

**MULTILATERAL TRADE  
NEGOTIATIONS  
THE URUGUAY ROUND**

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UNITED KINGDOM

Statement by Lord Young of Graffham,  
Secretary of State for Trade and Industry

To those not familiar with the GATT, the purpose of the present meeting, and the Uruguay Round itself, may appear remote from everyday realities. As we become immersed in what may seem to be technical questions, it is easy to overlook the link between what we are doing and its impact on the world at large. It is time to remind ourselves of the wider importance of the Round and its contribution to growth and prosperity.

Trade liberalization is an indispensable part of a global process of economic restructuring through liberal economic policies and deregulation. It is striking that in country after country, whatever their past history and present circumstances, it is now understood that economic growth and prosperity depend upon freeing the enterprise and initiative of individuals to do business with each other in open and competitive markets.

People work best when individual enterprise is given free rein under the spur of competition. Government has a rôle - an element of regulation is necessary to safeguard free and effective competition. But it must now be clear to all that governments cannot create wealth, nor create a prosperous economy, through their own efforts. This is the experience in the United Kingdom where, since 1979, the restoration of economic freedom and incentive has transformed our economy. We have had over eight years of steady economic growth - and now a growing surplus on our national budget. That has been due to our policies of releasing the natural enterprise of our people. We have reduced regulations and formalities. We have reduced taxes. In other words we have put our trust in market forces and have discovered, to no great surprise on our part, that they work.

We claim no monopoly on this insight. We may have applied it earlier than some. But it is part of a global trend. In Europe the Community is in the final stages of creating by 1992 a genuinely open single market - to the benefit not only of Europe but of all our trading partners.

Even in socialist countries - and especially in China and the USSR - the pressure for economic reform lies clearly in the same direction.

It is sometimes said that GATT is an organization mainly of benefit to the developed economies. For many years there has been a widely held assumption that the process of development depends upon the pursuit of inward-looking policies of national self-sufficiency backed by high levels of protection. Yet some of the most spectacular examples of successful development are of countries which have followed the opposite course: progressively opening their markets and accepting the challenge of international competition. As a result they have found that, so far from failing to hold their own, in many areas they are taking their place among the market leaders.

GATT is, therefore, in no sense an exclusive club serving only the interests of the richer countries. In preserving and reinforcing liberal conditions for trade it is meeting the needs of all. And it follows that all present here have some contribution to make to the aims of this meeting and to the Round as a whole. If we are to continue to resist protectionism, if we are to carry forward the process of trade liberalization, everyone must play their part in strengthening and extending the multilateral framework of rules and disciplines on which the stability of the world trading system depends. And each must be prepared to participate as fully as possible in improving market access for the benefit of all.

We can therefore say that our job in GATT is to open minds as well as international markets. We need a GATT as the guardian of a free international market. And we need a GATT which is up to date and relevant. The enormous growth of international trade and wealth since the war is testimony to what the GATT has already done. If it is to be effective in the future it is crucially important, not only to resist protectionism in the traditional areas of trade, but also to extend GATT disciplines into the new areas of trade which are now emerging as the key determinants of economic success or failure. A strong and effective agreement to liberalize international trade in services is in the interests of every potential consumer and provider of a service. Services are an increasing

proportion of our domestic economies, and of international trade. It is vital for the future prosperity of all of us - developed and developing alike - that trade in services is governed by liberal principles. Otherwise we will be stifling one of the main engines of growth in the world economy.

Better international protection of intellectual property is also crucial to the growth of trade and wealth in all countries. If we want to stimulate innovation and the transfer of knowledge, we must ensure that the just rewards of enterprise and invention are not eroded. Otherwise the incentive for sustained creativity will have gone.

If we want to spread the best in international practice, from which we can all benefit, without exception, one of the most effective ways is by encouraging direct investment. Each of us must try to create an environment that will encourage the most internationally competitive firms and, by bringing us the best in international practice, will stimulate local firms to match, and exceed, them. In particular we need to ensure that investment régimes do not obstruct, and thereby distort, trade.

But the most important single subject at this meeting is agriculture. If we want to rollback trade-distorting subsidies and reduce government intervention, agriculture is one sector that we really must address. The high levels of support in many countries, compounded by advances in technology, have led to large increases in output. Surpluses have piled up in many countries and they have had to be sold on world markets at depressed prices. The strains have been considerable and the economic costs high. This has led to damaging trade disputes between otherwise friendly trading partners. Resources have been tied up in agriculture when they could have been released for more productive use elsewhere in our economies.

We all recognize the need for action on agriculture. We in the European Community have already made some significant reforms. We have agreed to limit our expenditure on agricultural support; and have agreed changes in commodity policies that will limit the support given to this sector. These will mean a period of painful adjustment. But they are the first step towards the more market-orientated policies that we all need. We must build upon them.

We cannot, however, go forward alone. Concerted multilateral action is needed to achieve lasting reform. All countries will need to participate in this process; all stand to benefit from freer trade. More

stable world markets will encourage the development of competitive agriculture in all countries, developed and developing alike. We must be willing to commit ourselves to substantial and progressive reductions in the trade-distorting policies that we have allowed to grow up. And that is as true of industry and services as it is of agriculture.

This meeting must give a clear signal of our intentions to give practical effect to the general statements which we agreed at Punta del Este.

In some cases - reforming and strengthening the central institutions and procedures of the GATT - that should mean preliminary agreements where possible, for early implementation on a trial basis. We should also reach an agreement on tropical products - an area of great importance to developing countries, and the one area explicitly singled out at Punta del Este for early action.

On other issues, in particular the reform of agriculture and the application of GATT principles to services, and to obstacles to investment and the protection of intellectual property, that should mean agreement to a substantial framework of principles to guide the rest of the negotiation. Above all, we have to show that the process of multilateral negotiation in the past two years can deliver practical results. We must set clear negotiating frameworks to gather together and push ahead the work of each negotiating group, so that we can achieve the objectives we have set ourselves for 1990.