

GENERAL AGREEMENT ON TARIFFS AND TRADE

SR.42/ST/35
22 December 1986

Limited Distribution

CONTRACTING PARTIES
Forty-Second Session

Original: English

BRAZIL

Statement by H.E. Mr. Paulo Nogueira Batista
Ambassador, Permanent Representative

Since the most recent regular session of the CONTRACTING PARTIES in November 1985, much has occurred in the field of trade policy which deserves attention. It is of course to be regretted that the main negative trends of the last years have not yet abated but became in fact stronger than before.

The volume of trade covered by the so-called "voluntary" trade-restrictive measures imposed by the major industrialized countries continued to grow, in defiance of GATT rules and of obligations assumed under such rules. And what is to be noted, such restraints are now proliferating horizontally, spreading from the "sunset industries" to the "sunrise industries", to new areas such as high-technology goods, where one would normally not expect to be confronted with deviations -- by highly industrialized trading partners -- from fair and open competition standards.

Managed trade has been in fact given an additional push by the extension in 1986, for another five years, of the Multifibre Arrangement. Two decades of controls and restrictions seemed to have proved not enough to allow for the adjustment of the economies of the developed importers of textiles and clothing and for a return to GATT disciplines. Additional import relief was required at the cost of exporters and of GATT principles; in the process, a broader coverage was established, making the instrument now an all-fibre arrangement.

The trend towards managed trade is accompanied by that of the increased resort to the so-called regional integration schemes, though not necessarily among or between neighbouring countries. This has been conducted in a manner and with an intensity which stretches to dangerous limits the basic GATT concepts governing the conditions to be observed for departure from the m.f.n. rule. Slowly but steadily we are getting away from non-discrimination, a principle which is the corner-stone of the GATT trading system; inexorably, it seems, we are coming closer to a situation where the exception actually becomes the rule. Developments have been such that it is indeed to be questioned whether trade flows under Article I of the GATT have not in fact already become less important than those conducted under some sort of reciprocal preferential arrangement allegedly justifiable under Article XXIV.

Such trends -- managed trade, regional reciprocal preferences -- certainly cannot be seen as encouraging developments in the multilateral trading system. The scenario turns even more gloomy when one ponders the

degree of distortions to which trade in agricultural products has been subject, with repercussions on commodity prices that can be quite disturbing and even dramatic for countries, especially developing ones, which are heavily dependent on exports of agricultural products. It is difficult to foresee how international trade in agriculture can continue, as it is becoming more and more essentially left to the control of such forces in the market. Notwithstanding the seriousness of problems with which we will all be confronted in bringing agricultural trade under some sort of GATT disciplines, there seems to be no doubt that lack of action in this direction may in fact pose even more significant questions for all those involved, for the fairer traders as well as for those mainly responsible for the disorganization of world food markets.

The acknowledgement in Punta del Este of this assumption that something must urgently be done in agricultural trade is perhaps one bright spot in our otherwise sombre scenario. And this is undoubtedly one of the reasons for rejoicing that the launching of the Uruguay Round was made possible last September. But, of course, much remains to be done to ensure that the multilateral trade negotiations will be successful. There is indeed a credibility gap to be overcome, a wide gulf that can be bridged solely, in the Brazilian view, by our steadfastness to comply with our commitments to standstill and rollback in the area of trade in goods, in a manner consistent with our obligations under the General Agreement. We fully realize that the observance of such commitments is not an easy task in the context of strong domestic pressures for more protectionism. This is to us an additional reason why negotiations on new and strengthened safeguard rules must constitute a top priority in the multilateral trade negotiations' agenda and should be carried out on the fastest track. An early agreement in this key area would, first and foremost, make a significant contribution in easing fulfilment of the Punta del Este standstill and rollback undertakings. In other words, a contribution to the preservation of the substantial liberalization results already achieved in previous GATT rounds.

In the organization of the work of the Uruguay Round, our delegation can bear witness to the fact that there seems to be an emerging general acceptance that the questions I have mentioned -- the surveillance of standstill and rollback commitments and negotiations of safeguards -- deserve very high priority in time and in order. This is certainly a sign which fosters confidence in the midst of the undeniable difficulties that we will surely face in the conduct of the multilateral trade negotiations.

It is an accepted fact that the future of the trading system cannot or should not be considered in isolation from the overall world economic environment. The success of the Uruguay Round is very much subordinate, indeed, to improvements in the monetary and financial fields, both at the national as well as at the international levels. In this connection, it is well to recall the acknowledgement in Punta del Este of the significance of the trade-finance link, a point of particular importance for developing countries, especially for the heavily-indebted ones among them.

In the present world context of restricted trade markets in the developed world due to low demand and increasing protectionism, the indebted countries have been forced to generate very substantial trade surpluses, essentially at the cost of import contraction, in order to be in a position to meet their debt-service obligations. The problem has been compounded for them by the closing of the world financial markets, which compels those nations to rely exclusively on such trade surpluses to ensure, at the sacrifice of domestic investment, the fulfilment of their foreign financial obligations.

To ensure the equilibrium of current account transactions at such a high price undoubtedly places a severe constraint on the ability of those nations to promote economic development and at the same time distorts greatly their trade flows, negatively affecting, in the end, the commercial interests of the creditor nations themselves.

Trade liberalization -- the recognized major aim of the multilateral trade negotiations -- is by definition a long term proposition whose results cannot materialize in the urgent time-frame of the balance-of-payments and development needs of the indebted countries.

Without repudiating market solutions or opting for purely political settlement of the debt question, urgent and creative actions are needed and possible in the financial field, starting with the re-opening of the credit markets for the indebted countries. The debt question cannot in fact be assumed to be settled, as some claim, by the mere fact of eliminating current account deficits through import contraction and rescheduling of principal payments. Developing countries are by definition dependent on the import of capital, as loans or risk money, which are indispensable to cover current account and trade deficits, and which are normal at their stage of economic development. What is not normal and cannot be reasonably expected from them is for those poorer countries to become, as they have under the present debt negotiations strategy, premature and very substantial exporters of capital to the rich nations of the developed world.

In Punta del Este, our Ministers were successful because, in the end, the notion prevailed that meaningful decisions were only possible if reached by consensus. To take into account fundamental concerns of all participants in any negotiations is no doubt a tiresome and unavoidably long process and at times may look even as something impossible to be achieved. But the technique is surely a wiser course of action and the outcome can be rewarding if there is indeed a will to negotiate effectively rather than an impatient desire to impose views. The success of the Uruguay Round itself will depend to a very great degree on our ability to extract the right conclusions from the positive experience of Punta del Este and on our determination to pursue, at all stages of the negotiations, the search for consensus solutions, acceptable to all.

Brazil participated actively in the Punta del Este meeting and feels pledged to participating fully in the implementation of all its objectives as they have been precisely defined in the Ministerial Declaration. Besides basic commitments to standstill and rollback in the area of goods, we have engaged ourselves to carry out two legally distinct negotiating processes: one on trade in goods, to be conducted within the GATT framework; and another on trade in services, to be undertaken outside the GATT context. Let it be stated that Brazil supports entirely the view that the two juridically independent processes should be seen as a single political undertaking and that our representatives are instructed and prepared to honour strictly the engagements solemnly assumed in Punta del Este, as long as and to the extent that others are equally empowered and prepared to fully honour theirs.