

# GENERAL AGREEMENT ON

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### EUROPEAN COMMUNITIES

#### Statement by Mr. Trãn Van-Thinh Head of the Permanent Delegation in Geneva

I have listened carefully to the statements by all the representatives who preceded me, and I now invite them to listen to the voice of the Community. I shall make an effort of self-discipline to abide by the five-minute time-limit, while bearing in mind that it is in everyone's interest to hear what the Community has to say.

While I understand that circumstances have made this forty-fourth session of the GATT CONTRACTING PARTIES a rather lack-lustre one, I nevertheless regret it. The annual session of the CONTRACTING PARTIES is always the crowning event for the entire year's work, and it allows those in charge back in our capitals to come to Headquarters to meet one another and hold this event together. I therefore regret the routine aspect which has made this an everyday affair, undoubtedly caused by the expectations of hypothetical spectacular results at Montreal, on which this waiting period is predicated, at the risk of making us lose sight of essentials. To illustrate this point, I shall merely quote a few lines from La Fontaine's fable, "The Minnow and the Fisherman": "God willing, this small minnow into a great fish will grow; 'Twould be foolish, even so, Until then to let it go: For I can hardly be certain Of ever catching it again ... Indeed, the old saying does point out the truth: A bird in the hand is worth two in the bush".

I have been heartened by the tone and tenor of most of the statements to which I have listened. Ambassador Hill's statement was striking not only because of its message concerning the balance of benefits, but also through its subtle way of reaffirming the primacy of the CONTRACTING PARTIES over the Uruguay Round negotiations, by illustrating Jamaica's desiderata on a fundamental issue in the ongoing negotiations, namely the functioning of the GATT system; and they are desiderata which I basically share. I was struck by the pessimistic tone and tenor of Ambassador Shukla's statement, which probably sets India's stance as regards Montreal and the post-Montreal period.

I myself am resolutely optimistic, unlike the Cassandras, and I can predict that the Montreal mid-term meeting will be crowned with significant success, as I am confident that all participants without exception will make their contribution. There is no other choice, and it is in everyone's interest to do so.

For the rest, my statement will deal with four points:

1. The economic situation of the Community

The Community's economic outlook has clearly improved in recent months. In 1988, the Community enjoyed unexpected growth.

With an average of 3 per cent this year, growth in the Community will be the strongest since the end of the 1970s; the rise in investment (7 per cent) the highest for over two decades; and the rate of inflation (3.5 per cent) about the same as in the 1960s. Despite a slight deterioration of the international environment, growth will remain strong in 1989 (about 2.75 per cent). The rate of inflation will only pick up slightly; while the unemployment rate has begun to decline, even if it remains too high: 11 per cent of the active population on average in the Community.

This stronger growth gives the Community the opportunity to achieve its great objectives in better conditions: namely, to derive all the benefits from the achievement of the internal market, strengthen its economic and social cohesion and reduce unemployment.

International co-operation has enabled significant progress to be made towards greater world economic stability. It should be pursued with determination, for large dangers still remain. In 1989, the reduction of the United States balance-of-payments imbalances will lose steam, while the problem of the build-up of its foreign debt remains unresolved; these persisting imbalances will continue to threaten the stability of the international monetary system; the developing countries' situation is not improving, and is affected by the recent rise in interest rates.

2. The United States Omnibus Trade and Competitiveness Act

I pay tribute to the United States Government for having managed to weed out the ultra-protectionist provisions which had been included in the bill and which would have led to automatic action against countries with a continuing bilateral trade surplus with the United States. The bill has become law, and we must learn to live with it. The Community is worried by this Act, the gestation of which has for a long time burdened GATT's work, particularly during the delicate period of the Uruguay Round. First, it contains a number of provisions which could incite a recourse to unilateral actions inconsistent with the GATT. Second, it is now clear that the administration's discretionary authority for the formulation and implementation of trade policy, and thus with regard to respect for the United States' GATT obligations, has been reduced. Third, the Act might encourage lobbying activities for GATT-inconsistent actions. Fourth, it provides the United States with built-in means to improve its negotiating position regarding sensitive Uruguay Round issues, in contradiction with standstill undertakings. It is to be hoped that the United States will not use that kind of "bargaining chip", as that would entail the risk of imposing results which would unavoidably be circumvented. It is also to be hoped that this sophisticated machine which the Act constitutes will serve to open all markets, including the United States' own.

To substantiate the Community's standpoint, I shall give four examples:

First, the GATT consistency of Section 301 in itself is somewhat dubious, to the extent that it gives the President's Special Representative for Trade Negotiations the possibility of taking unilateral action on the basis of a unilateral determination without prior authorization from the CONTRACTING PARTIES. The amendments to Section 301 now require automatic action, inter alia when the United States' rights, in its own opinion, are not recognized or are violated or placed in jeopardy. That increases the propensity to take unilateral actions. It is extremely serious for a country to grant itself the right to take GATT-inconsistent measures to counter GATT-consistent measures taken by third countries.

Second, the Act has dropped the requirement to determine prejudice in the context of Section 337 violations. Without such a criterion, the United States can take retaliatory measures which could touch on GATT obligations without the CONTRACTING PARTIES' authorization. That tends to increase the possibility of discriminatory measures.

Third, Section VI of the Act, on telecommunications, requires automatic actions to obtain reciprocal market-access opportunities - another open door for unauthorized retaliatory measures when the United States, on its own and according to its own criteria, determines where mutually advantageous opportunities lie. Here again is the seed of unilateralism, arbitrariness and bilateralism, in the negative sense of the word, because it is that right which implies that obligations become the law of the fittest.

Fourth, in the area of agriculture, the Act provides for an automatic triggering of marketing loans, including for export stimulation, should significant results not be obtained in the Uruguay Round. This is a flagrant threat to the negotiating process, and one which has been conceived to improve the United States' negotiating positions, contrary to the standstill undertakings in the Punta del Este Declaration, to which the United States has subscribed.

From a GATT viewpoint, and for all the reasons mentioned, the Community and its member States are left with no choice but to watch carefully the implementation of the Act, and are determined to take action promptly should their GATT rights be compromised by it. More worrisome still, one may doubt the United States' commitment to, and faith in, the multilateral trading system; the United States would be well advised to dispel this perception.

The Community regrets the adoption of this Act, which has no doubt stemmed from an erroneous knowledge and perception of the outside world and from a vision of it that is overly concerned with the short-term. The American law can never be imposed on the rest of the world; it cannot provide an alternative to the multilateral system which, for all its shortcomings and weaknesses, is irreplaceable. The Act is a time-bomb which all - the United States included - should strive together to defuse,

because if it explodes it will spare no one, especially not the United States. The United States' problems cannot be solved through this Act without other countries' support. While the Act may well have been intended, in its essence, to help reinforce the multilateral system, it could, in the eyes of the United States, constitute an alternative should that system fail. If the United States were to turn to such an alternative, the Uruguay Round would be marginalized and a fatal blow would be dealt to the multilateral system; but the Community would pursue its irreversible process of integration, and would survive. But what of the others, who might well not survive? The Community has faith in the multilateral system because its integration can be better pursued within that framework: the Community too depends on others.

To conclude on this point, I would add that, for all its 1,200-plus pages, the new Act cannot be a substitute for the 57 pages of the English-language version of the General Agreement. I hope that the next Government of the United States, whoever may be President as a result of the elections being held today, will untiringly continue the battle against protectionism and unilateralism.

### 3. Completion of the Single Market in 1993

I confirm that the Community and its member States intend to respect all their obligations under the General Agreement, but of course the Community cannot respect obligations which do not yet exist, as in the case of services or intellectual property. In the GATT secretariat's Review of Developments in the Trading System 1987/88, the conclusion concerning the handicap of trade barriers between provinces and regions within the same country also applies to the Community's démarche towards a single market in 1992, if one substitutes "Community" for "country". I could not ask for a more concise description of the motivation underlying the Community's démarche, and my own interpretation of the consequences of the challenge of 1992 confirms that of the secretariat. I am aware that the Community's project - and the Community cannot be made to surrender it any more than its internal sovereignty - is raising fears both outside and within the Community. Within, the question is whether the single market will not primarily benefit third countries in the first instance, while outsiders fear that a form of protectionism will compensate for internal liberalization. Both sides' fears are absolutely groundless. The internal market will create opportunities for both Community and foreign businesses, depending essentially on each firm's ability to take advantage of these opportunities. The Community will only provide the framework.

The Community's démarche is quite in keeping with the treaties to which it is a party. In fact, the absence of an internal market costs the Community on average ECU 220 billion, and the achievement of the single market will induce an annual growth rate of 5 to 7 per cent, thus constituting a dynamic setting not only for Community business but also for firms all around the world if they know how to take advantage of the opportunities provided. I stress once again that the common external policy will be pursued with total respect for the Community's international

obligations at the bilateral, plurilateral and multilateral levels, wherever they exist. While not challenging existing obligations, however, the Community will not concern itself with obligations which do not yet exist. The Community thus assumes its existing GATT obligations; where obligations do not yet exist, the Community will pursue its course as long as the Uruguay Round has not reached a stage where it could allow multilateral definition and implementation of new disciplines. The concept of reciprocity ranks high in the GATT, and the Community will call it into play, according to its own criteria, when disciplines do not exist at the multilateral level. To put it clearly, the Community wishes to see its own market-opening reflected in similar market-opening by its partners. Pressure and threats are of no avail, as the Community will quietly pursue its course. I urge representatives not to rely too much on the press, but rather to listen carefully to the Community's authorized spokesmen in the CONTRACTING PARTIES.

#### 4. Development in the countries of the South

With regard to population trends, in its latest report on international trade the secretariat estimates that 600,000,000 jobs will be created in developing countries over the next two decades. The developing countries of the Southern hemisphere represent 83 per cent of the world's population and the industrialized countries of the Northern hemisphere 17 per cent, while this proportion is reversed in the case of their respective GNP figures. These are striking figures. Under these circumstances, can one possibly or reasonably expect that trade and trade development can absorb the production generated by these 600,000,000 jobs? Certainly, provided domestic demand expands and develops in the developing countries, failing which new serious imbalances will be created.

With regard to development in the countries of the South, since the 1950s the various models employed, from the most thoroughgoing economic planning and control to the most uncompromising liberalism, have come to grief in the face of relentless social and cultural realities. After having first argued that economic growth could only result from the accumulation of production factors alone - raw materials, labour, technology and especially capital - economic theorists had to recognize that the allocation of resources and the choice of development strategies were equally essential. This led first to experiments with State regulated and controlled industrialization and import substitution, followed by a period of liberalism and access to the world market.

Apart from a few exceptional cases involving specific and particular circumstances, the balance sheet of these experiments has been disappointing, since it highlights the fact that they have helped to worsen the imbalances: the protection enjoyed by domestic industries allows them to impose high prices internally, thus curtailing consumers' purchasing power. This amounts to giving priority to the capacity to produce at the expense of the capacity to absorb what is produced. Thus, the weakness of the internal market meant that in the 1970s the outlets which the domestic market could not provide had to be sought abroad. This outward-looking model became widespread, often also prompted by respectable financial

institutions (which encouraged internal equilibrium through additional exports), and could only have the effect of artificially worsening the world-wide overall imbalances.

The domestic market is essential. It is not a question of confusing growth of production with improvement in living standards. The pursuit of growth is not an end in itself. It cannot become a substitute of any kind for the effort to satisfy the largest number of needs, five of which are fundamental for man: food, clothing, housing, health-care and education. Failing this, development efforts run aground on social resentment, social demands, social outbursts. That is why the internal market must not be neglected as a dimension of development efforts.

As for the external dimension of development, the idea of a return to market forces still seems highly attractive and fashionable today. And yet past experiences based on out-and-out deregulation have been disastrous. Anything excessive produces paltry results. It is, nevertheless, true that economic development cannot be ordered into existence by authoritarian decree, but must be based on a broad decentralization of individual initiatives and decision-making.

These words of mine - and I consider them responsible remarks - are intended as a paean of hope for the Montreal Meeting, before the Brussels apotheosis. I deeply believe that there is no salvation outside the GATT.

On behalf of the Community and its member States, I wish to pay tribute to Arthur Dunkel for the work he has accomplished so far. I convey to him our unstinting confidence in pursuing his work. I hope that he will use a firm hand in leading his flock; and the Community will support him but will not always be a docile lamb.

I have two other remarks to make.

The first is addressed to the Chairman of this session of the CONTRACTING PARTIES. On behalf of the Community and its member States, I would like to thank Ambassador Oxley for having guided its work in a responsible and fair-minded manner.

The second goes to Ambassador Samuels. Today in the United States, one of the pillars of multilateralism, elections are taking place which are important both for the United States and for the rest of the world. I should like to express the wish that the future administration, whoever the new President may be, will tirelessly pursue the battle against arbitrariness and protectionism, and will conduct its trade policy in an equitable, responsible and generous manner. May the "American dream" become the universal dream!