STATEMENT BY MR. JEAN RIPERT, DIRECTOR-GENERAL FOR DEVELOPMENT AND INTERNATIONAL ECONOMIC CO-OPERATION, UNITED NATIONS

I should like to begin by thanking you, on behalf of the Secretary-General of the United Nations, for kindly inviting me to attend and address this meeting. The importance of your deliberations derives not only from the fact that you are discussing the future of the international trading system but also from the fact that their successful outcome would be a signal, so necessary for the international community today, of the will of governments to tackle the current problems and difficulties in a spirit of co-operation.

My statement will cover two topics: the central rôle played by international trade in the operation of the world economy, and the urgent need for concerted international action to maintain an open trading system and at the same time to promote a resumption of economic growth.

There is no contesting the importance of the contribution which a multilateral and open trading system has made to economic growth in recent decades. Today, however, world trade is stagnating. The primary cause of this stagnation is the persistent low level of investment and economic activity, and the unemployment resulting from it. In such a context, governments experience mounting difficulties in resisting protectionist pressures; many yield to them in one way or another. This situation has a dramatic impact on the developing countries.

International trade is also seriously disrupted by the operation of the international monetary system. The various distortions and haphazard fluctuations in exchange rates have led to changes in competitiveness which are unrelated to basic economic conditions. In that context, many countries see no solution other than to resort to defensive trade measures.

The consequences of a persistent stagnation in trade and of the decline of confidence in the trade system extend far beyond the narrow confines of trade. Their impact on the world of finance is clearly apparent. Many debtor countries and particularly the developing countries, find it difficult to meet their debt service obligations, largely because of diminished export prospects. The persistence of such difficulties constitutes a threat to the financial system as a whole and, what is more, to the monetary system.
Even if such risks can be eliminated, the medium-term and long-term consequences of present trade policies are no less disturbing. I have in mind their impact on productive investments, both in the industrialized and in the developing countries. The part of these investments which is connected with export activities is deeply affected by the uncertainties besetting international trade.

We thus run the risk of witnessing the development of a cumulative process of decline. This is a scenario that the world has seen before, and its tragic consequences have not been forgotten by anyone of our generation. Today, however, we have in place a network of international co-operative agreements and institutions whose rôle can be crucial in a concerted effort for recovery conducted simultaneously on several fronts.

This recovery demands, first and foremost - and this is the very purpose of your meeting - that the CONTRACTING PARTIES to GATT reaffirm their commitment to a system of open trading and consequently bring their trade policies into conformity with the undertakings already made and the multilateral procedures which are the backbone of this system. The partners will have considerably greater confidence in the value of this system of rules, and of multilateralism, if these rules incorporate provisions accepted by all and are subject to multilateral supervision: an early agreement on an adequate system of safeguard clauses, however difficult it may be, would greatly strengthen this machinery.

A milestone on the way to restoring confidence would be passed if the outcome of your deliberations were to be a general agreement to renounce further measures of protection. A more significant step would be taken if governments were to affirm their determination to dismantle the obstacles to free trade which they have recently erected. Such measures should be applied particularly to the trade of industrialized countries with developing countries and to fulfilment of commitments assumed in this area.

As I mentioned earlier, the free-trade system has been of considerable benefit to the world as a whole. However, its operation is hampered by problems resulting from a changing situation: increasing internationalization of production, government intervention in the economic and social fields and the emergence of competitive industries in certain third-world countries are some examples. New problems, such as those relating to services and advanced technology, have arisen. Against the background of these developments one fact stands out: there has been insufficient response from the current system to the aspirations of the developing countries; this system is more responsive to the exercise of relative economic might than to jointly accepted international objectives. These issues will, I trust, be reflected in the outcome of your deliberations.

I now come to my second topic.
Action in the area of trade is not enough to ensure the recovery of the world economy. A decisive change is needed in economic policies that will steer them more deliberately in the direction of seeking economic expansion. This is especially true for the industrialized countries. Such a strategy of restimulation has to be pursued jointly, for no country can conduct it alone, as recent experience has proved.

To suggest that efforts should be made to restimulate the world economy does not imply advocating a policy of uncontrolled revival of demand. The situation varies from country to country. In pursuing the desired growth, care must be taken to ward off inflationary risks, but they must be tackled with instruments other than those which principally affect investment and economic activity. Nor does such restimulation mean avoiding efforts needed to adjust to external and internal imbalances. The point at issue is not whether adjustments are to be made or not to be made, but, rather, at what level of activity and how quickly. Any adjustment process must involve measures conducive to growth.

Under a concerted policy for restimulating growth, full attention should be accorded to ensuring that the situation of developing countries does not deteriorate further; revival of the development of the South is likely to have the spin-off effect of providing an additional spur to international trade. For the same purpose, it is very important to improve the liquidity position of the developing countries; in this respect, the efforts now being made in the International Monetary Fund to secure a rapid and substantial increase in quotas may be noted. Similarly, an increase in financial resources for development is necessary. Official development assistance must be expanded, particularly to the benefit of the low-income countries. Multilateral finance institutions should be in a position to play a greater rôle. The sixth session of UNCTAD should provide member States with an opportunity to discuss certain aspects of these issues, including questions in the very important area of commodities.

In what may seem to be a digression from trade problems, I have stressed the need for an overall approach to the present economic difficulties. The opportunity to adopt such an approach is doubtless what governments have in mind in discussing the launching of a process of global negotiations in the United Nations. Anyone who has been present at the discussions of the current session of the United Nations General Assembly, as I have, has been struck by the serious concerns expressed by member States. These concerns are not merely of an economic nature; they are also, and increasingly, political. The founding fathers of the United Nations were prey to the same concerns, which are reflected in the Charter of the Organization. They had experienced the tragic consequences of a series of economic and political tensions feeding on each other. Let us hope that we shall not have to live through such an experience again. A successful outcome to your deliberations would help to meet this challenge.