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Statement by Mr. Willy de Clercq Member of the Commission responsible for External Relations and Trade Policy

On its 40th birthday, the GATT confronts a grave crisis in the international economic environment - possibly more serious than any of the crises since the Second World War. So far, the GATT has withstood the test of time with considerable distinction. More than that, the GATT, and the principles for which it stands, remain crucial to the economic well-being of the developed and developing world as it is today.

Yet, despite the huge contribution which I believe this institution has made towards the expansion of world trade in the last forty years, the GATT has often suffered from a bad image. Such lapses in reputation have, in my view, much to do with the persistent imbalances in rights and obligations among contracting parties - more recently supplemented by an imbalance in benefits. Such disequilibria are exacerbated by the legacy of waivers and departures from GATT rules among a membership of now well over ninety contracting parties. It is hardly surprising that this has led to trade tensions and dissatisfaction, and hence, inevitably to criticism.

The challenge before us is to face up to change and to restore balances. If we do not shirk that challenge, I believe we are on course for the next forty years, provided three things happen:

- first, the GATT can only function as a motor institution for the development of world trade if individual and collective commitment to the principles of multilateralism does not flag;
- second, there can be no going back on the progressive liberalization of all forms of trade on the basis of non-discrimination;
- and third, the GATT will only be relevant in an ever-changing economic environment if it adapts to those changing conditions.

Allow me to develop a little on these intertwining themes.

The experience of the GATT, in recent years no less than at the outset, is that multilateralism in trade policy can still not be taken for

granted. We are all aware of the difficulty of translating the multilateral reflex into practice. Too often, the short-term political advantages of unilateralism or bilateralism have so much more appeal than a long-term multilateral policy - the fruits of which may not be plucked by the courageous politician who fights for it. But let us never forget that yielding to such pressures strikes at the heart of individual and collective commitments so recently and solemnly repeated in the Punta del Este Declaration.

Unilateralism and bilateralism are more than a manifestation of this or that breach of GATT rules. They are a negation of the GATT itself and therefore undermine the joint endeavour on which we are embarked. The GATT is still something of an experiment in collective international behaviour. If we want to see it safely through the next forty years, we must strengthen it at its foundations.

Perhaps, the most pressing task is to sharpen our focus on the interlinkage between the GATT and the institutions primarily responsible for monetary and financial matters. Nothing could have underlined the urgency of improved co-operation between the GATT, the IMF and the World Bank more than the turbulence we have witnessed in financial and monetary markets in recent weeks. But improved co-operation between these institutions, crucial as it is, will not be enough. Without coherence within national macro-economic policies, and without worldwide co-ordination between these policies, the Punta del Este Declaration will be in serious danger of remaining a mere piece of paper. Nor can we ignore the appeal at Acapulco of eight Heads of State of the Rio Group (Argentina, Brazil, Colombia, Mexico, Panama, Peru, Uruguay and Venezuela) to alleviate the debt problem and the burden of high interest rates.

I come now to the second of my three provisos necessary to give the GATT an adequate lifeline on its journey through the next forty years. The collective resistance to protectionist pressures is embodied in the political commitments on standstill and rollback. Nothing will take away the need for each contracting party to set its own house in order and not to shy away from structural adjustment. But more than that, each of us carries a weighty responsibility to ensure that the political commitment given last year is honoured through practical undertakings to live up to the Punta del Este Declaration. Despite some contradictory evidence, I am moderately encouraged that protectionist pressures are, on the whole, being contained. If we can stand fast against such pressures, it will be easier for each of our governments to take the subsequent step towards a genuine rollback of measures not fully consistent with GATT. Respect for GATT today will help lay the foundations for the GATT of tomorrow.

One word on the vexed questions of agriculture which must also benefit from a progressive and concerted liberalization if the credibility of GATT is to be enhanced. There is no doubt that miscalculations have been made by all of us in the area of agriculture. For too long, it was thought that the problem of agriculture could be solved through measures at the frontier without tackling imbalances and distortions in domestic markets.

The truth that this is not possible has slowly dawned on nations the world over. But action has been slow to follow. The realization is, however, taking root that the key problem of excess production and support must be tackled first. It is also now widely accepted that agriculture must be more exposed to market forces. But let me stress that this process can only be gradual, even if we are in no doubt that short-term action is required to stabilize agricultural markets both internally and worldwide. And also let us be clear: total and unbridled free trade in agriculture is not in our grasp. It is an illusion.

My third proviso concerns what is sometimes referred to as the "living" GATT. By that is meant an instrument to meet not only the traditional preoccupations of the General Agreement, but also the needs and aspirations of today's and tomorrow's trading community. Industry and commerce have a right to expect trade policy makers to address the trading problems as they arise and evolve. Those emerging problems necessarily include the non-traditional issues, as well as the classical GATT subjects and institutional questions. Punta del Este provided a first signal that this message was being heard. I believe it is now our task to demonstrate that the GATT genuinely understands the need to bring some order into the fields of intellectual property, investment issues and to the crucial domain of trade in services. Beyond that, if the single world trading system is to have meaning, and if the GATT is to serve the world economy in its broadest sense, the values and principles of the market economy must prevail. Only on that basis, can the GATT open its doors to a worldwide membership.

Let me put it bluntly: we cannot and we must not be branded as the men or women of yesterday's GATT. The coming year will be an important test for the GATT and its ability to adapt to change. At the same time, progress in the Uruguay Round must respect the different hopes and expectations among all participants, depending on the level of their economic development. That is why, with the exception of tropical products, there can be no priorities. The Uruguay Round must progress across the whole spectrum of subjects on a broad front, including trade in services. Moreover the Uruguay Round should now advance with few fanfares. Genuine progress needs no advertisement.

At this crucial moment in the history of international economic co-operation, this institution stands out as a pillar of strength and stability. In a turbulent monetary and financial environment, the first year's work in the Uruguay Round bears witness to remarkable continuity and significant progress achieved in conditions of mutual trust and co-operation. It is paradoxical that, since Punta del Este, and as we are beginning to grasp the challenge of trade issues, the economic, financial and monetary environment began to crack. I do not claim that the problems besetting world trade are about to be overcome. Indeed we still have a long and difficult way to go. We in the Community, the twelve member States, are determined to achieve our common purpose as agreed in Punta del Este. But it must be clear that the GATT cannot provide the

remedy for shortcomings and deficiencies in monetary and financial policies. In short, we cannot allow the result of our endeavour to be compromised.