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STATEMENT BY THE SWEDISH MINISTER FOR FOREIGN AFFAIRS,
MR. LENNART BODSTRÖM

Allow me to begin by congratulating you to your election as Chairman of this important meeting. I am convinced that your experience in international affairs and the good name of Canada in GATT will be great assets in fulfilling your difficult task. I also trust we shall be able to draw upon the skill and experience of the Secretariat and the leadership of the Director General.

This Ministerial Meeting is being convened at a crucial time for international trade. Protectionist pressures are mounting in many countries as a consequence of growing unemployment and contractionary economic policies. International trade conflicts are multiplying and increasingly often they result in bilateral arrangements to restrict trade outside the framework of GATT. Several countries have taken or are contemplating unilateral measures that restrict trade. The salient feature of current problems is the return of sectorialism and bilateralism.

It has been argued that these problems reflect weaknesses in GATT, but I think this may be a premature conclusion. I would submit to you that the strains on trade relations mainly reflect the grave economic problems with which the international community is struggling. One might even argue that, by and large, the international trading system has so far withstood the strains surprisingly well. But we must recognize that the threat of protectionism will not diminish in the near future and we need to brace ourselves

for what lies ahead. Of course, we will not be able to solve all major problems at this meeting. But we can call for changes in economic policy that are necessary for initiating a recovery. Interest rates must be reduced in order to create the conditions necessary for investment and thus provide governments with the ability to fight unemployment. More expansive and concerted economic policies in developed countries would also provide a more favourable atmosphere for expansion of trade with developing countries. In the long run it is impossible for the governments of the industrialized countries to withstand demands for protectionist measures unless the present stagnation of the international economy can be remedied. This means that economic policies, primarily in the industrialized countries, will have to be reshaped.

From the outset, Sweden has considered as a basic purpose of this Ministerial Meeting to reaffirm our commitment to free trade and to strengthen the GATT mechanism as a means to resist protectionism. We must restore the confidence in the international environment in which business has to operate by means of a clear cut commitment to the rule of law in international trade and a pledge to make use of the GATT for the resolution of trade conflicts. A mere reaffirmation is however not enough. It has to be accompanied by substantive decisions and in particular on the use of safeguard measures.

The task of negotiating a comprehensive agreement on safeguards has been with us for some time. My Government deeply regrets that efforts to conclude an agreement before this Ministerial Meeting have failed. If we continue to fail much longer, the safeguards clause will run the risk of becoming obsolete. This would accelerate the erosion of multilateral discipline. An agreement on safeguards, providing improved discipline and transparency for all

measures taken for safeguard purposes, should remain a top priority for ministers at this meeting. Such an agreement would, however, be of little value if a large proportion of restrictive measures were to remain outside the legal framework of GATT. I hope that this meeting will be able to decide on procedures that can promote transparency on grey zone measures already in effect.

Developing countries have come to play an important and growing role in international trade, offering a unique opportunity for trade expansion. The trade relationship between industrialized and developing countries has too long been characterized by mutual recriminations, which stem from different perceptions of what should constitute the balance between rights and obligations in GATT for countries at different levels of development. My Government is particularly concerned about the risk that governments may resort to dealing with these problems outside the multilateral framework. That is why we would like to see some kind of multilateral process in GATT to deal with the basic problem, which is that of removing impediments to north-south trade.

Some countries have already proposed that a round of negotiations on market access be initiated in GATT at this Ministerial. Discussions so far indicate that we need to reflect further on the scope and timing of a possible multilateral process for solving these complicated problems. We would therefore suggest that this meeting decides to initiate a process of consultations in order to determine whether there is enough negotiable substance for negotiations of some kind at a later stage. Such consultations should not prejudice the position of any participant with regard to possible negotiations. Regardless of the prospects for a multilateral procedure of this nature, GATT will have to examine what further steps can be taken in

order to improve market access, particularly for the least developed countries. More advanced developing countries, which are now emerging as highly successful competitors on international markets, should be encouraged to take on greater responsibilities within the multilateral trading system.

I have now touched upon a number of issues that call for our urgent attention if the credibility of GATT is to be maintained. But it is equally important that we try to prepare ourselves for trade problems that are emerging as the result of profound changes in modern society. Services are already of greater economic importance in many countries than the production of goods. This trend is likely to accelerate and will also have a considerable impact on trade. A substantial share of international trade takes place within transnational corporations and this factor, too, is bound to affect patterns of trade. Another factor that will greatly affect international trade is the revolution in technology, which has already led to profound changes in systems of communication and production.

GATT is perhaps not the appropriate forum for dealing with all of these new developments in a comprehensive fashion, but their potential impact on trade makes it necessary for us to focus our attention on at least some of them. My Government attributes particular importance to problems that relate to trade in services, which we think warrant the attention of GATT as a matter of priority. We are aware of the complexities of these problems, but they will be even more difficult to deal with if we fail to take action now. This meeting should initiate a process to define the problems without prejudging what could be the future role of GATT in this field.

I have emphasized the necessity to resist protectionist pressures. I should like to add that this task would be greatly facilitated if we could convince our home constituencies that all trading partners are competing on reasonable terms. For example, it is a form of unfair competition if a production process, which in one country is regarded as being highly hazardous for employees and therefore is forbidden, should be transferred to another country and perhaps give the latter country a competitive edge. The discussions within the ILO on the so-called Minimum Labour Standards should be seen in this context. My Government attributes great importance to these efforts.

It is only by means of close cooperation in a spirit of goodwill in international fora like the GATT that we can turn the tide. It is in that sense we have welcomed this Ministerial Meeting and attach great importance to the declaration to be adopted, even though we recognize that the success of this meeting will be measured not only in the language of the Ministerial Declaration, but also in its immediate follow up.

May I conclude by expressing the firm commitment of my Government to the principles and purposes of GATT. For a small country like Sweden, which is extremely dependent on foreign trade, the defence of the open trading system is a matter of economic survival. Other countries may be less dependent on foreign trade, but all countries depend on one another when it comes to dealing with the profound economic problems of today. It will take more than free trade policies to resolve the international economic crisis, but it will be an impossible task if we fail to resist protectionism, individually and collectively.