

GENERAL AGREEMENT ON TARIFFS AND TRADE

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ISRAEL: STATEMENT BY ARIEL SHARON, MINISTER OF INDUSTRY,
AT THE MEETING OF THE GATT CONTRACTING PARTIES
AT MINISTERIAL LEVEL, 15-19 SEPTEMBER 1986,
PUNTA DEL ESTE, URUGUAY

1. I too would like to extend my sincere congratulations on your having assumed chairmanship of this Ministerial meeting of the GATT CONTRACTING PARTIES.

I would also like to thank the Government of Uruguay for the hospitality and for the excellent arrangements.

We have heard the many statements made by the delegations. Free trade is being increasingly jeopardized by the protectionist pressures prevailing in every economy.

2. The restrengthening of the framework of international consultation and co-operation can offer a solution which will increase the reliability of the multilateral trading system.

Only further liberalization of international trade and the promotion of the comparative advantage of each country will lead to the renewal of economic growth sustained by the expansion of investment and employment.

Israel has proved to be able to set an example with its far-reaching liberal trade policy which brought us to about \$25 billion of annual trade of goods and services, a record of about \$6,000 per capita.

Although we have no agreed text before us this does not mean that the debates of the Preparatory Committee were in vain.

The document submitted by the Colombian and Swiss supported by most of the countries seems to be an adequate basis to pave the way for a positive outcome of this Ministerial session.

3. We come to Punta del Este determined and convinced to enter into multilateral trade negotiations and find the way to restore confidence in the international trading system.

We agree that negotiations should be directed towards reducing or eliminating non-tariff measures. Some of these measures may have the effect of eliminating trade with specific countries. This may provoke

counter measures. The result would be total disruption of trade inconsistent with the GATT rules. Such measures in particular should be avoided. In this respect I would like to recall the undertaking of the Ministerial Declaration of 1982 on restrictions of non-economic nature.

However, we are representing here the welfare of our nations and we have to be lucid and realistic. Our concern for the growth of trade which brought all of us here, has to be dealt with, in a sound and objective manner. The launching of the new multilateral trade negotiation is a reaction to the lack of credibility of the actual international system. We have to ask ourselves why we have reached this state of affairs. Trade opportunities emerging from the GATT system and the negotiations should not remain only legal rights but should be translated into real trade opportunities.

In this context we must face certain issues within the international trading system, which call for new approaches and improved methods.

4. Israel's dependence on foreign trade compels us to strive for new avenues. In this respect we concluded last year a Free Trade Area Agreement with the United States following the Free Trade Area Agreement concluded in 1975 with the European Economic Communities. Thus almost two-thirds of our trade is directed by principles of closer integration, bringing about deeper freedom of trade as laid down by Article 24 of the GATT. Those agreements are part of the trade liberalization process maintained by Israel since the seventies. We are inviting other parties representing the remaining third of our trade volume as well as other countries to look for agreed solutions which will increase and strengthen the freedom of our reciprocal trade. Many issues have been tabled before the Preparatory Committee, some of which are of major importance to us.

5. An issue to which a comprehensive and effective solution must be found, is the issue of safeguards. Such a comprehensive understanding is of particular importance to the strengthening of the multilateral system by providing predictability and security in the conditions of access negotiated under the GATT and will facilitate further trade liberalization. However any such an agreement must take into account all GATT principles including those governing free trade areas and trade unions. Safeguard actions should be applied sparingly and on exceptional and temporary basis so as not to impede structural adjustment.

We feel that in order to avoid unnecessary and unjust injury to existing flows of trade, safeguard actions should only be taken against those imports which create difficulties and only for the minimum necessary period. We shall participate actively in the efforts being made to reach a comprehensive understanding for an improved and more effective safeguard system.

In our view, elements enumerated in the document W/47/Rev.2 are appropriate basis for such an effort. We, for our part, shall put particular emphasis on the problems encountered by small suppliers in this respect.

6. We attach great importance to trade in agriculture, a central issue of this meeting. Israel imports most of its agricultural inputs and the greater part of its consumption of basic agricultural commodities, such as cereals and meat. On the other hand, we are large-scale exporters of horticultural produce, fresh and processed. We thus have a substantial interest in agricultural trade. While we are aware that this sector, by nature, has its own particularities and problems, we feel that every effort must be made to its further liberalization, in order to achieve better access to markets. We at the same time maintain that the decisions we have to reach in that matter must be made in accordance with existing GATT provisions and rules, taking into account the specific needs of the developing countries like Israel, which are in the process of building a viable agricultural infrastructure, within severe constraints.

7. Trade in textiles is of great importance to Israel. These last years, a tremendous effort of structural adjustment has been invested according to the needs of international markets. Those achievements are of little value in a closed international textile market. The current system based on past trade achievements is no incentive for structural adjustment. Any system should provide for small and new suppliers to be able to trade on realistic and viable terms.

8. Israel, as other developing countries, is disillusioned by what has unfolded since the Tokyo Round regarding the implementation of the principle of differential treatment within the agreements on subsidies and anti-dumping. Furthermore the cumulative application recently introduced nullifies the advantages of the material injury test, especially when applied to small suppliers.

9. The credibility of multilateral discipline is closely linked to the issue of dispute settlement. Significant improvement had been achieved with the Tokyo Round. However the experience of the last five years has shown that further moves are required. Developing and small countries have to be convinced that the dispute settlement mechanism is also effective for them. Consequently the rules, procedure and findings, should be of a more binding nature. The mechanism should not be used as a palliative for negotiations.

10. We attach importance to the development of trade in technological products. It will serve the urgent needs of countries which, like Israel, lacking natural raw materials, have succeeded in their effort to establish a technological infrastructure and in developing high-tech industries along with highly trained and scientific manpower.

A genuine liberalization of the trade of high technology products must include an examination of restrictive trade practices. Here too, an essential condition for trade expansion is deeper integration between industries of developed and developing countries as well as between developing countries. I would like to take this opportunity to propose the establishment of industrial co-operation schemes in developing areas.

We have indeed, benefitted from co-operation schemes set up for developing countries. It is time now for more efforts for co-operation between the developing countries. The protocol relating to trade negotiations among developing countries offers the appropriate framework. More tariff concessions should be exchanged, more dialogue and co-operation in industrial and agricultural schemes should be initiated. I feel that Punta del Este is the proper place to reinforce this call. Out of the 3,200 Israeli experts who served in developing countries for the last ten years, more than 2,150 were sent to Latin America; out of the 24,000 trainees who attended various activities in Israel, 5,000 came from this part of the world. Others came from the Asian and African continent. Israel's industrial and agricultural co-operation activities in the developing world are well known.

11. I would like to join previous speakers who have emphasized that new avenues should be opened. International trade in services continued to gain in importance. We agree that the issue of trade in services should be formalised; furthermore we believe that the GATT, which has prescribed preferential and more favourable treatment for developing countries, is the appropriate forum for the introduction of multilateral disciplines in the trade in services. We believe that in some fields of services some progress could be achieved to the benefit of all parties.

12. Another issue which we believe should be discussed is that of foreign direct investment. Obstacles to the free flow of investments may jeopardize economic growth and thus the expansion of trade. Of course, any agreement on this issue should take cognissance of the development needs of developing countries and include effective safeguards designed to meet serious balance of payments situations. The legitimacy of measures to direct investments to industries having economic priority and to developing areas should be recognized as well as measures to prevent disruptive capital movements.

13. While welcoming improved intellectual property protection, Israel insists that measures and procedures to enforce intellectual property rights should not themselves become barriers to legitimate trade.

14. The recent accession or request for accession of developing countries such as Mexico, Morocco and China restrengthen our belief that the common goal of revitalizing the multilateral trade system is possible. Israel welcomes new participants in the GATT system when committed to the

principle of non-discrimination and free trade which is open to all parties. But let us not disappoint our new participants and ourselves. The principle of differential and most favourable treatment should not just be agreed upon, it should also be operative.

15. I am convinced that a new consensus based on realism and pragmatism is within our reach with enough common will and effort. Lasting world economic prosperity is at stake.