

URUGUAY ROUND

OF MULTILATERAL TRADE NEGOTIATIONS

NUR 067
27 September 1993

STATEMENT BY PETER D. SUTHERLAND, DIRECTOR-GENERAL OF GATT, TO THE INTERIM COMMITTEE OF THE INTERNATIONAL MONETARY FUND

Washington, D.C., 26 September 1993

Rarely has the contrast between opportunities and risks in the conduct of international economic relations been as clear as it is today. On one hand, widespread political change and economic reform have combined to give us a chance to expand growth and employment within a much-extended field of multilateral cooperation. On the other, insecurities resulting from recession and the uncertainties emerging in the post-Cold War era have provoked fears that could turn many countries and regions inward upon themselves.

To grasp the opportunities and reduce global tensions and insecurity requires a renewal of our commitment to multilateral economic cooperation. That is the only way to increase confidence, to stimulate investment, to achieve non-inflationary growth and to expand employment. Unfortunately, no one country represented here can act in isolation to achieve those objectives.

In today's global economy, policies relating to money, finance and trade have become inextricably linked. Stability and confidence in world money and financial markets is necessary for sustainable economic expansion and trade. A credible multilateral world trading system, which functions effectively under clear rules, is necessary to support monetary stability and to encourage private capital flows into internationally competitive industries. Job creation is now heavily dependent on confidence and investment in expanding export sectors.

In the industrialized world, economic recovery has been fragile. As the IMF's *Annual Report* puts it: the upturn has been below expectations and characterised by "a persistence of low or negative growth in most countries, together with high levels of unemployment and continuing structural impediments to growth." And while there are positive developments in some developing-country regions, there is a need to consolidate these results and to achieve a better balance in economic performance worldwide.

Recent international experience confirms that trade is where we should look for recovery. Trade has consistently been the leading edge of the world economy, moderating the global slowdown since 1989. In 1990-91, export growth provided almost all the growth there was in an otherwise stagnant US economy. Likewise in 1992, exports from Western Europe grew much faster than output. Liberalization and economic reforms, some requiring difficult structural and social adjustments, have also greatly stimulated growth and trade in a number of developing-country regions. Latin America provides a striking example.

The Uruguay Round offers the chance to recreate growth opportunities by injecting new dynamism into the international trading system. A significant gain in global income would result not only from freer trade in industrial and agricultural goods but also in services, including financial services. The impact on business confidence of improved trade rules and relaxation of trade tensions would be enormous.

A crucial trade synergy is now possible for industrialized and developing countries alike. A significant reduction in trade barriers, for example, in agricultural products and textiles, would considerably increase developing-country export earnings. And developing countries, which have the fastest growing economies and the greatest reserves of unfulfilled demand, are where the best growth prospects of the industrialized countries are increasingly to be found. Success will also give renewed hope to the emerging democracies in Central and Eastern Europe and consolidate the outward-looking policies which have recently been pursued by so many developing countries.

The Uruguay Round is now in its final phase. All trading partners accept that we must conclude by the deadline of 15 December. The process in which we are engaged is the only chance we are likely to have for a long time to forge a trade agreement which will be truly global, both in its substantive content and geographical scope. Completion of the Round is a clear test of leadership - one of the most important and urgent issues facing governments today.

The global benefits of the Round are widely recognized. Financial markets increasingly perceive the link between conclusion of the Round and economic recovery - success will buoy confidence and stimulate investment, failure will constitute a significant setback and give rise to uncertainty and instability. At successive Economic Summits, leaders of the world's industrialized economies have reaffirmed that expanding trade is crucial to resuming growth. Despite all this, we still find governments failing to do what they know they must do.

Sometimes those advocating protectionism present themselves as the defenders of jobs. Yet history has proven time and again that it is not the internationally uncompetitive domestic industries, artificially kept alive by government subsidies and protection, that provide new jobs. These are certainly not the future job creators for the now almost 40 million unemployed in OECD countries.

Protected industries do not provide long-term job stability nor do they create the revenues to pay attractive wages. Inward-oriented development strategies in developing countries do not work either.

We should ask ourselves how long the optimism stemming from the recent signs of tenuous economic recovery would hold up if investors were to see business confidence sapped by a failure of the Uruguay Round. How would investors react when heightened protectionism and mounting trade conflicts destroy the earning power of competitive industries?

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Finance ministers are often required to arbitrate among sectional interests that lay claim to scarce resources. In that process, you are called upon to make an evaluation of the overall common interests at stake. During the current phase of the Uruguay Round it will be necessary for all governments to make such an evaluation. Negotiators must have the flexibility to conclude deals that general economic welfare require.

December 15 is the agreed deadline for the deals to be done. I can see no possibility whatsoever of another chance.

A successful conclusion to the Round is the most effective immediate action that can be taken to build confidence and to achieve a recovery in global investment, production and employment.

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