

**MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND**

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UNITED STATES

Statement by Ambassador Clayton Yeutter
United States Trade Representative

It has been two years since we met in Punta del Este, two years since leaders from around the world - representing nations in all stages of economic development - agreed to launch the Uruguay Round of multilateral trade negotiations.

Since then, our negotiators have been hard at work. They deserve not only credit, but also continuing encouragement. For what came out of the meeting in Punta del Este in September of 1986 was the most comprehensive and ambitious negotiating agenda ever put before the General Agreement on Tariffs and Trade.

We set out to reduce or eliminate tariff and non-tariff barriers that too often block the exchange of goods and services; to reaffirm the principles of more liberal and fair trade and to apply them to activities not yet governed by the GATT; to revive the credibility of an open and productive trading system by strengthening its ability to settle disputes.

It has been forty years since the GATT was established. Since then, widespread tariff reductions and the decline of discriminatory trade practices have unleashed tremendous economic growth in all parts of the world.

Despite that commendable progress, however, there is much to be done.

Seven rounds of negotiation have failed to bring discipline to the exchange of agricultural commodities. Trade in services has been ignored, while the routine violation of intellectual property rights is now an international growth industry. Today's business knows no political boundaries, yet rules to govern trade-related investment encounter resistance from countries around the world. Meanwhile, subsidies and non-tariff barriers continue to upset the law of comparative advantage upon which free trade is based.

Today, I would like to say a few words about United States aspirations for Montreal. We do not come here expecting to strike landmark agreements. That is unrealistic at the mid-point of a negotiation, though we hope it

will occur at the end of the Round in 1990. What we hope to do is to generate the momentum that will move us in the right direction at a snappy pace.

Recently, President Reagan delivered a major address setting forth United States objectives for the Uruguay Round. He put it this way: "Like mountaineers getting ready for the final stage of a big climb," the President said, "we want to make sure we all agree on just where the summit is, on the path we're taking to it, and on when we intend to arrive."

In a sense, just holding this Mid-Term Review has been worthwhile. As President Reagan noted in his speech, negotiators facing a deadline can be wonderfully productive, and the approach of this week's meeting fastened attention to what must be done in order to achieve success in the coming two years.

What must come from this week's meetings in Montreal are the determination and commitment needed to push these negotiations toward a successful conclusion in 1990. If that occurs, the Mid-Term Review will have fulfilled its objective. If, on the other hand, Trade Ministers lack the political will to move forward with issues that two years ago we agreed were critical to the continuing health of the world trading system, then one must question whether the Uruguay Round is destined to fulfil its bright promise.

In two years - a very short period of time - together we must finalize: a programme for long-term reform in agriculture, significant liberalization of tariffs and non-tariff measures, obligations governing trade in services, an accord providing adequate standards and effective enforcement of intellectual property rights, discipline on trade-related investment measures, improved GATT dispute settlement mechanisms, institutional changes that will strengthen the GATT itself, new safeguard rules, agreement on how to handle trade in textiles and apparel, and a number of other important measures.

We are particularly committed to achieving progress in the three most difficult areas: agriculture, services and intellectual property. We will do everything we can to ensure that meaningful agreements can be reached in each of these areas by the end of the Round in 1990. If that means not agreeing to weak, watered-down language here in Montreal, then we will not agree. We would rather leave unable to resolve an issue than paper over differences. But we need negotiating frameworks in these sensitive areas, and we will do everything in our power to help create them over the next three days.

Now I would like to be more specific about what we hope to achieve here in Montreal.

Last year, President Reagan set forth a bold proposal calling for the removal of all trade-distorting subsidies and market access barriers in

agriculture by the year 2000. This plan would also ensure uniform health and sanitary regulations.

Recently, the President underscored our nation's willingness to be flexible in achieving that ambitious goal. In a major address, the President announced that the United States would leave the time-frame for this proposal up to negotiators. What we are interested in is the objective of long-term reform. The economic case for such reform is indisputable. For the developing nations of the world, it is particularly compelling. What is needed in Montreal is the political will to do what we all know should be done.

If agriculture needs GATT disciplines, then so does trade in services.

The GATT was established at a time when services constituted a small share of world trade. Today, services are the fastest growing segment of all, making up about one-quarter of international commerce. Yet there are no rules to govern international transactions in such vital industries as law, banking, insurance, telecommunications, transportation, information processing, motion pictures, construction and tourism.

To retain its credibility, the GATT must reflect the realities of modern commerce. For years, its fundamental principles have fostered trade in commodities and manufactured products. Does it not make sense to put the same principles to work on behalf of services?

Our proposal would do precisely that. Foreign firms providing services should be treated just like local firms - in any country. They should be allowed to set up business and compete on an equal footing, free from discriminatory treatment of any kind. Our framework calls for transparency and consultation within the GATT, as well as an effective set of dispute settlement procedures. It assures a continuing process of negotiation beyond the Uruguay Round.

We are breaking new ground, and I recognize that negotiations will be long and complex. But we must move forward. A GATT agreement on trade in services will have an enormously positive impact on world commerce. How quickly liberalization occurs and in which service sectors is a topic for negotiation. What we want to achieve this week is a clear understanding on the fundamental principles to be applied and the negotiating procedures to be followed in the final two years.

Another top priority of the United States is the protection of intellectual property rights, including patents, copyrights, trademarks and trade secrets.

We must improve international standards and the enforcement of those standards. Otherwise we deprive creative, inventive people and firms everywhere of the fruits of their efforts. That is a gross injustice. We should be stimulating and rewarding creativity, not discouraging it.

In 1986 alone, inadequate intellectual property protection cost the United States entertainment industry an estimated US\$2 billion. Meanwhile, our computer and software industries reported losses of over US\$4 billion.

We must negotiate over the coming two years a comprehensive approach to intellectual property - one that includes substantive standards for protection, as well as provisions for enforcement, not only at the border but within national boundaries too.

Let us also invigorate the GATT dispute settlement process. We can do so by agreeing on a provisional, trial basis that all contracting parties have a right to a panel, that panels should be held to a definitive time-table, and that the disputing parties should be kept from blocking panel recommendations.

There are other worthwhile objectives, too. Our three-day agenda is formidable. Fortunately, our Geneva negotiators have narrowed many of our differences. But others - the most contentious ones - remain, and we must address them.

Seven rounds of negotiation have gone a long way toward achieving our mutual goal of global trade liberalization. But they have not kept pace in recent years with changes that those who framed the GATT could hardly have foreseen.

This week's Mid-Term Review has forced each of us to size up the challenges ahead. That concentration of effort should make us more productive. At stake is the evolution and credibility of our world trading system. Can the GATT retain its relevance and clarity of purpose? Or will its principles be surrendered in a hopeless drift toward managed trade.

I, for one, believe that the Uruguay Round will prove to be a quantum leap forward for the GATT. Ministers have come to Montreal with strength of purpose and resolve to succeed, just as we came to Punta del Este two years ago. The hopes of all the people of the world for a bright future of economic growth and prosperity depends on us. I know we will not fail them.