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ISRAEL

Statement by Mr. Ilan Navé First Secretary (Economic Affairs), Permanent Mission

The year 1989 has been a good year for the world economy. Based on the GATT Secretariat's annual report on international trade, it is clear that since 1985, world trade has been in a trend of constant growth which reached 8.5 per cent in 1988 and is expected to be around seven per cent in 1989. Another encouraging indicator is the growth of the world output which picked up in 1988 to about five per cent over the preceding year, a rate which is twice that of the world output growth rate in 1986 and 1987.

The above-mentioned indicators are only two examples which give us the feeling and impression that the future of the world economy is bright. We wish and hope that all trading nations will benefit in an equitable manner from these positive developments.

Another very important indication in the report is the pivotal rôle of services in expanding trade; the report states that in some developed countries, the share of services in employment is approaching 70 per cent.

The GATT Secretariat estimates the world export of commercial services in 1988 at about US\$ 560 billion. Growth in commercial services has been larger than the expansion in merchandise trade for most of the 1980s. The value of trade in services is roughly the same as world trade in food and fuel together.

Based on these few references from the report, it seems to us that the reality of world trade is a challenge for the multilateral system and thus makes the rôle of the GATT more important than ever. The efforts currently being made in the multilateral trade negotiations within the framework of the Uruguay Round constitute an attempt to adjust the multilateral system to current trends, in order to make it more responsive to the needs of the future.

The first results of the Uruguay Round negotiations decided upon in the mid-term review are already provisionally implemented. The Trade Policy Review Mechanism will become operative next week. Israel considers this mechanism to be very important. It will enable an examination and assessment of trade policies, in particular of those countries whose policies have greater impact on the functioning of the system. Small

trading countries, like Israel, normally adjust their policies to changes in international markets. The large countries' policies determine the situation in these markets and these countries therefore have a major responsibility to ensure the smooth functioning of the trading system.

Another welcomed result of the mid-term review is the adoption of improved dispute settlement procedures. Over the years, the rôle of GATT as a forum for arbitration and resolution of trade disputes has become more and more significant. The GATT dispute settlement process attracts the attention not only of GATT representatives, but of the entire business community of their respective countries.

The improved procedures will contribute to a better and more efficient functioning of the system. But what is more important is the political will and commitment by governments to have recourse to the multilateral mechanisms. Even more important is that governments commit themselves to accept and to respect the outcome of the process, even if the results are not fully what they had anticipated.

The above-mentioned results are only small and limited steps in the right direction. The largest and the most difficult part of our work in the Uruguay Round is still ahead, and we hope that the huge task in front of us all will enable a successful conclusion of the Uruguay Round negotiations scheduled next December in the Ministerial meeting in Brussels. Successful negotiations which could, in turn, lead to successful results, are those which take into account the interests and needs of all participants, and those which are conducted in full transparency. The strength of the post Uruguay Round system can be assured only if all participants can find their interests and goals reflected in the end results.

Israel is a small country very much dependent on international trade. Israel's gross domestic product value is about equal to its value of foreign trade (export and import) of goods and services. Israel's foreign trade per capita is almost US\$ 7,000, probably a world record or, at least, near it.

These figures can largely explain why it is important for Israel to live in a world of open and liberal trade, where protectionism is rolled back. For us, the Uruguay Round must be a success, and we must strive to do everything possible in order to secure an efficient and well-functioning trading system. We will make more specific comments on the Uruguay Round in the appropriate negotiating groups, but let me briefly describe very significant liberalization measures taken by Israel in 1989, which can be considered as a very important year for Israel in the field of trade policy. In the beginning of the year, on 1 January 1989, we eliminated all duties on imports of industrial products from the European Community. On the same date, a large part of our imports from the United States had become duty-free and on the remaining imports, tariffs were significantly reduced. These cuts were implemented in accordance with Israel's commitments under its free-trade agreements with the European Communities and the United States.

During 1989, Israel has also introduced, on an m.f.n. basis, meaningful cuts in customs duties applied to many products originating in third countries. Israel will seek appropriate recognition of these liberalization measures at an appropriate time. As a result of this liberalization process, Israel's industry today is exposed more than ever to competition.

We, in Israel watch with interest the developments in different parts of the globe. Of particular interest to Israel is the process leading to the Community's single market after 1993 and the possible formation of the "European Economic Space" which will include the EFTA countries. Due to geographical proximity, Europe is Israel's natural market. Therefore we call upon our European partners to take all the necessary steps so that the results of these processes will create an outward, open system, and not prejudice or harm well-established and future relations with third countries.

Let me conclude by expressing my delegation's belief that the GATT system is viable. The fact that many countries, in particular developing ones, are in the process of accession to the GATT, and that many others are interested in following a similar course, is encouraging. We should do our best not to disappoint them and not to fail, ourselves, by working hard and taking the tough decisions which are necessary in order to modernize and adjust the GATT system to the challenges of the years to come.