

**MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND**

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SRI LANKA

Statement by Mr. Lalith Athulathmudali
Minister of Trade and Shipping

Allow me at the outset to take this opportunity on behalf of my delegation and on my own behalf, to express through you Mr. Chairman, our gratitude to the Government of Canada for the warm hospitality that has been extended to us and for the excellent arrangements made for this Ministerial Meeting.

World trade was somewhat more buoyant in 1987 than it has been since 1980, with the exception of 1984. This improvement, however, still leaves it below the rates of growth attained during the two decades from 1960. This improvement also does not appear to be the beginning of a significant change from the recent trend. The growth and pattern of international trade continued to be dominated by violent changes in currency exchange rates, imbalances in trade between the major industrial countries and the debt burden of the developing countries. The world trading system still remains under severe strain.

The Uruguay Round has to be viewed in the context of the wider international economic and trading scene.

Unfortunately, increased growth in the industrialized countries and the higher volume of trade will not spur economic activity in developing countries in the short run. Economic growth in most of the developing countries continues to be inadequate in order to keep pace with the growth in population. In addition, severe problems of external indebtedness persist in many middle-income and low-income countries, with destabilization, and devastating effects on political and social structures in many of those countries.

The present modest economic recovery in the developed countries continues to by-pass most of the developing countries. The moderate gains made by a number of developing countries in respect of certain commodity prices have been offset by negative features of persistently depressed prices of still other primary commodities, particularly tropical beverages, of quite a number of developing countries.

GATT SECRETARIAT

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This situation has been further aggravated by historically high rates of interest and severely strengthening debt service payments. The slackening demand conditions in the industrially advanced countries and high rates of unemployment that have accompanied deflationary policies adopted in the industrialized countries have been among the factors responsible for escalation of several kinds of trade-restrictive measures against exports from the developing countries. We have witnessed an increasing plethora of protectionist policies in the recent past thus undermining the efforts of the developing countries to make up for their worsening terms of trade and shrinkage of financial flows.

On top of these adverse developments, the developing countries have been facing a decline in prices for raw materials, manufactured goods and fuel. Such price declines have prevented the growth of exports thus resulting in a reduction in export earnings of the developing countries.

During the past few years, my own country has witnessed a serious reduction in export earnings directly as a result of the fall in the prices of tea, rubber, coconut and coconut products. The plight of the least-developed countries is even worse. Such unfavourable developments in the developing countries have deprived the industrialized countries of markets and jobs and forced protectionism on them. The classical vicious circle has had its way.

It is in this context that we have to approach this mid-term review. If the international community does not take appropriate corrective action, the high objectives that we set out at Punta del Este, as well as in the Final Act of UNCTAD VII, will not be achieved to any appreciable degree. The Uruguay Round is not just another round. The Uruguay Round is qualitatively different from the previous efforts which could be described as traditional trade liberalization efforts. The present round does not deal with only trade issues.

At Punta del Este, the major preoccupation was to halt and reverse protectionism and to remove distortions to trade. The major objective of the Uruguay Round is to develop a more open, viable and durable multilateral trading system, which will bring about further liberalization and expansion of world trade to the benefit of all countries.

When we look back at the developments in the last two years we see that the progress made in this Round of Multilateral Trade Negotiations has been, to say the least, most uneven. Implementation of "Standstill" and "Rollback" which was the foundation of the negotiations, leaves much to be desired. I would call upon the participants in the Uruguay Round to sincerely and faithfully fulfil the standstill and rollback commitments that they made at Punta del Este. The credibility of the negotiations would depend on the serious implementation of these commitments. The developed countries should translate their long-standing commitments to provide restrictive-free entry for tropical products into their markets in

recognition of the commonly-agreed priority for special attention. I would, in particular, like to stress that the principle of differential and more favourable treatment for the developing countries should be applied in practice to the current multilateral trade negotiations, as agreed to in the Punta del Este Ministerial Declaration. In point of fact, what we do find today, is that the developing countries have been subjected to an even greater degree of discrimination than ever before. It is, therefore, not surprising that the developing countries' share in world trade has been declining and their exports to the developed countries' markets have been subjected to restrictive and discriminatory measures. While the Uruguay Round holds promise for trade liberalization, an international trading system, which is open, non-discriminatory and predictable, is the only one which would be responsive to the trade and development needs of the developing countries. Small traders, such as Sri Lanka, need a guarantee against unilateral and arbitrary trade actions, which only an open, non-discriminatory multilateral system can provide. We would, therefore, expect the Uruguay Round to succeed in strengthening GATT discipline and in liberalization of trade, particularly in products of export interest to the developing countries.

The UNCTAD, in its "Trade & Development Report, 1988", has reaffirmed the interrelationship between problems in different areas, in particular, trade, development, finance and the international monetary system. This was stressed in my speech to the Ministerial meeting of the CONTRACTING PARTIES in 1982 when I stated, inter alia, "I am not sure whether trade issues can be dealt with in isolation. Trade and payments issues are clearly related, and sometimes protectionism and exchange rate policies are directed to the same purpose".

We, of the developing countries, consider it the responsibility of the international community, particularly, the developed economies, to find solutions to the problems that I have alluded to earlier. In carrying out such responsibilities, I would urge the governments of the industrial countries to take into consideration the best interests of the developing countries.

I would like to conclude by reiterating that interdependence is the most distinguishing feature of the international economic and trading scene. In this scenario, only national economic and commercial policies that enhance such interdependence or, at least, do not impair such interdependence, will ultimately help the international community. I would, therefore, most earnestly urge all countries to re-dedicate themselves to support with increasing vigour, a more open, predictable and non-discriminatory trading system.