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Statement by Mr. R.A. Akhund Secretary to the Government, Ministry of Commerce

As we meet here for the forty-fourth session of the CONTRACTING PARTIES, we can look back with satisfaction on developments in the outgoing year: satisfaction because the world economy was able to weather the storm of the October 1987 stock market crash; satisfaction also because the regular GATT work has been pursued at a high level of intensity; the GATT consultation and dispute settlement mechanism has once more proved its value in helping to diffuse and resolve trade tensions; and satisfaction because negotiations in the Uruguay Round have escaped any disruption -- in fact they have proceeded smoothly. But this must not lull us into complacency. We stand on the threshold of a major meeting in Montreal which could bring about far-reaching changes in the way world trade is conducted for many years to come. While we are on course, results can be realised from our endeavour only if it is pursued with even more intensity.

During the recent past, the global economy has undergone a near crisis. It continues to be burdened by apprehensions which arise from payment imbalances of unprecedented magnitude. While international economic co-operation and policy co-ordination has so far been successful in avoiding the worst consequences of this phenomenon, the long-term stability of the economic system will depend upon our ability to restore reasonable balances in trade among the trading nations.

Similarly, the debt problem faced by a large number of developing countries can only be solved if these countries are enabled to increase their exports and obtain trade surpluses in order to resume full debt servicing. And the adjustment programs undertaken by the developing countries, at the cost of a great deal of human suffering, can only succeed if the export orientation in these programmes meets an appropriate opportunity in the form of expanding world trade.

The growing economic difficulties, as manifested in the symptoms to which I have just alluded, have witnessed accompanying attempts to solve economic problems by building barriers against free functioning of trade. Fortunately, the leaders of the international community were able to resist the temptation to follow seemingly easy solutions. The launching of the Uruguay Round has served to diffuse the dissatisfaction with the way world trade has affected different nations.

With two years of extensive discussions in the Uruguay Round behind us, we have reached the mid-point in this arduous task. Those interested in the growth of a free and open trading system in the world are keen that the Uruguay Round should produce concrete results. Even before the final bargaining is concluded by 1990, there is an understandable desire that these efforts should produce a visible impact on the general climate by intensifying resistance against persistent protectionist pressures. Towards that end, the Ministerial meeting in Montreal in a month's time should be an occasion to demonstrate some tangible evidence of progress to renew our faith in the negotiating process.

Talking of trade negotiations, we ought to take into account the reality of persistent dissatisfaction with the manner in which the rules for free trade are observed under the present system. The system is based both on the observation or violation of the rules and, in carrying out negotiations for change, on the effective bargaining power of the parties. The bargaining process is carried further on an implicit recognition of the power of the parties to retaliate or reciprocate concessions. The bargaining power of countries most in need of understanding and accommodation, i.e., the developing countries, is admittedly limited. These countries find that a round of multilateral trade negotiations offers some opportunity to draw attention to their special needs. Their continued faith in the open trading system and its ability to meet their development requirements is essential for the healthy growth of the global economy.

While in the longer-term perspective, the participation of all countries in the global trading system is essential, the international community needs to demonstrate a better understanding of the special problems and needs of those who happen to be less privileged, at least during the initial periods of their growth and development.

All of us who worked hard to get the Uruguay Round of multilateral trade negotiations started expressed our faith that an honest effort would be made to implement the remaining commitments from the past. A fresh pledge was made to observe a standstill on protectionist measures, and to attempt a winding down of the protectionist barriers built in the recent past.

It is, however, discouraging that while negotiations make some progress, the overall climate remains clouded by growing protectionism and trade frictions among the major industrialized nations. New measures are being enacted into law, and the application of existing non-tariff barriers is being made more stringent. The disturbing part of the new trend is that protection is now being more clearly focused against weaker developing countries.

The faith of the world community in free trade and the functioning of an open-trading system is at stake. Some countries could be frustrated into adopting the second-best option of looking inwards. The remedy for payment imbalances does not lie in insulating markets which otherwise possess sufficient resilience to contribute to the corrective process.

The Uruguay Round process gives us confidence that its framework can be so shaped as to protect the long-term interests particularly of the weaker nations. We are also encouraged that there is a growing recognition of the essential link between finance and trade, and between trade and development. But, watching the progress of the Uruguay Round negotiations, we are somewhat disheartened with the way the concerns and interests of the weaker nations have been met. To say the least, there has been a great lowering of our expectations. At this Session of the CONTRACTING PARTIES, I do not intend to engage in any evaluation of the state of affairs in the Uruguay Round. I cannot resist, however, offering a thought or two.

My country recently had the privilege of hosting an important meeting in Islamabad. While it was an occasion to have a wide-ranging exchange of ideas on critical areas under discussion and negotiation in the Uruguay Round, the deliberations there were able to produce some important principles which, we believe, could help in furthering the process.

First, and foremost, was the feeling that formal linkages between issues did not help to advance negotiations, though Realpolitik demanded that all nations should take an interest in issues which may not be of the greatest importance to them. Secondly, it was felt that pragmatic compromises ought to be based on the fact that we should not go for all-or-nothing solutions. Compromises should evolve something that is acceptable all round. Thirdly, while we could accept quicker progress on some items, it was felt that specific negotiating frameworks of principles should be developed and agreed in most areas, with a view to having all nations on board, and in some of the areas, with a sizeable down-payment as evidence of good faith. And, finally, that in some of the new areas, a lot of further work would need to be done, particularly to allay the anxieties and fears emanating from the implications of multilateralization of these areas.

These are not ideas just in the abstract. They grow from our experience during two years of actual negotiations. We believe that attempts to force inexorable linkages are a sure recipe for choking any progress -- whether it be a linking of tropical products to agriculture, or of textiles to safeguards. Similarly, we cannot appreciate the logic of an agreement on frameworks of principles only for a selected number of areas.

Talking of these important principles brings me to the state of play in different areas of negotiations. While all may have their favourite agenda for early results, we must point to the relative neglect of subjects in which the less-privileged have the greatest interests. These include safeguards, textiles, standstill and rollback, and tropical products. We must stress that to evolve a balanced package of results at Montreal, it is of utmost importance to show some tangible progress in these areas as well. And in saying so, I am deeply conscious of the fact that progress in these subjects would certainly produce salutary effects for results in many other areas.

In concluding, may I note the continued need of the developing countries for strengthened and expanded technical assistance given the complexity of the Uruguay Round's agenda, and particularly as we advance to a more intense stage of the negotiations.