

MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND

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Trade Negotiations Committee

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Meeting at Ministerial Level
Montreal (Canada), December 1988

DENMARK

Statement by Mr. K. Erik Tygesen
State Secretary for Foreign Economic Affairs

First of all, I would like to express my thanks to the Government of Canada for the warm reception they have given us. Secondly, I would like to congratulate Minister Zerbino upon his election as Chairman of the TNC at ministerial level.

We have come to Montreal for a mid-term review of the Uruguay Round. The word mid-term is a reminder to us all that we are now half way through the period foreseen for the negotiations. It should therefore be obvious that here in Montreal, we shall not only review the present stand of negotiations, we also must draw the necessary consequences from the review.

Since Punta del Este a lot of manpower has been allocated to the negotiations in Geneva. It is, however, a fact that the results from Geneva do not measure up to the resources spent. There are, of course, many reasons for this. Some find consolation in the fact that the Uruguay Round took off immediately after launching, whereas the Tokyo Round in reality was dormant from when it was launched in 1973 until the real negotiating process started in 1978. Of course, this is true, but neither in this respect nor in many others should we compare the Uruguay Round with the Tokyo Round.

In retrospect we can now see that in the Tokyo Round we were dealing to a large extent with the problems of yesterday, and perhaps of the day, but very little with the problems of the future. The Uruguay Round is and must be a future-oriented round. It is the most comprehensive and the most ambitious multilateral trade negotiation ever. But, as can be seen from the reports from the GNG and the GNS, it is obvious that political decisions and compromises are needed to give the negotiating process new momentum.

And, new momentum must come out of Montreal.

Financial unrest, erratic fluctuations of exchange rates, huge macro-economic imbalances make a fertile bed for the ugly flowers of protectionism, bilateralism and unilateralism. If the Round so far has not produced much in Geneva, the mere fact that it was on, has at least during

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these last two years helped to keep the protectionist forces at bay. But after Montreal the Round cannot even have that effect unless we revitalize the whole negotiating process.

We must be sure that the Uruguay Round also in the next two years will be a decisive confidence-building measure in a turbulent world. We must achieve results that will convince our business communities that there will be a liberalization of trade in goods and that we will lay down solid rules for the rapidly-growing trade in services. A successful Round will stimulate production and employment. Failure would mean severe economic losses to all of us.

In other words it is essential that we make the mid-term Ministerial meeting in Montreal a success and thus send the right positive signals to the world's business communities.

Now let me turn to some of the issues in front of us.

In previous rounds we have dodged the question of agriculture. It is obvious that we cannot do that in the Uruguay Round. Productivity in agriculture has been rising steeply for years. For many this is good news and the generation of our parents would certainly not understand us worrying about high productivity in agriculture. But supply has drastically outgrown demand. The result is a global imbalance. Governments are trying to get rid of the surplus stocks by disposing of them on the so-called world market. To the benefit of some, but to the detriment of more.

In the Round we should not focus on the various agricultural policies and mechanisms. Not on Utopia, but on the acute problem: the lack of global balance between supply and demand. The burden of adjustment cannot and should not be shouldered only by the exporters. A too low import is just as bad as a too high export.

If we can establish a balance through a gradual concerted negotiated reduction of the aggregate agricultural support which promotes production, we have cleared the ground for a normalization of trade in agriculture. This aim, however, can only be reached if all, i.e. exporters, importers and home-market producers contribute. And by contribution I mean not only what you should do in the future, but also what some of us have done in the past and are doing right now.

The so-called non-traditional items, i.e. trade in services, TRIPs and TRIMs, are very important for the harmonious growth of world trade. These items will be ever more important in the years to come. We must step-by-step elaborate a liberal framework of rules in these areas which can ensure gradual liberalization. If the GATT cannot meet the challenges of the modern world, it will become obsolete. On the other hand, we must realize that these issues should not be rushed as they are difficult and complex.

The fact that the non-traditional items are becoming more important, does not mean, that the traditional items are less important. On the contrary: it is as important as ever to ensure the fullest liberalization of trade in tropical products in all markets as well as the integration of trade in textiles and clothing into GATT on the basis of strengthened rules and disciplines. In these areas we must focus on the real obstacles of increased trade, not the perceived or theoretical barriers.

It was a good omen for this meeting in Montreal that we managed to reach agreement on tropical products already during our first 24 hours in this city.

Tariffs are often a real barrier to trade. Through more than forty years of GATT we have lowered tariff barriers considerably, but unfortunately in an uneven pattern. Contracting Parties have in general high, unbound-tariff rates. Some of us have mostly low, bound rates, and others are somewhere in between. The aim of this Round must be to achieve a much more uniform tariff system. The obligations and benefits must be much more even and balanced in accordance with the ability of each participant.

In conclusion: the welfare of our people depends on increased trade in goods and services. Thus, the open, multilateral trading system must be strengthened and developed, and the fullest liberalization of trade in goods and services must be achieved in a systematic and gradual way. We must all in the the Uruguay Round be ambitious as well as realistic, and we must all contribute in accordance with our ability. There is no acceptable alternative to a successful Uruguay Round.