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EUROPE IN THE NEW GLOBAL TRADING SYSTEM

Attached is the text of an address made by Peter Sutherland, Director-General, GATT, today in Dublin, to the European Union Economic and Social Committee (Section for External Relations, Trade and Development Policy).

"I am very pleased to have this opportunity to address the Section, and I must congratulate you not only on your choice of meeting-place but also on your choice of subject. I agree with your draft Opinion that "the completion of the Uruguay Round marked one of the most important steps in the history of trade policy". I would add that it is also of great importance to the development of Europe and its place in the world. The reform of the world trading system through the Round goes in the same direction as Europe's own progress, both economically and institutionally - and it will both reinforce and reward this progress.

"First, however, I want to emphasize one point: the achievement of the Uruguay Round is still far from complete.

"It is true that the very fact of bringing these negotiations to a successful close after seven years has made a positive difference to the world's economic climate. The threat of failure has been lifted, and with it the prospect of accelerating erosion of the multilateral system, the resurgence of protectionism and a drift towards increasingly unstable economic - and even political - relations. Instead, the fact of success has already firmed confidence among businesses, investors and the public. It has also given a new boost of confidence in the multilateral system itself, and beyond it, in the ability of countries to co-operate for the common good.

"But these atmospheric improvements are not likely to last unless they are bolstered by the rapid entry into force of the Round's substantive achievements - the far-reaching market-opening agreements and the improved competitive conditions, along with the strengthened rules that underpin them and the new World Trade Organization which brings them all together in a coherent multilateral framework. These agreements cannot enter into force until they have been ratified by the countries who signed them at Marrakesh - the great majority of the 125 who signed did so subject to ratification

by their various legislative bodies. This process is now getting underway around the world. I am confident that the Marrakesh agreements will indeed enter into force on the target date of 1 January 1995. Europe in particular has a responsibility to give leadership on ratification and whatever domestic procedures are necessary. I would urge all of you to use your influence to see to it that ratification is given the necessary priority. The prize is simply too great to imagine governments letting it stay on the shelf.

"The draft Opinion that you have before you looks at the prize of the Round's results from a European viewpoint. I want to emphasize certain key aspects of the package and add an element in which I feel the draft Opinion is, understandably enough, somewhat lacking - the global context.

"Let me first of all underline the global scale of the Round's economic effects.

"These are impossible to calculate with any precision, not least because trade in services is notoriously hard to measure adequately. Any estimates should thus be treated as very conservative. Even so, a provisional analysis by the GATT secretariat puts the global value of the market access package at \$755 billion in additional trade annually by 2002.

"When the GATT was set up nearly fifty years ago developed-country tariffs on industrial goods averaged around 40 per cent. Now - with the 38% overall cut agreed in the Uruguay Round - they will average around 4 per cent. And the proportion of industrial products entering duty-free to developed countries has more than doubled, from 20 to 43 per cent. Tariff elimination has focused particularly on products such as metals, machinery and chemicals where European firms have significant trade interests. And the tariff cuts are complemented by a major increase in the security of market access through a higher level of tariff bindings.

"For the first time, trade in services has been brought under internationally agreed rules. The General Agreement on Trade in Services will extend to this - the most dynamic sector of the world economy - the principles, such as non-discrimination, which have enabled trade in goods to expand thirteen-fold under the GATT. There are already significant commitments in areas such as tourism, travel and business and financial services - and this is only the beginning of a continuing liberalization process whose importance for growth and employment cannot be overstated.

"Taken together, the gains in these different sectors mean the most important single stimulus to global trade - and the world economy - for decades. A stimulus which should have the added advantage of not inducing renewed inflation. Neither the industrial economies, struggling to pull out of recession and deal with persistent unemployment, nor the developing countries, nor the economies in transition can afford any delay in realizing these benefits.

"For the EU the importance of the benefits transcends their immediate economic impact. It touches the fundamental questions of Europe's economic future - questions about competing in a global market, about encouraging enterprise, about making the most of new markets and new sectors.

"The Uruguay Round agreements reinforce and provide a global counterpart to the efforts going on inside the EU to remove market distortions and liberate the economic energy of trade.

"In those sectors where Europe itself is facing up to the challenge of restructuring, sectors such as textiles and agriculture, implementation of the Round's results will help the process of adjustment. Change would have been inevitable even if there had never been a Uruguay Round - but its success

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means change can be better managed. The market access package represents a gradual increase in competition, not an avalanche. It should enable European producers become more competitive both inside and outside the EU - especially by developing their areas of comparative advantage. Very often these will be in highly processed or high-added-value products - the direction in which the European agro-food industry is moving very successfully or in which high-quality European clothing continues to lead the world.

"Furthermore the Round's results ensure that this adjustment is a collective effort, not a solitary one, since all participants make the commitment to open markets and cut subsidies.

"For Europe this global commitment is the key to a trade policy which is less defensive and more confident about dealing with change. The Round's results will reward those who have embraced competition as an ally with improved opportunities to compete in the fastest-growing markets in the world, the upper-income developing countries.

"Overall a much larger share of the EU's exports to third countries goes to developing countries than to North America and Japan put together. Developing countries have the fastest-growing economies and the greatest reserves of unfulfilled demand.

"The Marrakesh agreements open new opportunities in these countries' markets in three ways:

- Firstly, by contributing to their continued economic growth. The Round means improved market access for these countries' exports too, and it is very much in Europe's interest that it should, since their export earnings in turn drive their demand for European goods and services.
- Secondly, these growing markets will be more accessible, not only because of tariff cuts but also - and more importantly in many cases - because non-tariff barriers will be reduced if not eliminated.
- And thirdly, a vital element in European competitive advantage in these markets, a well-established brand name and image, will be better protected under the new rules on Intellectual Property Rights. Exporters will be able to develop markets with more confidence that they are not just offering counterfeiters and pirates a free ride.

"Liberalization of market access and rules of competition for services trade has lagged behind the goods sector, in Europe and in the world as a whole. Yet, the European Union currently derives close to three-quarters of its GDP from services, twice as much as from industry. And this share is still rising, reflecting the economic drive - in terms of investment and employment - of many services sectors. From a European perspective, therefore, agreement on multilateral rules for industries such as banking and insurance, telecommunications and transport has been long overdue. Not only will it make investment in developing new markets more secure, it will encourage further progress towards a genuinely open market for services within the Union.

"Overall, then, I think it is clear that the economic effects of the Uruguay Round support and encourage the most promising developments in the European economy. Exactly the same point applies when you look beyond the purely economic benefits to the improvements that the Round brings to the rules of international trade and the system through which they operate. It amounts to the most significant strengthening of their effectiveness and credibility in fifty years. And this is not some abstract

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or theoretical achievement - it is nothing less than a reinforcement of the rule of law in international economic relations, a reinforcement for which the need is both urgent and universal.

"The more a firm - or a country- extends its economic horizon beyond its national borders the more it needs the security of a rule-based multilateral system. Large and powerful traders need it as much as smaller ones - when your scope of operations is global, there is no substitute for global rules and global system for resolving disputes.

"The creation of a new world trade order required the creation of a new institution to administer that order. The Uruguay Round negotiators realized that stability in trade relations can be attained only if the mutually agreed rules and market access commitments are supplemented by procedures ensuring their proper enforcement and an institutional framework ensuring their proper administration. The creation of the WTO is an essential part of the package they negotiated: it made it possible to turn separately negotiated agreements into a single undertaking which liberalizes trade to an unprecedented extent. Both the enforcement procedures of the WTO and its institutional structure, through strongly resembling that of the GATT, will rest on more solid legal foundations.

"The WTO will not create unwanted new obligations. It will administer obligations mutually agreed among its Members on the basis of reciprocity, and it will serve as a forum for negotiating further commitments. To function properly, the world trade order requires a common sense of purpose among its Members. The WTO is the instrument to foster that common purpose. I am pleased to see the support expressed in your Committee's draft Opinion for making it a strong and effective organization.

"At this critical stage of its development Europe needs the support of new multilateral rules and institutions every bit as much as its needs the Round's economic boost. However one sees the future of Europe, the prospects are immeasurably better in the context of a healthy multilateral system. The GATT principles which have been reinforced through the Uruguay Round, and their more effective enforcement through the WTO, provide guidelines for the future growth of the European Union and all other regional integration agreements. They will help ensure that Europe continues to look outward, rather than inward; that it develops in an open way within the framework of a more open world trading system; and that it is able to respond effectively to the political and economic problems on its borders as well as further afield.

"An effective multilateral system can help Europe in shaping its future; and Europe in turn has a vital contribution to make in shaping the new WTO's future. It is already clear that it will be a challenging future, and I want to mention two challenges in particular.

"One is the further expansion of the multilateral system, to give it a truly global scope. There are currently 123 contracting parties of the GATT; and 19 more countries are in the process of negotiating their accession on resumption of membership. They include: China, Russia, Ukraine and other ex-Soviet republics; Saudi Arabia; the Baltic States; and the only two remaining Latin American non-members, Ecuador and Panama. It is clearly in Europe's interest for the disciplines and the guarantees of the multilateral system to apply as widely as possible, to the great economic potential of China, for example. But it is equally clear that the enlargement must be carefully managed in order to maintain the integrity of the system which has just been reinforced in the Uruguay Round.

"Then there is the challenge of a new world trade agenda. Elements of it are beginning to appear. The links between trade and environment, for example, already form part of the work of the

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Preparatory Committee, as they will in the WTO itself. At the Marrakesh meeting Ministers indicated a range of other subjects they would wish the WTO to take up, some of which are also covered in your draft Opinion. It is of course for the members of the WTO to decide on how to handle these or any other issues. It is no secret that there are strongly differing views on some of them, and if consensus to have a chance to emerge, sensitivity to the concerns of others - and active persuasion - will be required. But the key point on which I am sure everyone can agree is that, however you conceive of the new trade agenda and wherever you place the priorities, the essential basic requirement is to have a fully functioning WTO as the global forum in which this agenda can be worked out.

"So, in conclusion, I come back to the point I started with - the vital and undeniable need to get the WTO and all that it embodies up and running on 1 January next year. This committee can make a valuable contribution towards achieving that aim. It can make it clear to Europe's leaders that prompt ratification deserves at least as high a level of political energy and commitment as the conclusion of the negotiations. Europe played a leading part in shaping the agenda of the Uruguay Round and in bringing it to a successful conclusion. The world looks now to Europe for leadership when it comes to putting these hard-won results into practice."

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