

GENERAL AGREEMENT ON TARIFFS AND TRADE

SR.42/ST/32
19 December 1986
Limited Distribution

CONTRACTING PARTIES
Forty-Second Session

Original: English

CANADA

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We are gathered here as contracting parties to an agreement - signatories of a contract which provides a framework of international rights and obligations. We have all committed ourselves to this institution because we all recognize the significant benefits of an open and strong multilateral trading system. We all stand to benefit as a result. More is at stake however. The GATT represents a commitment to the rule of law in international trade, rather than the kind of abuse of the law in which only the strongest survive. The whole concept of the rule of law is that everyone is equal under the law and no one is above or beyond the law. No one would seriously claim that this is what we have achieved in GATT. No one would dispute, however, that this is what we must restore if the GATT is to survive.

This coming year is an important one for the GATT in two ways. First, it is the fortieth anniversary of the creation of the GATT - out of the background of destructive protectionist measures of the 1930s. All trading nations have prospered from the immense expansion of trade since that time, but it is not entirely clear that today's generation of trade policy experts, industrialists and politicians have learned the lessons of history.

In recent years our commitment to trade expansion and liberalization, to the promotion of structural adjustment, to the enhancement of predictability and the security of market access and finally to the strengthening of the multilateral trading system have been sorely tested.

All of our countries have been through a severe period of economic stress. We have had to face extraordinary levels of interest rates in absolute and real terms; the unemployment rate remains at unacceptably high levels; many governments have accumulated enormous debt loads and are running budgetary deficits which have defied solution; exchange rates have exhibited lengthy periods of extreme misalignment which have distorted flows of trade and investment and fuelled protectionist pressures. Investment, essential to growth and structural adjustment, is seriously impeded by exchange rate misalignment and volatility.

Too often the private sector and labour have appealed for help and our governments have felt compelled to respond. Such appeals always demand

instant solutions. The result has been a period when the contracting parties in this room have become ever more agile and inventive in finding ways of circumventing the spirit and perhaps the letter of the General Agreement. Great ingenuity in means has resulted in great ineffectiveness in ends. Individual national rationality has resulted in serious collective irrationality. The explosion of protectionist measures is so often propounded as a response to some other unfair trader. Someone else's genuine competitive advantage becomes an "unfair practice", the playing field may be tilted because of some unprecedented change in the weight of the exchange rate factor or by a new tax régime or a more desirable product. These factors are seldom acknowledged by the businessman who finds his prices too high for his traditional export markets, or who sees less expensive, more competitive imports taking a greater share of the domestic market, by the labour leader when jobs are threatened or by the politician when constituents are in full cry.

The result has been proliferation of non-tariff barriers, so-called "voluntary" export restraints, and other arrangements all adding up to a general agreement honoured more in the breach than the practice. We have today a trading system with rules which were not tailored for today's circumstances. Protectionist forces are still strong. To counter them, growth opportunities must be provided which in turn require a more predictable environment for trade and investment as well as increased market access. This will generate greater confidence by national producers to plan, invest and compete in the world market.

We need, and have now received through our Ministers at Punta del Este, a renewed commitment to strengthen the multilateral trading system, and a reaffirmation of the basic GATT principles and objectives. This leads me to the second reason why, in our view, this year is crucial to the GATT. It is the first full year of the Uruguay Round and the world will be looking to these negotiations for the signal that serious efforts have begun to resolve some of the major problems I identified earlier.

The decision to launch the Round was essential to the credibility of the GATT system and a welcome contribution to the resolution of many problems plaguing the international trade and payments system. We are now confronted with a choice: either to return to a trade system characterized by the predictable and stable market access conditions required for expansion of trade and growth, or to continue with a system in which parties interpret the provisions of the GATT in order to meet short-term protectionist demands. We now have the opportunity to reinforce the GATT framework. We should not let it pass. Action must be taken now to ensure that all necessary decisions are taken, consistent with the Punta del Este Declaration, to agree on the establishment of an organizational structure for the negotiations before 19 December. These decisions would include: the establishment of negotiating groups to deal with the issues identified in the Declaration; the identification and approval of detailed negotiating plans for each of these groups; and the appointment of the best available chairperson for each of these groups.

I wish to underline the importance we place on all participants fulfilling the standstill and rollback commitments because, at stake, is not only the credibility we have gained at Punta del Este, but a negotiating environment conducive to achieving results. We have learned in bilateral negotiations that it is essential that parties not take any action to improve their negotiating positions, regardless of the nature of negotiations. This fundamental commitment applies to all and no party should consider itself above or beyond it. We therefore support strongly the establishment, before 19 December, of an effective mechanism reporting directly to the Trade Negotiations Committee for the surveillance of the important standstill and rollback commitments set out in the Declaration.

Beyond the next few weeks, we think it is essential that all participants in the Multilateral Trade Negotiations commit themselves to an early start to substantive negotiations. We do not have the luxury of waiting for one or two more years before getting down to serious business. The 1986 Ministerial Declaration, in itself, will not strengthen the multilateral trading system; only we can do that through negotiations. Our message for this next "fortieth" year of the GATT is, therefore, let us not waste any more time, let us get down to negotiations and let us show the world that the institution brought into effect forty years ago is capable of adjusting to and dealing with today's and more particularly tomorrow's problems. The GATT as an institution must be strengthened, extended and reinforced so as to take its rightful place in the triad of multilateral institutions which together must manage entry into the twenty-first century.