

# GENERAL AGREEMENT ON

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## TARIFFS AND TRADE

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### INDIA

#### Statement by H.E. Mr. S.P. Shukla Ambassador, Permanent Representative

The annual session of the CONTRACTING PARTIES is an occasion for us to take stock of the activities in GATT during the year. It is not the occasion to take stock of the negotiating process under the Uruguay Round, which will be the subject of attention at the forthcoming meeting of the Trade Negotiations Committee (TNC) at ministerial level at Montreal. However, it would be appropriate for us to use this occasion to place the activities of GATT in the perspective of the Uruguay Round, since work in GATT has largely been concentrated in terms of the respective Negotiating Groups under the Group of Negotiations on Goods.

Obviously, for developing countries such as our own, the main touchstone or criterion for such a review is the way the Uruguay Round negotiating process is affecting or would affect the process of development. The participation of developing countries in GATT is necessarily centred on the contribution that such participation makes to their development process. Development is not only the key element of their social and economic objectives and policies, it is also an essential underpinning of their political system. Unfortunately, attention to the rôle and contribution of GATT towards the development of developing countries, as reflected in the ongoing work in the Uruguay Round process, is not commensurate with the unprecedented interest and participation of developing countries in this Round. While the Punta del Este Declaration clearly recognizes that the principle of differential and more-favourable treatment for developing countries as embodied in Part IV of the GATT and in the Enabling Clause applies to the negotiations, a review of the work of the Negotiating Groups reveals that this commitment is not informing the negotiating process. This disturbing trend needs to be addressed.

There is an important distinction between the state of the multi-lateral trading system and the trends in world trade flows. While it is fortunate that world trade has escaped the possibility of a recession in the world economy, trade flows themselves are not an indication of the health and soundness of the multilateral trading system. Successive reports prepared by the GATT secretariat reviewing developments in the trading system for the special meetings of the GATT Council clearly bring out how the multilateral trading system has continued to deteriorate. A state of crisis is developing in the multilateral trading system on account of the continued proliferation of grey-area measures, increase in protectionist measures and actions, and increasing resort to bilateralism.

At the last CONTRACTING PARTIES' Session, we had noted that the trading environment had continued to deteriorate even after the launching of the Uruguay Round. Since then, the number of trade measures inconsistent with GATT has continued to grow, and the number of such grey-area measures now stands at an all-time high of 252 as compared with 93 at the time the Uruguay Round was launched. In the area of trade in agriculture, competitive export subsidization has continued unabated. All this is taking place despite the clear commitment to standstill and rollback made at Punta del Este. Can we therefore claim that all is well with the multilateral trading system and GATT? Is there not a wide gulf between repeated proclamations of faith in the multilateral trading system on the one hand, and the actual conduct of trade relations and trade policy on the other? The surveillance mechanism set up under the Uruguay Round has not really been effective in preventing violation of the standstill commitment or in rolling back pre-existing measures inconsistent with GATT commitments. Yet the standstill and rollback obligations are a basic prerequisite for the Uruguay Round negotiations because they are intended to demonstrate the good faith of participants. We must, therefore, use the occasion of the Ministerial meeting of the TNC at Montreal to test the sincerity and degree of commitment to these obligations. Therefore, we should not allow the smooth and efficient conduct of the work of various Negotiating Groups to lull us into complacency that all is well with GATT and the Uruguay Round.

In reviewing the work carried out in the fourteen Negotiating Groups under the Group of Negotiations on Goods (GNG) over the last two years, one is struck by the lack of balance in the progress achieved so far, which runs contrary to the commitment to treat these subjects as part of a single undertaking. This has also been reflected in the SELA (Latin American Economic System) Declaration, adopted on 4 November 1988, which recognizes that there are profound asymmetries in the work of the different Negotiating Groups. There has not been adequate response in the areas and subjects of the greatest interest and priority to developing countries, whereas in the so-called new areas, the major participants have continued to exert strong pressure and even made proposals which go beyond the terms of reference agreed upon at Punta del Este. There are attempted deviations from the negotiating mandate of Punta del Este as in the area of trade-related aspects of intellectual property, and departure from earlier commitments as in the area of tropical products. There is lack of political will to participate substantively in negotiations on textiles and clothing and in the area of safeguards. There are attempts to revise the balance-of-payments provisions and thus to undermine the basis for the maintenance of the trade régimes of developing countries which suffer from structural and long-term balance-of-payments difficulties. There are attempts to transform the contractual character of the GATT and to undermine the democratic nature of its functioning through proposals submitted to the Group on Functioning of the GATT System. Clearly the Ministerial meeting of the TNC will have to review progress in all the areas of negotiations across the board and redress such imbalances and deviations, taking into account the interests of all participants, particularly those of the developing countries.

It will be necessary for the forthcoming meeting of the GNG to undertake the evaluation of the application of differential and more-favourable treatment to developing countries and to assess the results attained so far in the areas of interest to less-developed contracting parties in terms of Section G of the Punta del Este Declaration. Indeed, no mid-term review can be complete without such an evaluation.

Allow me briefly to turn to our perception of the reasons for the increasing strains on the multilateral trading system. These are on account of two basic reasons. In the first place, there is a marked tendency to bring problems originating in areas outside trade for solution through trade measures, and secondly, the lack of adequate and effective action in the areas of money and finance with the active involvement of all to redress shortcomings and imbalances in those areas. It is very clear that action in the area of trade alone will be insufficient. Recently, the Managing Director of the International Monetary Fund, Mr. Camdessus, delivering the 1988 C.D. Deshmukh Memorial Lecture in Bombay, referred to the need to address the three fundamental issues of asymmetry, i.e., the need to ensure that all countries enjoy equivalent rights and observe equivalent obligations, stability of the exchange rate system, and the problem of liquidity. There is need to find adequate and speedy solutions in the appropriate multilateral fora with respect to these problems and to the long-standing problem of indebtedness and that of securing adequate flows of finance for development. This is essential to ensure an appropriate macro-economic environment necessary to maintain the open multilateral trading system.

In order to ensure the success of the Uruguay Round and the soundness and health of the functioning of the GATT, it will be necessary to remove the existing imbalances in the negotiating process, take due account of the concerns and interests of developing countries and ensure effective application of the principle of differential and more-favourable treatment. Along with this, it will be necessary to address the outstanding issues in the areas of money and finance. Such an approach is the best guarantee for the success of the Uruguay Round. The absence of any of these elements would be a prescription for its failure. With regard to the mid-term meeting of the TNC at Montreal, India, along with other participants, would certainly wish to see it as a success. But we will not be able to label it as a success if it fails to address the basic concerns we have mentioned.