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THE URUGUAY ROUND: JUST AS IMPORTANT AS NAFTA

EXTRACTS OF A SPEECH BY EC COMMISSION VICE-PRESIDENT SIR LEON BRITTAN TO THE LUSO-AMERICAN DEVELOPMENT FOUNDATION, LISBON, OCTOBER 18, 1993 ENTITLED "EC-US ECONOMIC RELATIONS IN A CHANGING WORLD"

"Externally the US has identified a number of policy priorities: first of all completing the NAFTA Treaty, due to be voted in Congress quite shortly; secondly and I hope just as important, the completion of the Uruguay Round. Thirdly, the promulgation of a new approach to foreign policy which was described by Anthony Lake, the National Security adviser as a shift from a 'doctrine of containment' to the new strategy of 'enlargement of the world's free community of market economies'.

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Let me say a word on the state of the Uruguay Round negotiations as I see it.

There is no doubt in my mind that an agreement can be reached by December 15. But the time to wrap up a number of complex issues is now very limited. We will only accomplish what is needed in the time if we all show a real sense of urgency, and do not hold back, waiting for others to move. The end-game must start now.

In order to shift the process forward and to demonstrate the Community's full intention of complying with the Tokyo G7 Quad market access deal I am circulating the Community's offer on goods today in Geneva to all the member states and our trading partners. This is an exemplary, illustrative offer and of course conditional on similar efforts being made by the Community's major trading partners. But it will show just how the Community plans to cut the bulk of its tariff peaks by 50 percent and reduce other tariffs on average by 33 percent, quite apart from those tariffs which we specifically agreed in Tokyo to eliminate altogether.

In this way we will demonstrate to the world our readiness to implement the Tokyo agreement in a full hearted way. That agreement rightly focused very particularly on the highest tariffs, for it is these that are usually the biggest barriers of all to trade. That is why the EC, US, Canada and Japan agreed that our objective should be to cut tariffs of 15 percent and above by 50 percent, except where there were agreed exceptions. It has been disappointing to us that some of our trading partners have so far not been able to show their readiness to implement this approach and demonstrate how they propose to do so. As time is short, we believe that the moment has now come for us to show the way and that is why we are today setting out the manner in which we propose to do so.

The tariff peaks are to be found particularly in the area of textiles and clothing. Here we are all agreed that the Multifiber Agreement (MFA) should be gradually phased out, that trading disciplines should be accepted where they have hitherto been lacking, and the developing countries for their part should open their markets to our products. How can we expect them to do so if the developed countries are not prepared to reduce their own high tariffs in this sector across the board?

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In the Community we are fully aware of the crucial importance of the textile negotiations for the Portuguese economy and it is reasonable to ask the United States to live up to its Tokyo objectives just as Japan must be ready to lower its barriers to the import of such items as leather and processed food. In other areas of the negotiations, there has been some improvement in the services schedules, with audiovisual, marine and financial services remaining the outstanding problems. All, however, with the necessary political will, are resolvable.

With regard to steel and aircraft, the negotiations are still not making sufficient progress, although the number of issues in dispute has been narrowed down.

With regard to agriculture, neither the EC nor the US seeks to renegotiate Blair House, but the Community is seeking some 'clarification and amplifications', rather like the NAFTA protocols to facilitate parts of its implementation. The political importance to the Community of achieving a reasonable settlement of this issue needs no underlining.

We also have important progress to make in resolving the subsidies and anti-dumping codes issues and ensuring that the creation of a Multilateral Trade Organization (MTO) forms part of the ultimate overall GATT deal.

Nothing bedevils EC-US economic relations more than the subsidy issue. In agriculture, aircraft, steel and in the general definition of actionable and non-actionable subsidies, Europe and the United States have not really found common ground since the end of World War II. The EC's systems of government tend to favor more direct forms of subsidy (e.g. price support, program support, regional or social aids). In the US however, subsidies are more indirect perhaps in the forms of income support, research and development assistance through the NASA budgets or pensions cover for Chapter 11 bankruptcy cases. Resolving this issue lies at the core of many of the most difficult EC-US trade disputes.

Secondly, with regard to the MTO, the Community believes that strengthening the GATT system through the creation of the Multilateral Trade Organization is an essential aim of the Uruguay Round. This view is shared by the vast majority of those participating in the Uruguay Round negotiations.

The creation of an efficient, fair and binding disputes settlement mechanism, rather than the unrestrained use of a unilateral interpretation of trade law, should be an objective shared by all who believe in the rule of law and do not think that trade disputes should be resolved on the basis of who has the greatest muscle.

Professor Bhagwati of Columbia University has recently written: '...When America decides unilaterally that a foreign trading practice is unacceptable and threatens to close its markets disregarding its own GATT commitments - the rule of law has been replaced by the law of the jungle. What could be more unfair? When the strong use economic power in that way, politics rather than markets govern trade ...'

There are many other trade issues currently on the agenda - some bilateral such as car taxation, tobacco legislation, and a plethora of new US initiatives on conditional national treatment that require careful and sensitive handling. But they are manageable; deals can be done, for example, on public procurement we have made good progress this year in resolving a long standing festering trade dispute.

Finally there are powerful reasons for the EC and US to cooperate on the future trade issues - such as trade and the environment, trade and competition, and also on how to deal with dual-use goods. Standards for new technologies is another area now coming to the fore. I am glad to say that there have already been significant preparatory EC-US bilateral contacts in these areas.

Let us never forget that there is a far greater degree of common interest than divergence between the European Community and the United States.

In the Uruguay Round we have similar objectives on market access, intellectual property, services, anti-dumping, TRIMs and ensuring a fair and equitable contribution from all the world's leading trading nations.

Outside trade our similar strong belief in democracy and human rights transcends and cements mutual trust and friendship. Although the world is getting smaller the costs of non-cooperation are getting much larger. This is being increasingly recognized on both sides of the Atlantic.

The European approach to EC-US relations has been characterized as a debate between 'the traditional Atlanticists', the 'passionate Europe-firsters' and the 'undecided moderates'. To me this sounds now a little dated. Are we not being driven by the joint impact of new political and economic forces into new ways of political and economic security cooperation, based first of all on common interests and parallel principles and second on pragmatism and burden sharing? I hope so."

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