

GATT/1659
8 December 1994

**CHAIRMAN OF THE CONTRACTING PARTIES PAYS TRIBUTE
TO GATT ON THE EVE OF THE WTO**

World trade growth is expected to double this year

In opening the Fiftieth Session of the Contracting Parties today, the Chairman, Ambassador András Szepesi of Hungary, paid tribute to the GATT on eve of the entry into force of the new World Trade Organization (WTO).

"Established as an interim arrangement, GATT has gained in stature over the years as the only multilateral bulwark against protectionism", he said. Ambassador Szepesi said that the 13-fold increase in world trade since 1950 would not have happened without the GATT. In welcoming the decision of the Implementation Conference to set 1 January 1995 as the date of WTO's entry into force, he reminded delegations that the WTO itself was a result of GATT's most challenging round of negotiations.

On the prospects for the world economy, Ambassador Szepesi said that GATT economists have estimated that global trade growth this year would be double last year's 3½ per cent. For the future, he said that the significant reductions in tariff and non-tariff barriers negotiated in the Uruguay Round "will give the international trading environment a new dynamism and vitality".

The attached is the text of the opening address to the Annual Session of GATT Contracting Parties on 8 December 1994 by Ambassador A. Szepesi of Hungary.

I have the honour to welcome you to the 50th Session of the CONTRACTING PARTIES. Since the last Session we have had the historic meeting in Marrakesh when more than a hundred Ministers from countries all over the world signed the Final Act of the Uruguay Round, taking an important step towards the establishment of the World Trade Organization. This morning, at the Implementation Conference, the Preparatory Committee confirmed 1 January 1995 as the date of entry into force of the WTO. This confirmation was based on the understanding that members were committed to bringing the WTO into force on that date and would be making every effort to conclude their domestic ratification processes to this end. We are living in exciting and heady times, and I believe you will agree with me that it has been a privilege to participate in these momentous events.

At the last Session, referring to the successful conclusion of the Uruguay Round negotiations, my predecessor had said that it was not an ordinary occasion. This Session is even more of a watershed. The successful conclusion of the Implementation Conference has brought us to the threshold of a new era in international economic relations. This would not have been possible without the determined efforts of governments in bringing home the benefits of the Uruguay Round Agreements to their constituencies and private sectors, in dealing with the different pressure groups, and finally in collectively agreeing to go forward. Ladies and gentlemen, let us congratulate each other for bringing about this historic event.

In this context, and also as customary in an opening address to an annual session of the CONTRACTING PARTIES, it would be useful to have a quick overview of the present state of world economy and trade. Figures for world economic growth are expected to indicate a substantial recovery for 1994, mainly due to the renewal of activity in the European Union and Japan, combined with a continuation of growth in North America and developing regions. One exception is the severe economic crisis of many of the states of the former USSR and of the transition economies, although several are on the path of recovery. Of special concern is the fact that economic growth in Africa, home to many of the least developing countries, is still insufficient to reverse the erosion in per capita incomes over the past decade.

Prospects of a broadly-based recovery of demand have lifted prices of primary commodities on world markets in 1994. This is of particular significance to the trade outlook for countries in Africa and the Middle East as well as least-developed countries. The sharp decline in their export earnings in recent years could thus be reversed. Other developing regions, mainly in Asia and Latin America, have increased their share of world trade over the past decade. Of note is the fact that the most dynamic traders of the past decade, mainly developing countries in Asia, have also experienced the most rapid economic growth. The rôle of trade in fostering industrialization in developing countries is evidenced by the positive contribution to economic growth made by policies of more open economic and trade régimes.

Still the most significant feature of the world economic scene is the consolidation and expansion of market reforms in an increasing number of developing countries and in the economies in transition. Indeed, this autonomous liberalization, often brought about in anticipation of an early and equitable implementation of the Uruguay Round results is now widely seen as irreversible. While the WTO will provide the most important reference point for underpinning these reforms, it is equally true that the impressive movement for economic and trade liberalization and the continuation of liberal national policies require the strong support of, and opportunities provided by an efficiently functioning open, multilateral trading system. The notion of globalization of the world economy is also relevant in this sense and makes the overall success of domestic reforms also dependent on the exercise of collective responsibility by all members of the international community, but particularly by those whose dominant

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positions on the world markets gives them a special influence in guiding future events. Applauding the so-called liberalization revolution is one thing. Meeting and adjusting positively to the challenge of increased competition on world markets through the entry of new producers, consumers and investors is quite another. It is perhaps this challenge which will be the most important and the most immediate one, as we enter the WTO phase. Increasing market access opportunities and efficient rules for undistorted competition go hand in hand. It is only predictability and stability in trade and economic relations that can provide everyone with a meaningful share of the world trade cake.

Turning back to the short-term prospects, there is growing evidence that the period of slow world economic activity which began in 1989 has reached an end. The recovery of world economy is expected to revive world trade growth. The GATT Secretariat has estimated that last year's growth in world merchandise trade in real terms was 3½ per cent and that this year world trade growth could be in the vicinity of double that rate.

As to the prospects and forecasts for the longer term, there is no doubt that the significant reductions of tariff and non-tariff barriers negotiated in the Uruguay Round, the eventual phase-out of non-GATT consistent restrictions, including those in the crucially important sector of textiles and clothing, as well as the inclusion of key sectors such as agriculture and services in the framework of multilateral rules and disciplines will give the international trading environment a new dynamic and vitality. Furthermore, expanded and strengthened rules as well as the integrated dispute settlement procedure will provide enhanced legal security to all participants, and, I believe, in particular to the smaller and more vulnerable economies. The GATT Secretariat has published concrete estimates of the dramatic increases in production, income and trade resulting from the implementation of the Uruguay Round Agreements. Using various economic models, the Secretariat estimates that by the year 2005 the volume of world trade will range between 9 to 24 per cent above the level that would have occurred in the absence of the Uruguay Round. This is impressive, if we remember that between 1980 and 1992 the annual average rate was about 4 per cent and that in 1994 it will probably be around 6 per cent. Another striking element is that the expected rate of increase in merchandise exports from developing countries and the economies in transition will be substantially higher than the average for the world as a whole. The Secretariat has also estimated that by the year 2005 the increase in world income from trade liberalization in goods could range between US\$110 and \$510 billion annually. The experts of the Secretariat believe that the higher figures in their estimates are the more plausible ones. In addition, they argue that the \$510 billion figure may underestimate the full gain resulting from the Round, primarily because the model used has focused only on the effects of the liberalization of trade in goods. Increased market access and new rules for services, as well as the general strengthening of the rules, procedures and institutions, will surely give a further big boost to world trade and income.

Ladies and gentlemen, the importance of the international trading system is apparent not only to the large trading partners, but perhaps even more importantly to the smaller economies, heavily dependent on international trade. If you had any doubts on this score, you have only to look at the large number of requests for accession to the GATT and the WTO. Working parties are presently in existence for twenty countries and territories. With respect to requests for accession, it is worth noting the continued interest shown by the transition economies. Some of these countries are in the process of negotiating their conditions and terms of accession; others have been granted observer status, with a view to their eventual entry into the WTO at a later stage. As these countries look increasingly outward, they find that they need to adapt their economic models to market economies. They are aware that their efforts aimed at transforming their national economies can succeed only if they are more fully integrated into the world economy and the international trading system, because integration helps

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to anchor the achievements of their internal reforms. As I have already emphasized in a different context, such reforms and integration should be facilitated by the strong support of, and additional trading opportunities provided by the efficient functioning of a strengthened international trading system.

1994 has been a year of transition for the GATT. While trying to deal with issues on the basis of a "business as usual" approach, governments and the management of the Secretariat had also to make all the necessary preparations for the important changes which will occur when the World Trade Organization enters into force. I would like to take this opportunity to thank the WTO Preparatory Committee, its Chairman, Mr. Peter Sutherland and all the PrepCom Sub-Committees, for their excellent contribution towards facilitating a smooth transition from the GATT 1947 to the WTO. It is obvious that the complexity of legal and institutional questions involved ensures that the shift from the GATT to the WTO, cannot occur overnight. Earlier today in a special Session of the CONTRACTING PARTIES we agreed to a package of measures which should facilitate the transition. To deal with activities in parallel under the GATT 1947 and the GATT 1994 will be a delicate and sensitive operation, requiring the goodwill, mutual understanding and full cooperation of all parties. These qualities are not unknown in GATT and I am sure will continue to be essential elements in our future work.

On the eve of establishing the WTO, participants might wish to ponder on some lessons and concerns based on recent experiences under the GATT which they would like to transmit to Members of the new World Trade Organization for further reflection. Without trying to provide an exhaustive list of such issues, nor giving them in any order of priority, I would like to mention a few areas which, in my own assessment, may require reflection and subsequent action.

I have already touched upon the issue of requests for accession. Though some progress may be achieved this year by focusing greater attention to this important matter, I am convinced that in the period ahead, a major effort will be needed from members, from the Secretariat and from the countries and territories seeking accession or membership, if we are to give a meaningful and responsible response to the challenge presented by these requests.

A second issue concerns the magnitude, handling and examination of regional trading arrangements, and the link here with the credibility of the strengthened multilateral trading system is obvious. While these arrangements are presented by parties as complementary to their broader commitment to the multilateral trading system, the examination process has slowed down further, and the regular reporting on developments on the operation of such agreements has been completely abandoned. As one of my distinguished predecessors stated already in 1992, time is 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. If this objective could be achieved, it would be easier to revitalize the subsequent regular reportings and to give them a more meaningful rôle.

Third, I am convinced that the Trade Policy Review Mechanism which has been operating on a trial basis for more than four years, needs rethinking and streamlining. We should fully restore the credibility and importance of this exercise, while trying to make it less burdensome both for delegations and the Secretariat.

Fourth, there seems to be a shared objective to achieve a greater transparency in our activities and to improve the access to relevant information, thereby helping to promote a significantly better public perception of the operation of the WTO. The important work that has already started with a

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view to defining new rules governing the issuance and derestriction of documents should be pursued and brought to success.

Last, but not least, participants have got an extremely important task to accomplish individually. Each signatory of the WTO has the responsibility to ensure that domestic legislation corresponds to the rules and requirements set out in the Uruguay Round Agreements. I know your authorities have been working towards this end, because they believe that the Organization will be only as good as their domestic efforts.

Ladies and gentlemen, let us recall that the basic objectives of the WTO are certainly more ambitious and cover a much broader scope than those of the GATT, but overall they are not very different in nature. Established as an interim arrangement, pending the creation of the International Trade Organization, for the specific purpose of providing security for increases in market access agreed at the first round of postwar tariff negotiations, GATT gained in stature over the years as the only multilateral bulwark against protectionism. I am sure the temptation to give in to protectionist pressures must often have been enormous; but GATT continued to work towards improved conditions and rules through successive trade negotiations. I have no doubt in my mind that the world would not have enjoyed a thirteen-fold increase in world merchandise trade since 1950 without the GATT. Today we have the results of GATT's most challenging round of negotiations, and, being on the threshold of a new era, we should pay tribute to the work done by the GATT in promoting trade and improved economic conditions around the world.

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