

**NEWS
OF THE**

URUGUAY ROUND

OF MULTILATERAL TRADE NEGOTIATIONS

NUR 070
20 October 1993

COUNTDOWN FOR THE URUGUAY ROUND

Address by Peter Sutherland to the
Forum de l'Expansion, Paris,
19 October 1993

I

Ladies and Gentlemen, few of you could have missed yesterday evening's television pictures of politicians, trade unionists, industrialists, farmers visiting Matignon to talk with the Prime Minister about the GATT. It was an extraordinary event, reflecting an extraordinary debate. I do not think anything similar has happened in any other capital in the world.

I believe the French should be congratulated for having such a debate. It seems to touch on fundamentals of national life, identity and change in a manner which is both profound and precise. It reflects the fact that in a democratic state, people do have choices - and most importantly, they have a choice and a say in the kind of world they want for their children.

It is undeniable that the GATT and the Uruguay Round are about change. On one hand, the GATT has succeeded over the past forty years in bringing trade and economic growth because it promoted a process of industrial change which, because people could see plainly the benefits, was accepted. On the other hand, the Uruguay Round is about the changes that have, in any event, taken place in the world economy over the past two decades and is a preparation for the change which will take place in the years to come.

It has to be said clearly, the GATT and the Uruguay Round are not a threat to French farming nor French culture, nor French identity. If change is coming; then it is coming in many countries, not only here. The multilateral trade negotiations are crucial because that change needs to be harnessed and encouraged against the background of reasonable multilateral rules and disciplines. Without the GATT, the change will take place anyway but the law of the jungle will prevail. Like it or not, your companies now operate in a global, not simply a European, economy. You have a choice. You can thrive in an open global economy with effective and fair rules on trade and investment, services and intellectual property, or, if we fail in Geneva, you can stifle to death in an over-protected European Community. GATT exists to ensure that change is positive, outward-looking, job-creating. The alternative is inward-looking, xenophobic and protectionist change which will lose jobs, raise prices, create tensions and ultimately threaten international security.

Thus, the debate is to be welcomed. It is healthy and important. But participants in the debate should be careful not to confuse cause and effect. The GATT is an effect - and a necessary one - not a cause of developments taking place at the most fundamental levels of national life. Above all, it should be a debate reflecting national confidence and commercial and cultural strength; not one which suggests to those outside that France fears the future and no longer believes in itself.

II

The Uruguay Round negotiations have less than sixty days to run. The challenge of bringing them to a successful conclusion in that short time is a difficult one, but it is not impossible. It is certain, though, that there is no more time for delay or procedural manoeuvring. There is a deadline which is very real, and important issues need to be resolved before we can claim an overall success. To achieve this success we certainly need political will - and political courage - from leaders of the key countries; but, just as importantly, leadership must be translated into immediate practical effect on the negotiating table.

A breakthrough is most urgently needed in the market access negotiations on goods, the package of reciprocal tariff cuts and market opening measures among all the participants which is the cornerstone of the whole Round. This is where much of the immediate boost to trade and growth will come from, and so the size of the Market Access package will determine the approach many participants - especially developing countries - take on the remaining issues in other areas. This is why we must have a big result on market access, and why we must have it well in advance of 15 December - participants have agreed that in fact 15 November is the effective deadline for this sector.

So in reality the countdown is more like 30 than 60 days. If we cannot put the market access package together in that time the outlook for the Round as a whole is bleak. This was the package that the Quad agreement in Tokyo appeared to have advanced significantly, but I have to say that progress since then has been inadequate. The Quad countries - but especially the US and the EC - bear a major responsibility. The world now awaits new and urgent moves by the United States and the European Community in the hope that they will demonstrate leadership. If their negotiators cannot make rapid and substantial progress, Quad Ministers should meet urgently to work out a deal before it is too late. The Quad countries must agree on how to give full effect to the Tokyo agreement among themselves, and integrate it usefully into the multilateral negotiation by extending it to sectors of export interest to other countries. The time to do so is now. Other participants need to see what the Quad comes

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up with. They all have a responsibility to fulfil, but the push that is needed to move the whole process can only come from the Quad countries.

Every day they fail to give it increases the risk that the Round will fail. What would such a failure mean? It is time to deal firmly with the idea that the Round is some kind of optional extra that the world could well live without. It would not - could not - be "business as usual".

III

If the Round fails it is no exaggeration to say that the world will face serious disturbances in the economic and political climate. Anyone who thinks things will continue as they are now is deluding themselves, they will deteriorate. And is the status quo so desirable anyhow? In most industrial countries about the only indicator that's moving upwards is the unemployment roll, and there is a noticeable lack of viable policy options to correct the situation. Plus on the international scene the status quo is one of half-resolved or unresolved trade disputes simmering in the background and a lot more being held off by the Round - a failure in the Round would be like a damburst.

- a flood of trade disputes

"Trade war" may be an overworked and overwrought phrase, but you can count on at least some bloody battles if the Round fails. Europe has been in the front line of these before. No sector of the European economy would be insulated against the fallout. Who can afford this? No amount of rhetoric will lessen the real pain of job losses and difficulties for her companies if a prolonged trade war breaks out.

- the economic cost

The economic cost, is more than just an opportunity cost. How many other opportunities does Europe - and the rest of the world - have to boost growth in a sustainable and non-inflationary way? The internal market is not enough. Europe is involved with the rest of the world through trade and to limit this involvement - or any chance to expand it - is to limit its own possibilities. The fastest growing markets for EEC exports are in developing countries and in the newly-open economies to your East. 45% of the Community's exports go to developing countries - a much larger share than to North America and Japan put together. These exports grew by an average of more than 10% from 1990 to 1992. In 1992 Central and Eastern Europe and the former USSR expanded their trade with Western Europe by more than 20% in value - with a balance in Western Europe's favour. Without the stimulus the Round will give to these economies they will not be able to expand - or even sustain - this demand.

- the employment cost

At a time when Community average unemployment is 10 and a half per cent and rising, we cannot afford to neglect the chance the Round offers to open up new jobs in export sectors; nor to prejudice existing export-dependent jobs. The number of jobs in the four EC G7 countries - UK, France, Germany, Italy - directly supported by exports to third countries is of the order of 7 million. And this excludes jobs in services

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industries. In the G7 countries, each extra \$1 billion in exports is estimated to create roughly 19,000 new jobs. If countries try to preserve jobs in uncompetitive industries by using trade barriers, they will do so at the cost of jobs in the efficient export sectors. It is worth noting that the cost to consumers of protecting a single job through restrictive trade measures has been calculated to be, on average, seven times the wage associated with the job. And it is doubtful whether efforts to protect uncompetitive industries and their jobs can succeed more than temporarily. Alternatively, countries can accept that trade liberalization can stimulate inefficient industries to become more competitive and also create jobs in more efficient export industries, where wages are typically higher.

- the political and security costs

Europe would not avoid political damage, external and internal. Internally I need not dwell on the extra strains a Uruguay Round failure would impose on the Community's cohesion. Externally, you ought particularly to worry about what failure would mean for your poorer neighbours. The countries of Central and Eastern Europe, the ex-Soviet republics, the Mediterranean rim - fragile economies and potentially explosive politics on your doorstep. Even those not directly participating in the Round would be hit by the negative message failure would send them about their hopes of finding a place in the world economy. The same holds true for developing countries elsewhere. All the development finance, all the technical assistance Europe is giving these countries, could be money wasted if they don't have better opportunities to build their economies through trade. You can't afford to let their end of the boat sink.

IV

These risks are very real. But the benefits the Round offers are just as real. They deserve to be better understood. I find it surprising that the GATT debate in this country so often has a defensive tone, when for France trade is a success story. In 1991-93 trade in goods and services made a larger net contribution to GDP growth in France than in any other G7 country except Japan. It accounted for 80% of growth in 1992, adding 1% to GDP. Even with a recent downturn in exports, France has continued to show a positive trade balance. Trade is therefore one of the strong points of the French economy and a major source of employment. Surely it is something to build on, not put at risk.

Take the example of trade in services. This is already the fastest-growing area of world trade, and will be possibly the major growth area of the future for developed countries. 65-70% of the workforce in OECD countries is in the services sector, and on a net basis every new job in OECD countries in the past decade has been created in the services sector. Yet future prospects for growth are clouded by the lack of any internationally-agreed rules in this sector. This leaves it open for arbitrary and protectionist measures to block access to new markets.

The General Agreement on Trade in Services (GATS) will do for services trade what the GATT did for merchandise trade in the immediate postwar decades. It sets out new rules and disciplines, and it is backed by initial liberalization commitments which will give immediate tangible market access benefits. 80 countries have now made offers containing such commitments - this covers over 90%

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of world trade in services. All commercially-traded services, from banking and insurance to transport, telecommunications, construction and consultancy, potentially come under the umbrella of the GATS. On a world-scale this commercial activity dwarfs the value of merchandise trade.

It is difficult to exaggerate the importance of the GATS to the future of the French economy. This is a sector which contributes 65 per cent of France's GNP, where France is the world's second largest exporter, and where it had a net trade surplus of about 10 billion francs last year.

These figures make it clear that the French services sector is highly competitive on world markets. It is better placed than many others to take advantage of improved access to fast-growing markets and to pursue its expansion on the basis of clear and agreed rules.

All this is very close to being a reality. A revised text of the GATS is on the table, with a high degree of acceptance from participants. There is a tremendous international momentum behind the services agreement. As the negotiations have progressed, more and more countries have become convinced of their importance, particularly some developing countries who were sceptical at the outset. Over sixty developing countries have now tabled services offers - including all the major ones, the growth markets of the future for European exporters.

On audiovisual services, I do not intend to say much on the specific dispute between participants, since I think the negotiators need to be given every chance to resolve their differences. But it is worth emphasizing two points that I made in a recent statement, simply on what the services agreement does and does not provide for in this area:

- first, nothing in the agreement envisages the deregulation - let alone the total deregulation - of any service sector;
- and second, there is nothing which imposes any limits on government funding for audio-visual projects.

I would also like to underline the gains for the audio-visual industry from other parts of the Uruguay Round package - in particular the agreement on intellectual property rights. This will give global copyright protection - for the first time - to film-makers, musicians and other creative people.

In fact the intellectual property agreement as a whole is an item of good news that is getting less attention than it deserves. It brings major advances in the protection of intellectual property rights into both goods and services.

As one of the principal countries generating intellectual property, France will be one of the main beneficiaries of this agreement. Some of the main specific benefits are:

- **Repression of counterfeiting:** France, with its luxury products industries and prestigious brand names, is perhaps the single most important source of trademarks and designs that are counterfeited. The intellectual property agreement will lay down the first set of multilateral rules about the procedures and remedies that countries must set up to prevent counterfeiting.

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It will also, for the first time in a multilateral treaty, ensure adequate basic trademark and industrial design rights.

- **Appellations of origin**: French exports of wines and spirits, virtually all identified by appellations of origin, are as valuable as French exports of cereals (and do not benefit from export subsidies). The intellectual property agreement provides special protection for such geographical indications and constitutes the first truly multilateral recognition of the importance of their protection. It will, in particular, prevent any further French appellations from becoming treated as generic terms in export markets. It also commits countries to negotiate on a case-by-case basis about appellations presently considered generic in their territories. (Chablis, Champagne and Sauternes, for example)
- **Copyright and related rights**: The high reputation of French culture means that French works are frequently pirated. The TRIPs Agreement will add to existing international norms in a number of important respects and will make international standards, existing ones and new ones, more enforceable.
- **High technology industries** will benefit from the very considerable advance in international norms contained in the TRIPs provisions on patents and trade secrets.

Furthermore, in an area where discriminatory bilateral deals and unilateral sanctions are a major concern, this agreement will enforce the basic GATT principle of non-discrimination and increase disciplines on the use of such sanctions.

In the Market Access area, tariff elimination deals in pharmaceuticals and scientific and medical equipment are within reach, as is harmonization of tariffs on chemicals, and tariff elimination is also possible on ceramics and glassware. All are export sectors in which French industry is highly competitive, and they are also significant employers. But many other industries will benefit from major cuts in tariffs and, particularly, from the reductions of high tariff peaks which have been maintained in certain markets - and, especially, one or two developed-country markets.

Even in agriculture the picture is much less monochrome than some people think. Perhaps this is because the discussion centres so much on unprocessed or basic products. Yet an area where France is a world leader - processed and branded foodstuffs and beverages - stands to make considerable gains from trade liberalization in the Uruguay Round.

The "agro-alimentaire" sector is one of the main export growth prospects for the future, in France and in Europe as a whole. But the key to this is better access to markets which are at present highly protected, for example in the Far East. The Uruguay Round not only promises lower - even zero - tariffs on these items, it will reduce or eliminate so-called technical barriers and other protectionist measures which, for example, discriminate against imports of Cognac in favour of local spirits.

For agriculture in general, the Round offers a return to sustainable markets. With greater market opening, world prices should become more stable at higher levels. Of all the member states of the Community, France has the greatest ability to remain competitive in global markets at a reduced level of subsidy. And a renewal of the relationship between demand and supply should provide a more

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predictable framework for investment by farmers while avoiding the tragic waste of producing for stockpiles.

Lastly, let me say something about the multilateral system itself. France has taken a lead in calling for improvements in the system to restrict the unilateral use of trade sanctions by major trading powers. It has accordingly supported the proposal which is on the table for the establishment of a Multilateral Trade Organization with broader responsibilities than the existing GATT structure. I think the chances of acceptance of this proposal will be strongly influenced by the quality of the results obtained in other areas of the negotiation. It is therefore clearly in the interests of all who want an equitable and effective multilateral system of trade rules to ensure that the level of ambition of the overall package is maintained or increased.

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If my purpose was just to redress the balance of perceptions about where France's - and Europe's - specific interests lie in the Round I could stop here. But this is a global negotiation, and it will be a key determinant in the future of the global economy. To see it in essentially transatlantic, or at most tri-polar terms, is a grave mistake. It is to ignore how much Europe's and France's, economic prospects are linked with those of the wider world. It is also to ignore how much the wider world needs improved trading opportunities for its sake and yours.

Some people still try to disguise protectionism as concern for developing countries, whom they somehow imagine to be content with a status quo of dependency, debt and insecurity. This just does not fit the facts. In the real world, 116 countries are participating in the Round and the vast majority of them are developing countries. In the goods sector, comprehensive market access offers have been received so far from 61 countries, including the most populous developing countries and a further 20-odd - all from developing countries - are near to completion. The offers on the table so far cover more than 98% of world merchandise trade. These offers are the concrete and detailed expression of these countries' practical commitment to the negotiation.

It is a commitment that they have left in no doubt. At the World Bank/IMF meetings last month it was reaffirmed by minister after minister from countries at every level of development. The Rio Group (representing the whole of Latin America) ASEAN, the Cairns Group - all have made it clear in recent statements that the successful completion of the Round, as a whole, by 15 December is essential to their prospects of achieving sustainable economic growth through expanding trade.

They have also made it clear that they hold the major industrialized countries largely responsible for the delays in the Round.

The developed countries owe it to them to take notice, and by doing so they will also help themselves. This point holds also for Central and Eastern Europe and the former Soviet Union.

For them deregulating their economies and dismantling trade barriers is a great leap of faith. These countries have taken to heart the message that an open economy is essential for an open society, and are putting it into practice more consistently than some established democracies.

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Seventy-two countries have undertaken autonomous measures of trade liberalization since 1986. They have done so in the expectation that their courageous efforts will find a response in the developed countries which urged reform on them for so long. So far this response has been disappointing, at least in terms of opportunities to trade. Poland's outgoing Prime Minister made it clear recently that Western protectionism was a major factor threatening economic - and political - progress in her country.

The time has come for decisive action to reject the protectionist fallacy. If the world's leaders miss the chance to complete the Uruguay Round, they let the protectionists win by default. These negotiations are not just an issue in domestic politics - they are a turning point for the world economy. Let us turn, together, in the right direction.

Ladies and Gentlemen, world leaders have their role, but so also do you. Many in this room may feel - even despite the chronically high levels of plant closures and unemployment here and elsewhere in Europe - rather comfortable, given your very privileged place within the European Community. If it exists, that sense of comfort is misplaced. I hope you will not continue to believe privately in the importance of GATT while being too embarrassed to stand up and defend it in public. The business sector should bring a little more force and a little more frankness to the debate in the coming weeks. They will be difficult and dangerous weeks. But the value of a success is unarguable.

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