

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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I should first like to extend to you my best wishes for success in carrying out the challenging task of chairing this meeting.

We all have an interest in the achievement of positive results.

I should also like to express my thanks to the Chairmen of the various GATT bodies for seeing to the difficult preparatory work, as well as to the GATT secretariat and Director-General Dunkel for their efforts and for the quality of the work they have produced.

The pictures sketched by those before me on the list of speakers are thought-provoking. The overall mood is pessimistic. I am sorry to say that I can present no outlook of a shining future to counter such expectations. Stagnating economic growth and high unemployment figures are nourishing a protectionist trend. But a decline in growth and even greater unemployment will be unavoidable if we take the wrong decisions. This applies in particular measure to dismantling the open system of multilateral trade.

By no means would we do justice to the present situation nor could we be excused of the most serious blame if we adopted such pessimism as our guideline for economic action, letting ourselves be paralyzed by fear of the economic future. For the very reason that major difficulties confront us, our search for solutions must be all the more resolute; we must overcome the dangers which threaten and generate impulses showing promise for the future.

There is no denying the connection between low investment, minimal economic growth, and high unemployment. However, decisive for the slight willingness to invest is a fundamental lack of trust in the national economies which is visible worldwide. The causes of this uncertainty are political and economic: faulty and contradictory signals and measures by the governments, new economic and industrial patterns, new technologies, and surely not least of all the matter of energy supply which remains of long-term importance.

Volatile exchange rates, minimal stability of monetary value, and high interest rates in reaction to both are typical symptoms of the general situation and its dangerous and paralyzing uncertainties. As in a vicious circle, these feed back into the economy creating new dangers. I call attention to the high foreign debt of many countries, most of all developing countries, and the situation on international financial markets.

Our chief efforts should therefore be aimed at eliminating the uncertainty. Difficult adjustment processes, which unfortunately have already been delayed too long, are unavoidable. It is crucial that we set into action the necessary process in our own countries, rather than waiting for an upturn in the world economy to come to our aid.

We will naturally not be able to find the solution to all global economic problems at this meeting. And this is not the task of a GATT Ministerial. But we must provide a signal to re-establish confidence in international trade, that part of the world economy for which GATT and we within the framework of GATT bear responsibility.

I am not a naive believer in Utopia. I am familiar with the pressures generated by ailing industries, looming layoffs, and growing unemployment. In a market-economy system in which the decisions originate at the bottom of the pyramid, government views itself as particularly subjected to the demands and interests of the individual social groups, some of which are justified, others less so. There is a great temptation to yield to the burden by bolting the door against uncomfortable imports or by replacing competitiveness by subsidies. We have all committed sins in this regard.

All the examples I could cite show that no solution can be provided by such an approach, even if it might seem to offer temporary relief.

Such measures are highly dangerous. They begin with small interventions and then must constantly be supplemented and perfected. They also have a tendency to spread, from one country to another, from one sector to another. The opposite of that which is needed is thus secured. Instead of creating confidence and predictability as necessary conditions for the revival of investment, doubts about access to foreign markets grow and, with them, paralyzing uncertainty about international economic relations. Investment impulses which are generated by trade and are prerequisites for economic growth are stifled, as are technological innovation and secure jobs on a lasting basis. It is wrong to assume that imposing restrictions on the domestic market or even walling off domestic markets while demanding access to foreign markets represent useful alternatives.

On the contrary, the example of the German automobile industry illustrates that innovative potential is activated by the necessity and readiness to face the pressure of competition from abroad. The Federal Government did not bend to pressures for protectionist insulation of the domestic market in 1980. This contributed to the fact that German producers strengthened their efforts and regained market shares. The ratio of imported Japanese automobiles to the total number of new cars licensed in Germany has since declined at a constant rate.

We have also refused to use the set of monetary policy instruments to promote exports and thus artificially obtain competitive advantages for the domestic economy. We regard monetary adjustment, because of its overall economic impact - in contrast to selective safeguard measures with a cumulative impact - as an instrument which is easier to accept in order to

correct serious imbalances in trade relations. But it must be prevented that an all too thoughtless use of such methods triggers an international devaluation race which would fail to produce economic advantages for any of the competitors and which would turn what was originally a critical situation into a catastrophe.

We are not now opening a new round of comprehensive negotiations. To a certain extent I regard this as unfortunate. For a new round of negotiations to reduce trade barriers would have provided the best and strongest signal. But I recognize and accept the fact that the necessary conditions for this have not yet been created.

Nonetheless, the political signal expected of us by the global economy must be clear-sounding, precise, and convincing. It must banish the doubt in the vitality and effectiveness of the multilateral system of world trade. Re-establishment of confidence in the future of a trade system which is as free as possible of both conventional and novel impediments, not distorted by subsidies and other government support is indispensable in the long-term if a world-wide revival of economic growth is to be secured. This also includes a clear renunciation of some dangerous tendencies which have recently become significant:

- A growing number of proceedings initiated in important countries against allegedly subsidized, dumped, unfair, or even merely disturbing imports. Even when such proceedings are later dropped as being unfounded, they initially serve to create a climate of uncertainty and impair trade in a sustained manner.
- An increase in regimentation and formalities which make trade so difficult as to be nearly unfeasible, and finally
- A propensity to judge trade relations according to whether or not bilateral trade between the two countries is in a state of balance. I am quite in favour of the principle of mutual advantage. But this must be viewed within the multilateral system of world trade. The mutual advantage must derive within a global perspective by means of a suitable "give and take" of all Contracting Parties. The demand for bilateral reciprocity is an anachronism which would greatly reduce the level of commerce and contradict the multilateral character of the GATT.

Furthermore, the political signal will be credible only if it is supplemented by concrete steps. Among these are:

1. The incorporation of so-called grey zone measures within GATT discipline. This primarily includes the many bilateral export restraint agreements which circumvent and undermine the GATT safeguard clause.

They are frequently forced by stronger countries on countries which are less strong; they lead to an unwanted bilateralization of trade relations, and thus invariably fail to take account of the interest of third parties. If such measures are to be eliminated, it will doubtless take more than merely prohibiting them. This would amount to ignoring reality. We can set at least a minimum amount of rules to stop their further proliferation.

Greater transparency through notification and a right to consultation for affected Contracting Parties are in my opinion necessary first steps. The establishment of additional criteria and rules should follow without delay.

All countries should have an interest in making grey zone measures subject to GATT discipline. A mandate for a comprehensive reworking of the GATT safeguard clause is certainly good. But it should not be allowed to produce the result that steps which are urgently needed and which can be implemented fail to be enacted.

Selectivity in safeguard measures is a difficult area. It entails conflicts with certain basic principles of the GATT. Decisions on this topic can apparently not be taken at the moment. This matter should therefore find further discussion among the Contracting Parties.]

2. A constructive further development of trade with developing nations. In increasing measure export earnings are by far the most important source of foreign currency for such countries.

Thus development assistance provided by the totality of donor countries in 1980 equalled only a good tenth of the revenue non-oil producing countries earned on exports (\$33.5 billion as against \$312 billion).

So when export revenues fall owing to barriers to market access, this can threaten survival not only of the developing countries but also of the international financial system. I am thinking here of the consequences of a large-scale default on international loans. All those concerned therefore have a very real interest in safeguarding and, if possible, expanding developing nations' access to markets in industrial countries. In this context, we have a special responsibility toward the least-developed nations.

On the other hand, trade relations between developing countries and industrial nations should not remain an exclusive question of the rights of the developing States and the obligations of the industrial countries. The willingness of individual advanced developing States with, in part, highly competitive industries to assume additional GATT responsibilities, including the gradual elimination of import barriers would be a good

argument against protectionist tendencies in industrialized countries and - not least of all - a contribution toward solidarity with other developing countries.

I am convinced that solutions are possible and that they would be of commercial interest to the advanced developing countries alluded to here.

We should attempt as rapidly as possible within the context of concrete discussion to identify and set the focal points of interest as a basis for negotiation in the not all too distant future.

At this stage, I should like briefly to note that we attach great importance to technical co-operation within GATT. I am pleased that, despite our pressing budget problems, funds have been made available for the GATT secretariat to finance a trade policy seminar at the regional level.

3. A further concrete step, which is unconditionally necessary, is to defuse the dangerously charged situation in agricultural trade. If we are not successful, the disputes could spread beyond this area and affect trade on a broad front. It would not be possible to rule out substantial damage.

All sides are therefore called on for moderation. [Three aspects would seem to be important here:

- The agricultural area has always - and not without reason - played a special rôle within GATT.
- What was agreed upon at the end of the Tokyo Round as the result of negotiations lasting six years cannot suddenly be wrong.
- The next step should be to ensure the full and effective application of all GATT rules by the Contracting Parties.]

4. GATT must play a dynamic rôle. It must face new trade policy challenges, find answers, and try to integrate new problem areas. GATT is not to be used only in periods of fair weather. It should - as this is the crucial element - not be so understood and treated by the Contracting Parties. Otherwise, we will undermine its authority.

I therefore consider necessary openness and willingness to examine new questions, such as barriers in international trade in services. The Tokyo Round managed to achieve success without having begun in fair weather.

GATT is the quintessence of rules forming the global system of multi-lateral trade. As an institution it is the guardian of these rules. The essential thing now is to strengthen GATT to the benefit of all our countries. Post-war experience has furnished convincing evidence that the development of the multilateral system of trade has been a powerful motor

to raise living standards world-wide. The statement once made by an economist of international repute that economic forces are even more powerful than bad ideas also applies to our deliberations. But since bad ideas can do a lot of harm while they persist, we must see to it that economic forces are unleashed as early as possible.