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"LEADERS AND CHOICES: WHAT THE URUGUAY ROUND NEEDS TO SUCCEED"

**ADDRESS BY PETER D. SUTHERLAND TO
THE NATIONAL CONFERENCE OF THE
CONFEDERATION OF BRITISH INDUSTRY**

Harrogate, 15 November 1993

I

Ladies and Gentlemen, we are 30 days from the end of the most significant and far-reaching multilateral economic negotiation in almost half a century - and the biggest trade negotiation ever undertaken. And when I say the end, I mean the end. No further chances are going to be offered negotiators and world leaders this time - the political and legal chemistry allows for no more extensions. Whether it is now comfortable or convenient for Ministers in many capitals to take the necessary final decisions, is beside the point. They have no choice but to make those decisions. And if in doing so they play for short-term, political safety rather than a long-term vision of a better world, then their children and future generations will rightly condemn them to the historical backwater of failed leadership which they will richly deserve.

A succession of political leaders have craftily put off this hour of decision, month after month for over three years. Fear and indecision have constantly been dressed up in the respectable garb of

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political sensitivity and tactics. There has always been something a little more important on political agendas. Well, no more. This is it. It's 30 days and counting, and the world is watching.

I ought to say quickly that these remarks - which may be seen as uncharacteristically tough for me! - are directed particularly at the European Community and the United States. However, at the same time, I must recognize the active support given by British industry and successive governments throughout the course of the Uruguay Round - I hope Britain will continue to push the Community in the right direction. I must also recognize that within the Community there are those who, despite domestic opposition, have worked for the success of the Round. Amongst those is Jacques Delors. Indeed the Community needs a rule-based multilateral trading system if its common commercial policy - the external counterpart of the Single Market - is to function at all effectively.

I think the Round will, in fact, succeed. I do so because I still believe, as Montesquieu said, that politicians do the right thing when they have exhausted all the alternatives.

But we are beset by problems and uncertainties. In two days' time, on 17 November, the US Congress votes on the North American Free Trade Agreement. This vote is important not just for North America but also, given America's economic weight, for the Uruguay Round and the world. That is why we cannot remain unconcerned by the NAFTA debate. Beyond the immediate economic consequences for the three countries involved the potential knock-on effects of a loss of NAFTA would not be good for the Uruguay Round. If the protectionists taste blood on NAFTA on one side of the Atlantic is there not a risk that it would incite those on the other, and even further afield?

The message that a NAFTA rejection would send to the countries of the Asia-Pacific region gathering in Seattle later this week would hardly encourage them to be confident that the United States can deliver in an open world trading system. And elsewhere in the world, including the European Community, those who are ambivalent about the Round would be handed on a plate a new excuse for temporizing and blame-shifting.

At this eleventh hour for the Round - and the world trading system - the greatest and most urgent need is for leadership. Not leadership to ride roughshod over legitimate domestic interests and those of other countries, but the sort of leadership which can confront difficult choices honestly and openly, seeking to reconcile them as far as possible but not running away from taking hard decisions in the broadest interests. That is the sort of leadership the world has a right to expect from the US Congress and Administration.

It has a right to expect it also from the European Community. Other participants all have their part to play and their responsibilities to shoulder, but the essential condition of success is for the "big two" to lead the way.

II

Let me discuss some of the most important areas where this leadership is urgently needed, and what it involves. The fundamental point is that there are now few "technical" issues outstanding - everything relates to political questions and solutions lie in political deals and concessions. Even the most complex and arcane areas of the negotiations cannot any longer remain the preserve of specialists or be decided on a narrow view of the stakes in the negotiation. Political leaders at the highest levels

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have to take active charge now and give their negotiators the kind of instructions with which deals can be done.

Let me start with an essential question. **Do we want a fair and objective system of multilateral rules for trade or don't we?**

I hope the answer is obvious. It is to the growing number of world leaders who are speaking out with increasing urgency on the Round. Ministers from Latin America, South-East Asia, Africa, the Cairns Group, the Commonwealth, Central Europe - all have repeated lately as with one voice that an equitable and effective multilateral system of trade rules is absolutely essential for growth and stability.

Different countries and regions may argue as to the scale and the incidence of the purely economic benefits they can expect from the Round, but the importance of the multilateral system is something on which all can unite. It is an area where the poorest countries have as keen an interest as the richest - maybe even keener, since as the member of the Commonwealth Ministerial Mission on the Uruguay Round, the Foreign Minister of Barbados, put it to me the other day, when the elephants fight ants get trampled.

The alternatives to a fair and objective multilateral system are - what? Would anyone freely choose an unfair and arbitrary system and an absence of rules? This is more or less what the world had before the GATT was set up in 1947, and it is why the GATT was set up. What was true then is even truer today - the growing economic interdependence of nations and the close links between trade, economic and political stability mean that a world with no effective trade rules is unthinkable.

Unfortunately it is not impossible. Maybe no country would stand up and answer "no" to the big question - do they want an effective trading system in which to do business or not? But enough small negatives on different parts of the rules package we are discussing in the Uruguay Round could add up to the same thing.

No country, no group of countries, is strong enough or self-contained enough to afford the sort of trade arms race - and quite possibly trade wars - that a weakening of the GATT system would incite. The mere fact of the negotiations' existence has dampened down potential disputes over the last seven years and helped contain those which have flared up. As long as there is hope of improvements in the general rules answering specific concerns, many countries have showed restraint in handling grievances. But remove this hope and you remove the lid of Pandora's box. I am quite certain that failure of the Round would lead to a marked increase in disputes, in resort to unilateral sanctions, and in arbitrary and discriminatory interventions by governments around the world.

Like forest fires, such disputes would not be confined to the place they started. Manufacturing industry would not be untouched by agricultural conflicts, for example. And even where there weren't actual conflicts, the ruinous spiral of subsidies, "voluntary" export restraints and bogus technical barriers would continue, practically unchecked, to distort the conditions of competition and restrict everyone's opportunities for growth.

So let no-one be in any doubt, the result of a failure in December is not the status quo in trade policies or trade growth. We will be on a very slippery slope indeed - and there will be no multilateral system of sufficient weight and credibility to stop the world sliding into a mire of protectionism and lost economic opportunity. I fear that it would provoke the kind of tensions which led us in the late

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1920s from economic nationalism through high tariffs and competitive devaluations and into the Great Depression of the 1930s. Some say those tensions led us ultimately into the Second World War.

Against this lurking chaos the Uruguay Round proposes improvements in GATT's rules and agreements which will strengthen and update them. If the Round is not a success we stand to lose all those improvements, and more besides. The damage to the credibility of the multilateral system from such a vote of no confidence - or indifference - would be great.

Along with effective rules we need **more efficient management of the multilateral system, and a more effective mechanism for the settlement of disputes.**

Manufacturing industry knows the value of integration and the rationalization of operations. It is no less important for the world trade system. For forty-five years the GATT has been operating on an improvised basis. The Uruguay Round will put it back where it was intended to be by its founders, as one of the three Bretton Woods sister organizations along with the World Bank and the IMF. World leaders now understand that the fundamental importance of trade to economic and political stability means that trade policy needs to be put on a sounder institutional footing.

III

One pressing reason for doing so is the increasing mismatch between GATT coverage and the realities of world trade. Trade in Services is the outstanding example, the fastest-growing area of world trade, and yet outside any multilateral rules. Last year it accounted for 20 per cent of world trade, on a conservative estimate.

The General Agreement on Trade in Services, the GATS, and the initial liberalization commitments under it, should be the springboard for growth in this sector as impressive as that in goods trade under the GATT itself from 1947. Services are a major source of employment - 65 to 70 per cent of the workforce in OECD countries. Furthermore, growth in services trade can encourage growth in manufacturing, to which its links are increasingly close.

So no-one in his right mind would pass up the chance of securing this agreement, especially since it is one of the areas of the negotiation where progress has been most satisfactory; there is now a GATS text which is very close to general acceptance. The main questionmark over the services agreement is the general questionmark about the Round's success as a whole: if the Round fails, this great achievement and all it represents will go down with it.

IV

Which brings me to the last of the crucial areas of negotiation, and the most complex: **market access for goods.** The negotiations in this sector touch on the big problem sectors: agriculture, textiles, steel and some of the sharpest bilateral disputes.

Of the four areas I have set out, this is the one on which not only the GATT but also a large part of global economic growth over the past 50 years has been founded. We already have on the table in Geneva trade liberalisation offers which would provide an enormous boost to market opportunities throughout the world. But not everyone has got down to their bottom line yet in terms of final offers -

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and convincing them that now is the time to table is one of the biggest headaches in these final weeks. After all, it is the size of the market access package which is going to be of most interest to businessmen everywhere when they assess the value of the Uruguay Round results as a whole.

Here we are on 15 November and the Quad countries - the US and the EC in particular - still seem to be performing some kind of ritual courtship dance around each other. If it goes on much longer it could become a dance of death for the Round.

I cannot emphasize too strongly the importance of a substantial result in market access for the outcome of the Round as a whole. Improved export opportunities in agriculture, textiles and natural resources are for many participants the main tangible result they can expect from the Round, and these expectations colour their approach in all other areas. Yet these are some of the very sectors in which protectionist voices are loudest in the industrial countries, voices which at times appear to deafen governments to any others.

The need for leadership is nowhere more acute than in the market access negotiations. It is required to rise above the clamour of the most protected sectors of the economy to whom any change is anathema. It is needed also to take a grip on the process of negotiation - if participants continue to camp on their positions and wait for others to make the first move we could lose the Round by default. We cannot afford to play chicken with the world's economic future.

The coming week will be a critical one for the market access negotiations. Most participants still have to submit revised and improved offers in the next few days, and I will be assessing where we stand at the TNC - the Round's governing body - later in the week. Obviously there may still be some unresolved issues. But it is imperative that everyone remembers that in an endgame the object is to take pieces off the board progressively; we cannot hope to deal with everything at once on December 14.

What this means in practical terms is that the big choices I have identified need to receive a clear positive answer quickly and that participants negotiate in a manner consistent with achieving those objectives not in frustrating them. Dr. Johnson said that the prospect of being hanged in the morning concentrated a man's mind wonderfully. The risk of losing the Uruguay Round in a month's time should concentrate not only the minds of industry and governments, but their energies and their courage as well.

The CBI has already done a great deal to assist that concentration. This organization's consistent, active and effective support for the goals of the Uruguay Round and the multilateral trading system has had an influence here, in Brussels and elsewhere which I value very highly. In this final month your involvement is more than ever necessary. The CBI and its individual members are well placed to convey the message that a successful round means open trade, growth and jobs, and that failure would mean protectionism, recession and job losses.

But there is more you can do as an organization and as individuals to push for success. You can help keep the issues in the Round in front of the public in this country, to make sure people appreciate what is really at stake and the urgency of the situation. And you can use your contacts in the European Community and the world at large to ensure they get the message too, and act on it. European industry's voice needs to be heard much more clearly, demanding that governments make good on their promises and deliver the result that industry badly needs, so that we all wake up in the right world on the 16th of December.

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