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ARTHUR DUNKEL ADDRESSES SIXTH SCANDINAVIAN MANAGEMENT SYMPOSIUM

On 2 March 1993, Mr. Arthur Dunkel, Director-General of GATT, addressed the Sixth Scandinavian Management Symposium in Bergen, Norway. The theme was: global trade under an expanding GATT membership: is the economic debate in the Nordic countries focussed too much on European economic integration?

A full text of Mr. Dunkel's speech is attached.

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"It is indeed a very great pleasure to be back in Bergen as a guest of the Sixth Scandinavian Management Symposium. And my first words will be words of praise for the Norwegian School of Economics and Business Administration - its academia as well as its students. I cannot think of a better setting for debating the prospects of the world economy than the one you provide every second year in Bergen by bringing together scholars, chief executive officers, politicians, international civil servants, and union leaders from all over the world.

"The theme of this Symposium refers to a "turbulent world". It is indeed a striking way to remind us that the end of this century will go down in history as a period of dramatic changes in the geopolitical map of our world. The fact that these changes go basically in the direction of bringing more democracy and human liberty to so many societies, has been, and remains, a great source of satisfaction and hope. But we cannot forget that the wave of applause behind this political liberalisation is - let us be very frank - also accompanied by frustration and fear in the face of political, economic and social uncertainty caused by the break with a past characterized by the division of the world in two opposing camps. And, here, I am not just thinking of European events like the fall of the Berlin wall, and the political and economic reforms in Eastern and Central Europe or in the former USSR, but also of the dramatic movements towards democratization taking place in Latin America, Africa and in Asia.

"Let me dwell for a moment on what I mean by "frustration" and "fear". As to the first, there is rapidly growing disenchantment among the new entrants to the camp of democracy that the accompanying movement in their countries towards a more market-oriented system has not so far succeeded in bringing economic and social benefits so urgently needed by their people. Indeed, this frustration on the part of the leaders and people of these reforming societies is a critical factor for their future. Prolonged stagnation and the lack of adequate support from the outside world to the bold decisions they have taken, will inevitably compromise the credibility of economic and political reform. Once this happens the slippage into old, inward-looking - perhaps, even despotic policies, would become almost inevitable. In this important sense, the reform movements around the world are running out of time. Political support, though vital, is not enough. The reforming economies must be able to trade openly and thus exploit their competitive advantage. They must have access to investment and technology to grow and diversify. They must be able to integrate themselves more closely with the world economy so that their isolation and backwardness of decades is overcome. This needs vision - particularly on the part of those who have benefited most from democratic systems and economic growth. And, here, I have mainly in mind the most advanced democracies.

"And this brings me to the other factor I mentioned earlier: "fear". Fear and resistance to change are too often behind the attitudes of the developed economies towards the newcomers in the world market place; and this fear makes it difficult to translate political support into concrete reality.

"Purely objectively speaking, both the frustration and the fear spring from understandable reasons. Both must be overcome, however, if we are not to be paralysed in dealing with the historic changes of our times. This, in fact, is the fundamental challenge before us - a challenge which is present in GATT's day-to-day activities where, on the one hand, countries seeking participation in an integrating world economy are turning to GATT and, on the other hand, we see the continuing failure of the major trading entities to make the conclusion of the Uruguay Round possible, and this despite the widely shared need to do so quickly and efficiently, not least for the benefits of the newcomers.

"Let us look at some simple facts. Fifteen countries have joined the GATT since the launching of the Uruguay Round. Twelve more are currently negotiating the terms of their accession. Twenty-five other governments have either obtained or requested observer status which is almost always the first step before accession. These developments are a concrete expression of the economic reforms taking place in the countries in question, reforms that are leading them away from centrally-planned systems.

"I have two comments to make in this respect. The first is in the form of a question, namely, why are so many countries undergoing the rigours of GATT accession? Certainly not for pleasure. As we all know, accession to the GATT as a multilateral contract involves hard and protracted negotiations and, often, major economic and social adjustments. These negotiations are nothing short of the adaptation of the acceding country's economic, monetary and financial system to the realities of market economy. The answer lies in the fact that these countries, even taking into account the inadequacies of the present GATT system, see in it an instrument for greater security for the conduct of their trade relations, a forum for negotiating market opportunities more effectively, a way of settling disputes, and above all an internationally-agreed framework of multilateral rules and principles in which to set their domestic trade policies. Here again, the trend of increasing GATT membership confirms an important message for GATT's established members who often feel unhappy with the procedures and weaknesses of the system. To tell the truth, the GATT Secretariat shares this unhappiness; but this does not diminish the GATT's rôle as the only multilateral forum in which countries, whatever their economic profile, can cooperate and live in partnership.

"My second comment is that GATT's expanding membership is making the institution more and more universal, and therefore, complex. If it were ever true that the GATT was a club of the rich and for the rich, it is certainly not so now. Few realize, for example, that more than two-thirds of GATT's present members are developing countries. Incidentally, we should also remember that the developing world today includes economies of great vitality and potential. Far from being defensive or passive, these countries are insisting today on an appropriate voice and influence in the councils of the GATT. This explains why the earlier dividing line between North and South is less and less a reflection of reality. Gradually, new groups of importing and exporting countries with specific interests are being formed such as in the sectors of agriculture, natural resources or GATT rules.

"Increased membership, profound changes in the world economy, and the constant evolution of the economies of individual countries are all part of the new GATT, the GATT of the future, and, in fact its intrinsic strength. Indeed success in reducing tariff and non-tariff barriers to trade, has led GATT's contracting parties to focus their attention more and more on the conditions of competition in national and foreign markets. Areas like government subsidies, dumping, standards, phytosanitary measures and, of course, the pricing system have come therefore, under much closer scrutiny than before.

"But the challenge is not just an institutional or legal one. More fundamentally, what is at stake is the integration of new sources of demand and supply into the world market place.

"In this respect, it cannot be repeated too often that the end result will not be winners and losers, but only winners, and that, therefore, the fears to which I alluded some minutes ago are unfounded. Indeed, they are the result of a misrepresentation of reality. And the simple reason for this is that we are not in a static situation where the old hands - if I may say so - will have to make room for the newcomers and, in so doing, accept losses. On the contrary the end result would mean an increase in the total amount of world trade with each individual participant's trade continuing to grow in absolute terms. To put it another way, with the size of the cake increasing the number of slices to be had will also increase. This means also, that protectionism is self defeating and that the only real problem is to ensure that the adjustments needed for change and growth occur in a positive economic environment.

"Change and growth in a positive economic environment can only be possible if we look ahead and plan for the future. Again, turning to the GATT, it is obvious that the framework of rules which has served the world economy so well for four decades has to be kept in contact with the changing demands of the international market place. And this is what the Uruguay Round of multilateral trade negotiations - the eighth to be held under the aegis of GATT - is all about. Stripped down to its fundamentals, the Round aims at putting in place a trading system to meet the needs of importers, exporters, producers, consumers and investors the world over for the remainder of this century and beyond.

"As you all know, after more than six years of intensive work and negotiations, the Uruguay Round now stands poised for conclusion. The tabling of the Draft Final Act document in December 1991 provided a decisive change of gears, raising the level of negotiations from individual sectors of the Round's fifteen point negotiating agenda to dealing with it as a single, integrated undertaking. This 450 page document - largely negotiated and occasionally compromises found by Chairmen on their own responsibility to bridge gaps left by negotiations - contains disappointments for every country in the negotiations. But when governments look at the document in its totality they recognize that the world would be a better place with the document signed than without it.

"The Draft Final Act is also the best available picture of all the vast potential the Uruguay Round has to offer. Taken as a whole, it

represents the most substantial overhauling of the multilateral trading system since the GATT's forming in the 1940s. The sluggish world economy needs it, and most definitely, the international business community needs it for planning ahead. Indeed, everyone concerned with or participating in the market place has been waiting for the new rules of competition for the last six years - and with increasing cynicism and disenchantment. It is no accident, therefore, that governments, and most of the interest groups they represent, do not want this prize to slip away. And, for the same reasons, it is no accident that despite the difficulties involved, governments around the world remain committed to a quick conclusion of the Uruguay Round based on the parameters set out in the Draft Final Act.

"It is obvious that we need a political breakthrough. I do not know when that will come - perhaps within the next several weeks, perhaps later. One thing is clear, when it does come, we shall probably need further time to finish detailed market access negotiations in goods, (agricultural as well as industrial) and services, and to make a few changes here and there in the texts before us.

"I am convinced that the Uruguay Round can - and must be concluded before the end of this year. Drifting further will mean drifting into the sands. Negotiating fatigue, cynicism, pressure on governments from new vested interest and lobbies, political uncertainties in key capitals are only some of the reasons. More fundamental, however, is the danger that longer delays will make the gap between the Uruguay Round and the economic realities of the real world so large as to make the exercise at best academic, at worst irrelevant.

"But let me also say that despite the setbacks and despite the daunting tasks that still lie ahead, I remain confident of the wisdom of governments and of our ultimate success. The risks and responsibilities of failure are too heavy for any government - big or small - to bear. But this is not all. In the Uruguay Round we are going with an historical tide, not against it. And, if we look at the reform movements in Central and Eastern Europe, and in the developing world, to which I referred earlier, this tide is in the direction of openness and liberal market systems and therefore, in the direction of what the GATT itself is all about. Can the established free trading nations who have benefited the most from the post World War II trading system afford to fail the test of leadership at this turning point? The answer can only be a firm no - and this, essentially, is the reason for my optimism.

"This brings me to the question which, I believe is included in the title of my talk: Is the economic debate in this region unduly focused on European economic integration? From a Geneva perspective, I believe the answer is no though with 70 to 75 per cent of Nordic trade involving countries in Western Europe, it is understandable that the proposed EEA and membership in the European Communities should be subjects of intense interest. Despite this, however, the governments of Nordic countries have always been at the centre of the negotiating process in the Uruguay Round and this is a strategy dictated by concrete trade interest and long term vision. In all three Nordic countries, the share of national production which enters international trade has been rising. In other words, along

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with the fact that the share of exports going to non-European countries is, in most instances, higher than it was 20 years ago, the increase in the share of Nordic output which is traded outside Europe also means that more and more Nordic jobs are dependent on access to non-European markets. And, of course, the stability and extent of access to non-European markets will be determined primarily by GATT's multilateral rules of competition and GATT's success in achieving further market opening in the world economy. It is no surprise, therefore, that the Nordic countries are doing all they can to ensure a rapid and successful conclusion of the Uruguay Round which would allow them to pursue openings wherever their trading interests and dynamic export opportunities lead them. And, in this venture, they are not alone. All the smaller or medium sized trading nations - developed or developing - share the Nordic perspective and are together with them in pushing the others to come forward with the political compromises necessary.

"I believe the Nordic governments also recognize that a strengthened GATT is essential not only for orderly commercial relations within and between regional groups, but also for dealing with a range of pressing international economic issues. These include getting the world economy back onto a healthy growth path, giving strong support to governments which are introducing market-oriented reforms in developing countries and the former centrally-planned economies, and dealing with problems arising from the integration of trade policies with policies in areas such as environment and national competition.

"Finally, a comment on the title of this session: From Euro-optimism to disintegration? My own view is that the recent set-backs to progress in European economic and political integration are temporary. The end of the Cold War has coincided everywhere - and not just in Europe - with a situation in which governments find themselves being pulled in two opposing directions. Difficult domestic problems draw their attention inwards, at the same time as the continuing integration of the world economy raises new points of friction among trading partners. But the degree of integration, not just in Western Europe but also world-wide, has reached a point where it is not possible to deal with any of these problems in isolated compartments. To put it differently, the degree of economic interdependence is such that - at least as far as economic attitudes are concerned - the distinction between domestic and international problems has almost disappeared. The Uruguay Round Negotiations are an important example of this phenomenon. When governments are forced to address policies and measures hitherto consider purely within the realm of national sovereignty and therefore, taboo, it makes the negotiating process more complex and time consuming. But, by the same token, a successful conclusion of the Uruguay Round would help resolve a number of outstanding trade issues, in the context of a rapidly integrating world economy. It would also go a long way towards solving pressing domestic policy issues by giving an important boost to world economic growth."