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The setting up of the fourteen Negotiating Groups under the Group of Negotiations on Goods, the elaboration of the negotiating plans for each of these Groups and the substantive progress of the negotiations during 1987 constitute the most significant developments in GATT since the 42nd Session of the CONTRACTING PARTIES. However, as was noted by the GATT secretariat in a review of developments in the trading system earlier this year, "there is a clear contrast between the progression of work in GATT, particularly as it relates to the negotiating process under the Uruguay Round, and the difficulties and tensions that have marked the actual conduct of trade policies". In the recent review prepared for the special Council meeting in November 1987, it has been noted that the trade restrictive or trade distortive measures taken since the launching of the Uruguay Round have continued to create doubts about the capacity of governments to follow the rules of the multilateral trading system. This contrast between developments in the real world and the progress of negotiations in the Uruguay Round should provide the focus for the deliberations in the current Session of the CONTRACTING PARTIES.

One year after the launching of the Uruguay Round, the trading environment has, in fact, deteriorated. Trade tensions have continued to reappear and major trading entities have been on the brink of trade war more than once. On the one hand, we have repeated proclamations of faith in the multilateral trading system and pledges to preserve it. On the other, we witness open advocacy of cartel-like arrangements, retaliation for alleged breach of such cartelization, increasing tendency towards bilateralism and above all, unilateral departure from agreed principles of non-reciprocity and non-discrimination in trade relations with the less-developed countries. The GATT secretariat reports that there are now 135 grey area measures in steel, textiles, agriculture, transport equipment, electronics, footwear and machine tools. The Textile Bill and the Omnibus Trade Bill which are now in the final stages of consideration in the United States legislature are a cause of deep concern to all those who wish to preserve and strengthen the multilateral trading system as embodied in the GATT. These trends reveal a disturbing lack of commitment to the basic principles of the General Agreement, as well as to the letter and spirit of the standstill and rollback undertakings in the Uruguay Round Declaration. They constitute a set back to the principle of multilateralism.

We would like to join others in expressing satisfaction that work at the technical level in the fourteen Negotiating Groups has covered a lot of ground. It is only proper for us, however, to recall that the important task of determination of issues for negotiations and reaching a common basis for negotiations, which was called for in the negotiating plans for a number of groups in the initial phase, has not been achieved so far. This will have to be addressed in the coming year.

It would also be pertinent to point out that there is a persistent tendency on the part of some participants in some Negotiating Groups to extend the scope and mandate of negotiations beyond the common understandings of Punta del Este. This not only tends to impair the solid basis of consensus reached in Punta del Este but also inevitably leads to slowing down of the progress of work in the Negotiating Groups. To avoid this, it is essential to adhere strictly and scrupulously to the letter and spirit of the Punta del Este Declaration which represents a positive compromise, safeguarding the interest of all participants.

For some time now we have been hearing refrains on the theme of an "early harvest" in the Uruguay Round. Section B(ii) of Part I of the Punta del Este Declaration contains the only negotiated basis for early results in the Uruguay Round. This possibility was envisaged only in negotiations on trade in goods and it does not apply to Part II of the Declaration which relates to negotiations on services. The Punta del Este Declaration provides for a mid-term review by the TNC at ministerial level. Such a review at an appropriate and agreed time will provide us with an opportunity to assess the progress in the negotiations as a whole, including the possibility of early agreements if any, as visualized in Part I of the Declaration. At this stage, however, it is neither feasible nor desirable to foresee the outcome of such a review in terms of results to be achieved in specific sectors. Section B(ii) of Part I of the Punta del Este Declaration states that the launching, conduct and implementation of the outcome of the negotiations shall be treated as parts of a single undertaking. This single undertaking was itself a balanced package catering to the interests of all participants. A selective approach, picking only certain elements for inclusion in an "early harvest" would seriously disturb that balance. What is important is to continue progress across the broad front of negotiations, having regard to the special emphasis provided in the Declaration as well as the special characteristics recognized in the elaboration of specific negotiating plans. From this point of view, there are two sectors which clearly stand out. The issue of safeguards, is the central systemic issue which is vital for the survival of GATT itself. In the final analysis, it would not be possible to sustain trade liberalization without a comprehensive agreement on safeguards built on the foundation of the MFN principle. There is already a very large corpus of work undertaken in the past on this subject in the GATT. What is required is the political will on the part of the major trading partners to translate the technical work into a legal reality.

Trade in tropical products was first recognized twenty-five years ago as of special interest to developing countries and, therefore, deserving priority attention. This sector is basically of a non-competitive nature vis-à-vis the interests of industrialized countries. The Punta del Este Declaration has once again recognized the special status of this sector in terms of timing of the negotiations and early implementation of results. Negotiations in these two sectors, therefore, deserve priority attention.

We would like to see substantive progress in the area of trade in textiles and clothing, which has been subject to the long-standing derogation from GATT rules. Originally intended to provide a short breathing space, the Multifibre Arrangement has only become progressively more restrictive with each extension, and embodies the very antithesis of differential and more favourable treatment for developing countries. For those who are committed to preserving and strengthening the GATT system, the return of the textile trade to the GATT rules must constitute an inescapable and indisputable priority.

I would like to make a special reference to the provision of differential and more favourable treatment for developing countries in the Uruguay Round. Developing countries' interest and participation in the preparatory process as well as in the Uruguay Round negotiations have been unprecedented. Developing countries look forward to a positive outcome of these negotiations. The Punta del Este Declaration recognizes that the principle of differential and more favourable treatment applies to the negotiations and that developed countries do not expect reciprocity for commitments made by them to reduce or remove barriers to the trade of developing countries and shall not seek concessions that are inconsistent with the development, financial and trade needs of less-developed contracting parties. It is, therefore, surprising that various proposals and submissions made to the Negotiating Groups do not reflect this commitment. On the contrary, even in an area such as tropical products, a new paradigm is sought to be introduced calling for extension of the coverage to include products of export interest to developed countries and seeking reciprocal contributions from developing countries. If the negotiations are to be meaningful to developing countries, it is necessary to avoid these deviations. The principle of differential and more favourable treatment must be truly and adequately reflected in the techniques and modalities as well as the proposals being developed in the Negotiating Groups.

In the context of consultations under the balance-of-payments provisions of the General Agreement, we have witnessed an increased pressure on developing countries to remove their régime of quantitative restrictions in total disregard of the structural and long-term nature of their problems and a tendency to even question the content and direction of the autonomous development policies, which have always been recognized to be beyond the purview of the General Agreement. This is a disturbing development as it signals the attempts to weaken and erode the only defensive mechanism available in GATT for developing countries facing

unavoidable and serious balance-of-payments difficulties. Indeed, this perception is reinforced when we witness a persistent attempt to review and revise the same provisions in the Uruguay Round in what is described euphemistically as an attempt to "update" these provisions.

This survey would not be complete without a reference to the most serious development in the trade policy area in recent years, namely, the tendency on the part of some developed countries to seek linkages between trade in goods and other matters such as developing countries' policies in regard to foreign direct investment, protection of intellectual property, services and fair labour standards. Trade, which is a means of self-reliant development for developing countries, is in danger of becoming an instrument in the hands of certain developed countries for imposing unacceptable linkages on developing countries dependent on trade. This important issue was addressed in the course of negotiations on international trade in UNCTAD VII. It is reassuring to note that the international community has, in the Final Act of UNCTAD VII, recognized that "observance of multilaterally agreed commitments with respect to trade in goods should not be made conditional on receiving concessions in other areas". This is indeed a significant development. It now remains to be seen how this commitment will be adhered to in the course of negotiations in the Uruguay Round.

We have earlier referred to the deterioration that has taken place in the international trading environment since the launching of the Uruguay Round. Developments in the monetary and financial environment also cause serious concern. They signify further deterioration of the development prospect for developing countries. Flows of financial resources to developing countries are stagnating or are at reduced levels. No long-term strategy has yet emerged to tackle the crisis of indebtedness which continues to threaten the foundation of the international monetary and financial system. Exchange rate fluctuations continue to be volatile. Real interest levels still rule high. Commodity prices continue to be at their historic low, with no serious international efforts in sight to directly stabilize these markets and to make the prices remunerative to commodity producers. The terms of trade continue to deteriorate for developing countries. To face the problem of illiquidity and debt-servicing, developing countries are compelled to contract imports, produce more for exports and thus become capital exporters on a massive scale. In some of them, growth rates have remained negative for some years. Investment in productive infrastructure and social services is shrivelling into disinvestment. What is sought to be achieved through multilateral trade negotiations seems to be in the danger of being neutralized or reversed on account of the adverse developments on other fronts. Indeed, the whole exercise seems to be besieged by the increasing disarray and uncertainty in the international economic environment.

What we are looking at in GATT is only a cross section of the international economic reality. Unless the international community engages in a serious, truly multilateral and co-operative effort in the

interdependent areas of money, trade, finance and development, it would be no more than wishful thinking to expect that rapid progress in the Uruguay Round will automatically ensure balanced or enduring results, particularly from the point of view of developing countries. Both within GATT and without, in the real world of trade and the international economic environment, formidable challenges are facing us. The least we must do is to avoid complacency, to adhere scrupulously to the consensus basis of the Punta del Este Declaration and to try to see the international economic reality as a whole.