

**MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND**

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SRI LANKA

Statement by Hon. A.R. Munsoor,
Minister of Trade and Commerce,
read by H.E. Mr. T.D.S.A. Dissanayaka,
Ambassador in Brussels

First and foremost, on behalf of my delegation and on my own behalf, I wish to join the previous distinguished speakers in thanking the Government of Belgium for the warm hospitality extended to us and in congratulating the host Government for the excellent arrangements made for this meeting.

In the 1990s, the international economy will see a number of far-reaching changes, such as, the transformation of Eastern European economies and their integration into the world trading and financial systems, the creation of the European Single Market expected by the beginning of 1993, and a substantial reduction of the United States budget deficit.

The world economy seems to be entering a period of recession. Already, such signs have emerged in a number of industrialized countries, such as the United States and the United Kingdom. The pace of economic activity in the world has clearly decelerated. World output, which increased at 4.3 per cent in 1988, and by a little exceeding 3 per cent in 1989, is expected to grow at approximately 2.5 per cent, this year. The situation in 1991 is expected to be only a little better.

Permit me to refer to the case of my own country - Sri Lanka. Amidst unprecedented difficulties which we had to face on many fronts in the past few years, we were able to achieve a modest growth in the economy which in 1989 amounted to 2.3 per cent. This was possible due to the resilience of our economy in the face of changing fortunes. Although the domestic environment is now more favourable than it was a year ago, and we were looking forward to a period of better performance, our efforts are likely to be thwarted by the dislocation caused by the Gulf crisis. The impact from the loss of export earnings, worker remittances, as well as the high oil import bill during the year is estimated at US\$100 million, and is expected to exceed US\$200 million in 1991, if the crisis persists. This is a heavy strain on our balance of payments. Besides, we are facing the increasingly difficult task of finding employment for nearly 150,000 displaced workers who were gainfully employed in the Gulf region before the eruption of the crisis. The remittances from the Gulf areas sustained a number of dependants in Sri Lanka, and the multiplier effect of the loss of employment in the Gulf, can only be imagined.

Sri Lanka has played its part in trade liberalization. It will continue to do so in the future. The process of liberalization on a broad front was begun in 1977. Liberalization of the import and export trade by removing, inter alia, administrative controls, licensing requirements and government monopolies, was undertaken, accompanied by complementary measures, such as liberalization in respect of foreign exchange remittances, foreign travel and foreign investment. Those were autonomous liberalization measures. Sri Lanka is committed to adopt further liberalization measures. Sri Lanka has asked for, and needs to be granted, appropriate recognition for the autonomous non-tariff liberalization measures that have been implemented since June 1986.

It is in this context that I wish to refer to, what we in Sri Lanka would like to call, the generous tariff proposals that my country tabled on 8 August this year, to reduce tariffs on as many as 2,128 tariff lines, as Sri Lanka's contribution to the trade liberalization efforts made in the current Round.

Sri Lanka has been having advanced legislation covering intellectual property for a very long period. In fact, in two years time, Sri Lanka's Patent Law will count a century. The Law has been brought in line with modern legislation in this field.

For the past three years, clothing exports have been the largest item of exports, which in 1989, earned for Sri Lanka approximately US\$450 million. Only 3 per cent of that value is accounted for by textiles. Sri Lanka's policy even in respect of import of textiles and clothing and other ancillary products required by the clothing industry is liberal. No non-tariff measures are applicable in Sri Lanka for import of textiles and clothing. Almost 80 per cent of fabric required for the clothing industry is obtained from foreign sources. The clothing industry as well as the ancillary industries employ almost half a million persons, the majority of whom are females. Although clothing ranks as the biggest export item, Sri Lanka's exports of clothing account for only about 0.8 per cent of world exports. My country is, therefore, a small supplier indeed.

A wide variety of tropical agricultural products, including tea, rubber, coconut and spices, are exported from Sri Lanka. Efforts made in this Round for helping exporters of tropical products will no doubt have a beneficial effect on my country as well.

Sri Lanka is a net food-importing developing country, which has to spend a vast proportion of its meagre foreign exchange incomes for imports of essential foodstuffs, like rice, sugar and flour. Prices of such imported products have increased tremendously in recent years. In this context, I must mention that Sri Lanka has undertaken a number of irrigation works so as to attain higher levels of domestic food production.

Sri Lanka has been experiencing balance-of-payments problems for several years and these have been exacerbated by the oil price-hikes that have taken place since the mid-seventies, and more recently with the Gulf crisis.

Since 1977, Sri Lanka has been vigorously promoting foreign investment. I am proud to state that nearly 150 foreign investors have established industries in my country during the past decade. Our liberal foreign investment policy has been the main attraction, in addition to other favourable factors of which the most notable is the availability of a highly literate, disciplined, motivated and trainable work-force.

Almost 48 per cent of the Gross Domestic Product of Sri Lanka is accounted for by the service sector and that sector employs about 19 per cent of our work-force. Still, many of those sectors are not so advanced enough for them to be significant foreign exchange earners. In this regard, I must mention that labour services have been excluded from the current Framework on Services. Sri Lanka, like many other less-developed contracting parties, would have welcomed the definition of trade in services and sectoral coverage to include labour and labour-intensive services. That would have ensured a "balance of interests" in services, as envisaged in the Punta del Este Declaration. Sri Lankans moving across borders for labour and labour-intensive services, bring in foreign exchange earnings which, in recent years, have ranked as the second or third highest source of annual foreign exchange earnings.

There has occurred in the 1980s a vigorous resurgence of protectionist pressures. Non-tariff barriers have continued to be a serious problem, import quotas and "grey-area" measures have been on the rise. In such a context, the high objectives set for the Uruguay Round are praiseworthy.

As the Chairman of the Surveillance Body - the mechanism established to oversee the implementation of "standstill" and "rollback" commitments in this Round has correctly concluded, there has been a woeful lack of achievements on "standstill" and precious little action under "rollback".

In accordance with Part 1 B (iv) of the Punta del Este Declaration and other relevant provisions of the General Agreement, and the Decision of the CONTRACTING PARTIES of 28 November 1979 on Differential and More Favourable Treatment, Reciprocity and Fuller Participation of Developing Countries, commonly known as the Enabling Clause, less-developed contracting parties are entitled to differential and more favourable treatment.

Success in the Round would imply the achievement of the ambitious goals that were set out at Punta del Este, and would mean the establishment of a more open, viable, universal, durable and integrated multilateral trading system that would ensure improved adherence to the GATT disciplines.