

# GENERAL AGREEMENT ON

## TARIFFS AND TRADE

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### SRI LANKA

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The GATT celebrates its fortieth anniversary this year. Its membership has grown from the twenty-three countries of which Sri Lanka (then Ceylon) was one, to the ninety-five today, not mentioning the several others that apply its rules on a de facto basis. Eighty per cent of world trade is accounted for by countries within its fold. As the custodian of the multilateral trading system, its responsibilities therefore are heavier today than ever before towards ensuring the preservation and strengthening of an open, non-discriminatory and predictable trading system. That this is needed is evidently clear against the backdrop of the deterioration in the international trading environment in recent years as compared with the years of rapid growth in trade between the early 1950s and the early 1970s. Trade grew at 8 per cent during that period, significantly faster than output growth.

As seen from the GATT's Report on International Trade 1986/87, the expected increase in output and trade has not materialized for 1987. Nor is there expected to be any major change for 1988 from the present levels. The Report attributes a key element of this poor performance to the sluggishness in business investment. The international economic order, however, has weakened in recent years under the strains of sluggish growth, the growing resistance to structural change and the failure to adjust to international indebtedness. Clearly, solutions must lie in the pursuit of national and international policies that are supportive of growth, development, trade and employment particularly by countries which carry a greater weight in the world economy.

As for trade policies, they must be directed towards an adherence to open markets and the acceptance of multilateral disciplines. As pointed out in the Report, the excess of trade growth to output growth has fallen in the last two years to a half percentage point as compared to 2-1/2 per cent in the 1960s and 1 per cent in the 1970s. One would venture to say that the significantly higher trade growth over output growth in the 1960s and 1970s can largely be attributed to a more liberal trading environment during that period. It is clear, therefore, that the only viable option open to the international trading community must lie with a strengthened multilateral trading system which is open and non-discriminatory and for which the GATT stands.

Not only has the growth of trade slackened in recent years, but also the share of world trade conforming to GATT rules has been declining. As the World Development Report 1987 shows, the share of trade that is transparent and non-discriminatory is shrinking. It is in this context that the Uruguay Round of Multilateral Trade Negotiations currently underway and the commitments to standstill and rollback undertaken therein take on a larger significance. As a GATT review on recent developments points out, while the Uruguay Round, including its surveillance mechanism, has exercised "a steady influence", trade restrictive or distortive protectionist policies pursued by governments continue to create doubts about the capacity of governments to follow rules and have impaired the climate of confidence needed for investment and business decisions.

It is clear that the Uruguay Round negotiations cannot take place in a vacuum and be divorced from the realities of the outside world. They should go forward and impart the right signals that the commitments undertaken are being observed and that the prevailing negative trends are being reversed. As your predecessor in the Chair remarked in his opening statement last year, in one sense our Ministers and the world of business should not have to wait for four years for results because the standstill and rollback commitments were already operative. Since then, we had settled on a mechanism for overseeing this most serious and far-reaching undertaking. We should begin to see positive results from them. Otherwise, the concerns about changes in trade policies in the direction of greater protection will continue to exercise an unsettling influence going beyond the field of trade.

Serious difficulties continued to confront the international trade of developing countries including depressed levels of commodity prices, a deterioration in the terms of trade, and the declining share of their trade in total exports. As the World Development Report 1987 shows, non-tariff measures bear more heavily on exports of developing countries than on similar exports from industrial economies. The effect of these developments has been the continued protection of agriculture, the management of trade in textiles, clothing and steel, and similar tendencies in footwear, consumer electronics, etc. Recent studies by the World Bank, the IMF and the Commonwealth Secretariat have focussed on the costs of protectionism to developing countries in terms of increase of export earnings. These have shown that the result would be substantial export gains worth several billion dollars a year.

The Uruguay Round can only have meaning for the developing countries if substantial export gains do materialize through greater liberalization of trade in export sectors of interest to them. The achievement of the negotiating mandates in sectors of the negotiations such as tropical products, agriculture, natural resource-based products and textiles and clothing are hence of particular relevance to them. The attainment of early results in tropical products for a large number of commodity-dependent countries such as Sri Lanka is particularly important. It is the only sector which has been accorded priority in the negotiations.

The Uruguay Round will demonstrate whether the international trading community is willing to grasp the opportunities or retreat from the challenge into economic isolation and protectionism. Most important of all is the degree to which the GATT system can be strengthened. Its philosophy is based on world prosperity through liberalization of trade on a multilateral basis reinforced by the willingness of its members to submit to such disciplines. In practice this philosophy has been eroded in recent years. The Uruguay Round cannot succeed unless it can bring some measure of credibility to GATT by restoring and strengthening the integrity of the system.