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SUTHERLAND URGES BUSINESS COMMUNITY TO PRESS FOR URUGUAY ROUND RATIFICATION

With less than three months before the Uruguay Round Implementation Conference, Peter Sutherland, GATT Director-General, today (Tuesday 13 September) urged the business community in Europe and throughout the world to use all their influence with governments and parliaments to ensure that ratification of the Uruguay Round results is given urgent priority in their legislative agendas.

Speaking in Brussels to the Federation of Belgian Companies, Mr Sutherland called for a renewed sense of urgency if the ratification process is to be completed in time so that the Round's results enter into force on the target date of 1 January 1995.

Highlighting the benefits of the biggest and most far-reaching trade negotiation ever undertaken, Mr Sutherland emphasized its enormous worldwide economic impact not only through increased trade liberalization but also through enhanced competitive conditions and improved trade rules.

He warned that any delay in ratification of the results risked devaluing these benefits.

The full text of Mr Sutherland's statement is attached.

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What the Uruguay Round means for Business
Address by Peter D. Sutherland, Director-General, GATT
to the
Federation of Belgian Companies
Brussels, 13 September 1994

I

I am pleased to be here in the heart of Europe to address a subject that is at the heart of Europe's future economic prospects - the Uruguay Round. For business in Europe and around the world, the successful conclusion of the negotiations has been recognized to be an event of immense significance. But enumerating the benefits of the Round is only half the story - a story which is still not complete.

My talk to you today is intended less as an accounting exercise than a call to action - action which is very necessary, since work on the Uruguay Round is in fact far from over. This may seem paradoxical in view of the end of the negotiations in December 1993 and the signature of the Marrakesh Agreements by Ministers in April of this year. The last, crucial stage remains still to be completed, however: this is the ratification of the agreements by national legislatures and their entry into force. A sense of renewed urgency is essential if the ratification process is to be completed in time, so that the round's results enter into force on the target date of 1 January 1995. I want to convey that sense of urgency to you today as I discuss what the Round means for business. You will need little persuading, I hope, that neither business nor the world at large can afford any delay in making its achievements a reality.

II

For nearly 50 years the GATT system of multilateral trade rules and commitments has provided an internationally agreed framework for increasing trade and economic growth. The success of the GATT system in opening markets, lowering trade barriers and improving the conditions of competition has been a key factor in the unprecedented expansion of trade and economic activity since the 1940's.

The GATT system is now undergoing the greatest transformation in its 47-year history. The Uruguay Round was the biggest and most far-reaching trade negotiation ever undertaken. Its worldwide economic impact will be enormous. But it also produced agreement on a more comprehensive, relevant and effective body of rules for international trade - and the institutional improvements, in the form of the new World Trade Organization, necessary to make them work.

The two sides of the Uruguay Round package complement and support one another. The improvements in market access and competitive conditions give a tangible return from the improved rules, which in their turn help ensure that the economic benefits can be sustained.

These economic benefits are impossible to calculate with any precision, largely because the value of trade in services is not yet adequately captured by official statistics. Any estimates should thus be treated as very conservative. Even so, a provisional analysis by the GATT secretariat puts the global value of the market access package at \$755 billion in additional trade annually by 2002.

When the GATT was set up nearly fifty years ago developed-country tariffs on industrial goods averaged around 40 per cent. Now - with the 38% overall cut agreed in the Uruguay Round - they will average around 4 per cent. The proportion of industrial products entering duty-free to developed countries has more than doubled, from 20 to 43 per cent. Tariff elimination has focused particularly on products such as metals, machinery and chemicals in which Belgian companies have important trade interests. And the tariff cuts are complemented by a major increase in the security of market access through a higher level of tariff bindings, which will now cover almost 90 per cent of world merchandise trade.

Certain anomalies and loopholes which the GATT did not fully address in the past, affecting trade in agriculture and textiles, have distorted trade and limited the economic potential of many countries. The Uruguay Round results will eliminate many such anomalies.

- Trade in agriculture in particular will be covered by a new agreement designed to establish a fair and market-oriented agricultural trading system.
- Tariffs are now to be the principal instrument of protection, as has long been the case for industrial goods. Reductions in export subsidies should lead to more sustainable markets for farmers and the agri-food industry worldwide.
- With the planned phase-out of the Multifibre Agreement, textiles and clothing will be brought back in the mainstream of multilateral trading disciplines, even if the process will take longer than for other sectors.
- Trade in intellectual property will be subject to new comprehensive rules which are expected to promote creative invention and innovation, to safeguard the value of intellectual property investments and to fight against piracy and counterfeiting.

And for the first time, trade in services has been brought under internationally agreed rules. The General Agreement on Trade in Services will extend to this - the most dynamic sector of the world economy - the principles, such as non-discrimination, which have enabled trade in goods to expand thirteen-fold under the GATT. There are already significant commitments in areas such as tourism, travel and business and financial services - and this is only the beginning of a continuing liberalization process whose importance for growth and employment cannot be overstated.

If the Uruguay Round had done nothing else at all, to have brought services within the framework of GATT principles would in itself constitute the most important development in the system since 1948. It is no exaggeration to say that the services agreement could open **trillions** of dollars of business to international competition under comprehensive multilateral rules involving the participation of some 120 countries, with more to follow.

Services exports - currently amounting to one trillion dollars or twenty percent of total world trade - are growing fast and some think could equal or even overtake merchandise trade within ten years. The most impressive expansion of business opportunities is taking place in the cross-border trading of services which are based on knowledge: the personal expertise, skills and accumulated experience of specialised individuals in a broad range of technical, business and professional services. The GATS will apply multilateral rules for the first time to international transactions where knowledge is the key competitive asset.

The fact that we have not just a framework agreement but also commitments by almost all important trading countries to liberalise and to guarantee access to foreign service suppliers in virtually

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all service sectors is a massive bonus - a development which nobody thought remotely possible at the start of the Round in 1986.

III

Taken together, the gains in these different sectors mean the most important single stimulus to global trade - and the world economy - for decades. A stimulus which should have the added advantage of not inducing renewed inflation. Neither the industrial economies, struggling to pull out of recession and deal with persistent unemployment, nor the developing countries, nor the economies in transition can afford any delay in realizing these benefits. Belgium certainly has every interest in seeing them become a reality quickly. With GDP growth picking up again this year but unemployment remaining a serious concern, I know that Belgian business will be keen to make the most of these new opportunities to ensure that the recovery is a lasting one.

For the EU as a whole, the importance of the benefits transcends their immediate economic impact. It touches the fundamental questions of Europe's economic future - questions about competing in a global market, about encouraging enterprise, about making the most of new markets and new sectors.

The Uruguay Round agreements reinforce and provide a global counterpart to the efforts going on inside the EU to remove market distortions and liberate the economic energy of trade.

In those sectors where Europe itself is facing up to the challenge of restructuring, sectors such as textiles and agriculture, implementation of the Round's results will help the process of adjustment. Change would have been inevitable even if there had never been a Uruguay Round - but its success means change can be better managed. The market access package represents a gradual increase in competition, not an avalanche. It should enable European producers become more competitive both inside and outside the EU - especially by developing their areas of comparative advantage. Very often these will be in highly processed or high-added-value products - the direction in which the European agro-food industry is moving very successfully or in which high-quality European clothing continues to lead the world.

Furthermore the Round's results ensure that this adjustment is a collective effort, not a solitary one, since all participants make the commitment to open markets and cut subsidies.

For Europe this global commitment is the key to a trade policy which is less defensive and more confident about dealing with change. The Round's results will reward those who have embraced competition as an ally with improved opportunities to compete in the fastest-growing markets in the world, the upper-income developing countries. Recent success by Belgian companies in winning contracts in these countries indicates this is a point you understand well.

Overall a much larger share of the EU's exports to third countries goes to developing countries than to North America and Japan put together. Developing countries have the fastest-growing economies and the greatest reserves of unfulfilled demand. It is noteworthy that the most recent figures show the exports of Belgium and Luxembourg to non-EU countries growing by over 7%, whereas exports to other EU members fell by about 3%.

The Marrakesh agreements open new opportunities in these countries' markets in three ways:

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- Firstly, by contributing to their continued economic growth. The Round means improved market access for these countries' exports too, and it is very much in Europe's interest that it should, since their export earnings in turn drive their demand for European goods and services.
- Secondly, these growing markets will be more accessible, not only because of tariff cuts but also - and more importantly in many cases - because non-tariff barriers will be reduced if not eliminated.
- And thirdly, a vital element in European competitive advantage in these markets, a well-established brand name and image, will be better protected under the new rules on Intellectual Property Rights. Exporters will be able to develop markets with more confidence that they are not just offering counterfeiters and pirates a free ride.

Liberalization of market access and rules of competition for services trade has lagged behind the goods sector in Europe as in the world as a whole. Yet, the European Union currently derives close to three-quarters of its GDP from services, twice as much as from industry. And this share is still rising, reflecting the economic drive - in terms of investment and employment - of many services sectors. From a European perspective, therefore, agreement on multilateral rules for industries such as banking and insurance, telecommunications and transport has been long overdue. Not only will it make investment in developing new markets more secure, it will encourage further progress towards a genuinely open market for services within the Union.

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Overall, then, I think it is clear that the economic effects of the Uruguay Round support and encourage the most promising developments in the economies of the European Union. Exactly the same point applies when you look beyond the purely economic benefits to the improvements that the Round brings to the rules of international trade and the system through which they operate. It amounts to the most significant strengthening of their effectiveness and credibility in fifty years. And this is not some abstract or theoretical achievement - it is nothing less than a reinforcement of the rule of law in international economic relations, a reinforcement for which the need is both urgent and universal.

The more a firm - or a country - extends its economic horizon beyond its national borders the more it needs the security of a rule-based multilateral system. Large and powerful traders need it as much as smaller ones - when your scope of operations is global, there is no substitute for global rules and global system for resolving disputes.

The creation of a new world trade order required the creation of a new institution to administer that order. The Uruguay Round negotiators realized that stability in trade relations can be attained only if the mutually agreed rules and market access commitments are supplemented by procedures ensuring their proper enforcement and an institutional framework ensuring their proper administration. The creation of the WTO is an essential part of the package they negotiated: it made it possible to turn separately negotiated agreements into a single undertaking which liberalizes trade to an unprecedented extent. Both the enforcement procedures of the WTO and its institutional structure, through strongly resembling that of the GATT, will rest on more solid legal foundations.

The WTO will not create unwanted new obligations. It will administer obligations mutually agreed among its Members on the basis of reciprocity, and it will serve as a forum for negotiating

further commitments. To function properly, the world trade order requires a common sense of purpose among its Members. The WTO is the instrument to foster that common purpose.

V

Business in Belgium - and everywhere else - has a vital interest in the establishment of the WTO and the effective functioning of the multilateral system. If it was absent or weakened, not only would they be exposed to the fallout from trade disputes, they could also find their ability to develop new markets or even sustain existing ones vulnerable to arbitrary policy shifts against which there would be little recourse. The costs in terms of missed opportunities and lost investments would be ruinous.

On the other hand, the business community has already had a foretaste of the value of the Uruguay Round's achievement. The very fact of bringing these negotiations to a successful close after seven years has made a positive difference to the world's economic climate. The threat of failure has been lifted, and with it the prospect of accelerating erosion of the multilateral system, the resurgence of protectionism and a drift towards increasingly unstable economic - and even political - relations. Instead, the fact of success has already firmed confidence among businesses, investors and the public.

I am sure that, for example, the success of the negotiations has contributed to the rise in business confidence and in orders which the National Bank has recently measured in this country. As one of the world's most trade-oriented economies, Belgium is well placed to appreciate what was at stake in these negotiations: chaos and conflict on the one hand, sustainable growth and the rule of law on the other.

I know that in many cases businesses have already factored the results of the Round and the opportunities they present into their forward planning. Investment decisions are being made on the basis of these opportunities and in the assurance that they will come to fruition in a more open and stable trading environment, beginning on 1 January 1995. In a sense, then, business has already ratified the Uruguay Round. But its benefits cannot fully show up in the balance-sheet until governments do so too.

VI

These, then, are the reasons why it is absolutely essential that the Uruguay Round agreements enter into force on the target date of 1 January 1995. Any delay risks devaluing the benefits that have been negotiated and weakening the effectiveness of the WTO from the outset. The dangers of a protectionist backlash can never be disregarded, in Europe or elsewhere. The best way for governments to forestall such a possibility is to maintain the resolve which brought the negotiations to a successful conclusion and make their renewed commitment to the multilateral system a reality.

There is much that Belgium, and Belgian business, can do to help ensure that the Round's results enter into force on time. The most obvious is to make sure that the national ratification process is completed soon. It is important that the issues of competence currently under consideration within the European Union do not become the cause of a vicious circle of delay among EU member states and institutions.

Beyond its national ratification, Belgium is well placed in the EU to point to the benefits of increasing international trade and to push for speedy conclusion of the process at a Union level. The Uruguay Round negotiations were concluded during Belgium's tenure of the European Presidency, and Belgian leadership in Europe made a major contribution to their success.

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The time remaining before the Implementation Conference which will oversee the setting-up of the new organization is short - less than three months. A substantial number of countries - especially the major traders - must have completed their ratification process before then if the target date is to be met. I call on the business community here, throughout Europe and in the world as a whole, to use all your influence with governments to make sure they give it urgent priority in their legislative agendas.

The investment that governments and the private sector alike have made in this great enterprise is ready to pay handsome dividends. Surely it is unthinkable that anyone would put off claiming them.

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