STATEMENT BY MR. MICHEL JOBERT,
MINISTER OF STATE, MINISTER FOR
EXTERNAL TRADE OF THE FRENCH REPUBLIC

Over the past decades we have met at regular intervals to celebrate the continuing benefits of growth and development of international trade and the tutelary merits of the multilateral trading system. On each occasion - in 1963, in 1973 - we never failed to launch GATT into new multilateral negotiations designed to eliminate the last remaining tariff or non-tariff barriers in all areas of international trade.

Nearly ten years after the Tokyo meeting, we are assembled together once again.

I note that this time it will be difficult for us to express satisfaction over the present situation of the world economy and over growth of trade. I note likewise that the benefits of freedom of trade are today appreciated more diversely than they used to be. I note lastly, that GATT is being held responsible for the present difficulties after having for so long been congratulated on past successes.

 Whereas the traditional elements relevant to international trade are radically different now from those of the 1960s, it is nevertheless being proposed that we should negotiate new liberalizations in sectors to which GATT has not hitherto given attention - services, investments, flows of high technology.

These latter proposals, like the paradoxical side of some analyses that have been made of the recession, fill me with perplexity and cause me to doubt as to the topical, operational and realistic character of our discussions on the recession, freedom of trade, the rôle of GATT.

Are we here to celebrate a rite or to tackle real problems?

I. It is paradoxical to focus on present trade tensions, when the real problems result from an unprecedented production crisis.

Today we are in a time of crisis without precedent since the Second World War. The output of many countries will decline this year and unemployment is spreading, affecting 30 million persons in the OECD countries, 10.5 million in the United States, 12 million persons in the EEC and nearly 2 million in France.
Developing countries, particularly the least advanced among them, are faced with a slump in prices of primary products, prohibitive cost of loans granted to them, acute problems of debt servicing and lastly shortcomings in the aid granted to them.

The causes of this recession are well known to us. In the first place, inadequacy of solvent international demand because of the growing indebtedness of certain trade partners.

Next, the high level of real interest rates which is hampering any durable resumption of investment.

Lastly, and above all, uncertainty caused by erratic and unceasing exchange rate fluctuations. My colleagues will remember that in 1973 we already had some doubts as to the usefulness of our task and that of GATT, having regard to the state of the international monetary system. My doubts have today become certainties as to the disastrous effects of the present exchange system for the world economy.

In contrast with the general economic situation, I note that until now international trade performance was not as bad as has been alleged. I should like to mention a few figures, taken from the excellent GATT report, and which I am surprised not to see mentioned in the political declaration that we are being urged to adopt.

In 1981, the value of world trade was around $2,000 billion, as against only $574 billion in 1973. Since our last meeting, therefore, trade has developed twice as fast as world production. And that despite the fact that nearly 60 per cent of world trade takes place outside the GATT rules.

Even if in 1981 world trade stagnated overall in volume, I must remind you that trade in industrial and agricultural products continued to increase.

II - It is paradoxical to call for a further opening of economies, when many countries are not even assuming their responsibilities vis-à-vis the present multilateral trading system.

Generally speaking, the openness of economies and their interdependence are now considerably more complete than they were at the end of the 1960's. By way of example, it may be noted that the EEC common customs tariff, harmonized and transparent, is one of the lowest in the world at an average of about 6.5 per cent, and that it is to be further reduced by 1985, when the situation will be reviewed.

It is hardly necessary to remind you that since 1980, despite the recession in Europe, the rate of penetration of imports into the European domestic market has further increased.
In France, for example, not only did trade with our main trading partners increase in value and in volume in 1980 and 1981, but our trade deficit further increased. The principal result of our alleged protectionism is that imports now represent over 20 per cent of our GDP.

I am not sure that all economies have reached such a stage of integration in the multilateral trading system.

Each country complies as required with its obligations under GATT, but the effects of this compliance are varied. We all know, for example, the particular case of countries which have permanent structural surpluses. These particular cases are not, however, covered by any rule and even enjoy the favour of this institution, which allows intolerable structural surpluses to be created and perpetuated, without the responsibilities of each party being clearly stated.

Other economies benefit, for their imports, from the régime of protection granted to developing countries and, for their exports, from the freedom prescribed for developed countries. This astute combination is at the root of grave regional difficulties of an economic and social character in many developed countries - difficulties which public opinion will be less and less willing to tolerate in the future.

Finally, yet other economies have incorporated the provisions of GATT, particularly those resulting from the Tokyo Round, in their national legislation, and have then interpreted them with astonishing freedom, without taking the views of the co-signatories to the relevant agreements into account.

I note that compliance in law with the internationally recognized rules is not sufficient to ensure the opening of certain markets in fact. We must therefore look to the coincidence of the existing facts and law before embarking on a new round of liberalization of the framework of trade.

From all sides, we are urged to negotiate and to increase trade liberalization. We are in favour of free trade, and my Government wishes to reaffirm at this meeting its attachment to free trade which, moreover, it proves every day. We do not, however, want any Utopian liberalism such as that of the nineteenth century economists, and we wish liberalism to be mutually beneficial.

Are we sure that an increased liberalization of our economies will not have the opposite effect from that desired and that it will not serve as a catalyst for recession, just as the liberalization of the 1960s led to acceleration of a growth already in progress?

Are we sure that production of wheat and tomatoes are subject to the same economic laws as production of steel and motorcars? In trying to apply the standard treatment to the agricultural sector, the specificity of which goes back to the earliest times, are we not in danger of seeing our theories once again cruelly disproved by the facts?
The formula of dogmatic liberalization proposed to us and the simplistic affirmations with which we are assailed - are they not in the end the most subtle and well-disguised form of protectionism: that of absolute power of the strong over the weak?

III – That is why I find that the declaration and programme proposed to us are completely unsuited to the present situation.

When I meet industrialists, bankers, the press, and politicians they say: "Eighty-eight Ministers are meeting at GATT for the first time in 10 years. This is an important event. What are they going to talk about?". When I explain the provisional agenda and tell them that the meeting at Geneva will be considered a success or a failure according to whether we reach or fail to reach decisions on safeguards and services, they look at me in astonishment. Why bring 90 Ministers together for a matter like that?

And indeed, why are we meeting?

If, as we are urged, in paragraph 7 of the Ministerial Declaration in particular, it is a matter of entering into undertakings such as:

- to abstain from taking measures outside GATT;
- to abstain from subsidizing industry;
- to abstain from subsidizing agriculture;
- to abolish the consensus rule for the settlement of disputes between contracting parties;

then it is clear that none of these undertakings will be fulfilled, because they are all as unrealistic as they are impracticable. That may be regrettable, but it is so.

The measures taken outside GATT will continue to proliferate, whether we like it or not. Besides, do they not contribute to the flexibility shown by the multilateral system in the past few years? All governments, without exception, will continue to support their economies; moreover, that is an essential element of national sovereignty just as the consensus rule is the keystone of all international organizations of States.

If, on the other hand, the results of our meeting are confined to a few decisions of which the political scope is limited or the implementation will take effect only at the end of the century, public opinion will conclude that we have deliberately avoided the real problems and hence that they are even more serious than had been thought.
Should we explain to public opinion that we have agreed to initiate studies on trade in services over the next twenty years? Should we express our satisfaction at continuing negotiations on safeguards, which have been going on without success for four years because of the unwillingness to recognize the danger to international trade caused by the destabilizing exports of a few isolated countries? Or perhaps we should announce that the flow of high-technology products will henceforth be less obstructed than it has been in recent months?

We are clearly in a blind alley and we shall not get out of it by ritual celebration of the virtues and merits of the past or by endless speculation on the prospects of trade in the third millennium.

Our task is to deal pragmatically with the problems of today as represented by the following questions:

1. How are we applying the agreements concluded in the Tokyo Round? Are we sure that national legislations are taking full account of the texts we all signed? Are we certain that we are using the codes to ensure the freedom and raise the moral standards of trade and not with an eye to protectionism?

2. How are we going to reduce the structural and intolerable trade deficits and surpluses which have appeared in the last few years? How are we going to harmonize ageing law with the new phenomena of international trade, such as structural deficits and surpluses, offensive export strategies, and the de facto closing of certain markets?

3. More generally, how are we going to ensure in the future the balance between obligations and advantages without which the present trading system will collapse for lack of consensus? Can we long tolerate national derogations from the General Agreement?

4. Finally, how are we going to ensure concerted resumption of the growth of our economies? What have we done in that respect to stabilize exchange rates, reduce real rates of interest and facilitate the financing of international trade?

The real obstacles are there and they cannot be got round. It is by facing them that we shall meet the expectations of public opinion in our countries, which for the most part still has confidence - but for how much longer? - in freedom of trade.

This confidence will vanish, and with it the need for our meetings, if we take refuge in nostalgic contemplation of the past twenty years or if we press forward on the same downward path, which might provoke an unprecedented protectionist reaction.

In making to you today a solemn appeal for common sense and realism, not only on my own behalf but on that of the Community of the countries of Europe, a commercial grouping of interests and hopes which I have the honour to champion here, I go on record now and I do fear that our next meeting may well recognize that my misgivings were well-founded.