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MEXICO'S PRESIDENT SALINAS ADDRESSES GATT MEETING

The following is the text of today's speech by President Carlos Salinas de Gortari of Mexico to a special meeting of GATT representatives in Geneva.

I am honoured by this opportunity to address the contracting parties of the General Agreement on Tariffs and Trade. Mexico is a recent member; nonetheless, our accession to the General Agreement is the result of my country's firm intention to become an increasingly active member of the international economic community. We have been in the organization for just a short time, but we are convinced of its advantages and of the value of the work it does. One of our main objectives is to make a significant contribution to the diplomacy of multilateral trade.

Mexico has one of the most open economies in the world. We have anticipated and even surpassed the demands presented by the guiding rules of multilateral trade. This has been our unilateral decision taken for reasons of economic efficiency and to improve the well-being of our people. Today, therefore, we confirm our conviction regarding the benefits offered by the system represented and guided by the General Agreement. This is the best forum for eliminating obstacles and facilitating trade in goods and services on a world scale. It is the most fitting way to guarantee the growth and prosperity of our peoples.

Today, the world is experiencing profound changes. Walls that have made it difficult to take advantage of the virtues to be found in the exchange of ideas and cultures, as well as in international trade, have fallen. Changes in technology are altering production and consumption patterns. Productive processes reach beyond the limits of national markets and frequently form great worldwide chains. The revolution in telecommunications brings markets closer and promotes international competition.

Despite the uncertainty regarding the direction that may be taken by these world changes, events are bearing us towards a growing interdependence at the world and regional level. The bases that underly the international economic structure for the coming century will also require the consolidation of a solidary political culture at the world level in which the preservation of cultural identity and individual forms

of organization will be an essential premise. In a swiftly changing international economic context, marked by political conditioning factors of an as yet uncertain nature, the strength of economic agreements joined in by a large number of countries lies in the responsibility with which they fulfil the established commitments, and this presupposes firm political direction on the part of the contracting parties to such agreements.

Today, the interrelation of societies is increasingly profound; it is thus impossible to conceive of modern economic development in isolation from other countries. Increased interdependence is reflected in a new, multipolar structure in which economic relations have intensified and have become more complex. New financial centres, new poles for the generation of technology and new areas of integration are being formed. Economic progress must be based on making full use of the comparative advantages presented by each country and on the opportunities offered by international markets.

Modernizing the basic structure of society, and the practices that make it up, is the response to the major worldwide transformation. A large number of countries, with differing political ideologies and different levels of development, are therefore adapting their economic structures to the new configurations arising from globalization and international competition. Only the nations that are capable of adapting to change will be able to take advantage of new opportunities, from which their peoples will benefit. Mexico recognized that modernizing its political and economic structure is the best means of growing stronger and of coming to grips with worldwide changes. We want to modernize in order to become more efficient and thereby improve the quality of life and our people. This task calls for democracy, equity, pluralism, and efficiency in society as a whole and above all for respecting and fostering liberty.

During my first year of government Mexico has based its economic strategy for modernization on two pillars: macroeconomic stability and microeconomic efficiency.

On the other hand, macroeconomic stability is a requisite for achieving stable, equitable growth. The programme for economic stabilization, based on reaching a consensus between the different sectors of the population and on a balance in public finances, enabled us, at the end of 1989, to attain the lowest rate of inflation in a decade. Thus, we reduced inflation from almost 200 per cent in 1987 to less than 20 per cent last year.

The negotiation of the foreign debt has made it possible to free resources for the promotion of healthy growth. Mexico negotiated firmly on the basis of four premises: cutting back the transfer of resources to levels in keeping with our growth objectives; reducing the accumulated historical debt; securing resources for a period that would make it possible to eliminate the uncertainty caused by annual negotiations; and decreasing the real value of the debt and its relation to the national product. In a few days, we will sign a formal agreement with over 500 creditor banks a little over 10 per cent of them opted to lend fresh

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money, while the rest are almost equally divided between a 35 per cent reduction on the principal and fixed interest rate of 6.25 per cent. This distribution is rational for the banks and satisfactory for Mexico, since it increases the country's solvency in the medium term and protects us from fluctuations in international interest rates. The reduction in the volume of debt frees public resources for investment and has positive side effects, such as the reduction in domestic interest rates, repatriation of capital, and increased foreign investment, all of which provides greater margins for resuming growth and thereby recovering the levels of well-being of our people.

Furthermore, in order to achieve microeconomic efficiency we have proceeded to consolidate our liberalization of trade, promote foreign investment, and deregulate economic activity.

The process of opening up trade and rationalizing protection measures has made us one of the most active countries in the world with regard to foreign trade. We have eliminated the great majority of quantitative restrictions and have replaced them with tariffs. The maximum tariff is 20 per cent, and weighted tariffs stand at 6.2 per cent. We have also put into effect measures for administrative deregulation that eliminate much of the red tape in procedures to be followed by exporters and importers.

With regard to direct foreign investment, new regulations were issued in May 1989 aimed at speeding capital flows towards our country. These new provisions broaden opportunities to invest in Mexico by affording investors greater legal security and by simplifying the administrative rules and procedures for such transaction. Mexico views foreign investment as a natural complement to domestic investment which aids the economy to participate more effectively and competitively in world markets.

Deregulation of economic activity, for its part, has become an effective means of promoting free access to markets and reducing transaction costs. By lowering costs, deregulation has made it possible for exporters to rely on the productivity of manufacturing processes.

In sum, Mexico has committed itself on its own account to modernize its economic structure by gaining more effective access to international markets. This change demands an unprecedented export effort, since foreign trade will be the chief motor of growth in modern economic development.

Foreign trade affords clear opportunities to the countries that take part in it. Exchanges of goods and services allow producers to specialize in appropriate areas and facilitates the use of technologies that are consistent with country's resources. Foreign trade also has a positive effect on the population's living standards. It provides opportunities for the creation of stable, more productive and better paid jobs. There are accompanied by a rise in the real income of the labour sector and thereby contribute to a fairer distribution of income.

Taking advantage of the virtues of foreign trade requires a system with clear sound rules as a means to promote trade flows. The current

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system, however, faces challenges that are well-known. Protectionist pressures are on the rise in major international markets where individual interests have been put before the general benefits of an open system with freer trade.

Tariffs, a clear and easily negotiated means of protection, have lost ground, and non-tariff measures have proliferated in their place. The latter conceal the nature and scope of protection, which hinders the negotiating processes necessary for their dismantling. Objective concepts such as "free trade" have been replaced by subjective ones such as "fair trade". This facilitates trade harassment and the application of arbitrary and selective measures against efficient exporters.

The lack of clarity and precision in the standards for applying safeguards has led to the proliferation of "half-measures", which erode the principle of non-discrimination, split up the global nature of the system and delay necessary structural adjustments. Moreover, there is a risk that the growing tendency towards the formation of blocs might undermine the "most favoured nation" principle. The countries that do not form part of these regional accords run the risk of having to deal with distortions in trade that inhibit their development of exports.

The Uruguay Round offers clear opportunities for shoring up multilateralism and bringing it up to date. The Round represents an active process that will make it possible to modernize the structures of the GATT system so that it can effectively resolve the problems that threaten to retard the processes of globalization and interdependence.

Mexico sees in the Uruguay Round the best opportunity in this century to effectively defend and promote a system of trade that offers benefits that can be shared by the entire international trading community. We must make a great effort to see that this year's negotiations produce a trading system that offers a solid basis for shared economic growth. In order to enable the Round to meet its announced objectives, Mexico proposes that this year's negotiations be based on the following five principles:

First: Compliance with the basic dispositions of the General Agreement must be re-established. We view with concern the fact that access of our exports is often blocked by "voluntary" restrictions, which violate the principle of non-discrimination and make it difficult to use our advantages in production to best advantage. The strengthening of GATT will necessarily entail the inclusion of sectors like textiles and agriculture in the general provisions of the Agreement.

In agriculture we support a reform with the long-term objective of establishing an equitable system orientated to trade. We shall contribute to such a reform to the same extent that the participants in the Round are prepared to go. As regards textiles and clothing, it is urgent to proceed in an orderly and predictable manner towards their inclusion in the disposition of the General Agreement. For example, Mexico has opened its market to all the countries in this sector; nonetheless, we continue to face severe restrictions that inhibit the healthy growth of our exports.

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Second: The quality and content of the rules and procedures of the General Agreement must be improved. The lack of precision of the provisions allows for unilateral interpretations that do not correspond to the original spirit of the system. The anti-dumping provisions and the procedures for applying countervailing duties, which were conceived as ways to counter unfair practices, have been distorted, and at times, used as mechanisms to harass exporters.

The mechanism for resolving differences, a necessary instrument for interpreting and enforcing the provisions of the system, has lost effectiveness because of its slowness and lack of respect for the decisions that are adopted. This has a greater impact on small economies, where the absence of a prompt response in a few cases can place a large percentage of their trade and production at risk.

Third: A structural equilibrium should be established within the system that will permit countries that have made major efforts to open their economies to obtain reciprocal treatment for their exports. It is paradoxical that in an agency orientated towards multilateral trade, as GATT is, countries that delay opening their economies have the greatest negotiating power.

Fourth: Constructive and innovative mechanisms should be designed to ensure that the rules of the system contribute to the process of the countries' economic development. Special and differential treatment is an exception to the rule that has not always been effective in achieving its objectives. The degree of development should be incorporated as an integral part of the norms of the system.

Fifth: Trends towards regionalism should be channelled in such a way as to strengthen world exchanges. Trade blocs, instead of becoming impenetrable fortresses, should be constituted as poles of trade development. This will make it possible to move towards a more solid and equitable multilateral trading system. The trade blocs should take advantage of their potential as the promoters most committed to economic globalization.

Honourable Representatives of the Contracting Parties of the GATT; political stability and international security depend upon the continued creation of wealth through equitably apportioned world trade. The changes undertaken by the majority of countries pose profound challenges for world society. The process of globalization requires a trade system that facilitates exchanges of goods and services, so that all our countries may benefit from the scientific, technological and cultural contributions that emerge in the different regions of our planet.

There have been several rounds of trade negotiations which have marked the decisive moments in the long and profitable history of the General Agreement. There have been many expectations prior to each, as there have been many achievements and not a few frustrations. We have also witnessed the constant resurgence of subtle protectionist measures and tendencies that evade the spirit of our agreement.

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My government reaffirms its unequivocal commitment to the philosophy and legal practices that govern this agency. May the Uruguay Round fulfill the high expectations of the participants. It represents an historic opportunity to respond to the great challenges that the trade system faces today. We are at an historic watershed. I call upon all of us not to miss this great opportunity.