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CHAIRMAN OF CONTRACTING PARTIES POINTS TO WORLD TRADE
DOWNTURN IN 2ND HALF OF 1992

The following is the text of today's opening address to the Annual Session of GATT Contracting Parties by the Chairman, Ambassador Lars Anell of Sweden. Mr. Anell was, until earlier this year, Sweden's ambassador in Geneva and is currently Ambassador to the EC in Brussels.

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Ladies and Gentlemen.

I have the honour to welcome you to this Forty-Eighth Session of Contracting Parties. In doing so, I must recall that this time last year, when opening the Forty-Seventh Session, Ambassador Rubens Ricupero noted his pleasure in being given the opportunity to return to Geneva from his recent posting in Washington to perform the task. As many of you know, I am currently enjoying a posting to Brussels: so we have managed to achieve a certain symmetry.

Ambassador Ricupero expressed some frustration at missing out on, what seemed then, the final phase of the Uruguay Round. I shall express similar frustration - in the reasonable expectation that my sense of timing will be more closely borne out by events over the coming weeks. And, wherever he may return from - if, indeed, he leaves Geneva - let us all hope that next year's Chairman of the GATT Contracting Parties is the last!

One tradition that all my predecessors have observed is to spend some minutes at the beginning of the Session in outlining the economic climate in which GATT is operating and some of the principle features of its work.

I would prefer to report that there were encouraging and convincing signs that the recession and slow growth that afflicts so many countries at present is lifting and that world trade is set for long-term recovery from the comparatively low growth we have experienced recently. However, while GATT's economists have estimated that the volume of world merchandise trade in the first half of 1992 was more than 5 per cent above the corresponding period in 1991, the gain for the year for a whole will be smaller because the strength of the economic recovery has slackened.

Results for the first half of 1992 were buoyed by imports into North America, Latin America, the Middle East and Asia with the exception of Japan. The somewhat downbeat assessment for the rest of the year reflects, in particular, weakness in demand in Western Europe and Japan. On the other hand, the economic expansion in non-OECD Asia is continuing at a rate above the world average.

While there is still some difficulty in monitoring developments in the area, it seems clear that trade between the members of the Commonwealth of Independent States (CIS) virtually collapsed in the first half of 1992. In contrast, it is worth noting that the imports into the European Community from the Czech and Slovak Republic, Bulgaria, Hungary and Poland rose very sharply.

Of course, it is in that very part of the world that we have seen the greatest activity related to accessions, observerships and the renegotiation of existing protocols of accession. Thus, nine republics of the former Soviet Union requested and were granted observer status in 1992. Romania and Poland are both now renegotiating their protocols of accessions as market economies. Bulgaria's accession negotiation continues while Slovenia's has just begun.

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At the same time, the Council has established working parties during the year to examine accession applications from Ecuador, Panama and Chinese Taipei. In fact, no less than 11 countries are currently negotiating accession and the working party on China's status as a contracting party has been re-activated just recently. Clearly, the message is that whatever the uncertainties about the future of the multilateral trading system it is still the first and best choice for countries seeking to reform their economies and to secure their future prosperity in global commerce.

Not that interest in regional economic integration has diminished. In 1991 the Council was notified of just one regional integration initiative. In 1992 we have received word of no less than sixteen. To a large extent these represent efforts to assist countries in the process of transition to market economies. In no case have the parties indicated that they saw these arrangements as anything but complementary to their larger commitment to the multilateral GATT system.

Nevertheless, it is clear that much time will be devoted in the coming years to working party examinations of these arrangements. I can recall, that the last time such an examination was conducted, considerable disquiet was expressed in the Council about the nature and effectiveness of the working party process. It seems to me the time is now ripe for a substantial review of the way in which working parties fulfil their remits under Article XXIV; especially to ensure that the results of their efforts are both clear and meaningful.

Dispute settlement in the GATT has also given rise to many expressions of concern over the past year. Having greatly improved the speed at which panels perform their duties and provide well-reasoned reports to the Council, the emphasis has now shifted to their implementation after adoption. Clearly some of the answers to these difficulties are contained in the Draft Final Act of the Uruguay Round. However, while we await a final conclusion of the Round there must continue to be a respect for existing obligations under the General Agreement - a respect which has been sadly lacking in some cases in recent times.

In highlighting a few of the activities of GATT over the past twelve months, it would be wrong of me not to mention trade and the environment. If we have been accused of a slow start, I think we can nevertheless justly claim to have taken up the issue with a seriousness of purpose, a depth and an intensity that ought to be encouraging to those who have expressed concern at the potential for conflict between trade and environmental protection policies. I have no doubt that this will continue to be a major focus of GATT's work and that effective, sensible and mutually beneficial conclusions for environmental and trade objectives will emerge.

In conclusion, one can only observe that the events of the past two weeks have been encouraging. As never before, we appear to have both an opportunity to conclude the Round and, at the highest levels of government, a substantial political will to settle. I think we can all agree that the time for making speeches is over and the time for hard work and commitment

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is with us. As the business world puts it, we have reached the bottom line - a bottom line which should show a credit for every one of the participants. In short, no losers, only winners.

Let me add here a personal reflection. For quite some time now it has been evident that a conclusion of the Uruguay Round along the lines of the Draft Final Act and with substantial initial commitments for services and tariff concessions would mean immense welfare gains for participants. Adjustments -- sometimes called "costs" or concessions -- are minimal in comparison to the gains. It is also clear that a successful conclusion of the Round would give -- both for psychological and economic reasons -- a much needed boost to the world economy. In fact it is one of the few decisions governments can take without economic risks in order to stimulate the world economy, since fiscal expansion is ruled out because of levels of debts and public deficits already being too high.

This is not an analysis. It is a statement of a few facts. You would find agreement in ministries of trade and finance all over the world. It is one of the few things economists would agree on.

And still it has not yet been possible to do it within the realms of the system we have.

Only when one major trading partner threatened to take retaliatory action outside the system (not much outside but still) did journalists find the words that merited headlines big enough to accord the Round the priority it should have. "Trade war", we must be grateful for that martial jargon. Only then did industrialists all over the world -- the overwhelmingly large part of the business community which stand to gain -- only then did they start to become a serious countervailing force to the protectionist forces.

The Round should have been concluded, could have been concluded a long time ago. Let us see to it that it's finally done now. When it is still -- hopefully -- possible to save us from a worsening of the already gloomy economic situation.

Ladies and Gentlemen, we have our work to do here. Once done, let us return quickly to the crucial business of the Round. I wish all of us every possible good luck.

May I welcome you once more and declare this Forty-Eighth Session of GATT Contracting Parties open.