

**MULTILATERAL TRADE  
NEGOTIATIONS  
THE URUGUAY ROUND**

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Statement by Mr. Michel Camdessus,  
Managing Director

The GATT and the IMF both have the responsibility to contribute, each in its own area of competence, to the steady and balanced development of the world economy and, thereby, to encourage high-quality growth. And, indeed, both have contributed to this end. The period of growth the world has experienced for more than eight years certainly is not unrelated to your efforts to contain the pressures of protectionism, to reduce trade barriers and to our own endeavours to promote non-inflationary growth and greater stability in financial and exchange markets.

At this moment when you enter the final stages of your work, recent events, particularly those of 1990, give a yet more crucial importance to the decisions of the coming days. As you have honoured me with an invitation to address you, let me contribute some views on the subject:

- our assessment of recent actual changes in the world economy and their portent;
- my conviction that the shape of our tomorrow will depend largely, for better or for worse, on the outcome of your negotiations;
- and finally, I shall attempt to distil some thoughts for future action.

I. The challenges posed by the changes in the world economy

The difficulties and risks at the turn of the 1990s should not cause us to lose sight of a fundamental fact, namely the profound change which the world economy is undergoing, which is so rich with promise for the future. This promise is conditioned by the progress of current economic strategies. These strategies, pursued by an increasing number of industrial and developing countries, are based on a common understanding. They focus on maintenance of strict macro-economic discipline, coupled with the implementation of associated structural reforms within the framework of an open market economy. It is not surprising that a widespread consensus on these strategies has developed in the last few years. Experience has shown that this approach can achieve the highest living standards, provided it makes adequate allowance for social concerns, particularly for the

protection of the most vulnerable groups, and does not sacrifice the dynamism of an open market to the protection of vested interests.

These policies have played a major rôle in industrial countries' pursuit of sustained growth over the past eight years or more. They also explain the recent successes achieved by numerous developing countries that have embarked, with our support, on the implementation of adjustment programmes aimed at achieving quality growth. Their strategy, consistently, involves greater openness of trade and capital flows. But these programmes are daunting undertakings for the governments and their people. As too often they are embarked upon after pervasive disequilibria and rigidities have become ingrained, they require great courage and sustained efforts spread over several years. But, we find good examples of success, based on such programmes, among middle-income debtor countries, among the poorest in Africa, and, indeed, among developing countries the world over. It is essential that these countries be able to persevere. If they do and if they receive the support of the international community, coupled with the help of recent developments in the debt strategy, the achievement of two basic objectives should be within their grasp:

- debt may cease to be an insurmountable obstacle to growth and be reduced to a manageable problem; and
- the fatal trend of negative per-capita growth, which has weighed upon many poor countries, particularly in Africa, for the past twenty years, may be reversed.

These are surely the most important opportunities of our time, and they are within our doing.

Another essential aspect of the changes in the world economy is the historic decision of the Central and East European countries to transform their economic and, for that matter, their political systems. They have chosen democracy and market economy. Integration of their economies into the international trade and financial system, progress towards currency convertibility - all basic objectives and, indeed, the mission of the IMF - are main elements of their reforms. These developments are full of promise for the countries in question, for Europe, and for the world. However, like the prospects of developing countries and, indeed, of the world economy, they are extremely vulnerable to cyclical change and to all the perverse consequences of protectionism. They will, thus, depend profoundly upon the success of your work.

## II. What is at stake in trade negotiations

Is it true that in these changes in the world economy we see more opportunities yet to be seized than results already achieved - more promising beginnings than are surrounded by risks. But these risks need not materialize; the success or failure of your negotiations can, indeed, make the difference.

This applies to growth in the whole world. Currently, economic expansion in the industrial countries is marking time. A number of countries are concerned about the magnitude and duration of the current

slowdown of activity. The task of policy makers is complicated by the rise in oil prices and by the upsurge in inflationary pressures. Neither should we forget that the growth these countries are achieving today is below their full potential, in particular because protectionist measures are adding to structural rigidities that immobilize resources in less productive activities. Dismantling trade barriers - in both industrial and developing countries - would make these economies more efficient and foster growth and employment. We know that this is not easy; it requires political will to tackle vested interests and to defend vigorously the interests of consumers, who often are the real victims of protectionism.

A significant liberalization of international trade at this stage certainly would give invaluable impetus to economic activity. It would serve to revive and reinforce growth in the industrial countries. It would signal a renewed commitment to open markets and to a system in which market forces determine resource allocation. We know how decisive the confidence factor can be when economic activity falters. Today, already, a great many investment decisions are being delayed. Can anyone doubt that the success or failure of your work will be an essential factor in determining the state of confidence? Your success will be an antidote to the poison of protectionist pressure, that otherwise would contribute to a longer and deeper slowdown, possibly, a disinflationary spiral, in economic activity in the industrial countries.

The stakes are no less high for the developing countries and for the economies in transition.

First, to be sure, there are the indirect consequences of changes in the rate of growth in the industrial economies. We have calculated that an extra increase of 1 per cent of growth per annum in the industrial countries, over a period of five years, would raise exports of the net debtor countries by 1.75 per cent per annum on average: this cumulates to approximately US\$48 billion.

But the direct consequences of trade liberalization by the industrial countries would be equally impressive. Thus:

- elimination of industrial countries' tariff and non-tariff restrictions could increase the GDP of developing countries by nearly 3 per cent. This equals approximately twice the amount of official development aid extended by the industrial countries. Likewise, if industrial countries reduced the customs duties they levy on manufactures by five percentage points, the export volume of net debtor countries could increase by 4.6 per cent;
- elimination of farm subsidies in industrial countries could increase foreign exchange earnings of net exporters of agricultural products among developing countries by about US\$50 billion. We know well that such a dismantling process can only be gradual, but surely the pure magnitudes involved demand resolute action.

All these estimates simply reinforce a fact so obvious, we sometimes tend to forget it. Namely, no matter how important the rôle of development aid, it is trade - and its expansion - that hold the key to success for countries in economic difficulty. Thus, a reduction in the protection of their markets is a basic obligation, if industrial countries are to rise to their worldwide responsibilities. It is with their encouragement that some fifty developing countries have embarked upon structural adjustment programmes and have opened their markets. The ability of their exports to scale tariff and non-tariff barriers in major markets is an essential feature of the external environment, if their programmes are to succeed. The industrial world would commit a grave error if it were to abandon these countries in the middle of an already perilous crossing. Equally, if we are to ensure that the financial aid which industrial countries must extend to Eastern Europe is to yield the desired results, it must be coupled with a widening of their trade outlets. Here we also face a truly formidable challenge. How could we claim to have fulfilled our duty toward these countries if, after all the risk they have taken in their moves toward a market economy, we were to welcome them to a system in which the cancer of protectionism is eating away the very source of market competitiveness that should be the mainspring of its vitality?

How could we better express how high the stakes for the world economy are - maintaining growth, curbing inflation, overcoming the debt problem, development of the poorest countries and success of the economic reforms in Eastern Europe - and how much the outcome depends on the success of your work? At a time when the world economy is at such an important crossroads, what is the blueprint for action?

### III. Action: what should be the guidelines?

As we face this unusual convergence of opportunities and risks, I suggest just three principles for your consideration.

1. The first is to restate what I find I need to repeat time and again: the health of the world economy demands a combination of sustained growth, of fighting against inflation and exchange instability, of promoting savings for investment, structural adjustment, and opening of markets. Therefore we must act on all these fronts without subordinating one effort to the other.

The least failure, the least delay regarding any of these priorities will compromise the prosperity of the world economy. Let us not repeat the mistakes of the past, which made us too complacent vis-à-vis inflation under the pretext of preserving growth; let us not reject structural adjustment under the pretext that we already have taken appropriate macroeconomic action; let us not wait until exchange stability has been achieved before dismantling our trade barriers. The contrary is also to be avoided, of course. In recent years, we have achieved progress in the area of exchange policies, to which the International Monetary Fund must pay particular attentions - we have improved procedures and techniques for multilateral surveillance and economic policy co-ordination among major industrial countries so as to reduce inflation and gradually reinforce monetary and exchange rate stability. We should not underestimate the

fruits of such co-ordination. It has facilitated the gradual convergence of economic policies and performance; it has provided the international system with the means to withstand several serious shocks, particularly the financial crisis of October 1987; and, despite recent movements in exchange rates, it has also resulted, in practice, in a gradual movement toward somewhat greater exchange rate stability. This experience has reinforced our conviction that the most powerful factors of progress are the opening-up of economies to the outside world, the adoption of sound economic policies at the national level and effective co-operation at the international level. This is true for trade, as much as for finance and exchange rates.

Thus, in practice, progress must be on two fronts. A liberal trade régime and a stable and open monetary system must reinforce each other. Welcome progress has been made in the monetary area. I trust that we will see further progress in coming years and that we can draw on our experience to achieve further improvements in the functioning of the international monetary system. I am equally convinced that a breakthrough on the trade front can contribute powerfully to enhance the prospects for growth and monetary stability in the world.

2. If at some point in these negotiations you, as governments, believe you are faced with the choice between greater trade liberalization and, one might say, greater prudence, believe me there is no choice, because prudence dictates liberalization. All experience shows this to be true: the interest of the world economy lies in open trade. And this is also true at the national level. There is no country that does not stand to gain, in the medium term, from bold choices regarding the opening of markets. It is now well understood that systematic protection does not produce growth. Attempts to protect the growth or prosperity of one or the other sector always turn out to be ineffective and costly palliatives. This also applies to developing countries. The results speak for themselves. The countries that are winning the development race are those that have shown the greatest boldness in opening their borders and that, without hiding behind whatever alibi - not even the slowness of the commercial disarmament process in the industrial countries - have included the most open foreign trade policy in their growth strategy.

3. However, there is no denying that the choice of an outward orientation poses particular problems to developing countries and to countries in transition. They have limited or no access to the international capital markets to meet the short-term external financial costs of market-oriented adjustment. Hence, my third principle: the international community must stand ready to meet the temporary financing requirements that may thus arise.

I believe I can tell you that we will be able to meet these requirements. The temporary financing needs that may arise from the greater openness agreed in the context of the Uruguay Round, or from the transition of the Eastern countries to a market economy, were borne in mind by the governors of the IMF when they decided to increase our quotas by 50 per cent. I confidently call upon all countries to ratify this increase without delay. With these resources, which we stand ready to deploy

rapidly, and those earmarked by the World Bank and other multilateral institutions for these purposes, I am convinced that the risks involved in trade liberalization can, and must be borne confidently by the developing countries.

Allow me, Mr. President and Ministers, to suggest these three principles and this conviction, for your consideration. And let me express the hope that, thanks to your clear-sightedness, firmness, and courage, you will succeed in defining the new trade régime - a clear, predictable, non-discriminatory system, covering a wide range of economic activity - which the world needs to achieve the highest possible rate of growth. You will then have made a fundamental contribution to world prosperity, and to building a more cohesive world, through the end of the twentieth century.