

SPEECH DELIVERED BY MR. GASTON THORN,

PRESIDENT OF THE COMMISSION OF THE EUROPEAN COMMUNITIES.

"REFLECTIONS ON WORLD TRADE POLICIES IN THE LIGHT OF  
THE FORTHCOMING GATT MINISTERIAL MEETING"

Swiss-American Chamber of Commerce,

Zürich, 22 October 1982

LADIES AND GENTLEMEN,

FIRST OF ALL, MAY I SAY HOW GLAD I AM TO BE WITH YOU TODAY, TO TALK ABOUT WORLD TRADE POLICIES.

I REALISE THAT YOU PROBABLY EXPECTED ME TO TALK ABOUT EUROPE'S RELATIONS WITH THE UNITED STATES AND JAPAN, SINCE THAT

WAS THE ORIGINAL TITLE OF MY LECTURE TODAY. HOWEVER, I FEEL THAT TALKING TO THE SWISS-AMERICAN CHAMBER OF COMMERCE, THAT IS TO SAY TO REPRESENTATIVES OF THE COMMUNITY'S FIRST TWO TRADING PARTNERS, I HAD TO WIDEN THE CIRCLE OF MY REFLEXIONS, AND TO ENCOMPASS TRADE PROBLEMS AT LARGE. I AM ALSO ACUTELY CONSCIOUS OF THE FACT THAT WORLD TRADE MINISTERS ARE TO MEET IN GENEVA IN A LITTLE OVER A MONTH'S TIME. FOR THIS REASON I SHALL NOT ATTEMPT TODAY TO DEAL COMPREHENSIVELY WITH ALL ASPECTS OF WORLD TRADE,

*check against delivery*

LEAVING OUT, FOR EXAMPLE, SUCH IMPORTANT SUBJECTS AS EAST-WEST TRADE, ENERGY TRADE, OR NORTH-SOUTH TRADE QUESTIONS IN PARTICULAR. WHAT I SHALL TRY TO DO INSTEAD IS TO PRESENT SOME REFLEXIONS ON THE MULTILATERAL FRAMEWORK WITHIN WHICH THE GREAT BULK OF WORLD TRADE TAKES PLACE - MORE AS AN INCENTIVE TO DISCUSSION THAN AS A DEFINITIVE COMMUNITY POSITION FOR GENEVA.

WHEN THE FORTHCOMING GATT MINISTERIAL MEETING WAS FIRST PLANNED IN MID-1981 IT WAS EXPECTED - TOO OPTIMISTICALLY IT NOW APPEARS - THAT THE ECONOMIC CLIMATE WOULD HAVE IMPROVED BY THE AUTUMN OF 1982, THAT THE TRADING NATIONS COULD THEN NOTE WITH SATISFACTION THAT THEY HAD GONE THROUGH THE WORST RECESSION SINCE THE WAR WITHOUT GREAT DAMAGE TO THE TRADING SYSTEM AND DECIDE TO TAKE STEPS TO REINFORCE AND MODERNISE IT. AT THE OUTSET OF WHAT WAS EXPECTED TO BE A NEW UPSWING IN WORLD ECONOMIC

ACTIVITY IT WAS TO BE A SIGNAL ANNOUNCING A NEW PERIOD OF EXPANSION OF TRADE.

THE FACT THAT THE ECONOMIC CLIMATE HAS REMAINED SOMBRE SINCE THOSE PLANS WERE FIRST LAID CAN ONLY SERVE TO UNDERLINE THE IMPORTANCE OF THE MEETING. IT WILL NOT BE TAKING PLACE DURING AN ECONOMIC RECESSION WHICH WE ALL HOPE WILL SOON GIVE WAY TO RENEWED GROWTH IN THE NEAR FUTURE, BUT IT WOULD BE A BRAVE MAN WHO WOULD PREDICATE THE POLICIES ADVOCATED ON SUCH A FORECAST. THE OPTIMISTS HAVE BEEN PROVED TOO OFTEN WRONG

IN RECENT YEARS.

THE ECONOMIC CONTEXT IN WHICH WE ARE GATHERED HERE TODAY IS PROFOUNDLY DISTURBING. I CANNOT REMEMBER A PREVIOUS PERIOD IN WHICH MAJOR INDUSTRIAL SECTORS SUCH AS STEEL OR PETROCHEMICALS HAD HALF THEIR PRODUCTIVE CAPACITY LYING IDLE, AND YET WE ARE CONFRONTED WITH SUCH STATISTICS MORE AND MORE OFTEN.

WORLD MANUFACTURING PRODUCTION ROSE BY A MEAGRE 1 % IN 1981, THE 1982 FIGURE IS LIKELY TO BE WORSE. THE GROWTH OF WORLD TRADE HAS COME TO A HALT, STAGNATION IS THE ORDER OF THE DAY.

AND WORST OF ALL, THE PRICE WHICH ARE PAYING FOR THIS STAGNATION IS INCREASING INEXORABLY. THE UNEMPLOYMENT RATE IN INDUSTRIAL COUNTRIES WAS 6 % IN 1980. IT ROSE TO 7 % IN 1981, AND HAD REACHED 8 % BY THE MIDDLE OF THIS YEAR. IN THE EUROPEAN COMMUNITY THE COMPARABLE FIGURE IS 9,4 % FOR THIS YEAR AND WE EXPECT THE 10 % MARK TO BE PASSED BEFORE THE END OF 1983. THE DRYNESS OF THOSE FIGURES SHOULD NOT BLIND US TO WHAT THEY MEAN IN TERMS OF INDIVIDUAL HUMAN DISTRESS AND OF STRAINS IN THE

FABRIC OF OUR DEMOCRATIC SOCIETIES. AND THE LINK BETWEEN RISING UNEMPLOYMENT AND INCREASINGLY VOCAL CALLS FOR PROTECTIONIST MEASURES IS ONE TO WHICH I WILL RETURN LATER.

IN ONE AREA AT LEAST, ECONOMIC POLICY IN THE WESTERN WORLD HAS HAD, HOWEVER, SOME MODEST SUCCESS. THE INFLATION RATE IN THE INDUSTRIALISED COUNTRIES FELL FROM AN AVERAGE OF 13 % IN 1980 TO 11 1/2 % IN 1981 AND HAS CONTINUED TO FALL SINCE. IN SOME COUNTRIES SUCH AS THE UNITED KINGDOM AND THE UNITED STATES THE RECENT

SUCCESSSES OF ANTI-INFLATIONARY POLICY COULD ALMOST BE CALLED SPECTACULAR, AND IN THE EUROPEAN COMMUNITY AS A WHOLE WE ARE EXPECTING THIS POSITIVE TREND TO CONTINUE, WITH AN AVERAGE RATE OF 10,6 % THIS YEAR FALLING TO 8,8 % NEXT YEAR.

BUT, WITHOUT TAKING A POSITION IN THE ACADEMIC BATTLE STILL RAGING BETWEEN MONETARISTS AND THEIR OPPONENTS, ONE CAN HARDLY AVOID SEEING THE LINK BETWEEN THE POLICIES WHICH HAVE DAMPENED INFLATION IN OUR COUNTRIES AND THE HISTORICALLY HIGH RATES OF REAL INTEREST PREVAILING IN WORLD MARKETS IN THE LAST FEW YEARS.

THE PAIN OF DISINFLATION IS CONSIDERABLE AND THE STRAIN PUT UPON THE WORLD MONETARY SYSTEM AS A RESULT OF THOSE HIGH INTEREST RATES AND OF THE ACCUMULATED BALANCE OF PAYMENTS DEFICITS OF SOME COUNTRIES AFTER THE OIL PRICE SHOCKS OF 1973 AND 1979 IS WELL-KNOWN TO YOU ALL.

THE RECENT GATT STUDY ON "PROSPECTS FOR INTERNATIONAL TRADE" CONTAINS THE FOLLOWING PASSAGE : "...THE FACT THAT ECONOMIC LIFE UNFOLDS IN WHAT APPEARS AS A CONTINUOUS SERIES OF CONTINGENCIES CANNOT JUSTIFY A CONTINUING RELIANCE ON AD HOC EXPEDIENTS."

AND IT GOES ON TO CONCLUDE - AND I WOULD AGREE - THAT :  
"A STRATEGY BASED ON GENERAL PRINCIPLES, NOT A SERIES OF SHORT-  
RUN TACTICS, IS NEEDED TO LEAD THE WORLD ECONOMY OUT OF ITS  
PRESENT IMPASSE".

WHAT GENERAL PRINCIPLES CAN BE EXTRACTED FROM AN ANALYSIS  
OF RECENT ECONOMIC DEVELOPMENTS ? WHAT GENERAL CONCLUSION WOULD  
WE DRAW ?

FIRSTLY, I WOULD SUGGEST THAT, AS WE LOOK BACK AT THE  
DEVELOPMENT OF ENERGY PRICES, WITH TWO SUDDEN JUMPS INTERRUPTING  
PERIODS OF DECLINE IN REAL TERMS, AT THE DOUBLE-FIGURE

INFLATION RATES WHICH HAVE BEEN REACHED IN SO MANY DEVELOPED  
ECONOMIES, AT THE SEE-SAW OF EXCHANGE RATES, OFTEN INEXPLICABLE  
IN TERMS OF CHANGING RELATIVE COMPETITIVITY, AT THE MAJOR CHANGES  
WHICH HAVE HIT INTEREST RATES, THE PICTURE WHICH EMERGES IS OF  
UNCERTAINTY - UNCERTAINTY FOR ALL ECONOMIC OPERATORS, AND  
PARTICULAR UNCERTAINTY FOR THOSE ENGAGED OR THINKING OF ENGAGING  
IN INTERNATIONAL TRADE.

SECONDLY, AND I THINK OF MORE RELEVANCE FOR US HERE TODAY,  
I WOULD DRAW THE CONCLUSION THAT IN THIS EXTREMELY COMPLEX AND  
DIFFICULT SITUATION IT IS NOT SURPRISING THAT THE WORLD TRADING

SYSTEM HAS BEEN UNDER STRAIN OF LATE. BUT UP TILL NOW IT HAS HELD, AND WE SHOULD BE VERY CAREFUL BEFORE PRONOUNCING ITS OBITUARY AND CONSIGNING IT TO THE DUSTBIN OF HISTORY. NOR IS IT OUR VIEW IN THE COMMUNITY THAT FAILURES OF COMMERCIAL POLICY HAVE BEEN A MAJOR CONTRIBUTORY CAUSE TO OUR PRESENT ECONOMIC MALAISE. WE SEE THE STAGNATION IN WORLD TRADE RATHER AS A RESULT OF THE OVERALL ECONOMIC SITUATION.

TAKING THE LONGER VIEW, AS I AM SURE WE MUST, I WOULD JUST LIKE TO RECALL THE MAJOR STEPS TAKEN IN GATT WHICH HAVE CONTRIBUTED

SO MUCH TO THE ENORMOUS EXPANSION OF WORLD TRADE WHICH HAS BEEN SUCH A FEATURE OF OUR POST-WAR PROSPERITY.

THE SITUATION OVER THIRTY YEARS AGO WHEN 23 COUNTRIES ORIGINALLY CONCLUDED THE GENERAL AGREEMENT WAS A JUNGLE OF BILATERAL TRADE RESTRICTIONS WITH TARIFF LEVELS AT SUCH A HEIGHT THAT TRADE HAD LITTLE CHANCE TO DEVELOP FREELY.

SUCCESSIVE ROUNDS OF TARIFF CUTS - THE DILLON ROUND, THE KENNEDY ROUND, AND THE TOKYO ROUND ENDED IN 1979 - THE ACCEPTANCE OF THE MOST-FAVOURLED-NATION CLAUSE AS A BASIC PRINCIPLE OF TRADE POLICY, AND THE EXPANSION OF THE ORIGINAL MEMBERSHIP



TO EMBRACE 87 COUNTRIES, WITH MORE THAN ANOTHER 30 APPLYING GATT RULES DE FACTO, HAVE LED TO AN OPEN TRADING SYSTEM WITHIN WHICH MORE THAN FOUR-FIFTHS OF WORLD TRADE TAKES PLACE. THIS SYSTEM REMOVES UNCERTAINTIES FOR TRADE PARTNERS BECAUSE IT IS BASED ON THE RULE OF LAW.

ON THE WHOLE, WE SEE THE GATT SYSTEM IN THE COMMUNITY AS A CONSTRUCTION WHICH HAS SHOWN ITS WORTH IN THE PAST AND SHOULD BE CONSERVED, AND REINFORCED WHERE NECESSARY, IN THE FUTURE. BUT AT A TIME OF SO MANY UNCERTAINTIES AND DANGERS INHERENT IN

THE WORLD ECONOMY AND BEFORE WE HAVE FULLY DIGESTED THE MAJOR CHANGES AGREED THREE YEARS AGO, I DO NOT SEE THE MOMENT AS PROPITIOUS FOR MAJOR GESTURES, FOR THE ADOPTION OF NEW AMBITIOUS GOALS, EVEN FOR A NEW ROUND OF NEGOTIATIONS, AND I DO NOT SEE THESE AS EMERGING IN GENEVA NEXT MONTH.

BUT LET ME TURN NOW FROM THE OVERALL ECONOMIC FRAMEWORK AND FROM THE HISTORY OF TRADE POLICY TO THE CURRENT WORLD TRADE SITUATION.

THERE IS MUCH TALK OF PROTECTIONISM, BITTER WORDS HAVE BEEN EXCHANGED IN RECENT MONTHS BETWEEN THE COMMUNITY AND SOME OF HER TRADING PARTNERS. WHERE DO WE STAND AT PRESENT ? FIRST OF ALL, LET THERE BE NO DOUBT AS TO THE COMMUNITY'S BELIEF IN THE BENEFITS OF A LIBERAL WORLD TRADING SYSTEM. AS THE WORLD'S MAJOR TRADING PARTNER, WE ARE COMMITTED TO IT, WE HAVE NO CHOICE. BUT LET US BE FRANK. NO-ONE IS IMMUNE TO THE DISEASE OF PROTECTIONISM, NOT EVEN THE COMMUNITY. THE COMMISSION IS SUBJECT TO A CONSTANT BARRAGE OF DEMANDS FROM

OUR FARMERS, OUR INDUSTRIALISTS, AND SOMETIMES OUR GOVERNMENTS, TO INTRODUCE PROTECTIONIST MEASURES AT OUR FRONTIERS AND IT IS NOT ALWAYS EASY TO CONVINCING OUR CITIZENS OF THE BOOMERANG EFFECTS THESE COULD HAVE IN OUR INTERDEPENDANT WORLD.

BUT ON THE OTHER HAND, WE CANNOT AFFORD ANY ILLUSIONS EITHER ABOUT OUR IDEALS NOR ABOUT THE POLITICAL CONSTRAINTS WITHIN WE HAVE TO OPERATE WITHIN THE COMMUNITY.

AS COMMISSION PRESIDENT I BELIEVE IN THE GOAL OF FREE TRADE VERY MUCH AS I BELIEVE IN EUROPEAN UNION, AS A VISION AND SO AN IDEAL TOWARDS WHICH WE WOULD PROGRESS.

BUT LET US BE REALISTIC, TOO. AT A MOMENT WHEN THE NUMBER OF UNEMPLOYED WITHIN THE COMMUNITY IS APPROACHING 12 MILLION NO GOVERNMENT CAN AFFORD TO IGNORE THE IMMEDIATE INTERESTS OF EMPLOYEES IN THOSE SECTORS OF OUR INDUSTRY WHICH ARE STRUGGLING IN THE RACE FOR INTERNATIONAL COMPETITIVITY. IN OUR DEMOCRATIC SYSTEM THIS WOULD BE A RECIPE FOR DEFEAT AT THE NEXT ELECTION AND A REVERSAL OF POLICY. NOR CAN WE IGNORE THE BURDEN TO NATIONAL BUDGETS OF UNEMPLOYMENT COSTS WHICH HAVE TO BE COVERED BY TAXATION OR BORROWING, WHICH THEMSELVES INHIBIT GROWTH

IN EMPLOYMENT OPPORTUNITIES. NOR CAN WE ACT AS IF WORLD TRADE FUNCTIONED LIKE A THEORITICAL MODEL IN WHICH PERFECT COMPETITION AND THE FREE PLAY OF COMPARATIVE ADVANTAGE WERE THE ORDER OF THE DAY. IT DOES NOT. LET ME EXPLAIN WHAT I MEAN.

THE THEORY OF THE BENEFITS OF FREE TRADE IS BASED ON THE PREMISE OF COMPETITION BETWEEN EQUALS ACCORDING TO A UNIFORM SET OF RULES. STANDING HERE TODAY IN ZURICH I WILL TAKE THE OPPORTUNITY TO SAY THAT JUST SUCH A SITUATION SEEMS TO ME TO EXIST WITHIN OUR EC/EFTA FREE TRADE ZONE. THE COUNTRIES WITHIN THIS ZONE CARRY OUT VERY NEARLY TWO-THIRDS OF ALL THEIR TRADE WITH EACH OTHER.

THIS HAS BEEN COMPATIBLE WITH INCREASING AFFLUENCE FOR A SMALL COUNTRY LIKE SWITZERLAND, DESPITE THE FACT THAT IT IMPORTS AS MANY MANUFACTURED GOODS AS JAPAN.

SO FREE TRADE AMONG THE COUNTRIES OF WESTERN EUROPE FUNCTIONS. BUT IT DOES SO PARTLY BECAUSE ALL THESE COUNTRIES HAVE SIMILAR MIXED ECONOMIES AND A SIMILAR ATTITUDE TO TRADE. WE ARE ALL BASICALLY COMPETING ON AN EQUAL FOOTING AND PLAYING THE SAME GAME. A SIMILAR SITUATION PREVAILS IN TRADE ACCROSS THE ATLANTIC, ALTHOUGH WITH RESERVATIONS TO WHICH I WILL RETURN.

BUT DOES IT PREVAIL VIS-A-VIS JAPAN, OR VIS-A-VIS THE NEWLY INDUSTRIALISING COUNTRIES ?

LET US TAKE THE CASE OF JAPAN. THE EUROPEAN COMMUNITY HAS INTRODUCED A FORMAL COMPLAINT UNDER GATT PROCEDURES WHICH SAYS, IN ESSENCE, THAT THE COMMUNITY HAS NOT RECEIVED THE BENEFITS WHICH IT WAS ENTITLED TO EXPECT AS A RESULT OF PAST NEGOTIATIONS FOR LIBERALISATION OF TRADE WITH JAPAN. THE REASON IS SIMPLY THAT THE JAPANESE ECONOMY DISPLAYS A NUMBER OF FEATURES WHICH ARE PECULIAR TO IT. FURTHERMORE, JAPANESE INDUSTRY IS DOMINATED BY A SMALL NUMBER OF EXTREMELY LARGE BUSINESS GROUPINS WHICH

HAVE MANY CROSS LINKS AND OPERATE IN ALL THE MAJOR SECTORS OF ECONOMY. JAPANESE INDUSTRY IS ALSO CHARACTERISED BY SECTORAL OLIGOPOLIES, IN WHICH MAJOR ENTERPRISES ARE VERTICALLY AFFILIATED WITH SMALL AND MEDIUM FIRMS IN A MORE EXCLUSIVE MANNER THAN IN OTHER INDUSTRIALISED COUNTRIES.

THE NET RESULT OF THESE AND MANY OTHER FACTORS, IS THAT THE JAPANESE ECONOMY DISPLAYS A GREAT RESISTANCE IN PRACTICE TO IMPORTS OF MANUFACTURED PRODUCTS. THESE STRUCTURAL DIFFERENCES MEAN

THAT THE RESULT OF LIBERALISED TRADE BETWEEN JAPAN AND ITS TRADING PARTNERS IS NOT THE "RECIPROCAL AND MUTUALLY ADVANTAGEOUS ARRANGEMENTS" TO WHICH THE GATT PREAMBLE REFERS AND ON WHICH THE IDEAL OF FREE TRADE IS BASED.

OUR DISCUSSIONS WITH THE JAPANESE UNDER ARTICLE XXIII :1 OF THE GATT HAVE NOT BEEN CONCLUSIVE SO FAR ; THIS HAS LED THE COMMISSION ONLY TWO DAYS AGO TO REAFFIRM<sup>OUR</sup>/DETERMINATION TO MAKE USE OF ALL POSSIBILITIES OFFERED BY GATT FOR SOME PROGRESS TO BE MADE ON THE ROAD TOWARDS A MORE BALANCED FLOW OF TRADE BETWEEN EUROPE AND JAPAN. I HOPE I CAN CONVINCED OUR MEMBER STATES TO SHOW THE SAME DETERMINATION IN THEIR RELATIONS WITH OUR JAPANESE PARTNER.

IF WE HAVE DOUBTS ABOUT WHETHER, IN THE PRESENT SITUATION, THE MUTUAL BENEFITS WHICH SHOULD RESULT FROM FREE TRADE ARE FULLY AVAILABLE IN THE CASE OF JAPAN, WE ALSO HAVE THEM ABOUT THE LONGER TERM WHERE THE NICs ARE CONCERNED. THE COMMUNITY HAS ALWAYS BEEN THE FIRST TO CONCEDE THAT DEVELOPING COUNTRIES SHOULD BE THE SUBJECT OF PARTICULARLY BENEFICIAL TRADING ARRANGEMENTS. OUR SYSTEM OF GENERALISED PREFERENCES IS AMPLE EVIDENCE OF THIS.

IN THE FORTH COMING GATT MEETING, THE COMMUNITY WILL ALSO BE COMMITTED TO INCREASING THE LDC'S PARTICIPATION IN THE BENEFITS OF OPEN TRADE. THIS IS IN OUR OWN INTEREST. AFTER ALL, LET US NOT FORGET THAT SOME 40 % OF THE LDC'S TRADE IS WITH THE COMMUNITY.

OF COURSE, THE LDC'S INDIVIDUAL SITUATIONS VARY GREATLY. IN THIS REGARD, SPECIAL CONSIDERATION IS DUE TO THE NEEDS OF THE LEAST DEVELOPED COUNTRIES ; ON THE OTHER HAND, AS SOON AS A DEVELOPING COUNTRY HAS DEVELOPED THE COMPETITIVE MUSCLE TO BE

AN EQUAL PARTNER ON WORLD MARKETS THE QUESTION ARISES WHETHER IT SHOULD CONTINUE TO RECEIVE THE SAME PRIVILEGES AS OTHER COUNTRIES WHOSE NEED IS GREATER. IN THE LONGER TERM THE NICs MUST BE PREPARED TO DEMONSTRATE THEIR COMMITMENT TO THE GATT SYSTEM BY ASSUMING AN INCREASING SHARE OF RESPONSIBILITY WITHIN IT.

TO CONCLUDE THESE REMARKS ABOUT PLAYING THE GAME BY THE RULES, LET ME SAY ONE OR TWO WORDS ABOUT OUR PROBLEMS WITH THE UNITED STATES. BUT BEFORE I DO SO LET ME SAY STRAIGHTAWAY THAT

THEY HAVE BEEN EXACERBATED BY THE RECESSION ON BOTH SIDES OF THE ATLANTIC. THE ECONOMIC PROBLEMS CONCERNED WERE ALMOST INEVITABLE. IT IS THE POLICY REACTION TO THEM IN WASHINGTON WHICH HAS DISMAYED ME. PRESIDENT REAGAN'S DECISIONS IN CONNECTION WITH THE SOVIET PIPELINE ARE DECISIONS TAKEN WITHOUT CONSULTATION WITH HIS ALLIES AND AGAINST THEIR INTERESTS.



AS FAR AS AGRICULTURE IS CONCERNED, AMBASSADOR BROCK, THE US SPECIAL TRADE REPRESENTATIVE, HAS MADE IT QUITE CLEAR THAT WHEREAS THE US WOULD ACCEPT GATT DISPUTE SETTLEMENT RESULTS WHICH WERE IN ITS FAVOUR, IT WOULD SEEK TO CHANGE GATT RULES IF IT WERE NOT. "HEADS I WIN, TAILS YOU LOSE" IS NOT A GOOD MOTTO TO BRANDISH IF YOU WISH SOMEONE TO PLAY A GAME WITH YOU.

AGRICULTURE IS CLEARLY GOING TO BE A CRUCIAL TOPIC FOR THE NOVEMBER MEETING. BUT LET US BE QUITE CLEAR ABOUT THIS : THE COMMUNITY IS NOT GOING TO SIT BACK AND LISTEN WHILE ITS CAP

IS BEING CRITICISED AS BEING OVERPROTECTIONIST. IT IS CERTAINLY ~~TRUE~~ THAT IN EUROPE WE ATTACH GREAT IMPORTANCE TO SECURE FOOD SUPPLIES, AND SO WE DO TRY TO PROTECT OUR AGRICULTURE - PARTICULARLY AGAINST SEVERE, OFTEN SPECULATIVE FLUCTUATIONS ON WORLD MARKETS.

BUT EUROPE'S SYSTEM OF LEVIES, REFUNDS AND COMMUNITY PREFERENCES HAS NOT PREVENTED IT FROM BECOMING THE WORLD'S LARGEST IMPORTER OF AGRICULTURAL PRODUCE. THE COMMUNITY TAKES A QUARTER OF TOTAL WORLD AGRICULTURAL EXPORTS. IN 1980 WE RAN A MASSIVE \$ 29 BILLION DEFICIT ON AGRICULTURAL TRADE ALONE.

THAT HARDLY SPEAKS FOR PROTECTIONISM ON OUR PART.

IT IS TRUE THAT SUCH THINGS EXIST IN EUROPE. BUT THEY EXIST IN THE UNITED STATES TOO, IN A VARIETY OF FORMS, AND IN TERMS OF THE AGRICULTURAL NET PRODUCT OR POPULATION EMPLOYED, THEIR ORDERS OF MAGNITUDE ARE QUITE COMPARABLE. AND THIS IS DESPITE THE FACT THAT AMERICAN FARMERS WORK UNDER CONDITIONS THAT THE EUROPEAN FARMER CAN ONLY DREAM ABOUT. ONE NEED ONLY COMPARE THE AVERAGE SIZE OF FARMS : OVER 150 HECTARES IN THE USA, AS AGAINST A MERE 18 HECTARES IN EUROPE.

SO, WHILE ACCEPTING TO DISCUSS AGRICULTURE IN THE FORTHCOMING GATT MEETING, WE WOULD HOPE THAT A FULL REVIEW OF THE CURRENT RULES RELATING TO ALL FORMS OF DIRECT AND INDIRECT PROTECTION AND SUPPORT TO AGRICULTURE BE UNDERTAKEN.

AND FINALLY ON STEEL.

THE AGREEMENT THAT HAS EVENTUALLY BEEN REACHED AFTER PROTRACTED TALKS WITH THE AMERICAN ADMINISTRATION AND ALSO AMONG MEMBER STATES GOES A LONG WAY TOWARDS PROVING THAT TRADE DISPUTES CAN BE RESOLVED BY NEGOTIATION, WHEN THERE IS A POLITICAL WILL AS WAS DISPLAYED BY BOTH PARTNERS IN THIS PARTICULAR INSTANCE.

WITH THE INCREASING LIKELIHOOD OF ECONOMIC WARFARE, IT SEEMS TO ME THAT THE GATT CAN PROVIDE THE IDEAL FRAMEWORK FOR THE SETTLEMENT OF TRADE DISPUTES, AND IT WOULD BE NO MEAGER ACHIEVEMENT IF THE NOVEMBER MEETING WOULD RESULT IN IMPROVING THE MECHANISMS FOR SETTLING DISAGREEMENTS BETWEEN TRADE PARTNERS. IN SUM, I WOULD SAY THAT WHILE WE IN THE COMMUNITY BELIEVE IN FREE TRADE, WE ARE VERY CONSCIOUS OF ITS LIMITS UNDER EXISTING CIRCUMSTANCES.

ONE AREA IN WHICH THESE LIMITS HAVE BEEN RECOGNISED FOR MORE THAN TWENTY YEARS IS THAT OF TEXTILES. COTTON TEXTILES TRADE WAS THE SUBJECT OF THREE AGREEMENTS BETWEEN 1961 AND 1973 AND THE THREE VERSIONS OF THE MULTIFIBRE ARRANGEMENT FOLLOWED.

LET US BE QUITE CLEAR THAT THE HISTORY OF THE MFA DISPROVES THE THESIS THAT REGULATED TRADE IS AN EXCUSE TO PREVENT THE NECESSARY RESTRUCTURING OF INDUSTRY IN IMPORTING COUNTRIES, OR THAT IT LEADS TO STAGNATION OF TRADE.

BUT LET US ALSO REMEMBER THAT THE MFA AGREEMENTS WERE NEGOTIATED IN THE GATT FRAMEWORK IN THE FULL LIGHT OF DAY. THE PROLIFERATION OF BILATERAL TRADE RESTRAINT AGREEMENTS OUTSIDE THE GATT IS MORE A RECENT PHENOMEN, OFTEN REFERRED TO AS THE "GREY AREA".

MR. ARTHUR DUNKEL, THE DIRECTOR GENERAL OF GATT, HAS SUMMED UP HIS FEELINGS ABOUT THIS PHENOMEN AS FOLLOWS :

"WHAT IS DISTURBING IN THE PRESENT SITUATION IS THE GROWING DIMENSION OF THE "GREY AREA" IN WHICH RESTRICTIONS ARE IMPOSED WITHOUT LEGAL SANCTION, THE FEELING THAT WE ARE CONFRONTED WITH A GRADUAL EROSION THAT IS EVEN MORE DIFFICULT TO DEAL WITH THAN AN OPEN CRISIS...".

IN THE COMMUNITY WE SHARE THIS PREOCCUPATION. WE SHOULD LIKE TO SEE THIS GREY ZONE ILLUMINATED WITHIN THE GATT AND SUBJECTED TO COMMON DISCIPLINES. BUT WE ARE ALSO OF THE VIEW THAT WE MUST RECOGNISE THE REASONS FOR THE EMERGENCE OF THIS PHENOMENON.

IT SEEMS TO US THAT THESE BILATERAL ARRANGEMENTS SIMPLY REFLECT A TACIT UNDERSTANDING THAT THE LEAST HARMFUL WAY TO DEAL WITH SOME TYPES OF DISRUPTIVE TRADE IS TO APPLY RESTRAINTS TO PARTICULAR BILATERAL TRADE FLOWS, WITHOUT INTERFERING IN THE COMPLEX-WEB OF MULTILATERAL TRADE RELATIONS. IF IT IS IMPORTS FROM ONE MAJOR SUPPLIER WHICH ARE DISRUPTING OUR MARKETS, IT MAY WELL BE POSITIVELY HARMFUL TO RESTRAIN IMPORTS FROM ALL OTHER SUPPLIERS AS WELL. FORMAL RECOGNITION OF THIS BY THE GATT WOULD, IN OUR VIEW, BE A NECESSARY COROLLARY OF THE INTEGRATION OF THE GREY ZONE

INTO THE OFFICIAL FRAMEWORK OF WORLD TRADE AND OF A COMMITMENT NO LONGER TO RESORT TO SUCH MEASURES OUTSIDE OF IT.

IMPORTANT AS SUCH A MOVE WOULD BE, I WOULD NOT WISH TO SUGGEST IT AS A CRITERION FOR JUDGING THE SUCCESS OR FAILURE OF THE GATT MINISTERIAL MEETING. I HAVE MADE NO SECRET OF MY VIEW THAT HIGH EXPECTATIONS OF THAT MEETING ARE LIKELY TO BE DISAPPOINTED.

MUCH ARDUOUS PREPARATION HAS GONE INTO THE MEETING ALREADY, ONE DISCUSSION SUCCEEDS ANOTHER IN GENEVA. SOME SEE THE MEETING AS SIMPLY AN OPPORTUNITY TO REAFFIRM OUR MUTUAL COMMITMENT TO THE TRADING SYSTEM, OTHERS AS AN OPPORTUNITY TO REINFORCE ITS RULES, E.G. IN THE FIELD OF SUBSIDIES OR DISPUTE SETTLEMENT. YET OTHERS, LIKE OUR AMERICAN FRIENDS, WOULD LIKE IT TO EMBARK ON AN EXTENSION OF THE GATT FRAMEWORK TO NEW AREAS SUCH AS INVESTMENT-RELATED TRADE REQUIREMENTS.

I WOULD NOT LIKE TODAY TO FORECAST THE SHAPE OF THE CONSENSUS WHICH WILL EMERGE FROM THIS GATHERING. BUT WHATEVER IT IS, IT WILL NOT BE A MAJOR TURNING POINT ON THE ROAD TOWARDS FREE TRADE, BUT RATHER A SINGLE MILESTONE ALONGSIDE A ROUGH AND STONY PATH. ITS MOST IMPORTANT TASK WILL BE SIMPLY TO RESTORE OUR CONFIDENCE IN EACH OTHER'S COMMITMENT TO TREADING THAT PATH TOGETHER. IT WILL NOT BE A MOMENT FOR RECRIMINATION BUT FOR A REAFFIRMATION OF FAITH.

THE LATE PRESIDENT KENNEDY, TALKING ABOUT THE REVIVAL OF ECONOMIC ACTIVITY, SAID THAT A RISING TIDE LIFTS ALL BOATS.

I SEE OUR COUNTRIES NOW AS BOATS IN HARBOUR, WAITING FOR THE STORM TO SUBSIDE AND THE TIDE TO TURN. THIS IS NOT THE MOMENT TO ALLOW SQUABBLES TO BREAK OUT BETWEEN THE CREWS. IF THE WAITING IS DIFFICULT, LET US TRY EVEN HARDER TO MAINTAIN OUR STRENGTH OF PURPOSE. FOR, SURELY, THE TIDE WILL TURN.

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DESTINATAIRES :

DELEGATION WASHINGTON - SIR ROY DENMAN (TRANSMIS DE GENEVE)

DG 1 - M. ABBOTT

OBJET : DISCOURS DU PRESIDENT THORN DEVANT LA CHAMBRE DE  
COMMERCE SUISSE-AMERICAINE (ZURICH, 22.10.82)

1. A LA DEMANDE DU PRESIDENT J'AI IMPROVISE UNE CONCLUSION DE NATURE GENERALE POUR COMPLETER LE PROJET DE DISCOURS DU 20 OCTOBRE (REFLECTIONS ON WORLD TRADE POLICIES IN THE LIGHT OF THE FORTHCOMING GATT MINISTERIAL MEETING)
2. VOUS PRIE DE TROUVER CI-APRES LE TEXTE.

TRAN VAN-THINH

1. THE GATT HAS JUST WELCOMED THAILAND AS ITS 88TH MEMBER. THIS EVENT HAS AN EXCEPTIONALLY SYMBOLIC CHARACTER WHEN ONE CONSIDERS THAT THIS DEVELOPING COUNTRY HAS SPENT SEVERAL DECADES HESITATING OVER WHETHER OR NOT TO JOIN THE MULTILATERAL TRADING SYSTEM. THAILAND'S DECISION COMES AT A TIME WHEN THIS WELL TRIED SYSTEM IS SHOWING SIGNS OF WEAKNESS AND NEEDS A NEW LEASE OF LIFE.

2. HOW CAN WE GIVE THE GATT THE NEW IMPETUS WHICH IT NEEDS ? CERTAINLY NOT WITH SOME OF THE UNREALISTIC AND IMPRACTICAL IDEAS WHICH HAVE BEEN FLOATED AROUND THE WORLD OF LATE : IDEAS SUCH AS A 'STANDSTILL'.

SUCH AN IDEA WAS NEVER REALISTIC EVEN WHEN WE ALL HAD EXPANDING ECONOMIES., THE PRESENT ECONOMIC CRISIS RENDERS IT IMPOSSIBLE. WOULD ANY RESPONSIBLE GOVERNMENT OR STATESMAN IN THESE DIFFICULT TIMES, GIVE UP THEIR RIGHT TO TAKE ANY MEASURE WHATSOEVER TO SUPPORT THEIR HARD-PRESSED WORKERS ?

3. WORSE STILL , THIS IDEA OF A STANDSTILL HAS ONE BASIC FLAW : IT FREEZES AN UNEQUAL SITUATION AND LEGITIMISES A SERIOUS IMBALANCE UNDER WHICH NOT EVERY COUNTRY HAS UNDERTAKEN A LEVEL OF OBLIGATIONS CORRESPONDING TO ITS DEGREE OF DEVELOPMENT AND PARTICIPATION IN INTERNATIONAL TRADE. (P.M. AUSTRALIA, JAPAN AND, TO A LESSER EXTENT, NIC'S).

4. THE ANSWER IS ELSEWHERE : WHILE THE ECONOMIC CRISIS HAS SPREAD GRADUALLY ACROSS THE WORLD, NATIONAL GOVERNMENTS HAVE REACTED INSTINCTIVELY IN A NATIONALISTIC WAY, REGARDLESS OF THE EFFECTS OF THEIR ACTIONS ON THEIR NEIGHBOURS, ON THEIR TRADING PARTNERS AND ON THE REST OF THE WORLD.

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Global Communications



SUCH CONDUCT HAS ALWAYS BEEN SUICIDAL : THE ONLY POSSIBLE RESPONSE TO SUCH A CRISIS MUST BE COLLECTIVE AND CONCERTED - IN A WORLD OF ECONOMIC INTERDEPENDENCE ANY OTHER RESPONSE WILL FALL SHORT OF REAL SUCCESS.

5. IN SUCH A SITUATION, THE MAJOR TRADING PARTNERS HAVE A DECISIVE ROLE TO PLAY. IF THEY ARE UNABLE TO RESOLVE THEIR BILATERAL TRADING DIFFERENCES, WHAT HOPE CAN WE HAVE FOR THE MULTILATERAL TRADING SYSTEM ? ANY ESCALATION OF THE TENSIONS BETWEEN THEM WILL HAVE SERIOUS REPERCUSSIONS ON THE REST OF THE WORLD AND THREATEN THE VERY FOUNDATIONS OF THE GATT. THIS IS THE REAL CHALLENGE WHICH WE FACE TODAY - A CHALLENGE WE MUST MEET AND OVERCOME.

6. ALL THESE WARNINGS CONTAIN A MESSAGE OF HOPE, AN ACT OF FAITH EVEN, IN THE GATT, THE EMBODIMENT OF THE MULTILATERAL TRADING SYSTEM.  
LET US BE ABSOLUTELY CLEAR : THERE IS NO FUTURE OUTSIDE THE MULTILATERAL TRADING SYSTEM.

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