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TARIFFS AND TRADE

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Trade and money, like investment and employment, have gradually come to be dealt with in different theoretical compartments, with the result that the study of the international economy has become hyper-specialized. Each of these theoretical compartments has been treated as a statistic for the other, but the structural interconnection between them has not been taken into account.

Economists primarily concerned with trade relations between States have predominated in the international field, at least, in the industrialized countries, and financial and monetary problems have not been taken into account.

Any review of the Western European or North American press during the Geneva Ministerial meeting in November 1982, or concerning the economic summits of heads of State of the Group of Seven in 1983 or 1986, would single out protectionism as the greatest danger for future world prosperity, rather than financial and monetary disorder. The trade interpretation of the international crisis has taken precedence over the monetary and financial interpretation.

Professionally, it is easier for professors of economics to explain to students how to understand the depressive effects of trade barriers than the complex process of credit, finance and money. Protectionism is very often a symptom and not the cause of international economic problems. In most cases, the real causes are to be found in the trading environment, in financial and monetary transactions. GATT, the Council, the CONTRACTING PARTIES cannot stay aloof from this.

The work of the Council and the CONTRACTING PARTIES must therefore focus on the trading environment, including monetary and financial aspects in so far as they relate to trade, so that their discussions serve as an "early warning system" for problems affecting the trading system, the operational functioning of the GATT and also the future of the Uruguay Round of multilateral trade negotiations.

We live in a highly fluctuating and volatile financial and monetary environment, of which highly speculative and uncontrollable capital movements are a basic feature. Other factors are variable exchange rates and the upward trend in interest rates, and all this is also related to the outflow of financial resources through debt servicing.

In this financial and monetary environment, it is very difficult to maintain an operational trading system and stable negotiations. This environment can, and does, transform what should be "negotiations" into "disputes".

In conclusion, we would stress that the CONTRACTING PARTIES and the Council should discuss the general trading environment, fundamentally as regards specific measures which contracting parties identify as affecting the multilateral trade negotiations. The aim is to arrive at a symbiotic relationship between the multilateral trade negotiations and operational functioning of GATT, and the improvement of the trading environment - in other words, to seek a financial and monetary environment that is favourable to negotiations rather than disputes. The negotiations and the operational functioning of the GATT should not be considered in vitro, as if in a test tube. We must try to break out from trade provincialism and dare to discuss the financial and monetary aspects that are intimately linked with the multilateral trade negotiations.

The delegation of Peru therefore proposes that for future meetings of the Council and the CONTRACTING PARTIES, the secretariat should prepare background documentation identifying specific monetary and financial aspects of the environment which may affect the trading system and the negotiations, so that they can be discussed.

The Director-General of GATT has already asked that for Council meetings, the secretariat should be authorized to go on "taking risks". Therefore, we believe that the time has come to take this risk and submit documentation on the financial and monetary environment so that specific aspects of it can be discussed in the Council and in the CONTRACTING PARTIES' sessions. This will provide an "early warning", with a view to changing harmful policies, so that the trade negotiations of the Uruguay Round and the operational functioning of the GATT may take place in a financial and monetary environment that is favourable to negotiation.