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NICARAGUA

Statement by H.E. Mr. Bernardo Chamorro Vice-Minister for Foreign Trade

Forty years ago, twenty-three developed and developing countries signed the General Agreement on Tariffs and Trade here in Geneva. Over the years, other countries have acceded to the General Agreement so that today the representatives of ninety-five members are assembled here.

The signing of the General Agreement and the establishment of GATT seemed to hold out many prospects for everyone who had been affected significantly by the trade events of the 1930s. The basis of the world economy had been eroded by tariff barriers that were conducive to a recession and contributed to aggravate the political tensions that resulted in the Second World War.

Nevertheless, in the mid 1970s when economic prosperity began to encounter difficulties, trade barriers began to emerge once more. Today the international trading system is faced with a far-reaching crisis; trade expansion is being hampered in all sectors; protectionism is emerging as an increasing trend in the trading nations, in particular the major industrialized countries.

Meanwhile, chronic problems in the tariff sector, such as peak tariffs and tariff escalation, are still unresolved. There is a proliferation of non-tariff measures, often adopted outside the GATT rules, whether in the obvious form of voluntary export restraints or orderly marketing arrangements, or in the form of much less transparent administrative arrangements.

Countries that export raw materials are affected by subsidies or by technological changes introduced by developed countries. As a result of policies of this kind, commodity prices as a whole are at their lowest level in the past fifty years; earnings have dropped back, investment has declined and indebtedness is accumulating in the developing countries.

The present trade crisis is further compounded by its close linkage to an international financial system that is suffering grave disruption. The spectacular downturn on the New York stock market, with consequent effects in stock markets worldwide, has again underlined the weakness of world finance, with a loss potential far in excess of the foreign indebtedness of the developing countries.

Continuing subsidization of agriculture by industrialized countries, because of that sector's obvious lack of competitive capacity, is causing growing tension in developing countries. Being unable to increase their exports, the latter countries resort to borrowing, but, because they cannot export, they cannot service their debt. Accordingly, responsibility for the indebtedness of our countries should be shared, as we have underlined in international fora.

The developed countries must take on the responsibilities incumbent on them and respect institutions that they themselves created. This implies transforming domestic policies that are affecting the world economy and can lead to a disastrous situation. The stock market slump of 19 October should encourage them to reflect. Indeed, it is already obvious for the entire international community that the fiscal and trade deficit of the United States is basically the cause of interest rate and exchange rate fluctuations, as well as of protectionist trends.

More equitable participation by the developing countries is becoming increasingly urgent and necessary. Such participation would not be detrimental to international trade, but would be important for reactivating the international economy and achieving more general prosperity.

September last year saw the launching of the Uruguay Round. This eighth round of multilateral trade negotiations represents a tremendous challenge and at the same time a magnificent opportunity to meet the urgent problems of our times.

Since this Round bears the name of a sister country, Nicaragua and the rest of Latin America are pledged to its success.

The new trading system that results will have to be fairer and more equitable, and this implies that it will have to be development-oriented.

Accordingly, the principle of special and differential treatment will have to be a keynote of the negotiations, identifying priority sectors, influencing the development of negotiating techniques and modalities, and reflected in the scope and depth of concessions.

In this context, special attention will have to be paid to the negotiating groups on agriculture and on tropical products.

Negotiations on tropical products will have to be carried forward rapidly, seeking greater liberalization and covering all products.

Immediate implementation of results will be the culmination of the efforts made over the past twenty-five years.

It is with great pleasure that we have seen major proposals put forward in the Group on Agriculture. Their scope and the sacrifices they sometimes represent are encouraging. The efforts recently made in the Group on Meat seem to us particularly praiseworthy.

Trade liberalization would be jeopardized unless preceded by the establishment of an efficient safeguards system.

Unfortunately, the experience of the Tokyo Round has had consequences. We support those delegations which have spoken in favour of safeguard provisions forming an integral part of the General Agreement, aligned with the guiding principle set forth in Article I.

However far-reaching the progress that may be attained in regard to liberalization, it would be meaningless unless accompanied by a strengthening of the GATT dispute settlement mechanism and a reaffirmation of the basic principles that must govern international trade relations.

Within its limited possibilities, Nicaragua has made proposals that it considers constructive in this respect.

We all agree that the GATT dispute settlement system is the cornerstone of the multilateral trading system.

While there is no doubt that conciliation must continue to be the guiding principle of the GATT legal system, it is also essential to remedy the inability of developing countries to ensure that their rights are respected. Article XXIII of the General Agreement contains an obvious contradiction that can only be resolved by eliminating the principle of retaliation.

Such elimination implies on the one hand, the mandatory character of recommendations, and on the other hand, compensation for injury caused.

International trade must be an instrument for peace and development. The use of coercive and discriminatory measures for political reasons is in direct breach of international law and endangers the very survival of the rules of the multilateral system.

Nicaragua will pledge all its energies to ensure that, in future, Article XXI of GATT cannot be interpreted in an arbitrary manner. The sacrifices imposed on the people of Nicaragua by unjustified recourse to the GATT clauses of exception will be eased if they help to ensure that there is no recurrence of similar action.

As regards the negotiations on services, intellectual property and trade-related investment, we agree that their results will have to respect the autonomous development of producing sectors of the developing world.

If we achieve the objectives of free and fairer trade, we shall be adjusting the GATT to the new circumstances we are experiencing and shall be making an important contribution to the multilateral trading system on a more secure basis. We shall have more confidence and will be fostering economic development and peace for the benefit of everyone.