

**MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND**

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UNITED KINGDOM

Statement by Mr. Peter Lilley,
Secretary of State for Trade and Industry

We cannot afford to let this GATT Round fail.

The benefits of success will be enormous. The world economy is clearly slowing down. So what the world needs above all is a non-inflationary stimulus.

Only a successful GATT Round could provide this. Lower tariffs and the removal of trade barriers would simultaneously put downward pressure on prices and encourage increased trade and activity.

Failure would mean not merely foregoing those benefits. It could well signal a return to a more protectionist era, trade wars and beggar-my-neighbour policies.

The benefits of success and the cost of failure are particularly clear for the United Kingdom economy. As one of the major trading countries of the world, we export over a quarter of all that we produce.

But the benefits of success and costs of failure are just as great, if less apparent, to the less-developed countries and those who have been engaged in international trade for a shorter period.

Above all it is crucial for those countries who feel their economies may be too weak to participate in the multilateral trading system. For when the world economy sneezes it is they who catch cold.

It is of course important that they should see that participation in the GATT Round is clearly in their immediate as well as long-term interests.

So I whole-heartedly welcome the improved offer for tropical products, announced yesterday by Vice President Andriessen on behalf of the Community.

Given that a successful outcome to this week's talks is of crucial importance, why is it that we face serious risk of failure?

There are two reasons. The first is that too many countries have, in advance of this meeting, taken up unnecessarily rigid positions, and exaggerated the differences that exist between the different groups.

In fact, I believe that the differences are not so great as they may seem. It should be possible to bridge them in the course of this week.

But to do so we must look for imaginative ways to reconcile differing positions. We must all be prepared to display flexibility in all the main areas of negotiation.

Indeed negotiation is impossible unless we are all prepared to give and take: to adjust our positions and to seek points of agreement, not disagreement.

The other difficulty we face is the perfectly legitimate and natural fear of those groups who anticipate greater competition as a result of participation in the GATT rules.

But we must remember that in each of the past rounds, the fears of those who were apprehensive about a reduction in trade barriers invariably proved exaggerated.

And the benefits of each successful round have consistently exceeded the hopes of the optimists.

Indeed many of the industries which feared loss of protection in earlier rounds are now the principal champions of a successful outcome this time.

Tariffs in some product sectors, such as pharmaceuticals, over which great battles raged in the past, may in this current round come down to zero in the Community and the United States with no very great debate.

If we fulfil the commitments entered into at Punta del Este we shall for the first time bring agriculture and textiles fully under GATT disciplines, and extend the GATT system to include services, intellectual property and investment.

It is not at all surprising that there should be apprehension in some of those areas to the reduction of barriers to trade and artificial support.

The British Government is as determined as the rest of our Community partners to allay the legitimate concerns of our farmers and textile workers.

That is why we are keen to reinforce the rules and disciplines, improve the anti-dumping procedures, provide an effective safeguard mechanism, and secure better access to other markets for our own producers.

But as long we succeed on these fronts I believe many fears about inclusion in GATT will prove exaggerated. The newly included sectors will find unforeseen benefits in greater access to new markets.

Indeed removal of barriers and the resultant stimulus of competition often expands markets so that one firm's gain does not necessarily mean another firm's loss.

Fears that full commitment to the most-favoured-nation principle in services would disadvantage those with the most open markets, echo similar fears about the application of that principle to tariffs at the start of GATT.

MFN has served us well on tariffs. It will do so too in services.

It has taken forty years to develop the multilateral trading system to its present level of manufactured goods.

Clearly it will take a considerable time before we can achieve a similar position for the new areas. No-one expects them to run before they can walk. But I believe that if we can bring these new areas into GATT even in an initially modest way it will be seen as one of the most important rounds in the history of GATT.

The twelve Member States of the European Community negotiate collectively through the European Commission. The Community will be a constructive contributor to the negotiations this week.

After all, we are founded on the principle of abolishing restrictions on trade between the countries of Europe.

And the single market programme, to which the United Kingdom is deeply committed, seeks to go further in removing hidden barriers to trade than anything which has yet been proposed within the GATT framework.

For precisely the same reasons the Community must be determined to achieve a successful outcome to the Uruguay Round. Britain will do all in its power to achieve that end.