Mr. Chairman,

1. The primary purpose at this plenary debate is to permit representatives of sovereign states to set out the positions of their governments on the crucial issues which are before this Conference. The opportunity offered to the international organizations to take part in the discussion is a privilege of which I am very conscious. I shall therefore be brief, and will confine my remarks to the relationships between international trade and three of the other basic concerns of the Conference: economic recovery, finance and development.

2. Until very recently the sustained growth of world trade, year on year, had almost come to be taken for granted. There were good and bad years, protectionist pressures were not always successfully resisted, but in general the discussion about trade issues in these years took place largely in an environment in which the continuing growth of trade was taken for granted. This is no longer true. In the last two years trade has ceased to grow, and in 1982, for the first time since the war, the volume of trade fell: by 2 per cent. That fall was caused above all by the world recession, and therefore, with signs of recovery on the horizon, we should now be able to look forward to some revival in trade. But trade is not just a function of global demand: in itself it creates demand, as was shown during the recession of 1974–75, when exports to the developing world
helped sustain economic activity in many industrialized countries. In the year ahead, a revival of import demand by the countries leading the way out of recession should spread the recovery to other countries by stimulating production there. This will not happen, however, if trade restrictions and distortions are allowed to cripple the functioning of the world market. I am not talking, let me make it clear, of potential restrictions and distortions, but of those which exist already. These restrictions limit the capacity of national economies to respond to shifts in the relationships between demand and supply, and to new factors of productivity and growth. They thus impede the structural adjustment needed for firm and durable recovery. If the world economy is to gather strength, we need open trade policies now. We cannot wait for recovery before acting to roll back protectionist measures, and take new steps to liberalize trade, or recovery may never come. This is the crucial relationship between trade policy and our hopes for economic recovery.

3. The second of my three relationships is between trade and finance - a relationship which has been much discussed in recent months. International borrowing, as we cannot be reminded too often, is deferred trade, since in the last resort it can be serviced only by exports. The recent acceleration of borrowing, however, took place during the very period when the prospects of raising export earnings declined. Last year, the non-oil developing countries were driven in consequence to curtail their imports, rather than to expand their exports, in order to service their greatly increased foreign debts. Exports fell in value by 5 per cent, and imports by 10 per cent. Clearly, no durable improvement in their position can be achieved on this basis. Developing countries, if their debt burden is not to become insupportable, must have the possibility of achieving a rate of increase in their export earnings that keeps pace with the growth in their debt-servicing requirements. Trade barriers are not, of course, the only factor holding down the export earnings of developing countries: the collapse in commodity prices is probably at least as damaging for many of them. It is however evident that liberal trade policies will make an essential contribution to the relief of their present financial difficulties.

4. The relationship between trade and the development process itself needs no underlining in an UNCTAD conference. The trade recession has already damaged development plans and prospects in many countries, just as the great expansion of trade up to 1973, in which many developing countries participated, provided an engine for their development and growth. Developing countries have not simply benefited from the expansion of trade: a number of them have actively contributed to it by adopting more open trade policies. To the extent that they have been able to do so, they have promoted their own economic efficiency and growth. The opening-up of new trade opportunities in the industrialized world for developing countries would encourage them to persevere with these policies.
5. Having insisted so much on the importance of the relationships between trade, finance and development I must strongly welcome the prospect of closer cooperation between the responsible international organizations. The GATT is ready to play its full part.

6. I now wish to put forward three propositions.

7. The first is that pious declarations against protectionism are not enough. Good trade relations cannot be achieved by decree or declaration. This applies both within national administrations and in multilateral relations. Within national administrations, trade policies are the cumulative effect of many specific decisions, involving particular domestic interests. If these decisions are not guided at every stage by political control and political courage, there is a great risk, at times when protectionist pressures are so strong, of national policies shifting to protectionism, whatever may be the intention of those responsible. In multilateral co-operation, similarly, sustained attention to detail, involving many highly specific aspects of national policies, is essential if we seek progress towards more open international trading policies. Part of the value of the multilaterally agreed rules of GATT is precisely that they provide the norms which help governments, at both the national and multilateral level, to orient individual decisions in accordance with commonly agreed objectives.

8. My second proposition brings me back to a point that I have already touched upon. It is that trade can only flourish in a context of security, and of stability and predictability. Governments provide that context, by agreeing on multilateral rules under which all countries may benefit from international competition, while at the same time being given such essential safeguards as may be needed. Trade flows themselves result largely from decisions taken within that context by investors, by manufacturers, by importers and exporters and by the final consumer. But while governments may play only a limited part in the actual conduct of trade, they can do much to hinder or to help it. When they ignore the agreed rules, or circumvent them, they damage not only particular trade flows but also the integrity and security of the trading system itself. If one government deviates from a system of law, this cannot justify other governments in doing the same. There are real problems today in international trade relations, but the answer to them lies in negotiation, not in further breaches of the rules which must weaken the whole trading system.

9. I would take this argument a step further. It seems to me extremely damaging to prospects for international trade to pretend that the present difficulties in trading relations derive from the multilateral trading system, rather than from failures by governments to meet their obligations under it. If our objective is to maximize economic welfare and development, I see no viable alternative to the present system. If I am right, we must be careful that arguments about the system do not serve simply to weaken existing disciplines, and to create a climate of uncertainty which inhibits investment and trade.
10. There seems no end to the illusion that fundamental differences of policy can be overcome simply by changing institutional structures. I recognize that any living institution must continue to evolve. The GATT can be no exception. The condition for useful change, however, is that governments should first agree on what they want to achieve.

11. This leads me, Mr. Chairman, to my third and last proposition. It is that we have already laid down the groundwork in GATT for a common effort to respond to many of the specific trade problems and opportunities which face us today. For that wide area of trade relations with which GATT is concerned, a comprehensive work programme was adopted at the Ministerial Session of the Contracting Parties in Geneva last November. It addresses the main present issues. It allows us to respond to the justified perception that all is not right to say the least in such important areas of trade relations as agriculture, tropical products, textiles, the use of non-tariff measures and the use of measures of safeguard, and that new rules may be needed to regulate these and other aspects or sectors of trade. It focuses on the particular concerns of developing countries, and offers a starting-point for further work on opening up markets for their exports. It suggests special action to further the export growth of the least-developed countries.

12. This programme of work is being put into effect. Carried through successfully, it can, I believe, go far to restore the multilateral trading system to health and allow it to make its full contribution to international recovery, to the health of the financial system, and to economic development. The one inescapable requirement is that governments have a shared determination to succeed: a determination to reach a consensus on how the trading system can best respond to these needs. UNCTAD VI represents a great opportunity for promoting that essential consensus, and I hope it will be seized.

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