

**MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND**

MTN.TNC/MIN(90)/ST/60
5 December 1990
Special Distribution

Trade Negotiations Committee

Original: English

Meeting at Ministerial Level
Brussels, December 1990

WORLD BANK

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It is a pleasure for me to be here today, on behalf of the World Bank, on what we all agree is a momentous occasion. Even as I speak, vital questions remain to be decided. Whatever the outcome this week, it will have far-reaching implications for world trade and prosperity in the industrial countries and the developing countries alike for many years to come.

We in the World Bank have followed events in the Uruguay Round closely. All countries stand to gain from a more open trading system. Over the years developing countries have benefitted greatly from the gradual liberalization of world trade, to which the Bretton Woods institutions have been committed since their inception. Expansion of world trade is as important as ever to sustainable economic growth and the reduction of poverty in developing countries, many of which face serious debt, balance-of-payments, and employment problems. GATT is a cornerstone of the world economy and the importance of multilateral organizations is likely to increase with globalization in the post-Cold War years.

Although there has been a fairly healthy record of global trade growth in the last few years, we should not be complacent about trade policy. Protectionist pressures have hardly abated during the Uruguay Round, even if the Round has made it a little easier for governments to resist such pressures. The design and preservation of a solid, orderly framework of international economic relations, based on commitment to open non-discriminatory market access is imperative.

For the developing countries, the central issue is the alleviation of poverty. Among them, about 1 billion people, fully a third of their population, live in absolute poverty, surviving on a dollar a day or less. This over-riding objective of poverty reduction has lead many developing countries to adopt structural policies designed to re-organize the way in which productive resources are used in their economies. The search for a new development path is largely free from ideological overtones and the debate concentrates more on the speed and feasibility of policy change than on its basic orientation. Its elements centre around a larger rôle for

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market forces in the domestic economy, with scarcity determined prices, including exchange rates, providing appropriate incentives for a growing private sector. The importance of budgetary restraint and monetary stability is recognized, as is the need to foster investment. Similarly, there is growing awareness of the human dimension of restructuring economies - for example the requirements in education to enable people to take advantage of opportunities in deregulated open markets.

The external dimension of this structural reorientation has not been neglected in developing countries.

Too many developing countries have, at various times, pursued trade policies which have inhibited and distorted their economic performance. Time and again, experience has shown that the inward-looking trade policy penalizes export activities and leads to a self-imposed incapacity to compete in world markets. This, in turn, means that growth is undermined and stagnation sets in. Developing countries have come increasingly to recognize the very real costs of pursuing economic diversification through insulating the domestic market. Realizing these problems, developing countries are, in great numbers, undertaking the reform of these policies and seeking the benefits of specialization through trade. These benefits accrue over time through accelerated growth of incomes and employment. But they will accrue only if reform is sustained, and reform, while necessary and indispensable, is difficult and risky. It needs support. Providing such support is one of the World Bank's major functions, for which, during the 1980s, the Bank lent US\$30 billion.

It is hardly surprising that trade liberalization efforts in developing countries are reflected in changing attitudes towards GATT, and in their hopes and expectations as to what the trading system can deliver. Numerous developing countries have acceded to GATT in the last five years, and many more are in the process of doing so.

Moreover, developing countries have participated much more in the Uruguay Round than in any previous Multilateral Trade Negotiation. It is not only the heightened intensity of participation that is notable, but also the message this participation conveys. Most developing countries are less insistent that they be granted exceptions from multilateral discipline, and are more insistent on seeking an adequate set of international arrangements. Increasingly, developing countries are looking for arrangements that comprise a clear network of rights and obligations from which they can benefit.

Eastern Europe has particular problems. As its economies wrestle with adjusting to market-oriented systems, they are seeking to redefine their relationships with GATT, and become part of the multilateral trading system for the first time. A major question is whether they will be able to enjoy access to open and stable foreign markets.

There can be no doubt that policy reform in developing countries, difficult at the best of times, will be threatened by a protectionist

international trading environment. Liberalization efforts will be increasingly questioned by sectional interests, and reform programmes will be harder to sustain. It would be a cruel paradox if the designers and promoters of a more liberal trading system, in industrialized countries, weakened their support to it just when many developing and East European countries start to rely on it to an extent they never have before.

That paradox must be avoided. The reform processes need support. Nothing can provide better support than expanding trade and the global prosperity it fosters. Maintaining an open trading system is in everybody's interest. It is everybody's responsibility. It is a major ingredient in helping developing countries restructure their economies, alleviate their debt problems, and provide resources to restore growth.

The World Bank is as mindful as the GATT of the need for strong links and solid co-operation in the growing number of areas in which our interests intermingle. The relationship between our two institutions has been informal, but close and fruitful. The Bank is determined to ensure that its institutional relationships with the GATT secretariat or any possible successor continue to be as helpful as possible to development and to international trade.

Finally, for the sake of the future of international economic relations and our shared responsibility to promote development, it is vital to reach satisfactory agreements in as many areas as possible, agreements that support an open multilateral trading system. In our rapidly changing and ever more complex world, the costs of failure will continue to rise. I should like, therefore, to add my voice, on behalf of the World Bank, to appeal for far-sightedness and boldness in these next crucial hours and days.

I wish you well.