

GENERAL AGREEMENT ON

TARIFFS AND TRADE

SR.43/ST/5
16 December 1987
Limited Distribution

CONTRACTING PARTIES
Forty-Third Session

Original: English

JAPAN

Statement by H.E. Mr. Sosuke Uno Minister for Foreign Affairs

All of us present here are very much proud of the fact that GATT has observed the 40th anniversary of its establishment, an honourable landmark in the history of GATT. One cannot but be deeply impressed to see the great prosperity and stability that the world, recovering from the devastation and disorder of war, has attained in those four decades.

A grand design lying at the core of the postwar international economic order was to ensure monetary stability through the IMF, economic development of developing countries by the World Bank, and the free trading system under GATT. This determination was based upon the realization of the extent to which shrinking of world trade resulting from regionalism and the splitting of the world market into exclusive blocs had contributed to causing the Second World War.

We have to date had seven rounds of general tariff negotiations in GATT. There was, for example, the Kennedy Round in the 1960s. The Kennedy Round, begun at the strong initiative of the United States, was intended to consolidate the economic unity of the free world. Tariff rates were reduced by an average 35 per cent, and world trade was greatly expanded in consequence.

The Tokyo Round in the 1970s, on the other hand, reflected a multipolarization of the international economic system caused by the transition to floating exchange rates, a general decline in the value of the dollar, the oil crisis and the enlargement of the European Community. All this indicated that each country, no longer depending so completely upon the leadership of the United States, had come to be required to share responsibility for the maintenance of the international economic system. It was with the Tokyo Round that Japan, which had acceded to GATT in 1955, so becoming a full member of the new world economic order, came to play an increasingly important rôle as a member of the international economic community.

In the course of GATT's forty-year history, its ideal of raising the living standards of the world's peoples on the basis of the free trading system, has come very much closer to becoming reality. Many countries, among them Japan, are achieving very considerable economic growth.

The free trading system, which has made this worldwide prosperity possible, now faces a grave crisis.

Although the world economy is, basically, on a path of steady expansion, there still exists considerable disparity among major countries. Most countries are experiencing considerable hardship resulting from financial deficits and serious unemployment in some parts of the world, while accumulated debts plague the developing countries.

Moreover, rapid fluctuation of exchange rates and collapsing stock prices in recent days have adversely affected the world economy, threatening to shrink investment and trade activities throughout the world.

Against a background of this world economic situation, we see the emergence of various protectionist measures circumventing the GATT rules, increasing unilateral recourse to measures almost certainly not consistent with GATT, the abuse of export subsidies, and a growing tendency towards controlled trade or bilateralism. There can be no doubt that all of these phenomena are undermining the credibility of GATT and have shaken the GATT system.

It is no exaggeration to say that the present crisis resulting from these phenomena threatens to bring to nothing all that has been achieved by the efforts we have made through GATT over forty years.

What we must do today is to make concrete efforts, step by step, to build up a steadfast free trading system that will be able to repel all the threats emanating from the present crisis.

First of all, we have to reduce or eliminate trade barriers, including, inter alia, tariffs and quantitative restrictions, with a view to further expanding the free trading system. We must also strive to agree on adequate and effective new rules for the regulation of agricultural trade.

Secondly, we have to make an effective GATT system that will ensure the promotion of free trade. Major issues in this regard are the improvement of safeguards and dispute settlement procedures, the strengthening of the decision making function of GATT by the involvement of Ministers, reinforcement of the multilateral surveillance mechanism for trade policy review, and establishment of good relations and co-operation with other international monetary and financial organizations.

Thirdly, we have to make the GATT system fully responsive to structural change, or differentiation in the world economy and trade, by making rules for the promotion of trade in services, trade-related aspects of intellectual property rights, and trade-related investment measures.

What I have just mentioned are the very objectives the Uruguay Round seeks to achieve. It is very encouraging that the progress being made so far in the Uruguay Round is so much steadier than was the case with preceding rounds. However, I am not entirely optimistic about the prospects for future negotiations. It is expected that when we enter into the subsequent phase of the negotiations next year, differences of views among participants will become more marked, and that accordingly, many more difficulties will arise.

In order to cope effectively with the impending crisis, we must attain concrete results in the negotiations at the earliest possible date. Furthermore, there must be results we can show to our peoples, who belong to a wide variety of industrial sectors, and restore their confidence in the free trading system and GATT. Instead of waiting for the four years in which the Round was originally scheduled to be completed, we must accelerate the negotiations and seek to achieve an "early harvest", while maintaining a balanced pace of negotiation among all the negotiating items. One promising opportunity to ensure the early harvest is a mid-term review by the Trade Negotiations Committee at Ministerial level on the progress of negotiations. I believe we should have a meeting of the TNC at an appropriate time next year with a view to accelerating the conclusion of the negotiations on those items where early agreement is feasible, as well as implementing the contents of the agreements thereafter. I myself feel that a date towards the end of 1988 would be the most suitable for this purpose. It might be premature to decide on which items we should seek early harvest. But I hope that we will further promote the negotiations early next year and that, thereafter the Ministers present here today, together with others not here with us, will meet in the TNC session at Ministerial level as I have mentioned, to produce the largest possible results.

I now wish to touch upon agricultural trade, which is one of the most important negotiating items, and one that is politically very sensitive for all participants in the negotiations.

Japan fully recognizes the gravity of the current agricultural trade situation, exemplified most typically by the worldwide surplus of agricultural products. However, it also considers that in view of the seriousness of the socio-economic effects of agricultural trade on each participant, the most careful study is needed.

Although Japan already submitted proposals regarding such areas as tariffs, safeguards and the functioning of the GATT system, thereby making a considerable contribution to the negotiations, it has yet to submit a proposal on agriculture. This is because it has taken time to consider various elements in the task of determining what proposal will be most appropriate, taking into account the views of the various sectors of the Japanese people. Japan, further promoting this task, will submit by the end of this year its own proposal which will translate into concrete measures the basic principles Japan earlier announced.

The principle lying at the core of the prospective Japanese proposal is to make the market mechanism operate more effectively in agricultural trade in the long run. From this viewpoint, firstly with regard to market access, the proposal will aim at achieving further liberalization of agricultural trade, and at the same time permit a certain category of import restrictions necessary for the stable supply of foodstuffs under more specifically defined conditions.

Secondly, with regard to subsidies, Japan's proposal will provide that all export subsidies, which are considered the main cause of the present crisis in agriculture, are to be phased out within a certain period and that, as for other subsidies having trade-distorting effects, the progressive and concerted reduction is to be achieved in a balanced and flexible manner, taking account of various rôles played by agriculture.

The view mentioned above will be in line with the negotiating objectives laid down in the Punta del Este Declaration. I believe that Japan's proposal will be both realistic and fully responsive to urgent problems confronting agricultural trade today.

The involvement of ministers will, no doubt, be required more and more in the course of further promoting the Uruguay Round. Ministerial meetings within or outside GATT have already played an important rôle in launching the Uruguay Round. I suggest, therefore, that we Ministers meet not only at the TNC but also at other major turning points in the negotiations, for frank exchanges of opinion, and so overcome difficulties in the way of the negotiations.

I wish to take this opportunity to announce that Japan is prepared to host such a Ministerial meeting, as a way to demonstrate its commitment to the promotion of the Uruguay Round negotiations. It also aims to mobilize the support for the Round of Asia-Pacific countries, which together are now achieving a great economic growth and becoming an increasingly important pole of the world economy. I shall be immeasurably gratified if the negotiations are given renewed impetus by such a meeting in Japan.

There is a proverb, quite familiar among Japanese, that "to know new things, learn by studying the old. He that would know what shall be, must consider what has been". This proverb indeed rightly expresses the importance of GATT, which has just celebrated the 40th anniversary of its inception. We are now standing before a door leading to new growth and prosperity, and I am convinced that that door will be opened by our efforts. Finally, let me reaffirm Japan's commitment to making the greatest contribution to the prosperity of the international economy and the success of the Uruguay Round as a key to that prosperity.