

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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## STATEMENT BY H.E. MR. CAPRIA, ITALIAN MINISTER OF FOREIGN TRADE

The EEC position has already been described with great clarity, and we share it fully. I now wish to underline some of the main features of the Italian Government's position in conformity with EEC principles.

1. The crisis in international economy is such that its international trade aspects have to be considered under a global viewpoint embracing development and real growth, together with the problems related to the international monetary and financial systems. The international organizations forecasts for a recovery in the economy of the main industrialized countries are systematically adjourned, while the forecasts for slowdowns are always confirmed. The 1982 rate of growth, which OECD had foreseen around 1 per cent, will, at the end of the year, be probably close to zero. Forecasts for 1983, presently indicating a possible growth rate of 2.5 per cent, also risk to prove too optimistic.

Under these circumstances, GATT plays a crucial rôle by way of contributing to the reduction of recourse to protectionistic measures, which might be a wrong and shortsighted answer of some of the countries to the problems of the moment.

EEC, and Italy within it, confirm their trust in an open economy. The Community already exposed data which prove how remarkably open the EEC economy is.

Italy is an example of an "open economy" where imports, noticeably in agriculture and nutrition sectors, as well as in the one of energy, have increased over the past few years; growth possibilities of the country are linked to the capability to export and to convert its industries into the production of higher technological content goods. We have deep-rooted structural reasons to want to strengthen the rôle of the GATT:

The awareness that, far from being an answer to all problems, international trade policy is embodied in a complex framework, does not reduce its importance. Monetary restrictions inside and a protectionistic closure outside, as answers to the growth of the inflation rate and of unemployment, are no way out for industrial economies, neither do they help developing countries on their path of growth. While identifying new "development policies" and new agreement possibilities between complementary countries and geographical areas, we have to look for new ways and means, within GATT regulations.

2. We have to reject all pessimistic attitudes concerning international trade in general and concerning the results of this important Conference in particular. Notwithstanding the uncertainties in the production process and the monetary disorder which have marked the 70s, international trade has kept on developing at a pace which is about twice as fast as the one of production. As a whole, the commitment to keep trade relations open has stood the impact of changes and crises which could have easily upset it.

The present situation is a further commitment to improve the framework of multilateral agreements through general policies as well as through the cautious use of partial agreements. Financial and monetary policies have a main role among general policies. The increase in real interest rates; recession in industrialized countries and the consequent reduction in world demand; the worsening of the terms of trade, these are the reasons hindering indebted countries from honouring their debt service, which is compromising their trust. The danger involved is that of a drastic reduction in international credit, which would make the international demand stagnate even more, without facing the problems of re-balancing and settlement of the borrowers' conditions.

International credit problems and, consequently, the growth of the third world countries and the contribution they will be able to give to the world demand depend largely upon the decisions that will be adopted in the framework of international concertation.

Beyond the necessary financial contributions, a constant and progressive reduction in interest rates in parallel with the reduction of inflation and a recovery in their economies are the best contribution industrialized countries can offer to developing ones in order to put off the risks we indicated and to prevent an interruption in their development process.

3. If we look at the international trade situation in a spirit of realism, we come to the conclusion that a cautious use of bilateral agreements may be not in contradiction with the multilateral framework, but actually help to release its tensions.

Relations between large geo-political areas may, under certain conditions and within the framework of GATT principles, find adequate solutions through ad hoc negotiation mechanism aimed to overcome specific difficulties. This way we can deal with particular distortions avoiding disruptive effects on the general system of our agreements and regulations.

We have to study a means by which we can - with the necessary caution and graduality - face the problems connected with the peculiar evolution of some areas and countries whose new industrialization process make them become meaningful partners in international trade. They can in turn supply a wider contribution to the common action to overcome under-development.

4. The two principles governing our country's commitment as well as that of EEC are: defence of international competition and the opening of new markets on the one side, and development policy with North-South re-balancing on the other. The right dosage for the integration of these two principles has to be searched with great care and attention.

A country like Italy, which has domestic structural problems to face, which call for sectorial as well as territorial re-balancing operations, could never blindly follow illusory neo-monetaristic and laissez-faire strategies.

On the other hand it is the whole industrialized countries' system which has to start a readjustment process of its productive structures compatible with the conditions of the international market.

Among their means, these structural policies cannot exclude an appropriate use of incentive and support measures, in perfect compliance with GATT principles.

A modern, innovating vision is the necessary basis of the stable and efficient effort for a dialogue between North and South.

Development policies agreed upon between North and South have to find in the world trade system a way to spread out growth effects, to warrant the transfer of technology, to substantiate the widely accepted concept of responsibility on the part of developing countries in the harmonious development process of international economy.