It is a pleasure for me to welcome you all to the 39th Session of the GATT Contracting Parties. I should like to say a few words of introduction before we proceed to review the activities of GATT over the past year and consider where our priorities lie in the year to come.

Last year's session of the Contracting Parties, held at ministerial level, is still fresh in most of our minds. The decisions taken at that session have permeated and influenced virtually every aspect of GATT activities since then. Many assessments have been made of the results of the ministerial meeting, some more favourable than others, but this session provides us with the first opportunity to examine in a systematic way how far we have gone to date in meeting the concerns and aspirations of contracting parties which were given expression in the decisions and undertakings embodied in the Ministerial Declaration.

It will be recalled that the declared purpose of the Ministerial meeting was "to examine the functioning of the multilateral trading system, and to reinforce the common efforts of the contracting parties to support and improve the system for the benefit of all nations." The need for such an exercise derived from a growing realization that all was not well with our trading system. The steady movement that had been made over thirty years or more towards open trade seemed to be faltering; there was a growing number of sectoral derogations from basic GATT principles, exacerbating the difficulties already created by the sectors which had never been brought under adequate GATT disciplines; certain GATT rules
were being circumvented or at worst ignored; economies were changing in ways which created the need for new understandings; developing countries were finding their economic situation and external trading environment extremely adverse. There was deep concern that the three basic principles of our trading system, namely multilateralism, non-discrimination and transparency, were under severe strain. The principle of differential and more favourable treatment for the developing countries, as provided for in the GATT system, was not being practised in any substantial way, leaving the developing countries very dissatisfied.

The feeling that the Contracting Parties should meet at a high political level last year to take stock of the multilateral trading system and map out a work programme for the 1980's was prompted by the desire to address these basic issues and to seek solutions which would establish confidence in the multilateral trading system.

A preoccupation of every statement of this nature made during the last three or four years has been the precarious state of the world economy. Country after country has registered historically low or negative growth rates, trade growth has also stagnated and was negative in 1982, the inflation rate has been disturbingly high, balance-of-payments problems have mounted, and unemployment rates have risen to levels unprecedented for decades. Prices of commodities on which developing countries are highly dependent for their foreign exchange earnings reached their lowest levels in 1982 since the great depression, the terms of trade of the non-oil developing countries have experienced a fast and systematic decline, their current account deficits have soared and the crushing burden of debt and debt-servicing has been increasing. Most of these features, whether in the developed or developing countries, are not merely cyclical, but also more basic in character, and are indicative of fundamental deficiencies in the world economic system. As the GATT report "International Trade 1982/83" points out, the world economy taken as a whole performed worse in the three years to the end of 1982 than in any other comparable period over the last thirty-five years. In the GATT it has always been the trade aspect of economic activity which is of primary concern, and in particular the effects of national policies on trade flows. The importance of this concern to all our nations is self-evident and the enormous benefits of efficient specialization through trade have been amply proven. The statistics tell the story clearly enough; in times of high growth, trade has consistently grown faster than overall production, but when production growth has fallen or been negative, trade growth has often diminished faster.

The gloomy picture of the last three years has, we are told, begun to change. There are nascent signs of recovery in some important economies, and the rate of inflation is at modest levels in these countries. An outstanding question remains, however, and that is what implications such a recovery has for the acute difficulties faced by the rest of the world, and particularly by developing countries. A significant number of developing countries face continuing prospects of comparatively low growth in the next few years, and for some of these countries there is the additional obstacle of heavy foreign debt burdens and low or negative inflows of foreign exchange inhibiting the development process. It is
hardly necessary to point out the political, social and economic seriousness of this state of affairs for those of our countries where the living standard of many is already at an unacceptably low level.

It will be remembered that when industrial economies were experiencing low growth and high inflation in the process of adjustment made necessary by the 1973 oil price rise, it was continued growth and import demand in developing countries that cushioned the recessionary impact of that adjustment and pulled countries out of recession more quickly than would otherwise have been possible. It was precisely during that period when many developing countries began to incur debts, and most of the developing countries faced the double impact of the increase in energy costs and the rising prices of their essential imports of capital and consumer goods. Shrinkage in markets for their goods and high interest rates are imposing a big strain on the foreign exchange position of these countries.

There has been a welcome growth in awareness lately of the nature of links between trade and finance. At its most fundamental, the point is that in the end the commitments for the outflow of foreign exchange have to be met either by reducing imports or increasing exports. It is unfortunate that so far import contraction has made a more prominent contribution to these commitments than has export expansion. We know that the problem cannot be solved satisfactorily in this manner. Not only does import scarcity fuel inflation, increase unemployment, and reduce capacity utilization rates, it also makes it increasingly difficult to export competitively; for the developing countries, it seriously impedes the very process of development. The effects of the slow-down of development and contraction of the export opportunities of countries in serious foreign exchange difficulties do not remain limited only to these countries; through the inevitable linkage of economies they are transmitted to the world in general. A basic question facing us is whether governments are sufficiently committed to adopt corrective policies and measures and whether enough boldness will be displayed by them to resist pressures which dictate otherwise. The time has come for governments to resolve courageously the conflict between short-term expediencies and the long-term interest of their economies.

In this process the GATT has a role to play. The General Agreement is a contract between countries with a shared view of the necessity for an open and equitable trading system. Here we can examine these issues in a contractual framework and arrive at decisions. But decisions can only be carried out if the political will exists to do so. The need for collective consciousness and the realisation of collective responsibility is at the root of the problem.

The Ministerial Declaration was an important expression of political intent, taken against the background of the economic difficulties to which I have already referred. The essence of that expression of political intent was an undertaking to fulfil the basic objectives of the GATT, by making determined efforts to resist protectionist pressures and by refraining from taking or maintaining measures which are inconsistent with GATT.
This brings me back to what I said earlier; many of the matters before us for review in the next few days have a direct bearing on the undertakings accepted this time last year. Although only one year has elapsed, and some of the important elements of the work programme set by our Ministers are scarcely past their preliminary stages, it is nevertheless important to remember those undertakings as we proceed with our review and take any decisions required in regard to GATT activities in the year ahead.

The wide range of activities and subjects included in the Ministerial Declaration, as well as the regular and continuing activities of GATT, have been covered individually in the Council's report to the Contracting Parties, and in the report of the Committee on Trade and Development. Additional reports giving more detail on particular activities have also been submitted to us for information or consideration. While all these activities are far too numerous to mention individually now, a brief look at some of them will give us a flavour of what must be one of the busiest work programmes ever entrusted to the GATT.

The most difficult issues confronting the GATT are undoubtedly the ones which have remained unresolved the longest. It is often comparatively easy to show some progress in areas of recent concern or attention, but it is sectors such as agriculture and textiles, and issues such as safeguards where the conflict between international obligations and domestic sectoral interest group pressure is the strongest.

In both agriculture and textiles, a fresh approach to the problems is being taken. The Committee on Trade in Agriculture was established this year and has begun a detailed examination of measures taken to protect or in some way support domestic agricultural production. It is already clear that there are differing perceptions among contracting parties about both the consistency of many of the measures taken with the provisions of GATT and their effect on international trade. Whilst it is significant in itself that problems in trade in agriculture are being examined and discussed in a frank and open way, the outcome of the deliberations will be an important test of the durability of the undertakings entered into at last year's session of the Contracting Parties. The same will be true in the field of textiles when consideration is given to the study presently being prepared by the Secretariat. We have to realise the seriousness and the implications of the fact that in this important sector normal GATT rules have been set aside for nearly two decades.

Intense efforts have been made during the year to develop a comprehensive understanding on safeguards, as called for by Ministers in recognition of the vital part that the safeguard system plays in international trade relations, and in guarding against whimsical or unilateral actions contrary to multilateral commitments. Despite these efforts, it has not proved possible to reach a comprehensive understanding in time for this session of the Contracting Parties. I think it very important that these efforts should be intensified and that the political will be found which would enable a solution to be found in this difficult area. The Chairman of the Council will be making a report on this matter to the Session.
The Council has continued the practice established in 1980 of holding special meetings on Notification, Consultation, Dispute Settlement and Surveillance. These special meetings, amongst other things, have provided a useful forum for discussions on the directions in which trade policy has been moving and an appraisal of the extent to which contracting parties are living up to their GATT commitments. On both counts, a number of delegations have expressed concern during the year. An important new innovation in the Special Council meetings this year was the inclusion in the review exercise, on the recommendation of the Consultative Group of Eighteen, of systematic monitoring of the undertakings in paragraph 7(i) of the Ministerial Declaration. In addition, it was agreed that the Secretariat should supply for the Council reviews information on trade policy developments which does not derive from GATT sources. Such information is provided on the secretariat's own responsibility and without prejudice to the question whether measures identified are legal or not under the GATT. Both these developments are to be welcomed since they contribute to a fuller and more informed review on a continuing basis of developments in the trading system.

The Contracting Parties have before them the reports on the various Agreements and Arrangements negotiated in the Tokyo Round. Our consideration of the reports on this occasion takes on particular significance in the light of the Ministerial decision to review the Agreements and Arrangements in terms of their adequacy and effectiveness, and the obstacles to their acceptance by interested parties. It is incumbent upon us, in my view, to consider these matters carefully. Many Agreements and Arrangements have been adhered to by comparatively few developing countries and we should examine why this is the case. The present state of affairs leads to a fragmentary application of GATT rules and principles and calls into question the consistency and integrity of the GATT system as a whole.

I have already referred to the particularly difficult trade and payments situation in which many developing countries find themselves at present, and the pressing need for them to meet their external obligations through increased exports. In addition to the issues of agriculture, textiles and safeguards, which are of central importance to them, I would also mention some of the work going on in the Committee on Trade and Development in pursuance of decisions taken by Ministers last year. A first round of consultations on possibilities for trade liberalization in tropical products has already taken place, and this will be followed next year by further consultations and appropriate negotiations. The Committee has also embarked on a programme of consultations to examine how individual contracting parties have responded to the requirements of Part IV of the General Agreement. These consultations represent a new and it is hoped more effective way of monitoring the implementation of Part IV. In the light of the Ministerial decisions relating to the least-developed countries, the Sub-Committee on Trade of Least-Developed Countries has also established procedures for consultations, in this case between individual least-developed countries and their trading partners. The first consultation took place this year.
Finally, I would like to mention the work which has been undertaken since 1981 on the relevance of structural adjustment to the GATT. The Working Party on Structural Adjustment and Trade Policy was instructed to complete its work for review by the Contracting Parties at this session. It remains to be decided how further work is to be undertaken in this area, but the Working Party concluded that the exchange of information and examination of national experience in regard to structural adjustment had been particularly valuable in providing insights into the nature of the adjustment process and factors affecting it. In its agreed conclusions the Working Party also expressed the view "that the GATT provides a framework for dealing with trade difficulties arising from the trade effects of measures bearing on adjustment as these relate to GATT rights and obligations, but noted the widespread view that its effectiveness in doing so was diminished because certain GATT provisions were not being fully implemented and because of the limitations of GATT rules and procedures in certain areas." That conclusion is couched in careful language, but in my view it sums up the challenge that faces us to-day.

Thank you. I now declare open the Thirty-Ninth Session of the Contracting Parties to GATT.