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UNITED KINGDOM STATEMENT ON BEHALF OF HONG KONG BY THE HON. WILLIAM DORWARD, OBE, JP, SECRETARY FOR TRADE AND INDUSTRY, HONG KONG

1. Hong Kong ranks fourth in the third world in terms of external trade, coming closely after Singapore, Brazil and the Republic of Korea. There is probably no economy represented in this room more dependent upon external trade. And, in all modesty, I think we can claim to respect and apply the principles of the General Agreement to at least as great an extent as any contracting party.
2. I might indeed argue that our total respect for free-market principles renders us more dependent upon the General Agreement than most, for we have no other means of defending our interests.
3. There have been many expressions of concern over the increasing disregard for GATT disciplines and certain shortcomings in the functioning of the GATT system. The word "functioning" is important. Whilst Hong Kong would not deny that any system devised more than thirty years ago is almost certainly in need of review and overhaul, I would nevertheless put it as a general proposition that, at least outside the field of agriculture, the major problem in recent years has not been so much that the GATT has been inadequate; rather it has been inadequately respected.
4. Perhaps nowhere has this inadequate respect been perceived more dramatically than in relations between unequal partners. It is this consideration which weighs most heavily with us when consideration is given, for example, to the operation of safeguard provisions. Hong Kong can subscribe to a decision to continue negotiations on safeguards, provided it is understood that any comprehensive understanding thus reached should be based upon the principles of the General Agreement. I doubt that anyone in this gathering needs reminding that the most important of these is the m.f.n. principle.
5. In future consideration of this subject, it should, I suggest, be firmly borne in mind that those who have not learned from the mistakes of history are liable to repeat them. And in this respect, I suggest that their most fruitful source of experience is the twenty-two year history of special arrangements concerning international trade in textiles. During that period we have seen the preambular dedication to trade expansion and

the references to the temporary nature of the problems and solutions being quietly forgotten. In the various negotiations leading to the expansion and extension of these textiles arrangements, it has increasingly appeared that their continued existence is viewed by some as matter of fact; and that it is not whether they should be continued that is at issue, but how much more restrictive they should become.

6. It bears remembering that throughout the history of these arrangements, the concept of negotiations based upon proof of market disruption caused by particular suppliers has been central. It also bears remembering that, for at least ten years, none of the major bilateral agreements negotiated under these arrangements has paid more than lip service to that concept. In its place, these bilateral agreements have been negotiated under provisions which bear a striking similarity to the idea of "consensual safeguards". And let not the fact they are called bilateral agreements mislead anyone. Their form and nature and the manner in which so many of them were reached have provided, I suggest, the greatest disincentive to agreement on new safeguards procedures in the Tokyo Round and beyond.

7. The current arrangement, the MFA, is applied almost exclusively now by developed against developing countries, disregarding the logic and evidence of trade trends. I suggest that the manner of its application should continue to prove a very salutary lesson to those who will conduct the further negotiations on safeguards which are now contemplated. Hong Kong intends to be present to remind them.

8. It will come as no surprise, after what I have just said, that Hong Kong also strongly supports the proposal that there should be a study on world trade in textiles and clothing. We look forward to participating actively.

9. This brings me back in conclusion, therefore, to my opening remark that it is not necessarily the instruments but rather the degree of respect for their provisions which is substantially at the root of our problems. The concept, for example, of "consensual selectivity" must surely be regarded with grave misgivings by all of those who have experience of the operation of the MFA and the arrangements which preceded it. The MFA has been described recently by an objective commentator as "an organized hypocrisy". In studying its shortcomings and considering its future, it is essential that the experience it offers be most carefully considered also in the parallel negotiations on safeguards. Nothing in our twenty years of experience of textile negotiations leads us to be able to support any "consensual" arrangement whereby the stronger party would be able to impose, by one means or another, its will on the weaker.

10. It is only by a genuine and manifest dedication on the part of the major trading partners to respect to the full their obligations when dealing with weaker partners that such improvements as may in fact be necessary in the GATT system can be meaningfully devised.

11. I am pleased to commit Hong Kong to continue to provide a free and open market and to participate fully and actively in the future work of the GATT which will follow this conference.