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Statement by H.E. Ms. Anita Gradin Minister for Foreign Trade

We Ministers face a tremendous challenge. We must improve and strengthen the rules and disciplines of GATT and we must extend it to new issues and new areas.

If we fail, the system will deteriorate, its credibility will be lost and protectionism, bilateralism and sectorization will get the upper hand.

We are condemned to succeed.

It is now clear that all governments participating in the round are strongly committed to a more robust and predictable multilateral trading system. The Plaza Agreement in September 1985, the Summit of Seven meetings in Tokyo and Venice and the recent Ministerial meeting of the OECD all point in the same direction: there have to be some ground rules for the world economy in order to provide for stability and predictability. Recent developments in financial markets dramatically underline this need.

One of the basic problems we face is the misconception and lack of solid information about the costs of protectionism. There seems to be a widespread notion that protection is beneficial to the economy if one can do it without retaliation from trading partners.

This is of course patently untrue. Protection is almost always beneficial, sometimes highly profitable, but only for a small group of producers of otherwise non-competitive goods and services. And these profits are reaped at the expense of consumers and other companies. A subsidy for someone is always a tax on others.

In political terms, a fundamental problem is the low visibility of the cost of protectionism and the lack of power on the part of consumers. Industries in trouble are well-known, they have names and numbers, the "enemy" is a foreigner, specific regions are affected. The cost of each small protectionist measure is distributed in homeopathic doses throughout the community.

No particular group is affected in a way that would transform it into a countervailing power. Small groups with shared interests are easy to organize into powerful lobbies. Government bureaucracies are organized to cater for special interests.

It is, however, our task as politicians to balance such special interests. We should encourage public scrutiny on the costs of protection.

The Uruguay Round is comprehensive, and complex, as a reflection of reality. To put everything on the negotiating table is the only way to produce something for everybody: a necessary requirement to create negotiating leverage in an organization based on consensus.

One central issue of the Uruguay Round is the ambition to extend multilateral disciplines to new areas, in particular services. In a wider setting the issue is related to the process of structural adjustment and a fair deal for consumers.

Steel and textiles, agriculture and services are sectors where development and structural adjustment go hand in hand and affect all countries.

All countries stand to benefit from the Uruguay Round, be it in terms of increased exports or reduced domestic production in troubled industries. The necessary prerequisite is a willingness to give and take for our common good.

There is one priority expressed in the Uruguay Round that must not be forgotten. Further progress in liberalizing trade in tropical products is the one area where our negotiations must yield early results. For the developing countries this is one of the areas of direct interest. I would hasten to add, however, that progress in many other areas and on the round as a whole is not the particular interest for a group of countries but for all of us. This would also enable a number of countries to integrate more fully into our system of rules and regulations.

Let me finish by expressing my great satisfaction at the fact that the round is now well under way here in Geneva. I expect that there will be a smooth continuous transition into the subsequent phase when real hard negotiations will start.

The first half of 1988 will in my opinion constitute a very central phase in the Uruguay Round. Next autumn we should be halfway through the negotiations and an outline of the results of the round should begin to emerge.

There is hard work ahead of us. The success rests on keeping the good momentum from the initial phase that was created on the basis of the contributions and the input made from a large number of individual participating countries, both developed and developing.

Let us keep the good work and let us not forget that trade is a foundation upon which to build confidence among nations.