

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

Spec(82)77

24 November 1982

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

STATEMENT BY DIRECTOR-GENERAL AT OPENING
OF MINISTERIAL-LEVEL PORTION OF THE SESSION,
24 NOVEMBER 1982

1. In the name of the secretariat of the GATT I wish to extend a very warm welcome to every participant in this Ministerial session of the CONTRACTING PARTIES. We of the secretariat are very conscious of the exceptional character of this session, and of the high expectations which it has aroused.
2. When the CONTRACTING PARTIES decided, one year ago, to convene in 1982 at ministerial level, what they were doing, essentially, was to create for themselves an opportunity: an opportunity to reverse, by political co-operation, a deterioration in trade relations which endangers the multilateral trading system which for over thirty years has helped to sustain the greatest increase in global welfare the world has ever seen. In the past twelve months, as the economic and trade crisis has deepened, the value of this opportunity, but also the challenge it represents, have grown greater - far greater, I believe than could be foreseen last November.
3. The eighty-eight contracting parties represented here account for 80 per cent of world trade, which totalled \$2,000 billion in 1981, as compared with only \$58 billion in 1950. World trade grew considerably faster than world output over this period and it is estimated that the average ratio of exports to GNP among contracting parties is now around 20 per cent. We also estimate that during the long period of expansion over the past three decades, perhaps one third of the annual investment undertaken in these economies has been made with a view to producing for export. There is no question that the growth of international trade has provided one of the great driving forces of economic development throughout the world. This growth has been shared by countries at many different levels of development. Many developing countries now look to exports as the main engine of their economic growth. In the industrial world there is growing realization of the rôle of developing countries as major buyers of industrial country exports and of the tremendous growth potential represented by their expanding populations, in which industrial countries can share through trade.

4. The implementation of the General Agreement has contributed enormously to this growth of trade, partly through the negotiated reduction of tariffs and other trade barriers, but more importantly by providing a framework of agreed rules and disciplines within which industry - which for me includes agriculture - could plan and invest with confidence that markets would remain open and competition undistorted. This confidence now appears to be faltering: there has been no significant growth in international trade for the past two years and unemployment, inflation bear down on most national economies, and many also suffer a crushing burden of debt. Individual governments have in general withstood heavy protectionist pressures, but doubts are increasingly expressed as to their ability to control events and to apply trade policies in conformity with their commitment to - and genuine belief in - the rules and principles of the General Agreement. As you have said, Mr. Chairman, one can debate how far the stagnation of the world trade is a result of the recession, and how far a contributing factor, but it is clear that uncertainty about access to export markets and about competitive conditions inhibits the investment needed for economic recovery. It is also clear that without secure access to markets for the exports of indebted countries, the difficulty of finding a way through the current period of stress without serious disruption of international financial flows will be greatly increased.

5. There is a huge diversity of interests and economic strength among the contracting parties, but they all have in common two things: their need for equity and predictability in trade relations and their voluntary acceptance of the rule of law, as embodied in the GATT, which is the sole means of meeting that need. Since all human creations are imperfect, I do not claim that it would be impossible to improve the General Agreement, and especially its implementation. It has in fact been in a process of continuing evolution from its inception. But I do claim that to co-operate and resolve conflicts of interest without an agreed system of rules would in the long term be impossible, for great powers as for small. Ad hoc bilateral and sectoral arrangements cannot by definition perform the essential function of a system of law, which is to provide order and predictability - even when the parties to them are evenly matched. In the end, they must reduce trade policy to regulation through power politics.

6. Unlike normal systems of law, however, the trading system has no real coercive force behind it. It rests on the mutual confidence of governments in their partners' readiness to fulfil their GATT obligations, in letter and in spirit. In the absence of this confidence, resistance to protectionist lobbies becomes exceedingly difficult. We have to break the vicious circle whereby protectionist action by one government serves as a pretext for others to do likewise. The achievements of the past thirty years must not be sacrificed to the illusion that protectionism saves jobs. Countries everywhere are reacting to stagnation and unemployment by trying to reduce imports and expand exports. As we all know, this may be possible for a single country but is obviously impossible for the world's trading nations as a group.

7. The rationale for the basic GATT principles of non-discrimination and open markets is that they make generally available the benefits of economic specialization and economies of scale. In other words, their application creates wealth. They are not invalidated by recession or by intensified competition. Indeed, with the increasing involvement of developing countries in international trade, the potential benefits of the application of these principles will be greatly enlarged. Now more than ever before, we need the trading system to function efficiently and equitably.

8. Unfortunately, protectionist measures are inevitably more visible than resistance to protectionism. I hope it will be one of the achievements of this meeting to make visible the determination of the trading nations to honour their commitment to keep markets open.

9. Only through a collective act at political level can you carry back to traders and investors in your countries the conviction that in the face of the economic crisis governments are prepared to reaffirm and act upon their commitment to the GATT system. And that conviction will be very short-lived unless by their actions over the coming months governments are prepared to put into effect the undertakings they have accepted.

10. I recognize that it is easy enough for me to say these things. But I have been in a position, as Director-General, to appreciate that however exposed and sometimes lonely the position of a Trade Minister may be, all of you face essentially the same problems and share the same need for mutual support. To reinforce this sense of common interest should be a central purpose of this meeting.