

GENERAL AGREEMENT ON

TARIFFS AND TRADE

SR.43/ST/4
16 December 1987
Limited Distribution

CONTRACTING PARTIES
Forty-Third Session

Original: English

PAKISTAN

Statement by H.E. Dr. Mahbub Ul Haq
Minister for Commerce, Planning and Development

Restructuring of the World Trading System

It is a great honour for Pakistan, Mr. Chairman, to have you guide the deliberations in this important Session of the CONTRACTING PARTIES. Your own personal contribution makes us enormously proud not only in Pakistan, but I am sure in the entire international community.

The 40th anniversary of the GATT is a time both for a subdued celebration and a calm reflection.

It is time for a subdued celebration because, while world trade is not free from restrictions today, the GATT has at least succeeded in maintaining a partially open trading system.

The aftermath of the great stock exchange crash was, in fact, a quiet tribute to the existence of the GATT. There was no panicky retreat into greater protectionism, unlike in the 1930s but an urgent whisper went through the corridors of decision-making that this time there should be no bank failures, no increased protectionism, no slide into a world-wide depression. The international community has obviously travelled a long distance since 1929. Let us only hope that this does not prove to be a premature conclusion.

It is also time for some calm reflection. The world trading system is very far from the ideal that the GATT embraced so enthusiastically 40 years ago.

And the world scene itself is changing fast, calling for a major restructuring of GATT itself.

The real message of the recent stock exchange crash is that the US dollar is likely to be phased out as an international currency over the next decade.

It was an anomaly in any case that the creation of international liquidity be dictated by the national needs of the United States rather than the global needs of trade and investment.

Never was the United States ever comfortable in its rôle as the central banker of the world. Growing budget and trade deficits, high interest rates, reckless borrowing from the rest of the world were certainly not acceptable as virtues in a central banker, and the consequent loss of confidence in the US dollar and its eventual demise as an international currency were, therefore, quite predictable.

Perhaps the United States has been carrying global burdens not quite consistent with its own national interests.

But how do we restructure the world after the crash?

For one thing, the search for a new international central banker must begin. Perhaps Lord Keynes was right 40 years ago that this rôle really belongs to the IMF and to a new international currency unit. We again hear the echoes of his ideas about "Bancor" and it is time for serious rethinking on this subject.

For another, the world trading system must be made more open, including a major restructuring in the rôle of GATT.

And in this next phase of restructuring of the Bretton Woods institutions, let us not forget the full participation of all countries so that the new systems are truly universal in their character.

It is in this context that we need to review the progress made so far in the Uruguay Round.

The first year has been spent - I believe usefully - in a good deal of preparatory work: analysis, documentation, discussion, identification of problem areas and opportunities. It has been an unglamorous but a necessary step. At least, many of the proposals and controversies are on the table by now.

Time is now ripe to give a sense of urgency and direction to our deliberations.

Let me suggest four concrete proposals in this spirit.

First, let us agree on a mid-term review of the Uruguay Round at the ministerial level in the second half of 1988.

Second, while we may review the progress made by all the fifteen groups in this mid-term review, it would build a certain sense of confidence and momentum if some proposals were carried towards a near agreement. I use the term near agreement advisedly, as a pragmatic compromise between the advocates of an early harvest and the adherents to a full, balanced global package. We can always make the implementation of near agreement on a few major proposals by December 1988 conditional upon the finalization of the rest of the package by 1990 to overcome the fears of those who believe that the early harvest may, in fact, become the final harvest.

Third, we all may have our favourite agendas for this early harvest in 1988 but I hope that a reasonable consensus can emerge. There is generally a consensus on including institutional issues like dispute settlement and GATT surveillance system in this early round. Tropical products are emerging as another area of agreement. In addition, I believe, there are three areas which must be included in the discussion of the early round though we should be prepared to accept an agreed approach in these areas rather than a final package. First, agriculture where a gradual phase out of the present subsidies of over US\$70 billion in the developed countries will completely alter the trade prospects for many developing countries. We find the United States proposals to phase out subsidies over a ten-year period both far-sighted and courageous. We believe that these can be usefully modified along the lines proposed by the Cairns Group. Second, trade in services, where the present controversies must end. Developing countries need predictability in the framework for trade in services just as much as the developed countries, though they may need initial protection for their infant services. It is legitimate to argue that services may also include transfer of labour and capital and that the growth of services in the developing world may be protected from instant competition, but it is counter-productive to argue that services should not even be discussed since 80 per cent of the world's manpower is in the developing countries who are going to man the global services of tomorrow.

Finally, we must insist on the inclusion of textiles in this early round. The total world trade in textiles and clothing is US\$96 billion at present and would be much larger in the absence of quotas. In the case of my own country, and many other developing countries, the textile quota issue is the most important issue in the trade negotiations and it is simply not worthwhile for us to participate in the MTN if the discussion of this item is not included early in the round. Of course, we may not be able to evolve the final package, but we must at least agree that the current MFA will be the last such agreement and that an agreed time-table will be designed for an orderly elimination of present restrictions and for a liberal trade régime in textile and clothing.

My fourth and final proposal is to establish a small ministerial group for a quiet, informal steering of the negotiating process in the next phase. The bureaucratic processes must, by now, be supplemented by some skilful political steering.

I sense today a greater interest by the developing countries than ever before in the GATT framework and in its future evolution. There is a renewed confidence that the GATT framework can be so shaped as to protect the long-term interests of all nations. But confidence is a delicate flower. Let us ensure in our actual agreements that this flower does not wilt.

We stand today at an interesting juncture. The crash of October 1987 is a forceful invitation to restructure the global financial and trading system and to convert it into a healthier organism. The Bretton Woods system requires a major overhauling after forty years of meritorious service. The Uruguay Round offers an opportunity to reform at least one part of this global system. We owe it to ourselves, and to the generations ahead, that we assume these burdens of leadership.