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ADDRESS BY MR. ARTHUR DUNKEL, DIRECTOR-GENERAL OF GATT TO THE  
CONFERENCE OF THE INTERNATIONAL HERALD TRIBUNE IN ASSOCIATION  
WITH THE INTERNATIONAL CHAMBER OF COMMERCE, PARIS

Attached is the text of the address given by Mr. Arthur Dunkel,  
Director-General of GATT, entitled "World Trade and Investment: Emerging  
 Blocs and Opportunities for Global Growth" - Paris, 2 April 1992.

Ladies and Gentlemen,

"Emerging blocs and opportunities for global growth" is the sub-title of the conference. To tell you the truth, I like it very much. And I say this not for the sake of finding a way to thank the International Herald Tribune and the International Chamber of Commerce for their kind invitation or for their excellent arrangements! I like the heading because I interpret it to mean that there is no dichotomy between global growth - I stress global - and emerging regional trading arrangements, not blocs.

I trust my point is made. The notion of "bloc", so fashionable nowadays, is particularly regrettable when it implies that we would see confrontation among blocs if the multilateral trading system which "has served the world economy so well" - and here I quote from the International Herald Tribune invitation to this conference - "were to collapse".

Let us not forget that nations played out this very same scenario among themselves in the thirties, and with well-known disastrous results. The major difference now is that all nations - members of regional groupings or not - are cooperating in the multilateral trading system, as embodied in the GATT, and in pressing ahead with the Uruguay Round negotiations.

And whilst the Round continues, rightly, to make headlines, the GATT system, far from being dormant, is simultaneously dealing with two distinct trends:

One: a welcome flood of new accessions - implying intensive negotiations between the Contracting Parties and each government seeking accession. This remarkable demand for GATT membership has been gaining momentum for more than a decade. Nineteen countries have joined the GATT since the conclusion of the Tokyo Round in 1979. In recent years, for example, Mexico, Morocco, Botswana, Lesotho, Tunisia, Venezuela, most of the Central American countries and Bolivia, have gained membership. The People's Republic of China is negotiating its status in the GATT system. The case of Taiwan's accession is under consideration. In acceding to the GATT, the newcomers have assumed obligations in terms of their trade policies which are much more stringent than those required of developing countries in earlier years. This is clearly an impressive vote of confidence in the GATT system. It also marks a distinct movement towards a multilateral trading system more global in membership.

A second trend is the remarkable increase in the examination and review by GATT of regional and other preferential arrangements concluded between and among members. The desire to ensure conformity with multilateral commitments and protect the openness of the trading system is shared by all.

In fact, this desire contradicts the wider-spread perception that the recent lack of progress in the Uruguay Round is triggering - as an alternative - a retreat into inward-looking regionalism.

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These movements - the growing number of accessions and the examination of regional arrangements - are taking place against a background of drastic change at the global level. And change invariably brings with it tension. Tensions arise from conflicting movements and the need to adjust to new patterns in the economic, financial and trade fields, not to mention the geo-political area. On the one hand, we see the disintegration of the former Soviet Union and the emergence of new states. On the other, we have a movement towards growing integration at regional or sub-regional levels - witness the ASEAN, the NAFTA, the emerging groupings in Latin America and even Africa, not to mention the adjustments and rearrangements taking place in the whole of Europe, around the Economic European Community and the European Free-Trade Association and between them.

In both these apparently contradictory situations the GATT system of rules and disciplines governing multilateral trade relations is called to play a crucial rôle.

For newly independent states and, in particular, for the Baltic States and members of the Commonwealth of Independent States, the GATT is increasingly seen as an essential vehicle for their relations with each other and for their integration into the world economy. A growing number of them are seeking observership in GATT as a first step to membership.

And for regional integration arrangements the GATT represents the only available multilaterally accepted yardstick for ensuring that such arrangements remain outward looking, liberal, and trade creating - and it has been so for decades.

Indeed, some of these arrangements, such as the Imperial Trade Preference between Great Britain and its colonies and dominions, were in place long before the rules of the multilateral trading system contained in the GATT were drawn up. In fact it was partly on the insistence of Great Britain that special provisions were devised to accommodate such arrangements in GATT's framework of rules and disciplines which were put into effect in the years which immediately followed World War II.

These provisions are contained in Article XXIV of the GATT. While enabling countries to enter into regional arrangements in the form of Customs Unions or Free-Trade Areas, it sets out a number of very specific conditions. It also contains a number of procedures designed to protect the rights of countries outside such arrangements. A further strengthening of these provisions has been negotiated in the course of the Uruguay Round. The draft decision, which forms part of the Uruguay Round, reaffirms once again the contribution of regional integration to the expansion of world trade so long as the purpose is to facilitate trade between the parties and not to raise barriers to trade with outsiders.

The idea behind these provisions has always been that regional trading arrangements serve a complementary function to the multilateral trading system. These arrangements are considered to be contributing to the broader goal of trade liberalization. The inter-action between the multilateral system and regional arrangements helps bring this about in

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several ways. Multilateral trade liberalization enables the regional integration process to stay on a liberal track. At the same time, by improving the prospects of the economies involved, regional integration enables these economies to play an active rôle on the global scene. Another effect of regional arrangements is that some of the rules applied in these agreements are later extended to the multilateral scene if experience of their application at the regional level has proved to be positive. One example which comes to mind in this respect is the coincidence - to say the least - between moves to establish an integrated market in the European Community for the services sector and the inclusion of a multilateral framework for services trade in the Uruguay Round negotiating agenda. And there is hardly a need to recall here that world trade in services - with a value of over 900 billion U.S. dollars - is twice the value of trade in agricultural goods.

There is, indeed, no lack of concrete proof of the inter-action between regional integration and the multilateral system. Another example which is often forgotten, can be found in the parallel process of European integration and the successive rounds of negotiations which took place in the GATT during the same period. The establishment of the European Economic Community in 1957 was followed by the Dillon Round in 1960-62 and the Kennedy Round in 1964-67 which resulted in a reduction of some 30 per cent in the industrial tariffs of most developed countries. The accession to the European Communities of Denmark, Ireland and the United Kingdom in 1973 was followed by the Tokyo Round from 1973 to 1979, which resulted in a further significant reduction in tariffs and the negotiation of a number of agreements on non-tariff barriers. These rounds of negotiations might not have taken place if the establishment of the Community and its subsequent enlargement had not persuaded its trading partners of the need to ensure that the process of world-wide liberalization kept pace with the development of the European Community's internal market.

Further examples of the inter-action between regional integration and multilateralism may be seen in regional cooperation schemes in Latin America and Asia which began to take shape as the countries concerned brought their economies and trade policies in line with the disciplines and principles of a market economy-oriented GATT system.

Many of these countries have carried out a dramatic U-turn in their economic policies during the eighties and the nineties. Bitter experience has led to inward-looking import substitution policies being replaced by trade-oriented growth policies. The elimination of duties and other restrictions to trade and deregulation have placed them in a position to seek a genuine integration into the world economy. One consequence of these changes has been that these countries have moved dramatically from the status of "watchers" to active participants in the GATT and, more particularly, in the Uruguay Round of trade negotiations - a radical departure from past rounds. Another consequence is that the traditional divide between North and South has begun to disappear. In fact, it is the developing countries and the new democracies of Central and Eastern Europe which have increasingly emerged as the driving force behind the

negotiations, while the traditional leaders from the industrialized world are seen to be suffering from a crisis of confidence. Hardly a month passes without a developing country announcing a substantive package of new trade liberalization measures. In contrast, their industrialized partners appear hesitant to provide the leadership that is so badly needed.

The adoption of outward-looking policies have also led developing countries to take a second look at regional trading arrangements and the various benefits they have to offer: economies of scale and specialization and the advantages of larger, more integrated markets laying the ground for more rational investment and production decisions. As a result, regional arrangements which had remained dormant for long have been re-vitalized and new ones are being planned, particularly in South-East Asia and Latin America. The tendency towards regional cooperation among developing countries is certainly to be welcomed, because by eliminating trade barriers amongst themselves, they will constitute bigger markets, attract more investment from outside, develop their economies more rapidly and, as a result, assume a bigger rôle on the multilateral stage. For instance, GATT economists consider that the ASEAN region has turned into one of the most dynamic poles of growth for the world economy.

A final example of inter-action between regional cooperation and multilateralism is provided by the fact that Mexico started preparations for the free-trade area with the United States and Canada only after it joined the GATT. It seems to me inconceivable that Mexico could have considered entering into such regional arrangements without previously ensuring its rights under the multilateral trading system provided for in the GATT.

Let me now come to the most explosive inter-action between regional cooperation and multilateralism: agriculture. First, the facts. With the very important exceptions of the European Community and its Common Agricultural Policy and also that of the Australia-New Zealand Free-Trade Area, agricultural trade has been treated only at the margins in all existing or prospective regional arrangements. It shows how sensitive this sector is and also why, like it or not, the reform of the Common Agricultural Policy and the Uruguay Round negotiations on agriculture are so intricately linked. This shows also that it is the Uruguay Round results which must give meaning and content to regional cooperation in this politically and economically vital sector. This is particularly true, for example, in respect of the Canada-United States Free-Trade Agreement and also in respect of the European Economic Space.

I began by stressing the background of rapid and dramatic change against which we are operating. The dynamics of these changes also inevitably alter the way we have traditionally looked at regional cooperation. For example the technology revolution drives us in the direction of globalization rather than regionalism. The diminished rôle of the state in economic life opens up new possibilities of international economic activity. Up to a few years ago, the costs of transport and telecommunications and geographical distances were considered as being obstacles to trade. Now, the easy availability and rapidly declining costs

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of telecommunications and other services, have changed business activity dramatically. A country like Thailand, for example, has managed to increase its share of world trade by 50 per cent in the space of a few years, essentially by diversifying into new products and new markets. This might not have been possible if technological progress had not opened up new perspectives.

Technology, the spread of banking and credit facilities and so on enable multinational companies to move their operations rapidly and efficiently to the most profitable locations. Their speed of operations had led governments to lose much of their traditional control. Increasingly redundant national borders cannot be replaced by water-tight regional ones at a time when the world itself is becoming a single market. Producers, exporters, importers, consumers and investors can less and less afford to devote themselves exclusively to regional or sub-regional markets and neglect the increasing possibilities of competition in the international market-place resulting from trade liberalization and economic reform programmes being undertaken by governments all over the world.

Even in the more specific sphere of handling bilateral disputes, members of regional and preferential arrangements have not succeeded in resolving issues without GATT's multilateral conciliation procedures. All evidence shows that they have not wanted to do this either. On the contrary, in the Uruguay Round, they are looking for and negotiating more stream-lined and clear-cut procedures designed, in the words of governments, to provide "more teeth to the GATT". It is no accident that now, with the Uruguay Round results still pending, more and more governments are coming to GATT for the resolution of their disputes, even those arising in the context of regional arrangements. GATT has the advantage of more comprehensive coverage. But, even more importantly, its dispute settlement procedures are open to third parties who consider their interests as being harmed by regional or preferential arrangements. A number of governments are taking advantage of this possibility.

It is therefore significant, but certainly not surprising, that all nations and governments, whatever their regional links, are stressing their continuing interest and commitment to a strong and credible multilateral trading system in the GATT. The most concrete evidence of this is their active participation in the Uruguay Round.

But having said this it must also be acknowledged that the multilateral trading system is at a cross-roads. And it is the existence of this crisis which draws some observers to mistakenly conclude that there could be a choice between multilateralism and regionalism. I hope I have established beyond doubt that regional cooperation and multilateral cooperation are so closely inter-linked that both must sink or swim together. Success of the Uruguay Round of multilateral trade negotiations remains, therefore, a must. By delaying the conclusion of these negotiations, governments are perpetuating the insecurity and uncertainty surrounding the trading environment and, thereby, slowing down global growth.

The stakes involved are very high indeed for all participants and in particular for those who have initiated courageous programmes of restructuring and reform whether in Eastern or Central Europe, Latin America, Asia or Africa.