

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

Spec(82)152
November 1982

CONTRACTING PARTIES
Thirty-Eighth Session
Ministerial Meeting
(24-27 November 1982)

Original: English

STATEMENT BY H.E. MR. GIDEON PATT, MINISTER OF INDUSTRY AND TRADE OF ISRAEL

Let me extend, first of all, our thanks to the three men who have worked so hard to prepare this session: Ambassador McPhail, the Chairman of the Preparatory Committee, Ambassador Das, the Chairman of the Council, and Mr. Dunkel, our Director-General. If our deliberations will be crowned with success - it will be due in no small measure to their untiring efforts. We also owe a debt to our Swiss hosts, both for the hospitality extended to us as well as for the excellent arrangements which are being provided.

The speakers before me have already painted for us a sombre picture of the world's economy. The problems facing international trade at present, are indeed serious and the auspices under which we are meeting are hardly encouraging. In a period which is characterized by stagnation, unprecedented unemployment and high inflation, small countries are the first to be hurt.

It is generally recognized that because of these problems the multilateral trading system, of which the General Agreement is the legal foundation, is seriously endangered.

Yet despite those difficulties, at the present stage of the world's economic interdependence, the solution to the problems facing that system can only be found within a framework of international co-operation. We do not believe that any country can today find remedies to its economic ills at the expense of others. No beggar-thy-neighbour policy, no schemes for domestic protection, no arsenal of trade restrictions can offer lasting solutions. Such policies will never provide more than temporary relief. Their long-run effects are destructive. The proper course of action under those circumstances lies not only in the preservation of existing achievements. It calls for further liberalization of international trade which in turn could contribute to economic growth sustained by the expansion both of investment and of employment. At the same time special consideration must be given to the need for structural adjustments in response to shifts in comparative advantage that have occurred in recent decades.

In this context we must face certain issues within the international trading system, which creates a sense of malaise and which call for new approaches and improved methods. One major problem, which looms over the horizon of international trade, and to which new solutions must be found, is the issue of safeguards. The present safeguard system is no longer adequate for dealing with present-day situations. In order to avoid

unnecessary and unjust injury to existing flows of trade, safeguard actions should only be taken against those imports which create difficulties and only for the minimum period necessary. We shall participate actively in the efforts being made to reach a comprehensive understanding for an improved and more effective safeguard system. The elements enumerated in the draft document seem to us as particularly appropriate to serve as a basis for such an effort. We, for our part, shall put particular stress on the problems encountered by small suppliers.

Another issue that has to be faced is that of dispute settlement. The Tokyo Round produced the framework of understanding on dispute settlement, which led to a significant improvement in the existing machinery. Yet it is clear that further improvement is required. From recent experience we have learnt that the present system can lead to difficulties: we deem it advisable that any proposed improvement in the dispute settlement procedure provide that it could not be used to reopen the debate on any question which the CONTRACTING PARTIES have already disposed of.

The trade in agriculture, including tropical products, is of course a central issue of this meeting. Israel imports not only most of its agricultural inputs, but also the greater part of its consumption of basic agricultural commodities, such as cereals and meat. On the other hand, we are large-scale exporters of horticultural produce, both fresh and processed. We thus have a major interest in agricultural trade. While we are aware that this sector, by nature, has its own particularities and problems, we feel that every effort must be made which would lead to its further liberalization, in order to achieve a better access to markets. We equally feel that the decisions we have to reach in this field at the end of this meeting, must be made in accordance with existing GATT provisions and rules, taking into account the specific needs of the developing countries. We support the idea of establishing a committee on trade in agriculture, which, in our understanding, will have as its task to make appropriate recommendations for carrying out these goals.

We had high hopes that this Ministerial meeting would permit the start of a North-South dialogue, where it would be particularly appropriate - namely in the GATT itself. We did this for three reasons: in the first instance, any such dialogue must necessarily concentrate to a large extent on questions of trade, which by definition is the primary responsibility of the General Agreement. Secondly as a developing country, we believe it is essential that developing countries be provided with greater assurance of continuing access to markets, than they have under the existing preferential schemes. Thirdly, with Part IV as its formal basis and with the approval of the framework decision on Differential and More Favourable Treatment and Reciprocity and Fuller Participation of Developing Countries, the CONTRACTING PARTIES have already established the foundations which are necessary for a fruitful dialogue between developed and developing countries on matters of trade. We can only hope that the present opportunity to start this dialogue will not be missed. In particular, we are convinced that any contribution by the developing countries will

rebound to their advantage and will lead to their fuller participation in world trade on a more advantageous basis. In this context I also wish to address myself to the issue of services.

In recent years there has been an extremely rapid expansion of this sector and the international "trade" in such services continues to gain in importance. Israel, to a certain extent, has shared in this expansion and today an increasing part of our foreign-exchange earnings result from the export of services. We believe that the "service" sector is one where other developing countries will also find increasing possibilities to improve their export earnings, particularly by providing such services to other developing countries. After all, they are, from their own experience, more adapted to the conditions prevailing in developing countries.

Under these circumstances, an organization like the GATT, which calls for differential and more favourable treatment for developing countries, seems to us to be particularly well adapted, to extend its activities to the service sector. After all, there cannot be any doubt that the GATT is fully competent to deal with services directly related to trade. It would therefore be a short step, yet a step worth taking, to have GATT undertake a study of the service sector.

We attach great importance to the advancement of trade in technological products and direct industrial development towards science-based industries. Such a development serves the needs of countries which, like Israel, are lacking raw materials, on one hand, and on the other hand benefit from the availability of trained technical and scientific manpower.

Finally, the erratic fluctuation in currency exchange rates should also receive our attention. Our exports have been seriously hampered by continuous fluctuation of the European currencies vis-à-vis the US dollar.

Such an unstable situation prevents the planning of investments, foreign income flows and adjustments by export industries needed in order to remain competitive.

We therefore welcome the proposal that the Director-General consult the IMF on the possibility of an in-depth study of the problems created by exchange fluctuations.

Israel's economic prosperity is directly linked with its active participation in international trade. We are strongly interested that the international trading system receive support from this meeting and all participants commit themselves to its further expansion. We also trust that the process of trade liberalization will continue and that the GATT framework will adapt itself successfully to the challenges it faces.