URUGUAY ROUND CHALLENGES OUTLINED BY ARTHUR DUNKEL

Mr. Arthur Dunkel, Director-General of GATT, today addressed the annual "European-American Journalists Conference" in Annapolis, USA. The text of his address is attached.
GATT/1455
Page 2/3

ANNUAL CONFERENCE OF EUROPEAN AND AMERICAN JOURNALISTS
Address by Arthur Dunkel, Director-General
General Agreement on Tariffs and Trade
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To put the relationship between the Uruguay Round and the 1992 project of the Communities into a valid context, I want to quote something.

"There is arising across the Atlantic a single economic community which may soon have a population half again as big as our own, working and competing together with no more barriers to commerce and investment than exist among our 50 States - in an economy which has been growing roughly twice as fast as ours - representing a purchasing power which will someday equal our own and a living standard growing faster than our own.

"... For the first time, as the world's greatest trading nation, we can welcome a single partner whose trade is even larger than our own - a partner no longer divided and dependent, but strong enough to share with us the responsibilities and initiatives of the free world.

"... The success of our foreign policy depends in large measure upon the success of our foreign trade, and our maintenance of western political unity depends in equally large measure upon the degree of western economic unity. An integrated western Europe, joined in trading partnership with the United States, will further shift the world balance of power to the side of freedom.

"... The two great Atlantic markets will either grow together or they will grow apart."

In so saying President John Kennedy effectively launched GATT's sixth round of multilateral trade negotiations, which came to be known as the Kennedy Round. The year was 1962, January in fact. The President's message to Congress sought authority to negotiate multilaterally with the possibility of reducing US tariffs by 50 per cent - in the event, the Round
secured overall cuts of about 30 per cent - and a special authority to negotiate with the European Community. At that time the Community was completing the establishment of its unified external trade regime - and attracting no less concern overseas than its efforts now, some thirty years later, to complete its internal market.

I have no intention of labouring the similarity between the circumstances which we find ourselves in now and those the US Administration clearly recognized in 1962. Though I could also remind you that the launch of the seventh Round - the Tokyo Round - was, among other things, not unrelated to the extension of the Community to nine members in the early 1970s.

The important point is that at a number of stages in GATT's history, potentially worrying developments in the trade policies of the major economic powers have inspired huge leaps in multilateralism and trade liberalization. There is a sweep and clarity of vision in President Kennedy's message to Congress - a willingness to make multilateral negotiation turn regional economic integration away from inward-looking policies and towards a contribution to worldwide economic growth.

That is not to say that such a vision is missing today. How could I say that as I preside over the most comprehensive, most far-reaching trade negotiation in history - a negotiation in no small way inspired by the United States and the member states of the European Community. I do, however, dare to say that international trade politics, especially trade politics between and within the United States, the European Communities and - let me be even-handed - Japan also, too often lose sight of this larger picture.

I sometimes look at the agenda of the GATT Council and imagine a somewhat restricted lunch menu in the food-rationed Europe of the immediate post-war years. Disputes - sometimes, squabbles would be a better word - over hormone-fed beef, ice-cream, apples, oranges, soya beans and so on,
proliferate. Each of them, of course, perfectly valid uses of the GATT disputes settlement system and, for the traders involved, probably of vital commercial importance.

But these, and other disputes which give rise too easily to "trade war" headlines in the newspapers provoke a perception of international trade relationships which is unhealthily narrow. None of these problems has, so far, created a major barrier to progress in the Uruguay Round - I am thankful for that and I hope the situation does not change. The potential for damage certainly exists, and the decisions the United States' Administration must take in implementing its new trade legislation and, in particular Section 301 are a case in point. At the very least, these matters serve as a diversion from the truly significant questions which have to be faced, and resolved, in the Round.

I could make the same point about the journalists' favourite "challenge to GATT" story: the apparently endless debate among supposedly enlightened economists about the threat posed by regionalism, bilateralism, free trade areas and so on to the multilateral system which is represented by GATT. It is all a rather easy and quotable diversion from the real challenges. The argument is not bilateralism or any other "ism" versus GATT; but how good and efficient a multilateral system we want, and to what extent governments and, more particularly, businessmen are prepared to put up with second-best.

As far as 1992 is concerned, I see little, in principle, to fear. The Uruguay Round and the EC single market project can, should and must be mutually reinforcing and should together add to the benefits the world gains from trade. Anything else will be second best for all concerned.

Let me return to the big picture, the Uruguay Round and some of the challenges to which I referred earlier. We are now more than two-and-a-half years through a four-year negotiation. When ministers
launched the Round in Punta del Este they made a judgement that while - or perhaps because - the stakes are the highest ever no one could risk or cause a failure. Experience to date has proved their judgement sound. Most recently, the political and economic indispensability of progress was apparent during the Mid-Term Review.

As a result of the review we have already banked and implemented more half-way point decisions than we thought possible this time last year and more than have ever been achieved at this stage in any previous round. The new streamlined dispute settlement procedure is now in place. The national trade policy review system will start in earnest with the United States this year - I have just established the Secretariat team which will manage these reviews. And a considerable package of concessions on tropical products - covering trade worth about US$20 billion - is being implemented on behalf of many developing countries.

Each of the 15 negotiating groups in the round has a refined negotiating mandate, and some have very precise timetables for the final period of negotiation. I believe that the mechanisms, the schedules and the objectives are in place. So what are we committed to doing, what are the challenges?

First, we are committed to substantial trade liberalization whether through the classic tariff negotiation, which will seek to reduce duties by an average of 30 per cent, through reduced non-tariff measures, through work on natural resource-based products and through a further package of tropical product concessions.

Second, we are committed to reinforcing competition - I hesitate to say "fair competition" in this company - in world trade; through agreement on subsidies, anti-dumping and countervailing rules, through the work on services and intellectual property rights.
Third, we have to face up to the fact that an effective multilateral trading system requires consideration of many national policies which, until now, have only been considered in a domestic perspective - support programmes for agriculture, for instance, national enforcement of intellectual property rights and the domestic treatment of foreign services suppliers. Automatic retreat behind the banner of "national sovereignty" will not be good enough in future.

Fourth, and I make no apology for singling one sector out for particular mention, we have to fulfil the negotiating mandate agreed on agriculture. It is an ambitious mandate. No useful purpose is served by continued bickering over who won what on short-term measures or on the definition of the long-term objectives. The commitment is to long-term fundamental reform and that means substantial change for all - and my definition of all includes both the United States and the European Community.

Fifth, we have major decisions to take with respect to the rules of trade - the GATT rules. Most significant of all - and perhaps most difficult - we have to put in place a comprehensive and credible safeguard system. And once we have those new rules, they must been seen to be respected by GATT members.

Sixth, we have to create a whole new framework of rules for trade in services. The agreement in Montreal put us well on the road. We are now entering the exciting stage of testing the ideas about general principles and concepts in the context of individual service sectors. How much greater a challenge could we have than trying to ensure that this generator of investment, jobs and trade continues to be just that and is not lost in a welter of new protection, in whatever guise?

Seventh, we must ensure that every participant comes out of the Uruguay Round with solid benefits. The extraordinarily wide participation
in this negotiation has been one of its most attractive and necessary features. The active involvement of developing countries should be welcome.

And this brings me directly to my eighth point. It is evident that the industrial countries have fundamental responsibilities in ensuring the success of the Round. One key responsibility lies in the sector of textiles and clothing. But the Round is no more a negotiation neatly divided between developed and developing economies than simply a negotiation between the United States and the European Community. The Round is global in terms of the issues - covering all facets of trade in goods, services, investment and intellectual property. And it is global in terms of participation - covering virtually all levels of economic and social development. Even among developing countries, there are those whose situation is not very different from that of many OECD countries. This makes the picture more complex. The agriculture negotiations demonstrate this complexity quite clearly. Yes, the US and the European Community are major players. But so too is the CAIRNS Group which includes industrial and developing food-exporting economies of very different kinds. And do not forget the net food importers (like Mexico, Jamaica and Egypt) or the countries for which food security is a major preoccupation like Japan, Switzerland and the Nordic countries.

With all these disparate interests there are no easy answers, only a confirmation that the major economies must negotiate hard but with a keen perception of the real world outside their sometimes narrow trade policy preoccupations.

Ladies and gentlemen, my list - and my speech - should probably end there. But I have just one more challenge - in this big picture - to put to you, as I must put it, daily, to the participant governments. That is that all these challenges must be met in a very short space of time. The Uruguay Round must and will end in the Fall of 1990.
Many of you came with us to Punta del Este to witness the launch of this historic negotiation. Many of you paced the wide-open spaces of the Montreal Palais des Congrès during the Ministerial Meeting last December and followed the further negotiations in Geneva in April. I look forward to seeing you all towards the end of next year - and, who knows, perhaps in Belgium. We can then discuss whether the world must put up with a second best or agree that the challenges of multilateralism have been met.