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GATT, THE MULTILATERAL TRADE NEGOTIATIONS AND THE DEVELOPING COUNTRIES

Address by Mr. Olivier Long, Director-General, General Agreement on Tariffs and Trade, to the Pakistan Institute of International Affairs, Karachi, 8 March 1976

For many years, developing countries have been pressing for a reordering of the world's economic arrangements. During the 1970's these demands have grown more insistent, and have been formulated more precisely, so that the idea of "a new international economic order" is now the theme of discussions and negotiations at all levels of contact between governments. It is indeed one of the central themes of the present day. Its outcome is generally recognized as being of decisive importance both for the living standards of many hundreds of millions of people, and for the achievement of peaceable relations between the nations of the world community, during the remainder of this century.

This great debate or dialogue about the future course of international economic relations is being carried forward in an almost bewildering variety of conferences and institutions. I believe, however, that it is possible to distinguish three separate levels in the dialogue. Each has its part to play, and GATT is very much involved when it comes to concrete negotiations on trade.

Three levels of international dialogue

The most obvious and spectacular level is that of the great conferences in which grand designs for the future are put forward, discussed and voted upon. There have been a large number of such conferences, usually under the auspices of the United Nations, in recent years. By general consent, the most recent, the
Seventh Special Session of the United Nations General Assembly, was also the most encouraging. Its final resolution, Resolution 3362 on development and international economic cooperation, represents at present the most widely accepted statement of the aims of developing countries. And because this political declaration was adopted by consensus - an important diplomatic achievement in itself - Resolution 3362 is also something much more. It holds out the promise that the principles and good intentions outlined in the Resolution will be progressively translated into action in the fields of trade, aid transfers, science and technology, and food and agriculture.

To move from such broad statements of international policy to concrete steps to improve the situation of developing countries is precisely the task of the remaining two levels of debate. Grand designs can be applied only when one is certain that those who will apply them share a common understanding of what they imply, and when they have been worked out in practical detail.

The search for a common understanding is, as I see it, the main role of the second level of dialogue. Today this level is represented by the Conference on International Economic Cooperation - the so-called North-South Conference - that is taking place in Paris. The conference itself brings together a representative group of 27 countries - 9 developed and 18 developing, of which, as you know, Pakistan is one. The work is going forward in four specialized commissions, dealing respectively with energy questions, raw materials, development and finance. Each commission has 15 member countries; and a number of international organizations, including GATT, have observer status in those commissions which are dealing with their own area of concern. All the participants in the Paris conference seem to agree that its restricted but representative membership offers unusual opportunities for a constructive dialogue: for a joint search for ways to move forward from lofty statements of general principle to concrete negotiations. I myself am much encouraged by the existence of the Paris conference, since I am a convinced believer in the effectiveness of discussion in small groups, provided the members of the group are broadly representative of the community as a whole.

The third level of dialogue is that of actual concrete negotiations. It is the level at which nations enter into detailed commitments. There are many institutions, specialized in one way or another, where such commitments may be negotiated. In the case of trade policy, it is GATT which is the institution most deeply involved in the negotiation of binding commitments among governments. It is therefore in the framework of GATT that governments are today seeking to give practical application to a large number of the trade policy principles enunciated in Resolution 3362 of the United Nations General Assembly. They are doing so in the so-called Tokyo Round, the most ambitious international negotiations on trade
questions ever undertaken, on the basis of a Declaration embodying ground rules and aims to which all the participants are committed.

The role of GATT in international relations

Before I turn to a brief description of these Tokyo Round negotiations, I should like, with your permission, to say a little about GATT itself: how it fits into the present pattern of international economic relations, and how, in consequence, it can contribute to improving that pattern.

Let me start by saying what I believe to be the essential contribution of GATT to international relations. It is twofold.

In the first place, GATT is a code of rules for international trade. It is a multilateral agreement, to which governments of 86 countries, responsible for carrying on roughly 85 per cent of world trade, have voluntarily subscribed. A further 19 countries apply the rules on a de facto basis. The General Agreement provides a unique global framework of rights and obligations within which its member countries carry on their mutual trade. It has also come to represent certain principles of co-operation in trade matters. The whole of this structure of agreed rules and of principles of co-operation has been continuously evolving ever since the General Agreement entered into force in 1948.

The second role of GATT arises directly from the first. Equipped by the General Agreement with specific rights and obligations, the member countries use GATT as a forum for continuous consultations and negotiations on trade policy questions.

Both as a multilateral agreement - the only such trade agreement of truly global character - and as a forum, the basic thrust of GATT has always been towards the opening-up of markets and the expansion of international trade. As such, it can claim to have made a considerable contribution to the enormous growth in world trade since 1948. But this thrust has been modified over the years, above all to take account of the special situation of the developing countries who now account for over two-thirds of its membership. It is over eighteen years, for instance, since the provisions of the Agreement setting out the circumstances in which import restrictions may be used for balance-of-payments reasons were amended in recognition of the special difficulties that virtually all developing countries suffer in this area. It was over ten years ago that a whole new section was added to the Agreement, designed to make the application of its rules more responsive to the needs of developing countries. And a more recent
specific example of adaptation is the negotiations that have taken place within GATT among developing countries, one of which was Pakistan, for an exchange of tariff preferences aimed at expanding their mutual trade - an exchange which was formally authorized by a decision of the Contracting Parties to GATT in 1971. Another example of the flexibility of GATT in relation to the special needs of the developing countries is the waiver of the most-favoured-nation rule of the General Agreement to enable the generalized system of preferences in their favour to be put into effect.

This kind of evolution is going on all the time, and will certainly continue. The General Agreement itself - the multilateral contract between the member countries - has been modified frequently and significantly, sometimes by formal amendments to its Articles, more often by agreed reinterpretation of its provisions or by waivers from its prescriptions in order to meet the circumstances of particular cases. In the Tokyo Round of multilateral trade negotiations now going on within the GATT framework it has indeed been agreed that (and I quote) "consideration shall be given to improvements in the international framework for the conduct of world trade that might be desirable in the light of progress in the negotiations". So it is clear that the GATT rules are entirely open to modification if the member countries agree that this is desirable.

As a forum for consultations and negotiations on trade policy questions, the hallmark of GATT is its extremely practical and down-to-earth character. While the broad principles that should govern international economic relations are today being discussed on what I have described as the first and second levels of international dialogue, governments continue regularly to come together in GATT to hammer out mutually acceptable solutions to concrete trade problems. In some cases, the problems are essentially bilateral, and may be quietly resolved by the two countries concerned, in the light of their mutual GATT obligations. In others, the parties to a dispute may ask the other members to help them settle the matter. Or again - and this is a very important function in present economic circumstances - a country that introduces trade restrictions will be required to explain and justify its action to the GATT membership as a whole. This might be described as GATT's "fire brigade" role, in which it serves as an instrument for damping down and extinguishing trade disputes among its member countries. At any one time, it is trying - usually with success - to overcome dozens of such disputes, large and small. In its own area of international relations, therefore, GATT has consistently shown itself to be an effective instrument for settling conflicts between nations.
The Multi-fibre Agreement

This is perhaps the appropriate point for me to mention one such solution worked out in GATT to a major problem that is of particular concern to Pakistan. I refer to the so-called Multi-fibre Arrangement, more formally known as the Arrangement Regarding International Trade in Textiles.

This is an important example of GATT's ability to devise pragmatic instruments for co-operation between governments while remaining faithful to its basic objective of trade liberalization.

As you know, the textile sector is one of the most sensitive areas of international trade today. At the time the Arrangement was negotiated, there were already acute difficulties in the world market for textiles, and exporters found major markets closed or limited by unilaterally imposed import quotas or by the so-called 'voluntary' export restrictions that they were often persuaded to apply. Particularly vulnerable in this situation were the developing countries which account for a major part of world exports of textiles, and which generally depend on their sales to the developed countries for much of their export earnings and of their industrial employment. This is of course outstandingly the case for Pakistan.

The Multi-Fibre Arrangement, negotiated in 1973, aims at a progressive liberalization of trade in textiles. It also prescribes a series of provisions and criteria to ensure that minimum levels of access and growth for exports of textiles, particularly from the developing countries, are maintained in the face of the difficulties that may exist for both importing and exporting countries. These difficulties have been particularly serious over the last two years of global recession, and have put the Arrangement to severe test. A critical role has therefore been played by the major institutional innovation of the Arrangement, the international surveillance exercised by the Textiles Surveillance Body, on which both importing and exporting countries are represented. Its task is to oversee the implementation of the Arrangement, to conciliate disputes between importing and exporting countries and to protect the exporting countries from arbitrary use of safeguard measures in import markets.

The Multi-Fibre Arrangement is a concrete, multilateral agreement, designed to alleviate difficulties in a single area of trade. In negotiating it, GATT was perhaps blending two roles which it more usually keeps distinct.

The first, of which I have already spoken, is the fire brigade role, the day-to-day search for solutions to individual trade problems as they arise. The second, to which I wish now to turn, is GATT's most characteristic (and best-known)
role, as the promoter of periodic efforts to negotiate further liberalization of
world trade. It is at this point, of course, that I also return to my opening
theme of the three levels of international dialogue, the dialogue in which GATT
operates at the third level, translating statements of good intention in trade
matters into binding and detailed international commitments.

The multilateral trade negotiations

The current multilateral trade negotiations, the focus of this third-level
dialogue on trade relations, were launched in September 1973 in Tokyo: hence
their informal name, the Tokyo Round. Over ninety countries, including 43
developing countries that are members of GATT and another 24 that are not GATT
members, are participating. The ground rules and aims of the negotiations are laid
down by a unanimously-adopted Ministerial Declaration that is too detailed to
quote here. Its main features, however, are that it aims, by dismantling trade
barriers and improving the international framework for world trade, to expand
that trade and thereby to raise world living standards; that it places great
stress on the needs of developing countries for trade expansion and on giving
these priority in the negotiations; and that it brings within the scope of the
negotiations all types of tariff and non-tariff measures that may impede or
distort trade, and all products both industrial and agricultural.

The Tokyo Declaration was of course adopted two years before Resolution 3362.
It is, however, entirely consistent with that resolution and is so broad in scope
that it allows the negotiations to cover all the trade issues raised in the
Special Session of the General Assembly that are within GATT's area of concern.

The Tokyo Round negotiations are now fully engaged. It is the agreed aim
to complete them in 1977.

It would take me a long time, and in any case probably be of limited interest
to you, to describe the negotiations in detail. Briefly, however, they are being
pursued mainly in six negotiating groups, some of which have given birth to sub-
groups.

One is dealing with the traditional GATT field of tariffs. It is seeking a
general formula that will result in reductions of import duties and that will
meet three different concerns: the concern to reduce all tariffs significantly;
the concern to bring exceptionally high tariffs charged on some products by some
countries into line with the lower tariffs charged on the same products by other
countries; and the concern of developing countries to obtain specially
favourable tariff treatment for their own exports.
A second group is dealing with the very diverse subject of non-tariff measures affecting trade. These are generally recognized to have become more significant as successive negotiations in GATT have reduced the level of tariffs. Among the non-tariff measures already under negotiation are many of particular significance for the exports of developing countries, including quantitative restrictions and import licensing procedures; technical barriers to trade, such as standards, marks of origin, and packaging and labelling requirements, customs procedures; and rules on the use of export subsidies and of the countervailing duties that are sometimes applied to offset such subsidies. Other measures will be taken up as the negotiations proceed.

A third area of the negotiations concerns possible changes in present safeguard rules, which in specified circumstances of emergency permit importing countries to reimpose trade restrictions to protect particular domestic industries that are in difficulty. This is a very sensitive subject, particularly in the present recessionary climate, when temptation is great to make use of any loophole for introducing restrictions. It has been suggested that broad trade liberalization will be easier to carry forward if importing countries know that sensitive domestic products can, if necessary, be temporarily protected. Developing countries are particularly concerned that any revised safeguard rules in the General Agreement should be so designed as to cause minimum hindrance to their exports.

Possibilities of negotiating simultaneously on all the tariff and non-tariff measures affecting a single sector of trade are being explored in a fourth group. This sectoral approach, which if adopted would supplement rather than replace the main tariff and non-tariff negotiations, has great attractions for countries which now rely mainly on exports of a few raw materials. These exporters, which include many developing countries, would like to see a concrete attack on all trade barriers affecting these products, and particularly on those which at present discourage them from setting up their own industries to process the raw materials.

The fifth group is concerned with the knotty problems of agriculture, and is, to begin with, giving particular attention to cereals, meat, and dairy products. As in the case of tariffs, there are three main strands of opinion that will have eventually to be reconciled: some participants are interested primarily in stabilizing markets or prices for the products concerned; others wish to have the negotiations concentrate on removing existing obstacles to more liberal trade; and developing countries add the objective of differentiated treatment for their own agricultural exports. The problems of agricultural trade are inherently very difficult, and they are further complicated by a rather general reversal in market trends that has occurred quite recently, and whose implications have not yet been fully assessed. Agriculture is important to the Tokyo Round as a whole, since
some important trading countries, both developed and developing, will have little interest in concluding the negotiations unless they obtain a satisfactory bargain for their agricultural exports.

Last in my list, but in fact first in terms of progress achieved, are the negotiations being carried forward on tropical products. Most developing countries, including Pakistan, have a strong interest in gaining as free market access as possible for the tropical products they export, including processed tropical products. For this reason, the negotiations on tropical products have been given priority, and have moved faster than the rest. Since last summer, about forty developing countries have each submitted to individual developed countries lists of tariff and non-tariff concessions they seek for tropical products. A turning-point in these negotiations came last week, when importing countries in their turn made their initial offers of concessions. Much bargaining lies ahead, but it is the agreed aim that these negotiations on tropical products should be concluded before the end of 1976.

This has been a quick, and necessarily superficial, survey of the Tokyo Round. I hope that it has nevertheless served to show that the negotiations are grappling with many problems of great significance, especially for the trade of developing countries.

The negotiations are slow-moving, highly technical, and sometimes as tedious to the participants as they may appear to outside observers. But this is inevitable at the final level of the international dialogue. What is being done in these negotiations in the framework of GATT is to put into a binding and settled form changes in world trading arrangements upon which traders everywhere will be able to rely, and therefore base long-term plans for the future. This kind of work must be done thoroughly, since no reliance can be placed on agreements that are not watertight or do not fully cover the requirements of the case.

Even though major elements in the negotiations can hardly be settled until late 1977, it is to be hoped that the conclusions reached will be quickly put into effect thereafter. Even now, one important benefit is already flowing from the negotiations. There is little doubt that their existence has helped significantly, in this period of international economic strain, to inhibit a general relapse into protectionism.

The place of GATT in the world trading system

I have ranged fairly widely in this statement, from the international dialogue on development questions to the role of GATT; from the specific question of textiles to the broad canvas of the Tokyo Round of multilateral trade negotiations. I should like to sum up with my own view of GATT's significance.
In a world full of uncertainties and novelties, GATT is now one of the longer-established and more familiar institutions. For that very reason, it must be prepared to accept and respond to searching appraisal.

Such an appraisal is now taking place. It could well reveal shortcomings that need correction. But it is my firm opinion that, on balance, GATT has shown itself to be an institution of great value to all the trading countries, developed, developing and socialist alike. As an evolving, living code of agreed rules for trade, it provides the essential framework within which its members carry forward and develop their trade and trade relations. As a forum, it offers the means to overcome trade problems as they arise, to prevent a retreat into protectionism in which all nations would suffer greatly, and to keep the trading system abreast of current requirements. And at the present moment, when developing countries are pressing for bold action to meet their trade needs, GATT is the effective instrument through which governments are seeking to reach agreement on such action.