

**MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND**

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Trade Negotiations Committee
Meeting at Ministerial Level
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AT MINISTERIAL LEVEL

Introduction

1. I should like to start off by expressing my special thanks to all of you, and particularly to Mr. Dunkel, the Secretary General of GATT, for giving me the opportunity to address this meeting in my capacity as former Chairman of the Trade Negotiations Committee of the Uruguay Round.

May I also express to the Prime Minister of Canada my appreciation for his insightful remarks. Certainly there is no doubt in my mind that Canada's unstinting commitment to these negotiations, and the atmosphere of warm hospitality afforded by this beautiful city, will contribute substantially to assuring the success of these negotiations, of the Trade Negotiations Committee in its first Ministerial meeting.

The objectives of Montreal

2. Two years after the start of the Uruguay Round in Punta del Este, it is indeed auspicious that we should see here in Montreal evidence of justified expectations, so widely held, with delegations from over a hundred countries in attendance. That so many countries should be here, and that they should be represented at such a high level, bears witness to the importance of the task in which you are engaged.

There was a time when we had some doubts as to what the objectives of this meeting should be.

Should Montreal simply be an accounting exercise, tallying up the points of agreement and disagreement following two years of active negotiations carried on in fifteen working groups or should Montreal try to reap an early harvest of results from the negotiations?

I believe that as these deliberations get under way, it is essential to take advantage of the perspective that comes as a result of two years of intensive consultations and negotiations and define the objectives of Montreal in clear terms. Failure to do so could well lead to defeatist frustrations that no one wants.

3. Montreal is not the end of the Uruguay Round. It is only the mid-way point.

Therefore, to expect that agreement could be reached on every aspect on this occasion could very well be counter-productive.

Two years of active negotiations still remain in order to bring the Uruguay Round to its conclusion, and therefore to try to force too many firm and ambitious decisions now could rob those negotiations of their momentum.

Montreal ought to be able to identify specific points of agreement in certain areas, to show the way ahead in other areas where progress seems achievable, and to set clearly the parameters of negotiations for those remaining areas where differences still exist which will be difficult to bridge during this week of negotiations.

But beyond this need to rein-in our expectations for this meeting, it is important for Montreal to reaffirm the "spirit of Punta del Este" and reassure all sides of the credibility of the venture on which we have together embarked.

The spirit of Punta del Este

4. It is worthwhile recalling the climate of discord and doubt that existed prior to the start of the deliberations in Punta del Este, and remembering the spirit that prevailed at the meeting, which made possible the

When we assembled in Punta del Este, all the delegations were convinced of certain fundamental things:

- first, that the best guarantee of continuing worldwide economic progress lay in ensuring that international trade was kept dynamic and growing, opening opportunities for everyone in the world market;

- second, that as world trade became, in recent years, less open, as protectionism and administered trade grew, commitments were being systematically undermined with the result that the world economy was being set squarely on the path of bilateralism and narrow reciprocity. These developments, being entirely at odds with the philosophy of GATT, therefore seemed set to usher in a time of trade wars and lost opportunities for growth and collective progress;
- third, that given these circumstances it was necessary not only to counter these dangerous trends, but also to bring back in under GATT's umbrella certain other sectors that had been misleadingly excluded in the past - such as agriculture and textiles - and to initiate an international debate on still other sectors which would be the subject of future negotiations, such as trade in services, intellectual property, and trade-linked investment;
- fourth, that in the Uruguay Round the developing countries could no longer sit on the sidelines as they had in the past. On the contrary. They would have to play an active rôle, on an equal footing, in shaping and carrying on the negotiations, and reaping their benefits;
- fifth, that the authority of the GATT system had to be consolidated and strengthened, to ensure that its provisions would be consistent and that the agreements reached would be respected;
- and lastly, that in Punta del Este we were all embarking on the most ambitious effort of the postwar era to institute a new trade order - an effort that would finally put right the failure by the international community in the late 1940s to reach a genuine understanding in regard to management of international trade issues in correspondence with the Bretton Woods undertakings.

5. These were the shared convictions that fostered a group spirit in Punta del Este, as all sides recognized both the risks of failure and the need to find common ground. This was achieved through a balancing of concessions, as everyone got something he wanted but no one got everything.

There were no winners or losers. Rather, there was an awareness of the risks involved, there was a realization that interests were mutual, and there was a high spirit of compromise. It is that spirit which must prevail, once again today, if we wish to move forward in pursuit of the goals we have set ourselves.

The experience of the first two years

6. Two years have now passed since the meeting in Punta del Este. Some of the experiences of those two years have been encouraging, and some frustrating. Montreal must tilt the balance decisively in favour of the former.

On the positive side, as recent GATT reports have pointed out, world trade is once again posting a healthy rate of growth, one that approaches the average rate of the 1970s.

For many developing countries, the downward trend in the terms of trade has been halted or even reversed in recent years.

A number of countries, particularly in Latin America, have emerged to rank alongside the countries of the Far East as dynamic export economies.

These countries have achieved spectacular growth in their exports of manufactured goods.

On a broader scale still, we see that potential crisis has been averted in the areas of world finance and the stock markets, and that even worldwide economic growth rates have held up despite the pessimistic predictions of the mid-1980s.

7. Still, there can be no hiding the frustration that exists in regard to trade, especially for the developing countries.

Although the developing countries are home to four-fifths of the world's people, they account for barely one-fifth of the world's trade. And in this scheme of things the countries that can be called "success stories" are a conspicuous minority.

What we mean by this is that for developing countries, increased trade is not always compatible with a more equitable distribution of its benefits.

In spite of oft-repeated promises to fight protectionism, good reasons always seem to be found for erecting trade barriers or controlling markets or promoting so-called "voluntary" self-imposed limitations. Similarly, we have seen an escalation in unilateral punitive measures that threaten the principles of international multilateral negotiation.

This is why Montreal must register substantial progress in further reaffirming the credibility of the Uruguay Round for all sides and upholding the spirit of Punta del Este.

Montreal's contribution to the credibility of the Uruguay Round

8. There are many ways to respond to this challenge. I will mention just five areas in which, in my view, agreements reached at this meeting could make a decisive contribution to strengthening credibility in the Uruguay Round.

- (a) Montreal has to show clear signs of good faith by all sides in working towards the final objective of the Uruguay Round. The task we have set ourselves is that of building a clear, reliable and predictable world multilateral trading system. Meanwhile, it is evident that the development of regional groupings is proceeding apace. To be sure, this is not incompatible with GATT's rules, much less with a multilateral system of trade relations. What is at issue is whether such associations are an "instrument" that can contribute to achieving the central objective of the Uruguay Round or are an "end" in themselves. In other words, what we do not know for certain is whether we are moving towards "a single world" or "several worlds" in trade matters.
- (b) Montreal has to make it clear that even though the final solutions may be difficult to find or, may for the time being, lie beyond our grasp, we are nonetheless moving in the right direction in the areas that are crucial to the credibility of the Uruguay Round: agriculture, services, and intellectual property.

No-one can fail to appreciate the political, social and economic complexity of agriculture, but this area has become one of the keys to progress in other sectors. We all recognize that the inclusion of agriculture in GATT's deliberations constitutes an acknowledgement that this is a central issue in the negotiation progress. Short-term successes would keep the process on track. But we also need some assurance that there is light at the end of the tunnel. In other areas substantial progress has been made on both concepts and principles, which should open the way to compromises on progressive and more advanced stages of negotiation that will make the achievement of long-term objectives a realistic prospect.

- (c) Montreal has to show decisive support for the GATT system as the legal cornerstone of an international trade mechanism involving duties and responsibilities, capable of monitoring, enforcing and regulating the commitments undertaken.
- (d) Montreal has to give clear signals to the developing countries that, including their interests within a multilateral trading system, would not only benefit the world economy but would also serve as a true agent of change in those countries. This means that decisive steps will have to be taken in such key areas as tropical products, which already in Punta del Este were singled out for special attention. No one doubts the need for the developing countries to undertake far-reaching structural changes in their economic policies, with a view to opening up their economies. The experiences of recent years shows that significant steps are being taken in this direction in many of these countries.

Nor does anyone doubt that, as the developing countries move forward and build up their export capacity, they must also increasingly participate in the rights and obligations of the international trading system. But in the meantime, full weight must be given to the principles set forth in the preamble to the Ministerial Declaration of Punta del Este, with regard to special, more favourable treatment for the developing countries.

- (e) Montreal must also reaffirm the close link that exists between the problems of trade and debt, the latter being a crucial issue for so many developing countries. The triangle of debt, finance

and trade is recognized in the Punta del Este Declaration. Real progress has to be made in these areas, and Montreal has to give clear signals in this regard.

Ladies and Gentlemen:

The active work of these two years can and must serve to strengthen credibility as the Uruguay Round continues in pursuit of its ambitious objective.

Even tentatively, achievements and points of agreement can be cited which would send out signals that progress is indeed being made towards realizing the objectives of the Uruguay Round. But probably no one should expect that at this stage it will be possible to overcome all the differences that have still to be explored during the years that remain before the negotiation process is brought to its conclusion.

What is essential is that the guiding spirit of Punta del Este take hold in Montreal, with a collective effort being made in pursuit of balance and compromise, in the realization that final success will not be won by setting untimely unattainable goals but rather by achieving a series of successes of which Montreal must be an important and crucial one.

To finish, Mr. Prime Minister, dear Ministers, and friends, permit me to tell you how much I have considered an honour and an unique opportunity in my life to work for the Uruguay Round. To wish my dear friend and compatriot, Minister Zerbino, the best luck in his competent duties.

To thank, in particular, the Director-General of the GATT, Mr. Dunkel, for his tireless and professional dedication to the Round as well as for his personal support and friendship. And to wish all of you the best luck in your important work for an historical effort that has so profoundly honoured my country adopting its name to remember what must be and will be, a real cornerstone in the movement towards an open and equitable free trade system for the whole world.