

GENERAL AGREEMENT ON

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My purpose in addressing this session of the CONTRACTING PARTIES is to share with you some thoughts on the functioning of the multilateral trade system governed by the provisions of the General Agreement, to which Argentina acceded in 1967.

This is perhaps the moment of greatest tension and expectancy in GATT's history. In this test of our resolve, we shall very soon know if we are capable of reconciling our sometimes contradictory national interests with the world's interest in a stronger and more reliable multilateral order consistent with the requirements of a global economy.

Before turning to this challenge, I would like to give you my views on two topics in particular:

- (a) the functioning of the GATT as an institution; and
- (b) a qualitative assessment of world trade.

As regards the functioning of the system, we note with concern a certain laxity in the observance of the procedures for settling disputes and a dangerous tendency for some contracting parties to adopt unilateral policies and decisions which distort GATT principles.

In the course of the year we have noted, in various cases of importance, a failure to respect the decisions of panels and, on some occasions, a reluctance on the part of the bigger trading partners to approve their conclusions and apply their recommendations. As of today, there are ten panel reports awaiting adoption (two concerning the General Agreement and eight concerning the Tokyo Round Agreements) and eleven which, though adopted by the CONTRACTING PARTIES, have not been fully implemented.

This year, on several occasions, we have taken the floor in the Council to point out that the GATT is a synallagmatic agreement, which implies rights and obligations, advantages and disadvantages, whence the political importance of maintaining a balance.

Clearly, during the last thirty years there has been a great expansion of international trade, largely thanks to the GATT's success in bringing about, through seven negotiating rounds - from the Geneva Round of 1947 to the Tokyo Round of 1979 - a decisive reduction in customs tariffs.

However, more recently, especially during the last ten years, we have observed a tendency for many contracting parties to adopt trade policies basically designed to protect certain non-competitive sectors, thereby postponing the structural adjustment necessary for a proper allocation of resources. These policies, which are inconsistent with GATT principles, have become progressively more widespread.

This has led to a distinctly paradoxical result. While the world political system is trying to encourage international co-operation, trade has failed to follow the same trend.

Nearly 170 years ago, in 1824, Thomas Babington Macaulay observed that free trade, one of the greatest blessings a government can confer on its citizens, was unpopular almost everywhere. However, many developing countries or rather their leaders have been prepared to pay the political price of this unpopularity by making far-reaching adjustments, reshaping the rôle of the State, increasing exposure to competition and, in short, abandoning their traditional distrust of free trade.

On the other hand, many developed countries are becoming more protectionist, by introducing complicated non-tariff formulas, so-called "grey area" measures, restrictive practices and export subsidies and misapplying anti-dumping standards, sometimes to the point of genuine "trade harassment".

At a recent meeting of the Institute of International Economics in Washington, David Henderson, Head of the Economic Department of the OECD, remarked that for the first time in history the push for trade liberalization was coming not from the industrial countries but from the countries which, in the past, had traditionally rejected liberalization.

Many legitimate trade policy instruments such as safeguards, dumping or subsidy investigations, etc. have been so distorted as to make the General Agreement less effective as a means of controlling such deviations.

It is therefore essential to avoid repeating the mistakes of the past; the rules must encompass and reflect reality, since otherwise they will be ignored, but they must also be a source of creative adaptation of reality for the purpose of ensuring a fairer, more equitable system and, at the same time, establishing the rules of a world economic order.

As regards the qualitative assessment of trade, the general reduction in tariffs may be said to have been cancelled out by policies that conflict with both the letter and the spirit of the system.

(a) The figures for world exports from 1950 to 1990 show that the relative share of the developing countries has fallen by 27 per cent, the trend being even more pronounced in the case of Latin America and the Caribbean whose relative share of world trade has shrunk by 74 per cent (from 12 per cent of the world total in 1950 to less than 3.2 per cent in 1990).

(b) According to the World Bank's latest report, between 1966 and 1986 the proportion of OECD imports affected by non-tariff measures doubled.

In the case of my own country, Argentina, the proportion of exports to the United States and the EEC affected by non-tariff measures is 26 per cent and 26.9 per cent respectively. The proportion of exports from the developed OECD countries to these markets subject to non-tariff measures is 21.1 per cent for the United States and 15.4 per cent for the EEC. Here is an example of discrimination.

(c) Another aspect of discrimination is reflected in tariffs. The average tariff applied by the OECD countries to the developing countries is twice that which the members of that organization apply among themselves.

We must also recognize that regional integration processes have grown exponentially in the last few years. Although it is difficult to prove statistically that these processes are likely to lead to a more fragmented world economy, recent experience points to the importance of strengthening the multilateral system in order that it and the various bilateral, plurilateral and regional agreements may be compatible and mutually sustainable.

We believe that regional integration will be a valid device for expanding trade on a non-discriminatory basis, provided that it achieves the basic objectives of eliminating all trade barriers among members while ensuring that there is no increase in tariff or non-tariff protection affecting third-country imports.

Regionalism and multilateralism are not mutually exclusive alternatives. On the contrary, it needs to be understood that for regional integration processes to be effective in creating trade they must come under the protection of multilateral rules.

The challenge confronting our governments is to dare to place the global interests of the system above the opportunistic defence of sectoral interests. We must agree upon clear rules and remain politically committed to accepting and respecting them. The realization of the aims and principles of the GATT depends upon the political will and the decision of each of our governments to accept multilateral rules that foster competition through the market.

This is a great challenge.

My Government believes that the successful conclusion of the Uruguay Round will make it possible to make a first step towards solving the problems confronting the international trade system. The draft Final Act is the only possible basis for finalizing, in the short time available, what we have been trying to accomplish during the last six years.

We are aware of the reality and that reality tells us that collectively, with the involvement of all the participants, we must make some minimum adjustments to the draft. However, I must emphasize that it will be extremely difficult to complete our task if we confuse reality with expectations, however legitimate, and attempt, in the light of those expectations, to reopen negotiations which we must realize were concluded, as far as the basic elements are concerned, on 20 December 1991.

Argentina is prepared to take up the challenge, that is the challenge of the Uruguay Round.