Mr. Chairman, in your opening statement you remarked of this audience, and of the trading houses represented here, that their activity and imagination had always been centred on the search for the best way of connecting trade offer and demand, so as to satisfy the material needs of people everywhere. And you went on to pose the question of what is today the best way of connecting offer and demand, and what are the best ways of doing so tomorrow, and in ten years' time.

Your questions touch on the very centre of the activities and preoccupations of the GATT member governments.

From the GATT vantage point, it seems to me that the key consideration is the desire of all countries for economic growth. Developing countries obviously need it, in order to raise the living standards of all their peoples to tolerable levels. The industrialized countries need it too, in spite of the high incomes many of them already enjoy, because in the absence of economic growth it becomes so painful to carry through the necessary continuous adaptation and restructuring of their economies.

Long experience, and particularly the experience of the past 30 years, has shown that international trade is among the most direct roads to growth. It follows that all countries, industrialized and developing, have a common interest in fostering trade, as an instrument for economic growth.
This shared interest is fundamental to any discussion of what needs to be done to keep trade expanding throughout the 1980's.

I. A guideline for policy: the management of interdependence

As the guideline for sound policies to foster trade and economic growth, I would suggest the management of interdependence: in other words, a concertation of national economic policies so as to ensure that they are not only sensible in themselves but are also, at the international level, compatible with one another. And as a principal implication of this objective of managing interdependence, I would stress the need for policies aimed at encouraging the continuous adjustment and restructuring of the economies of the industrialized countries, so as to permit the expansion of developing countries' trade, and the acceleration of its integration into world trade as a whole.

The task of adjustment and restructuring must primarily fall within the industrialized countries themselves. It has attracted much attention in the past year or so. But it has done so, almost invariably, in terms of demands made by developing countries on industrialized countries, whose governments have been reluctant to act quickly and vigorously enough because of domestic political constraints. And it has been seen in the negative context of protectionism, its dangers, and the need to resist it. To preach against protectionism to this audience would be superfluous. I should like instead to argue that adjustment is a constructive step, as well as an inescapable condition for the development of the world trading community as a whole. I want, in fact, to stress that 'interdependence' is not just a fashionable word, but a critically-important fact of economic life today. This being so, the essential task that lies ahead for the trading nations is, in their mutual interest, to foster that interdependence through proper management.

Let us examine some facts and figures about international trade.

The industrialized countries account for about two-thirds of world production, income and trade. Much of their trade is carried on with one another, and its most striking trend, over the postwar period, has been a soaring and increasingly specialized mutual exchange of manufactures. Developing countries, for their part, have a share of about 15 per cent in world output and of 25 per cent in world trade, including trade in oil. In manufactures, their share in world production is just 7 per cent, and their share in world exports is only 8 per cent.

Against this background, there is a tendency to regard developing countries as being only on the periphery of the world economy.

This is, however, a highly misleading impression. It fails to take account of trends in the 1970's.
To a large extent, it is to the developing countries that we owe the continued growth of world trade through the recent difficult period. Both in 1977 and 1978, the exports of industrialized countries grew faster to developing countries than to one another. For all the major industrialized countries, trade with the developing countries is of growing importance. And the expansion in trade in manufactures has been particularly spectacular. It has become more balanced, in the sense that it was formerly almost entirely in one direction, from the industrialized to the developing countries. Last year, developing countries sold some DM 80 billion-worth of clothing, footwear, consumer goods, engineering products and other manufactures to industrialized countries, compared with only DM 7.6 billion-worth in 1963, an impressive gain even when allowance is made for inflation. But whereas the industrialized countries had a net export surplus of about DM 6 billion in 1963 in their trade in manufactures with developing countries, their surplus in this trade rose to a new peak last year of DM 261 billion.

Let me quote some more figures to show just how important trade with developing countries has become for the industrialized countries. I take as my examples France, Germany, Japan, Switzerland and the United States.

- The share of United States exports going to the developing countries rose from 29 per cent to 35 per cent between 1972 and 1977. For Japan, the increase was from 38 per cent to 46 per cent.

- For Germany, France and Switzerland, the increase over the same five-year period has been from a lower base, but much more rapid. German exports to developing countries have risen from 11 per cent of total exports, in 1972 to 17 per cent in 1977; French from 18 per cent to 24 per cent, and Swiss, from 15 per cent to 22 per cent.

- In almost every broad product category - in the case of Germany, in every category without exception - the share of exports purchased by developing countries has risen over the same five years. For instance, 33 per cent of all French exports of engineering products went to developing countries in 1977, against 23 per cent in 1972. The developing countries' share in Swiss exports of semi-manufactures has gone from 9 per cent to 32 per cent. To quote some German examples: the share of exports going to developing countries has risen from 7 per cent to 11 per cent for semi-manufactures, from 8 per cent to 13 per cent for food products, from 10 per cent to 14 per cent for plastics, from 10 per cent to 17 per cent for road motor vehicles, from 17 per cent to 26 per cent for agricultural and industrial machinery, from 17 per cent to 29 per cent for power machinery. It has even gone from zero to 4 per cent for clothing. I stress that these are fully representative examples. As people directly involved in trade, I am sure most of you in this audience can quote figures from your own experience to bear me out.

This dynamic growth in demand by developing countries, to the great benefit of the traders, industries and workers of industrialized countries, can be expected to continue, provided sensible policies are followed. It has
deep roots, not just in the obvious sense that there is a huge gap between the levels of income and capital equipment possessed by the industrialized and Third-World countries, but for at least two other important reasons. First, the process of specialization within industries which has led to the enormous growth in trade and in productivity among the industrialized countries has scarcely begun to take place between developing and industrialized countries. And second, it is in the developing countries that population and the labour force are growing strongly. By contrast, population growth is decelerating in the industrialized countries, and by the end of this century the labour force may have ceased to grow entirely. These population and labour trends, taken by themselves, are likely to have a depressing effect on the economic growth of industrialized countries, and it requires no great effort of imagination to see how economic stagnation could lead also to widespread political difficulties.

In this perspective, the dynamic expansion of the economies of the developing South promises to offset the weakness of growth in the industrialized North.

But this promise can only be fulfilled if developing countries are given the opportunity to earn their living: to earn by exports the money they need to buy from the industrialized countries.

From this it follows, crucially, that not only for the sake of good political relations with the developing world but for the future prosperity of the industrialized countries themselves, the latter must adapt their economies to make room for the exports of developing countries. They must allow for the import of goods which developing countries produce more cheaply, and be ready to shift their own resources into the industries on whose products developing countries will be ready to spend their earnings. No less than the rate of growth of the whole world economy depends in this respect on the import capacity, and thus on the capacity for adjustment, of the industrialized countries.

There is no escape from this conclusion. It is sometimes suggested that uncomfortable structural adjustment could be avoided if only developing countries would take their inconveniently competitive goods away, and trade more among themselves. There is indeed great scope for expanding trade among developing countries. Growth is already rapid; GATT among others is trying hard to foster it. Mutual trade among the ten to fifteen developing countries generally classified as "newly industrializing" is growing faster then their trade with the industrialized countries. But trade among developing countries will not divert exports away from the industrialized countries. On the contrary, it will make developing-country industries all the more efficient and competitive. From the point of view of the industrialized world, the advantage is that it will also expand the developing countries' economies, making them still better markets.
Nor can the opening up of markets, and the acceptance of restructuring, be put off until some more conveniently prosperous time. I have concentrated in this statement on the long-term perspective. But the need is also urgent. Very many oil-importing developing countries are now carrying as much bank debt as they can possibly manage, and as the banks are willing to risk extending to them. Following two years of comparative respite, their balances of payments are once again coming under heavy strain, not least from the latest increases in oil prices, which in absolute terms, if not in percentage terms, are not far short of those of 1974. In these circumstances, the immediate choice for the industrialized countries is either to allow a substantial increase in imports from developing countries or to risk not only a sharp fall in their exports to these countries but possibly also a serious threat to their financial stability through widespread defaults on outstanding loans.

One would hope that the choice is clear, and that the right actions will be taken.

II. National and international action to promote trade and economic growth

If it is accepted that a key to economic growth in both industrialized and developing countries is the ability of the former to make room on their markets for the products of the latter, some important conclusions follow.

At the national level, it is clear that the primary aim should be to favour adjustment, rather than to avoid or delay it. Unfortunately, analysis shows that most so-called adjustment policies at present applied are devoted not so much to fostering competitive industries as to propping up uncompetitive ones in order to gain time on the domestic front. There is a place for positive adjustment policies, particularly in the area of labour retraining. But the biggest contribution that national policy can make to adjustment is probably to provide a climate in which investment and risk-taking are not discouraged by inflation or by monetary and other uncertainties. Governments are extremely jealous of their national prerogative to formulate and apply whatever adjustment policies they choose, without interference from outside. One may fairly point out to them, however, that adjustment is not required only to make room for the exports of developing countries. Continuous adjustment is a precondition of healthy growth in any economy; in fact it is itself the very essence of growth.

There is also much that can be done at the international level: by concerting views and policies to meet changing circumstances in the world economy, by reducing trade barriers, by establishing and enforcing rules on which those engaged in trade can rely, and by helping developing countries to build up their marketing skills and resources.

The concertation of views and policies is obviously important, in order to identify and handle potential difficulties before they have time to become serious. An example at the highest level is next week's Summit meeting in Tokyo. But it needs to take place at the operational level, and among all
countries, if it is to be fully effective. In the field of trade, we in the
GATT are already bringing together senior officials responsible for trade
policy for a regular concertation of views on trade problems and issues of
mutual concern.

Better coordination of policies on a wide range of specific trade
questions is one of the results which I expect to emerge from the Tokyo Round
of multilateral trade negotiations in GATT.

The Tokyo Round is now on the point of completion. One very important
issue - that of redefining the rules for the use of safeguard measures when
imports cause or threaten market disruption - remains to be settled, and
there is room also for some final improvements in tariff reductions,
especially by industrialized countries on imports of products from developing
countries. But most of the contents of the final package are now known.

Viewed in the light of the very difficult economic circumstances in
which the negotiations took place, I believe there is reason to feel
considerable satisfaction at what has emerged, and this as regards not only
the industrialized countries, but also the developing countries. For
developing countries, indeed, the Tokyo Round will result in a significant
improvement of trading conditions, including the tariff treatment of their
exports.

Looking at the results as a whole, the tariff reductions agreed upon are
comparable to those achieved in the Kennedy Round negotiations of the mid-1960's.
The various multilateral codes are expected to do much to remove or reduce,
and to bring under continuous surveillance and control, a number of the most
trade-hampering non-tariff measures. You, the trading community, will be
among those best able to judge the practical value of these agreements,
whether they concern government purchasing, subsidies and countervailing
duties, standards, customs valuation or import licensing. I myself place
particular emphasis on the agreements which improve and update the legal
framework for the conduct of trade relations. These for the first time give
a permanent legal status to trade preferences for and among developing
countries. They also improve a number of other basic GATT rules, such as
those on consultation and dispute settlement, and make their operation more
predictable; in other words, they will help to reduce the uncertainty which,
as we all know, is an enemy of trade growth.

This is not the moment, however, to engage in a general review of the
Tokyo Round results. What I want to insist on today is the importance of
putting those results into effect quickly and vigorously. Taken as a whole,
and with due recognition not only of the successes but also of the shortcomings
of the negotiations, the Tokyo Round package is capable of giving substantial
and continuing encouragement to trade growth in the coming years, both through
better access to markets and through the possibilities it opens up for
consultation and negotiation on trade issues that may arise in the future.
As the major product of trade liberalization efforts in the 1970's, it needs now to be implemented forcefully and without delay, so that it can contribute to trade growth in the 1980's.

Another area for action is that of expanding the trade among developing countries. I have already spoken of the enormous potential of this trade. Various regional agreements, in Latin America, in Asia, and in Africa have tried to foster trade among neighbouring countries. Within the framework of GATT itself, nineteen developing countries of all levels of development and in all regions of the world negotiated, some years ago, a pioneering exchange of tariff preferences. It has brought a rapid increase in trade in the products covered since it entered into force in 1973. Many of the participants agree that, as soon as the Tokyo Round is out of the way, new negotiations should be held to enlarge the product coverage and membership of this agreement. The GATT secretariat, for its part, will give the fullest support to the negotiations.

I have referred also to the need for action to help developing countries build up their marketing skills and resources. This is largely a matter of technical assistance. GATT and UNCTAD, for instance, have a joint offspring, the International Trade Centre, which through advice, training and research helps developing countries to acquire marketing skills and to find markets for their products. But this is an area in which private business can not only help, but take a leading role. You, the international trading houses, constitute an enormous reservoir of accumulated knowledge and experience in the business of matching buyers and sellers in different countries and moving goods across the world. Developing countries would certainly wish to be able to make full use of it. It would certainly be most helpful if you could give them, free of charge and on a case-by-case basis, the benefit of technical assistance by some of your specialists.

Conclusion

My remarks have focused mainly on the policies and actions of governments, since I would not attempt to teach traders their own business. I find that I have, nevertheless, to come in the end to the trader himself. It is you, and the many thousands of others directly engaged in the everyday conduct of world commerce, who can do most to keep trade on the path of steady expansion, particularly by sharing your experience with the developing countries whose fuller participation in trade is, as I see it, a key to future world economic growth. And it is also you, along with the other sectors of an informed public, who can provide the essential influence that will encourage governments, in the coming decade, to follow constructive policies for the management of trade interdependence.