

**GENERAL AGREEMENT ON
TARIFFS AND TRADE**

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PERU: STATEMENT BY DR. PEDRO MENENDEZ R., DEPUTY MINISTER FOR TRADE
OF PERU, AT THE MEETING OF THE GATT CONTRACTING PARTIES AT
MINISTERIAL LEVEL, 15-19 SEPTEMBER 1986,
PUNTA DEL ESTE, URUGUAY

1. We have particular pleasure in expressing to the Government and people of Uruguay the gratitude of the Peruvian delegation for the warm hospitality they are offering us and for the efforts they are making to ensure that our work can be efficiently carried out.
2. The holding of this Ministerial meeting of the CONTRACTING PARTIES to the General Agreement on Tariffs and Trade is of profound significance for the developing countries and especially for Peru, because it is for the first time that such a meeting has been held in a developing country, namely Uruguay, a Latin American country whose history has shown it to be a supporter of regional integration.
3. We are glad to see here as Chairman of this meeting His Excellency Don Enrique Iglesias, the Uruguayan Minister for Foreign Affairs; his recognized experience, his personal career in Latin American relations and his ability are the best guarantee that our deliberations will be conducted by way of effective consensus for the common good of all the contracting parties.
4. All those here present are well aware of the importance of this meeting. We have not come here to decide on the opening of a new round of routine negotiations, or to draw up a ministerial declaration or mere good ... We must face our task with an eye to the future, to give a new dimension to the commercial order and to animate GATT with an awareness of development, since it should not remain an isolated forum in the face of our countries' struggle to emerge from under-development. The results we obtain will have important consequences for the coming decades; we trust that they will lead to the more just and equitable economic order we all hope for.
5. Peru, a country suffering from a severe economic crisis that is endangering its development possibilities, the well-being of its people and even its peace and political stability, comes to this meeting in a constructive spirit and with the political will to collaborate in the common effort to stimulate international trade, which is an essential element of economic growth and hence of development, to liberalize trade flows within the framework of GATT, to reverse protectionist trends, and to preserve the integrity and strengthen the provisions of the General Agreement, which is the basis of the multilateral trading system.

6. The system of international trade is in crisis. Bilateral and sectorial agreements are proliferating, as are orderly marketing arrangements, an excess of safeguard measures and abuse of the application of anti-dumping duties. We see a frequent tendency to divide markets between industrialized countries against the interests of developing countries, unilateral departures from the unconditional most-favoured-nation clause and engagement in a war of subsidies, especially in the agricultural sector.

7. As a result, the rôle of GATT as the leader of international trade has been weakened, and multilateralism, its fundamental principle, has given way to the dominance of discriminatory trade measures not contemplated in the General Agreement, taking the form of measures in the grey area and voluntary agreements to limit exports, which restrict market access for our main export products.

8. The world economic recovery shows signs of slowing down and the distribution of its benefits has been very unequal; it has not changed the existing asymmetry between the developing and the industrialized countries. The developing countries continue to suffer unacceptable levels of unemployment and a critical deterioration in the terms of trade, to which must be added the grave problem of external indebtedness.

9. With depressed international trade, a stagnant world economy, continually falling commodity prices, exports of manufactures reduced by trade barriers applied in a discriminatory manner, disruptions of the international monetary system and the reduction of financial flows, the prospects of the developing countries, especially those with debt problems, such as Peru, could not be darker or more discouraging.

10. We in the developing countries consider it urgent to formulate an international economic scheme that will envisage and correct, in reciprocal treatment, the existing inequality of opportunities and resources between the industrialized countries and the developing countries. The greater vulnerability of our economies is largely due to external indebtedness. The satisfaction of our need for capital goods to sustain growth and promote economic development is severely curtailed by the reduction of our export revenue and the heavy burden of debt service.

In this context we wish to emphasize that at the recent summit meeting of the Heads of State and government of the non-aligned movement it was decided that an essential measure for achieving a real solution to the problem of external debt is to limit debt service to a percentage of export revenues consistent with the development needs and economic and social requirements of each country. This solution depends on the developing countries obtaining a substantial increase in access for their exports to

the markets of the developed countries and on those countries giving firm undertakings not to introduce protectionist measures and gradually to eliminate those which are distorting international trade.

11. We wish to stress that the improvements in the field of trade are not in themselves sufficient to promote the growth of the world economy and equitable distribution of its benefits. Parallel co-ordinated efforts and concrete measures are required to bring about a substantial reform of the international monetary and financial system. A firm commitment by the international community is necessary for the achievement of this objective.

12. It was said that the previous round of multilateral trade negotiations, the Tokyo Round which ended in 1979, would lay the foundations for trade development until the end of this century; within a short time the facts have shown that it was not possible to achieve that objective. For the developing countries, the experience of the Tokyo Round has not been satisfactory. The results were far from what we had expected as regards solving our priority trade problems in sectors of capital importance, such as tropical products, agriculture and quantitative restrictions, which were not dealt with appropriately and are still awaiting a solution.

Nor can we avoid recognizing that the negotiations of the Tokyo Round affected the integrity and unity of the General Agreement. The Codes on non-tariff measures have led to a fragmentation of the GATT and a lack of coherence in the operation of the system as a whole.

In 1982 the CONTRACTING PARTIES, meeting at ministerial level in a new effort to support and improve the multilateral trading system for the benefit of all nations, affirmed a basic commitment to oppose protectionism and promote the liberalization and expansion of trade, for which they drew up a programme of work. It soon became evident that the undertakings to conform to the principles and rules of international trade would remain a dead letter, and the programme of work, although modest, has not been carried out.

13. The new multilateral action must not repeat the errors of the past. We must concentrate our efforts on identifying and solving the central problems of international trade, avoiding the fragmentation and erosion of the multilateral system of trade and maintaining the principles and objectives of the General Agreement.

14. The main features of Peru's approach to the negotiations are contained in the draft declaration submitted by ten developing countries. We consider the following to be among the important objectives:

- strengthening of the multilateral trading system and of the disciplines and principles of the General Agreement;
- liberalization of trade in goods and elimination of distortions of such trade, a process which it is necessary to initiate by firm commitments regarding the status quo and the gradual elimination of barriers to trade in goods in order to re-establish the credibility of the system;
- ensuring additional benefits for the international trade of the developing countries, in order to secure a substantial increase in their foreign-exchange income, diversification of their exports and a faster growth rate for their trade, taking account of development needs;
- the making of special concessions to help solve the problems of the countries most affected by the external debt crisis, through the granting of preferential treatment;
- the adoption of measures to secure stable and equitable prices for commodities;
- effective application of the principle of differential and most-favoured treatment contained in Part IV of the General Agreement and in the enabling clause;
- an improved system of safeguards based on the unconditional principle of most-favoured-nation treatment set out in Article I of the General Agreement;
- unconditional application of the Codes adopted in the Tokyo Round and effective enforcement of the decision adopted in 1979;
- improvement of the mechanisms and procedures for the settlement of disputes;
- participation in the negotiations by developing countries which are not members of GATT.

16. We have pointed out that we are in favour of negotiations on trade in goods because we consider that the General Agreement is designed to regulate such trade. Nevertheless, we cannot overlook the fact that some contracting parties are interested in the inclusion of new areas of negotiation.

On this subject I think it pertinent to mention that the Heads of State and government of the non-aligned countries, meeting at Harare a few

days ago, adopted a declaration affirming that GATT has no jurisdiction in the areas of services, intellectual property and investments. At the same time they pointed out that services include a wide variety of heterogeneous economic activities that are closely interrelated with the economic and social structure of each country.

There are already international bodies dealing with specific aspects of the services sector, so that there would seem to be no need for codes or collateral agreements within the framework of GATT.

Also of primary importance is the emphatic declaration by the non-aligned Heads of State that no link should be established between market access for goods from developing countries and the concessions they may make in the area of services, since that would only increase the existing asymmetry in the international economic order.

We are not closing the door to dialogue on that account, however, and are willing to hold discussions in a constructive spirit in order to facilitate a consensus on the launching of a new round of multilateral trade negotiations relating to goods. In this context, we consider that the study of international trade in services can continue and should take account of the need to preserve the motivations of national legislation and the economic, political and social systems of countries.

17. History is pockmarked with lost opportunities and Peru hopes that all here present are aware that the search for prosperity is a joint effort at conciliation by all participants, to which we must devote ourselves to make the negotiations a success.