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A New Mandate for Trade Liberalization

We meet today in the midst of a gathering crisis.

Thirty-five years ago, the GATT was born - the last of the Bretton Woods institutions in an eventful cesarian operation. Its mandate was to preside over a decisive move towards a more liberal trade environment.

Thirty-five years later, the GATT presides - if it presides at all - over a world trade environment which has become more and more protected with each passing decade and where its heroic attempts at tariff reductions through seven successive rounds of negotiations have managed to cover less than 15 per cent of the total world trade.

To be fair, these thirty years have seen substantial transformation in world trade. The volume of world trade has expanded tenfold. World exports have increased by an annual average of over 11 per cent, with exports of newly industrializing countries growing even faster. And the nominal mandate of GATT has been enlarged as its membership increased from twenty-three to eighty-eight, accounting for over four fifths of world merchandise trade.

Yet the real mandate of GATT has shrunk, mortgaged to the shrinking goodwill of the powerful trading nations. And the overall picture of world trade has become increasingly disturbing.

During the same period, the share of non-oil developing countries in world trade has been halved, from one fifth in 1950 to one tenth in 1980. The primary commodity prices have reached their lowest level in fifty years. The world trade last year has shrunk for the first time during GATT's existence. The instruments of protection have multiplied beyond recognition, bearing an eloquent testimony to the ingenuity of nations bent on their self-defeating effort of improving their economic prospects at the expense of other nations. Most nations are turning to the failed bilateralism of the 1920s and 1930s than to the creative multilateralism of the late 1940s. And the nations of the world, whether they care to admit it or not, are trembling uncertainly on the brink of a world-wide depression.

During these thirty-five years, there has been a strange reversal of rôles: the real champions of freer trade are no longer the advanced market economies but the young and vigorous developing countries.

In the prevailing environment, we face two clear-cut options.

We can leave behind some empty declarations; we can routinely invoke the magic of the market place while brazenly practising the policies of protectionism; we can manage to avoid all the real issues through the same skilful diplomacy which has served us so well in the past in engineering a non-dialogue.

Or we can get deadly earnest, for the future of our societies is at stake. We can initiate through this forum a process of long-term trade liberalization, in several measurable steps and in the mutual interest of all nations. Only collective international efforts, not isolated national actions, can lead to a revival of world prosperity.

We must also review the real mandate and the future rôle of the GATT for it serves no purpose to create international institutions, to denude them of their mandate, and then to blame them for the failure. Often, institutions do not fail; it is their members who do. The policeman we created for world trade thirty-five years ago has been robbed of its disciplinary whistle somewhere along the way.

It is in this spirit, that I would like to offer five concrete proposals.

First, we support, as an initial step, a Standstill Agreement under which all countries obligate themselves to avoid imposing any new trade restrictions for its duration. A Standstill Monitoring Committee should be established where any country, or GATT secretariat, could bring possible violations for speedy redress and compensation. As the next and more vital step, an agreement should be reached on a phased roll-back of all existing trade barriers.

Second, let us, on a priority basis, complete the unfinished agenda of the Tokyo Round. In this context, let me state clearly that we shall never accept, nor ever endorse, selectivity and discrimination between nations in completing the "Safeguard System" for that would be to erode the very foundations on which we built this institution thirty-five years ago.

Third, it is time that we end the special discriminatory treatment reserved for textiles and clothing under the Multi-Fibre Arrangement (MFA). The current restrictions, according to a recent study of the Commonwealth Secretariat, are denying about US\$10 billion a year of additional earnings

to the exporting developing countries, some of them among the poorest nations of the world. Why, may we ask, should the trade in textiles and clothing be regarded forever as an orphaned outcast of world trade and why should it not be governed by the GATT principles?

Fourth, there is no justification - no justification whatsoever - to leave out of our purview agricultural protectionism. The costs to developing countries are enormous. And these costs are equally high for developed countries' consumers - estimated at more than \$40 billion a year over a decade ago, and they have risen since. We strongly recommend that agricultural products be included in the next round of trade negotiations.

Fifth, we must launch a new and comprehensive round of trade negotiations, including trade in all products and in all forms, eventually under the umbrella of a new institution with an enlarged mandate and sufficient disciplinary powers, but, in the interim, under the joint auspices of UNCTAD and GATT.

It is also time that we realise the seriousness of the current situation: the present trade restrictions are denying the developing countries additional export earnings of at least \$50 to 60 billion a year, or more than twice the aid inflows from DAC countries. The door of export-led growth through which many developed countries have prospered to their present wealth is now being firmly slammed in the face of the developing nations. And in such an environment of international irresponsibility, the developing countries are still expected to show enough restraint and responsibility to keep paying their debts strictly on schedule while they are being denied the very export earnings with which to pay these debts.

This situation is fraught with many dangers, which are best left unquantified and unsaid. It is time that all countries lecture a little less on the virtues of free trade and practice a little more some of those virtues. We can regard this week in Geneva as an event or as a process. As an event, history will take little note of it. But if we initiate a new process here, we can walk out of these halls with a rare sense of accomplishment.