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In my brief comments this morning, I want to make three points. First, free and expanding trade is crucial for Third World development. Second, it is needed urgently now to help some developing countries overcome their debt problems. And, third, in order to liberalize commerce among nations, we must correct a fundamental weakness in decision-making about trade.

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First, free and expanding trade is crucial to the developing countries. Trade has, in fact, contributed more to Third World development than any other external factor.

International trade helped to stimulate the exceptionally rapid economic growth which many of the middle-income countries, both exporters and importers of oil, enjoyed during the seventies. Between 1970 and 1980, the export earnings of the developing countries increased by 140 per cent in real terms, and 93 per cent of this increase went to some sixty middle-income developing countries.

In contrast, only 7 per cent of this increase in export earnings went to some thirty-five low-income countries, including about half the world's population. Clearly, free trade is no panacea for the grave problems of the world's low-income countries. Yet the low-income countries, too, have a vital interest in what happens at this meeting. Most of the low-income countries rely heavily on agricultural products and other non-fuel commodities for their export earnings, and some industrial countries still block the sale of their agricultural exports. More generally, the prices of non-fuel commodities depend very much on the growth of the world economy as a whole, and liberal trade is a powerful engine for global growth. Also, some of the low-income countries could begin to enter into the more promising market for manufactured exports, but escalating tariffs and quotas often block the way.

Thus, all the developing countries have a stake in liberal trade. We hope that more developing countries will join GATT, and that GATT, in turn, will develop mechanisms through which more attention is focused on items of particular concern to the developing countries. The cause of GATT is of one piece with the cause of Third World development.

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The second point I want to make this noon is that free and expanding trade is urgently needed now to help some of the developing countries overcome their debt problems.

Falling exports and rising debt service are closing in on a number of developing countries like two jaws of a vise. Between 1980 and 1982, the annual export revenues of the developing countries dropped \$40 billion. This drop was due to falling prices for non-fuel commodities and stagnation in the other categories of developing country exports. At the same time, the annual debt-service payments of the developing countries (for medium- and long-term debt) went up \$37 billion.

The drop in the annual export earnings of the developing countries since 1980 is equal to nearly 90 per cent of the net disbursements of medium- and long-term commercial loans which they are likely to receive this year.

As some commercial banks pull back from new lending, they aggravate the liquidity difficulties of borrowing countries. And as some hard-pressed countries block imports for the sake of short-term savings of foreign exchange, they also make the problem worse - for themselves and for the whole world economy.

Some recent expressions of concern about the debt problems of developing countries have been exaggerated. There have been instances of mismanagement, but many of the developing countries have followed policies which seemed prudent when they were adopted. These countries' plans have been undermined by a worldwide recession that is proving to be much more protracted and severe than any of us expected.

The proper response to these circumstances is not a round of recriminations. Rather, we all need to be especially careful now to avoid erecting new barriers to trade or taking other actions that would do further damage to the global economy. And we need to take constructive steps - increased trade liberalization, for example - toward a revival of economic growth and international trade.

In order to service additional borrowing, developing countries need increased access to major markets, and they need a general recovery of international trade. Even a relatively modest increase in the export earnings of the developing countries would be by far the most effective means of bolstering the confidence of private international lenders.

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My third point today is that we need to overcome a fundamental weakness in decision-making about trade: National and international procedures for making decisions about trade are one-sidedly sensitive to interest groups that stand to lose from international competition. This bias is the main obstacle to more liberal trade generally, and it is also the main obstacle to more liberal trade between the developed and developing countries.

The costs of international trade tend to be borne by a relatively small number of people in clearly identified groups, while the benefits of trade tend to be more widely distributed - among consumers and those who stand to gain from exporting industries. Therefore, when import restrictions become matters of political debate, it is often difficult for pro-trade interests to resist intense protectionist pressures. We have administrative procedures that carefully review whatever dislocation is suffered because of trade, but no procedures that systematically evaluate the benefits of trade.

This bias in decision-making has resulted in a history of trade negotiations in which countries have usually acted as if reducing barriers to imports were a "concession", to be ceded only if other countries were willing to swap equivalent "concessions".

This approach has particularly impeded progress in sectors where the differences in production costs between one country and another are great. Although the net benefit of trade would be greatest in such situations, the dislocations also tend to be particularly acute. Trade between developed and developing countries characteristically involves large differences in costs.

Some of the newly industrializing countries have already become star trade performers, however, and the rest of the world might be able to learn from their approach. These countries adopted trade-oriented policies, not as concessions to any other country, but because they recognized the benefits that they themselves would gain. Similarly, The World Bank encourages all its developing member nations to adopt liberal trade policies, even under adverse world conditions, because experience shows that trade contributes to their own development. Liberal trade also makes sense for the advanced industrial nations, not as a concession to anybody, but because the benefits to themselves far exceed the costs.

Since current economic problems and high unemployment are often used as pretexts for protectionism, let me stress that more liberal trade can help us escape from the stop-and-go between recession and inflation that has hamstrung the world economy in recent years. Free trade fosters growth - and therefore jobs and higher incomes - and, at the same time, it tends to restrain inflation. The benefits that a nation gains from trade are more than enough to cover the costs of assisting the people who are hurt by international competition, and of helping them to move, if possible, into industries with better prospects.

The GATT has been very successful, over the years, in liberalizing trade through the negotiation of mutual concessions, but surely we should now go beyond this approach and fully cash in on the basic economic principle of comparative advantage. And also allow me to suggest that this meeting encourage innovations that will help nations register the benefits of trade more systematically and in politically significant ways.

We are unlikely to achieve more liberal trade with the developing countries - or for that matter, make any other major new breakthrough toward free world trade - until we begin taking full account of the benefits of trade.

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Both the developed and developing countries stand to gain from liberal trade, and from its salutary effects on international private lending. The world rightly looks to this meeting for new breakthroughs toward free trade at a difficult moment in economic history.