GATT experience in the market access negotiations. Trade liberalization has been a fundamental feature of all GATT rounds since the first one held in Geneva in 1947. The Uruguay Round aims at lowering tariffs and non-tariff barriers across-the-board. The process of tabling specific tariff and non-tariff offers in all product areas will be completed by October 15, a deadline all participants have accepted. October 15 is, in fact an especially important date in the GATT calendar since it is by then that offers on cutting back trade-restricting and distorting agricultural support measures must also be submitted.

Agriculture is referred to perhaps more often than any other area of the Uruguay Round negotiations. There is no questioning its enormous economic and political importance for countries around the world. The world economy can no longer delay coming to terms with market forces and permitting them to play a greater role in food production and food trade. The pressures upon current policies and practices are growing from all directions: from national treasuries which have to pick up the costly bills involved, from the growing recognition of the need to review the relationship between agricultural production and environment policies, from agricultural reform in formerly centrally-planned economies, from the desperate situation of farmers in many developing countries for whom agriculture is the only viable means of earning a living, and last, but not least, from consumers all over the world, in developed as well as in developing countries. The negotiations are being fought out not only among agricultural experts in the meeting rooms in Geneva, but nationally too, as governments come to grips with the concrete options that they have to face in reforming their agricultural policies. The opportunities provided by the multilateral trading system to support those reforms and ease the transition will be a critical factor in the coming decade. We cannot afford to miss the opportunity to put the market back where it belongs, at the crossroads of agricultural trade around the world.

Trade in textiles and clothing deserves the same urgent attention. Market forces must be allowed to play a greater role in world trade. The MFA, the Multifibre Arrangement, has reached a point where it is stifling textiles and clothing, and its grip has to be released. There is very wide

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support among participants in the negotiations to progressively liberalize trade by throwing MFA into reverse gear.

The second group of subjects concerns GATT rules and disciplines relating to competition. The more well known issues under this heading are safeguard measures, subsidies and countervailing measures, and anti-dumping practices. These are backed up, of course by the GATT's dispute settlement mechanism where improvements are still being sought.

Here there is a need for a fundamental change of vision and perspective all around. The traditional producer and the traditional consumer can no longer be seen as entities operating in more or less water-tight compartments, that is, in national or regional markets. Thanks to an increasingly integrated world economy, all trading nations have major export and import interests to defend. This is true of the big and the small, of the powerful and the vulnerable. The United States, with its increasing need for export markets, is no exception. Besides, one has to remember that each person's national market forms part of someone else's world market. Strengthened GATT rules, which lay the foundations for competition, must be seen in this light. The rationale for strong rules is that weak rules or unobserved rules cut both ways and, therefore, inhibit trade at the import and export ends.

I must, at this stage, point to one unique feature of the Uruguay Round, a feature which distinguishes it from its predecessors. With the reduction of tariffs and with successive negotiations focused on tackling other barriers at the border, the effect of national legislations and domestic regulations on trade flows and on competition has begun to attract greater attention. This is why national legislations, as far as they affect the international environment of competition, are on the negotiating table in the Uruguay Round. This is also why questions like domestic and not just export subsidies, technical standards, phyto-sanitary regulations, rules of origin, public procurement policies, banking directives, to name a few, are so important in these negotiations.

And what is true of goods is also true of the new areas of services, intellectual property rights and trade-related investment measures. Here, negotiators have had to build up experience over the past four years since they began with a practically clean slate in each case. An enormous amount of expertise in these areas of trade has been gained in GATT in the process. More than any other areas of the negotiations, however, these are proving to be under the greatest time pressure as the end of the Round approaches. That is quite natural, in view of the pathbreaking work that is involved. It must nevertheless be recognized quite clearly by all participants that the time for experimental testing has drawn to a close, and that all the efforts of the negotiators must now focus on securing operational agreements on how governments are to conduct international trade relations in these areas.

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The task ahead is immense. If the countries which are now restructuring their economies towards greater reliance on international trade have a special stake in the negotiations, the stakes are also high for all other countries no matter how big or small, for which international trade accounts for a growing part of domestic output and demand. The dependence of all countries on international trade as a source of growth and development can only increase. None of us can, therefore, afford the disruption in the flow of goods, services and investment that failure would entail. Success is a must. Let us make it happen.

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