STATEMENT BY H.E. MR. SERMET R. PASIN,
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Let me first of all join previous speakers in congratulating you on your chairmanship. We shall certainly need all your well-known talents to ensure some measure of success to this meeting.

Indeed, the least we can say is that we are not meeting under favourable auspices. The world economic outlook is bleak and the prospects getting worse. The latest prognosis regarding growth and employment is gloomy and the reaction of certain industrialized countries bearing major responsibilities in the conduct of the international economy augurs ill for world trade.

We thus stand at a crossroad and face a crucial challenge. We can either give priority to our short-term problems and allow the drift towards increased protectionism to continue unabated. Or, we can be more courageous, for our own good and attempt to collectively steer the course of events, instead of allowing them to push us even further into a vicious circle from which none of us will benefit in the long run.

In any case, there is one thing which we must not do. And that is to pay lip service to free trade here and then return to our respective countries and do the contrary. We have to be able to muster the necessary political will to uphold our commitments and agree on a concrete programme of liberalization. If we fail to do this, we would not only be making a mockery of GATT which has served world trade well, but we would also undermine the moral authority of this political gathering and the very foundation of international trade based on security and predictability.

Let us try to look at the long-term perspective at the price of being under pressure or criticized in the short term. Are we to sacrifice benefits which will accrue to all, just to placate certain sectors and interests?

I am convinced that the situation is such that only a dramatic, economically inspired but politically-supported collective action can give us the leverage needed to provoke an upswing. If we can agree on such an action and have the necessary political will to implement it, then I am convinced that this meeting will have realized its objectives.
I do not propose to dwell on all the problems we face, but I suggest that four points are of particular relevance:

First, I believe we should reaffirm our determination to abide by the multilateral obligations of the General Agreement, provided that this reaffirmation is without mental reservation. And we must not only reaffirm, but we must also implement. Let us not forget that lately the tendency has been to apply the General Agreement in the breach rather than in the observance, to settle problems bilaterally or plurilaterally rather than multilaterally, and to solve problems outside the framework of GATT. When there is a law, we must first apply the law.

My second point is obvious: something has to be done to arrest the drift towards protectionism. Lately, devices such as voluntary export restraints or orderly marketing arrangements are being increasingly utilized, distorting the natural pattern of trade based on the international division of labour and further weakening the effectiveness of the General Agreement. Here again, we must revert to the rule of law.

Thirdly, developing countries. In an interdependent world an effective way to break the vicious circle in which we find ourselves is to increase the volume of trade between developed and developing countries. By giving the developing countries a chance to contribute more to global economic welfare through increased trade, the developed countries will be doing themselves a service and by the same token give everyone a break. Any obstacle to world trade hurts both sides, but first and foremost the weak side; in this case the developing countries. The rule of law to which I referred above exists by definition to protect the weak against the strong, to ensure that equity and justice are not curtailed by sheer strength.

However, developing countries, instead of being drawn closer to the ambit of GATT are suddenly confronted with inequitable notions such as graduation and reciprocity. Let us not forget that equal treatment of unequal partners is highly inequitable. Therefore, the integration of developing countries in an interdependent trading system must be achieved through the full implementation and further improvement of legally recognized principles such as differential and more favourable treatment. I must add that economic and commercial co-operation among developing countries will help accelerate the process of their integration into the global trading system.

As a fourth point I would like to mention structural adjustment. It seems to me that this term is not understood in the same way by all concerned. The restructuring of industries to take advantage of the international division of labour based on dynamic comparative advantage, is either not taking place or, if it is, it is taking place in a reluctant and misconceived manner. Many governments of developed countries appear to be manipulating the adjustment process in order to revitalize their moribund
sectors such as textiles, rather than facilitating the shift of capital and manpower into sectors enjoying a potentially higher comparative advantage. This approach interferes with the natural interplay of market forces and delays the inevitable adjustment process through stopgap and palliative measures. It is difficult to understand the economic reasoning, the logic behind this attitude in developed countries of assisting low growth unproductive sectors to the detriment of high-growth, high-technology industries. Surely, developed countries could devise ways and means of increasing labour mobility and readjusting, thus increasing the volume of international trade to the benefit of all concerned. I sincerely hope that this issue will receive the attention it deserves. Our considered view is that the process of structural adjustment should be transparent and time-bound and that GATT should be commissioned to pursue the matter.

The four points I have highlighted are of course particularly germane to the problems faced by my country. As you know, since 1980 we have fundamentally modified our economic policy and shifted from an inward looking economy to a more liberal one, attempting to integrate with the outside world. Unfortunately, the implementation of this policy is now being hampered by various protective measures such as quantitative restrictions and agricultural subsidies. It is indeed a paradox that policies such as ours, which developed countries have encouraged developing countries to promote, should be jeopardized through protectionism and lack of structural adjustment in the industrialized world. This is bound to undermine the faith of developing countries in an open world trading system.

Our meeting must yield tangible results and our decisions must give a new impetus to the GATT and to the trading system it serves. We need a dynamic GATT, but, above all, we need imaginative contracting parties who can put the long-term interest of the trading system and of their own countries above their parochial, short-term, sterile self-defeating advantages. Otherwise, our political declaration will not go beyond being a compilation of pious wishes and it will merely serve to impair the credibility of GATT and of the trading system.

This aim will only be fulfilled if the political declaration and the concrete programme of action to be adopted is implemented by the CONTRACTING PARTIES with courage, determination and full political commitment. We stand to lose too much if we fail to rise to this challenge. This is what gives me the hope that we shall, somehow, succeed in finding equitable solutions to the benefit of the trading world as a whole.