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Statement by Mr. Hamish Macleod Secretary for Trade and Industry

It is a pleasure to be here in Geneva again, at a meeting which is of particular importance, not just symbolically because of the 40th anniversary, but substantively because we are now at an important stage of the Uruguay Round, and indeed in the development of the world economic and trading system.

It is impossible to approach a review of the work of the GATT without being struck by the very obvious fact that the bulk of the GATT's work has been folded into and absorbed by the Uruguay Round. This is as it should be. It represents one of a number of clear indications that a substantive process is underway in the Round.

Other indications include the volume of work being undertaken, not only by delegations in Geneva, but also in capitals, where time and resources are being allocated to generating ideas and formulating negotiating positions which have begun to find their expression on the table here in Geneva. Thus only a year after the launch of the Round at Punta del Este in September 1986, it is already possible to see the emerging outlines of the negotiating landscape, and the identification of the many differences that will have to be negotiated.

However it is one thing to see what needs to be done and another thing to do it. We should not underestimate the difficulties that lie ahead as we strive over the next three years for a balanced outcome that will address the concerns of all the participants and provide the right sort of support and stimulus to the world economy. Here I would recall the Ministerial commitment at Punta del Este to preserve the basic principles of the GATT and strengthen the GATT system. This cannot be interpreted as allowing any weakening of the Most Favoured Nation principle in the direction of selectivity.

In considering the progress in the Round over the past year it is important to keep in mind that even if some subjects - such as the interrelated issues of safeguards and textiles - do not appear to be proceeding at quite the same pace or attracting quite so much attention as some other higher profile subjects - such as agriculture and services - it does not mean that the former subjects are going to be any less critical to

the viability of a balanced outcome at the end of the Round. It is just that negotiations have their own dynamic, and will move forward substantively on individual subjects when the time is ripe, in the light of a variety of factors both internal and external to the process. There is no division into first and second class subjects and none - least of all textiles and safeguards - are going to drop off the agenda. Nor should it be expected that the agenda itself, in terms of the negotiating objectives established at Punta del Este, is liable to modification. Any review of progress in the mid-term should be designed to stimulate progress towards the achievement of the negotiating objectives. It should not be regarded as an opportunity to review or modify the objectives themselves - indeed nothing could set the process back more certainly or send a more negative message to the outside world. One final point in this vein is that small and exclusive contact groups, core groups, steering groups, whatever their composition or wherever they meet, and useful as they may be, must at the end of the day carry with them all the interested contracting parties and participants.

Whilst we are right to try to improve the rules, we need to be able to continue to do all we can to encourage adherence to the rules. I was struck by the reference, in reminiscences yesterday in connection with the 40th anniversary of the GATT, to the effect that in the early days the rules were observed and all condemned those who disobeyed them. Alas! we are now in more cynical days. The gap between the rhetoric and the reality is dangerously wide. It is as important to use the Uruguay Round to revive some idealism, some willingness to adhere to the rules and to make the system work, as to use it to improve the rules themselves. In this context trade in goods is still at centre stage. And the essential task is to make the standstill and rollback commitments work, in a rational, constructive and unthreatening manner.

Let there be no doubt that what we are attempting here is vital. We are all aware of the adverse developments in the world economy, of current account deficits, currency fluctuations, stock market crashes and of the political, economic and social tensions these create. We are also aware of the dangers of applying inappropriate trade restrictive solutions to problems which have their origins elsewhere than in the trading system, and of the damaging effects of delay in applying the appropriate solutions. In this situation we should not give any credibility to the view that the GATT is outdated, ineffective and irrelevant. Such assessments have no basis in fact - indeed in the same breath some of those same critics ask that the GATT take on new subjects, surely a clear if unintended compliment. Two elements in the current situation illustrate the GATT's key rôle:

- the first is that the tensions in the world-trading system have found their expression in an unprecedented number of invocations of the GATT dispute settlement mechanism. More GATT panels have been convened during the past year than at any time in the GATT's history. This is hardly reflective of the actions of a world that has lost faith in GATT. On the contrary, as the problems

have increased so has recourse to GATT increased. What is more, GATT has responded to this challenge with panels that have been able to conclude their work more expeditiously than in the past whilst still maintaining a high standard of clarity and objectivity in their findings;

- secondly, the very existence of the Uruguay Round and the obvious commitment of the participants to its pursuit clearly demonstrate that the function of GATT as a forum for multilateral trade negotiations is alive and well. This is underlined by the use to which the Round is put by certain participating governments as a means of resisting domestic pressures for unilateral protectionist measures that might otherwise have a damaging or even destructive effect on the world-trading system.

The conclusion is clear. The threat which the external situation poses is the spur to our efforts in the GATT and the Uruguay Round. Not only must GATT continue to discharge its dispute settlement function effectively but no effort should be spared in the Round to seek early improvements in the dispute settlement procedures and in the functioning of GATT generally. Contracting parties have a collective responsibility to ensure that the rising expectations placed on the Uruguay Round and on the GATT as a viable institution are not met with disappointment. We shall rightly be judged by how we act, not just by how we speak.