

CHECK AGAINST DELIVERY

GATT/1415
28 July 1987

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IN THE PLENARY SESSION OF UNCTAD VII
GENEVA, 28 JULY 1987

Mr. Chairman, distinguished delegates, ladies and gentlemen,

Of the various elements of today's economic scene, I would identify three as being of major importance not only for the trading scene but also for the entire fabric of international economic cooperation.

The first - and you would no doubt be surprised if I did not start with this point - would be that GATT's member governments are now engaged in negotiations. Nothing could be worse, in the rough times international trade is passing through today, than for governments to lack the possibility of sitting down at a negotiating table.

The second element I would underline is the increasing attention given by governments to the contribution of trade in goods and services to growth and development. Trade policy is now accepted by governments as a major element of economic policy in the widest sense. The distinction between the internal and external aspects of national economic policies is also becoming increasingly blurred. I feel these are positive trends, because they reflect a recognition that individual national interests cannot be successfully pursued in isolation.

The third element concerns the increasingly uncertain environment facing investors and producers. I believe that this uncertainty is considerably greater today than in earlier periods, and that this helps to explain the current low rates of growth of investment, income and trade.

I should like to comment briefly on each of these points.

Let me start with the Uruguay Round. In any multilateral negotiating process, the following ingredients are essential: defined objectives; a negotiating structure; substantive proposals; and broad participation. All are present in the Round.

To me, there are three central concerns underlying the objectives of the negotiations as defined in the Punta del Este Declaration. The first is to place the negotiations firmly in the global context of international economic cooperation: trade is seen as an essential part of economic policy, in partnership with finance and development. The second is to provide not only for a further opening of world markets, but also for strengthening and expanding the multilateral trade rules and disciplines. And the third is to have, as a point of departure for the negotiations, fundamental commitments to a standstill and rollback on trade-restrictive and trade-distortive measures in terms of which governments engage themselves not to increase existing levels of protection and to phase out their existing breaches of GATT disciplines.

The structure of the negotiations is also established. Fourteen negotiating groups, each with its own agreed mandate, are at work on the problems of trade in goods. A separate group is responsible for negotiations on trade in services. Overall guidance for the negotiations on both goods and services is provided by a Trade Negotiations Committee.

For a negotiation to come to life, the differing views of the participants must be brought into confrontation. This, too, is happening. Substantive proposals have been put forward, some being extremely far-reaching. This is greatly to be welcomed. Ambition and courage at the start of a negotiation offer the best hopes that worthwhile results will be achieved.

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And the fourth ingredient of broad participation is also very much present. Nearly one hundred governments are engaged in the Uruguay Round. From the beginning, developing countries have shared fully in defining the objectives and guidelines of the negotiations and in getting them under way. They have thus demonstrated their deep concern that the trading system as a whole be improved and strengthened, as the basic prerequisite for the success of any efforts to meet their special needs. Among the specific negotiating proposals which are now coming forward, many are from developing countries, and reflect a positive and long-term view of the rôle which they can play in shaping the future of the trading system.

I am sure that the participating governments are highly appreciative of the support that UNCTAD is giving to this process as well as for the technical assistance it is offering to those participants in the Uruguay Round who need it. In this area, I see many possibilities of cooperation with UNCTAD and other international institutions.

I now come to the second of the three elements in the present economic scene to which I referred earlier: the increased attention now given by governments to the contribution of trade in goods and services to growth and development.

This movement implies that governments are accepting a major challenge: the challenge of change and adjustment through competition. There is, indeed, ample evidence that, at the national level, this challenge is being more and more readily accepted. We see this in the steps that have been taken in recent years in a broad cross section of developed and developing countries to deregulate, denationalize and, in general, to increase the rôle of the market mechanism. But it is equally clear that in a number of countries this growing enthusiasm for the virtues of competition often stops at the border. Imports are considered threatening and export markets difficult and uncertain. I would venture that one major reason behind the dichotomy between the national and international policies of governments, in spite of basic linkages which exist between them, is the greater dangers to which traders feel exposed in the international environment due to factors over which they feel their

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governments have little or no control. The Uruguay Round indicates a willingness by governments to correct this situation, at least in the area of trade policies. A look at the negotiating agenda makes it abundantly clear that a major effort is under way to bring about improvements in the conditions of competition in international markets. This is evident in the negotiating plan for each subject identified, ranging from tariff escalation, textiles and clothing, agriculture, intellectual property to safeguards, subsidies, anti-dumping and even the improvement of dispute settlement procedures.

This brings me to my third point: the increased - and to many, unacceptable - uncertainty of the environment in which investment and trade decisions have to be made.

What are the sources of this uncertainty? Many derive, clearly, from the way in which trade policies have been conducted: for example, the recourse to self-restraint agreements, market sharing, and all sorts of trade-distorting government interventions. The success of the Uruguay Round will depend largely on how effectively these serious deficiencies are corrected. But many other sources of uncertainty, even though they originate outside the trade field, have spillover effects on trade flows.

The first - in the area of macro-economic management - is the group of problems related to inflation, slow economic growth and excessive current account imbalances.

As we know, inflation has been brought under control in the developed countries, even though, recently there have again been some danger signs. We also know that the price of the victory over inflation has been a sharp slow-down in the rate of economic growth - a problem which continues to plague us today. When economies are growing at a healthy rate, declining industries can often adjust simply by growing more slowly than the rest of the economy. Slow economic growth, in contrast, always aggravates protectionist pressures.

Current account imbalances have also affected the trading environment seriously. Whatever the experts may feel in respect of the origins and nature of these imbalances, in the public mind - and henceforth in political circles - the perception is quite different: these imbalances are considered above all as being a sign that the trading system is not functioning properly. They are thus posing a threat to the continuation of liberal trade policies in the developed countries, and to the whole market-opening process.

Another major source of uncertainty lies in the area of exchange rates. Increasingly, exchange rates are seen to be determined more by capital flows than by current account transactions. Exchange rates at variance with economic fundamentals handicap world trade by making price signals from world markets harder to interpret and less reliable. Decisions on investment also become more difficult in a situation of widely fluctuating exchange rates.

Uncertainty is also one aspect of the debt problem and its future management. In this respect, it is worthy of note that between 1981 (the last full "pre-crisis year) and 1986, the dollar value of world trade increased by 7.5 per cent. Over the same period, the imports of the sixteen most heavily indebted countries declined by about one quarter.

This import contraction has affected, first and foremost, the residents of these countries. Its immediate impact has been on existing levels of consumption and current standards of living but the decline in capital goods imports and investment could have an impact on growth rates for many years in the future.

Import contraction has also spread the effects of the debt crisis to the heavily indebted countries' trading partners. In 1981 the sixteen most heavily indebted countries purchased 9 per cent of world imports: for 1986, the figure was only 7 per cent. I cannot think of a better demonstration of the trade-finance link.

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Another aspect of the debt problem that is of particular concern is the increased reluctance of banks and the financial markets to maintain capital flows to a broad cross section of developing countries, regardless of their debt situation. Many of the developing countries would, no doubt, be prepared gradually to liberalize their trade regimes - for example, in the course of the Uruguay Round negotiations - but they fear the impact on their balance-of-payment situation. It is harder today to tell them that they can always rely on international sources of financing to meet some of the temporary costs of adjustment and to tide them over in any temporary balance-of-payment problems that might result from liberalization.

The Trade Ministers at Punta del Este saw the link between a healthy trading environment and the solution of these problems. They dealt with this question by indicating that success in providing stability to the trading environment would depend, to a considerable extent, on "concurrent cooperative action at the national and international level" in areas like improving the functioning of the international monetary system, and the flow of financial and real investment resources to developing countries. In other words, they have signaled clearly to the rest of the world that trade policies cannot, by themselves alone, solve the present imbalances in the world economy.

Given its specific mandate, UNCTAD, and in particular the present Conference, offer another much needed opportunity to carry forward the collective consensus in favour of more integrated international action in the economic field.

Such a step is all the more necessary since the way ahead is long and difficult. Let us not forget, however, that today's policy decisions - or the lack of them - will shape tomorrow's economic environment. Our objective is a durable improvement in that environment for the remainder of this century and beyond. The tensions and conflicts of the present - important as they are as indicators of the problems confronting us - should not deter us in our endeavour.