THIRTY-THIRD SESSION OF THE GATT
CONTRACTING PARTIES

Opening statement by the Chairman
Ambassador George A. Maciel (Brazil)
Geneva, 29 November 1977

In the twelve months leading up to this annual session of the Contracting Parties to the GATT, there have been two major developments in international trade policy which must surely be the focus of our discussions together. One is negative and threatening, the other positive and encouraging.

The first is that, against a background of disappointingly hesitant recovery from world recession, the forces of protectionism have in a number of countries been translated from menacing pressures into action. For all of us, recognizing as we do the role of expanding trade as a motor for economic growth and higher living standards in our countries, this recent proliferation of trade-restrictive measures must cause the deepest concern.

The second, and encouraging, development has been the long-awaited push given since the summer of this year to the Tokyo Round of multilateral trade negotiations. We can express satisfaction that certain of the principal actors in these negotiations have found a basis for compromise on some major issues that divided them, thus opening the way forward. And those of us who have complained in the past about the long delays which, for reasons beyond our control, the Tokyo Round has suffered have now an opportunity to play our full part in maintaining the momentum of the negotiations. The negotiating groups on agriculture and non-tariff measures have agreed on a timetable for submitting bilateral requests and offers. The first target date under this timetable, for the submission of requests, was met at the beginning of this month. Negotiating texts on possible multilateral codes and on the improvement of the international framework for trade should soon be on the table, and important progress has been made in working out the parameters of a generally acceptable plan for the reduction of tariffs. Similar progress in other areas of the negotiations is now required, and I expect that it will be forthcoming.
These negative and positive aspects of trade policy developments since we last met cannot of course be viewed in isolation from one another. Most of us are, I believe, convinced that one of the best ways to stem the tide of protectionism is to restore the sense of confidence in an open trading system and in a functioning set of trading rules and practices which must be among the chief results from the Tokyo Round negotiations. The sooner we achieve these results, the more effective will be our contribution to resumed growth in the international economy.

Despite difficulties and threats, international trade as a whole has been growing at a comparatively satisfactory pace. In 1976 it increased in volume by about 11 per cent, following its 4 per cent setback the year before, and we are told that the 1977 growth figure will be about 5 per cent. In value terms, its annual total has surpassed the $1,000 billion mark, which is an impressive figure and a landmark for GATT as it completes its first 30 years of life. But the detailed picture is far less encouraging.

In the industrialized countries, recovery from the prolonged recession has been slow, and is far from complete. Inflation and unemployment are running high. A number of industries are clearly suffering from structural as well as cyclical problems. In developing countries, which, one must never forget, have the overwhelming bulk of the world's population, if not of its trade, the situation remains bleak. The great majority of these countries have seen a sharp deterioration of their growth rates. Unemployment levels are at heights, and average incomes and living standards at depths, which people in industrialized countries would find difficult even to envisage, let alone experience. The initial economic recovery in the industrialized areas prompted some recovery in developing country exports. Imports from the developed countries by the oil-exporting developing countries also continued to rise strongly. Imports of other developing countries, however, beset by balance-of-payments difficulties, remained stagnant.

The present situation provides an effective demonstration of the interdependence between our countries. Those few developing countries which are unconstrained by balance-of-payments considerations, or which have enjoyed some measure of access to private capital markets, have in the past year or two offered a market that has been an important factor in sustaining production and employment in the industrialized world. Other developing countries, with limited and unstable export earnings and heavy debts, have no means to increase their imports. But it is worth noting that if these countries could be helped, so that they could afford to buy the imports they so badly need, they too would be able at the same time to assist, through their purchases, economic recovery in the industrialized areas.
These trade trends have been accompanied by the ominous surge of protectionism which I have already mentioned, concentrated particularly on textiles and clothing - where it has had an immediate and unfavourable impact on negotiations to extend the Multifibre Agreement - steel, transport equipment and consumer electronics, and showing some tendencies to spread even further. In large part, the pressures for protection have been resisted. But there has been a clear weakening of resolve in recent months. Damaging measures have been introduced, and many more have been threatened. It is a fact that many of the most important recent restrictions have been introduced by major industrialized countries and that their effect has been strongly felt by developing countries.

None of us engaged in the day-to-day conduct of trade policy will underestimate the genuine difficulties which sometimes lie behind calls for protection. We all know how hard it is to convince those engaged in an ailing and threatened industry, particularly during a period of recession, that protecting them from foreign competition is against national, international and almost certainly also their own longer-term interest, since it not only prolongs those ills but introduces new ones. It prolongs the decline of industries which make inefficient use of the nation's resources, and simultaneously handicaps other industries which would put those resources to better use.

At the same time, countries taking protectionist actions will ultimately become victims of their own actions through the loss of markets in countries whose export industries and economic prospects have been disrupted as a consequence of those actions.

The postponement of particular problems of today ensure that they will be far more severe, more inescapable and less soluble tomorrow. Therefore, both enlightened self-interest and international responsibility should argue convincingly for liberal policies.

The impact of such actions hits hardest at developing countries, which typically have few and weak industries, and whose hopes of further industrialization and thus of more rapid economic growth are pinned on building up exports of those manufactures for which they possess competitive advantages. It is no coincidence that the products in which they possess such advantage are those which have been the subject of most restrictions in the developed countries. The impact of restrictions on the exporting developing country can be appalling, and entirely disproportionate to the immediate problems of the restricting country.
In the longer run, a country imposing restrictions will have contributed to undermining the present world trading system by strengthening fears that GATT rules are too weak to defend the legitimate interests of trading partners.

It is time, I believe, that the Contracting Parties show themselves fully aware of the protectionist threat and resolve to meet it effectively. The present session offers an opportunity for them to demonstrate clearly their intention of doing so.

There seem to me to be two immediate ways in which our governments can combat protectionism.

First, at the national level, trade policy of developed countries should realistically encourage industries to adjust to changes in international competition.

Second, we as contracting parties should seize the opportunities available to mount an effective response to a threat that concerns us all.

We do not lack mechanisms in GATT to help find solutions to the problem at both levels. The meetings of the Contracting Parties and the GATT Council render possible rapid and searching examination of particular trade policy measures as they are taken. The Consultative Group of Eighteen has proved its worth as a forum for high-level, informal and productive discussion of this kind of broad issue. Potentially the most valuable of all, in the long run, are the opportunities offered by the Multilateral Trade Negotiations.

With the way ahead now at last open for the negotiations I believe we should make a determined and concerted effort to achieve substantial results in them as soon as possible. To a considerable extent, the future of international trade and of trade relations between our countries depends on the success of the Tokyo Round.

As I see it, there are three broad areas, in all of which substantial progress must be achieved if the negotiations are indeed to be counted a success.

First, it is necessary to provide new opportunities for all countries to expand their trade by reducing tariff and non-tariff restrictions that now hamper exchanges of industrial and agricultural products. And in so doing, not only the Tokyo Declaration but economic necessity and social justice require that additional trade benefits be made available to developing countries.
Second, the outcome must create conditions in which developing countries can participate - and participate effectively - in the activities and deliberations of GATT.

Third, the negotiations must result in new and improved trade rules. Some of these improvements should emerge, for example, in the shape of the codes now under negotiation for various non-tariff measures, as well as of new provisions currently under discussion in the Framework Group. Such improvements should provide for a more balanced trading relationship between developed and developing countries.

We are meeting at a time when international trade is under more stress and danger than at any period since the General Agreement was signed here in Geneva just thirty years ago. The trading world has built up defences in the common interest. I hope our discussions in this session and in the near future will strengthen those defences and provide us with new weapons to resist the forces that threaten them.

Thank you. I now declare open the Thirty-Third Session of the Contracting Parties.