

European Community

NEWS

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Sir Roy Denman, director general of external relations for the European Community, will speak today at the Mid-Atlantic Club in Washington, D.C., on multilateral trade negotiations and the implications of the current Tokyo Round talks for international trade and world peace. A text of his speech follows:

I want to talk to you today about an international negotiation. It is one which is not very well known. It is the Cinderella of the international dealing world. To begin with, it is complex and detailed. It deals with things like ad valorem conversions and ex post facto transparencies which no honest citizen need really have heard of. And it deals with trade. As everyone in the United States knows, trade is fine when it means exporting, but imports can often raise hell. So why should the United States worry - as the largest and richest country in the world - about the small proportion of its national wealth which is accounted for by international trade when other countries are incomparably more affected.

Let me tell you why the Tokyo Round is important, not just for those like you who are interested and have some knowledge of foreign affairs, but for every citizen in every town and every farm of the United States.

Let me begin with a piece of the American past. Forty-four years ago the United States Congress passed the Reciprocal Trade Agreements Act. It did so because a great democratic Secretary of State, Cordell Hull, believed that cutting trade barriers - and the world was as full of them then as an autumn wood of leaves - was the best way of avoiding wars and ensuring peace.

With that Act as a basis, the Administration of Franklin Roosevelt, with all the courage of a lonely rider on a dangerous road, started the long haul of cutting trade barriers between the nations. They could not stop a war. So in the short run Cordell Hull was wrong. But in the long run he was right. Trade liberalization survived as an idea. It was seized upon in 1944 by the planners of the post war world and embodied in 1947 in the GATT - one of the first fruits of US/European cooperation in the post-war age - it played a major part in the greatest upsurge of prosperity in the recorded history of the world.

The Tokyo Round is the latest and the biggest of the trade negotiations since 1947 which opened up an age of post-war prosperity. For eighteen months argument has raged one way and the other And now it is time in these negotiations to stop horsing around. For the next thirty days will decide whether these negotiations succeed or fail.

What happens if these negotiations fail? If they fail, the consequences will reach wide and far. Very few who deal with trade policy in the capitals of the world would doubt that the flood gates of protectionism would be opened. We would face a world-wide recession which could be as terrible as that of 1931. Some of you here may remember how that looked like here. Because fortress America was not immune. Those were the days when between 12 and 13 million Americans were on the streets out of work. The days of "brother can you spare a dime". When an American President said that the only thing you had to fear was fear itself. You had one blessing. The institutions and the Constitution of the United States held. But as the plague of recession and unemployment and poverty travelled across the world, it was not just firms that went bust, some governments followed. In Germany a government came to power with banners on the streets and torches in the night. The consequences left scars on the world which we live with today.

But what happens if these negotiations succeed? Beyond setting the world on a course of peace and prosperity, they are fundamentally about two things. The first is a programme for cutting trade barriers which would open up, on the basis of a joint, hard fought, and balanced bargain, the major markets of the world to the exporters of the others. It would mean cheaper

goods in the shops. But equally it means bigger opportunities for employment in the plants which will ship out the goods to other markets. It should mean a cut in industrial tariffs of not far off one third, if one takes the United States and the Community but spread for ease of adjustment over 8 years from 1980 with a break clause along the way if the weather gets too bad.

Secondly, it means bringing the rules of the GATT into line with the requirements of the 1980's. Let me take a moment to spell out some examples of just what this would mean.

First, the United States would come in line with GATT and accept that material injury or its threat have to be demonstrated before action can be taken on imports. In return it means that a code will have been hammered out by which America's trading partners - as well as the United States - will have to exercise restraint on internal subsidies which could affect international trade.

Second, it means a code of government procurement which will guarantee a square deal to American exporters and to foreign firms who bid for public procurement programmes in the United States.

Third, it means a code of standards which will prevent governments trying to sneak in technical tricks to replace tariff barriers as these come down.

Fourth, it means a code on customs valuation which will guarantee an on the level deal from customs officers throughout the world when goods are valued at the docks or at the frontier.

Fifth, it means that safeguard action could be taken to deal with the causes of import disruption without clobbering simultaneously every exporter throughout the world - but checks and balances in particular a tough screening panel - which would mean a fair deal for the exporting country.

Of course tariffs and bringing up to date the GATT are not the whole story - farm exporters - not just in the mid-West but throughout the world also need a fair deal. We hope that the commodity arrangements on grains and meat and dairy products now under negotiation in Geneva will meet that requirement. And specific access arrangements for certain agricultural commodities and a general undertaking on agricultural and export subsidies need also to be part of the package.

Last, but very much not least, the developing countries need to feel that they too have got a slice of the action. We in the Community and the United States have spent a lot of time trying to bring this horse along. It means a contribution from the richer of the developing countries as well. But together they must have a feeling that they are in on the act if the GATT - and the rule of law for world trade - is not going to burst apart.

Mr Chairman, I have outlined today a very big programme. But the consequences of failure are very big too. If we fail the world faces a recession on the scale of 1931 and the consequences will reach into every home in the land. If we win, the world will be set on an upward course and the American dream will survive.

Can we do it? A historic responsibility rests here with the negotiators of the United States and the European Community. You have got a tough team. If anyone has made any money out of Bob Strauss I would like to meet him and shake him warmly by the hand because I think he must be as easily findable as the unicorn. We try our best too. But we cannot afford to fail.

Bismark once said that one of his aims throughout his life was to keep the telegraph line open to St. Petersburg. Our job is to keep the telegraph line open between Washington and Brussels. The next thirty days will show whether it holds or breaks. But I have sufficient faith in the institutions of the Republic and of our European Communities to know that we shall not fail. It is with that hope and confidence, that I leave Washington today.