

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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I would like first of all to congratulate you, Mr. Chairman, on your election, and to thank the Chairman of the Preparatory Committee, the Chairman of the Council of Representatives and the Director-General of GATT for the vast amount of work done to ensure that this meeting is in readiness to fulfil the expectations of all our countries in the face of an economic crisis, devastating in its effect, which we shall only succeed in overcoming by the exercise of an iron political will reflected in the consensus necessary to comply with outstanding multilateral commitments and to agree on concrete measures of international co-operation.

However, the striking diversity of views put forward by the distinguished speakers who have spoken before me has confirmed for us the existence of a whole series of approaches which reflect an incompatibility of views on the balance of rights and obligations prevailing in the multilateral trade system of GATT, which virtually all of us find unsatisfactory, but for reasons which are frequently contradictory.

In the face of this disconcerting outlook, which raises serious doubts as to the feasibility of effective agreements, it may help to explain things if I refer to the problems which have faced a developing country - Peru - as a result of its determination, which still holds good, to adjust its trade policies to the spirit of the GATT rules.

In July 1980, when the Peruvian people found itself able to return to the exercise of representative democracy, we initiated a new stage in the country's economic and trade policy. After more than a decade of rigid trade protection, of market distortion and poor allocation of resources, Peru turned in the direction of a more open type of economy, as a necessary complement to its régime of democracy and unrestricted freedom. We embarked on this road as a basic option with a view to speeding up our development in an environment in which our scarce resources would be used in the most productive manner possible. Thus we proceeded to eliminate rapidly the complex system of non-tariff barriers which was strangling our economy, while at the same time we reduced the excessive level of tariff protection. In doing this, we were fully aware of the protectionist trends gradually building up throughout the world in response to a crisis generated during the previous decade. We knew then, as we know now, that these trends, far from being helpful in overcoming the crisis, were calculated to make it worse. This happened in the past, and it is happening today.

Unfortunately, this tremendous effort by Peru and other developing countries to clean up their economies and their trade has met with difficulties and a lack of understanding on the part of the industrialized nations, which have resorted to new and more sophisticated mechanisms for placing obstacles in the way of trade, either by using so-called voluntary restrictions, or by applying exorbitant countervailing duties or other restrictive measures. In their short-sighted attitude, the industrialized nations have not been content to try to divide the developing world by promoting new categories of countries and offering less to fewer of them; in open contradiction of their free trade principles, they have done injury mainly to those developing countries which have been making efforts hitherto to maintain an open economy. Ignoring solemn international agreements, the developed nations are demanding intolerable commitments which would aggravate the precarious situation inherent in economic underdevelopment.

In spite of its much vaunted liberalism, the United States in its bilateral relations applies protectionist mechanisms even to countries very small in terms of their international trade, and/or exports of little relevance for its domestic consumption, imposing conditions which if accepted would halt exports, or taking unilateral measures of a kind calculated to achieve the same objective. All this implies a unilateral interpretation of the GATT rules and obligations, such as those in Part IV, and a disregard of the differential treatment and the acquired right of the developing countries to grant subsidies as an integral part of their economic development programmes. An evident example of these measures restricting trade is that of the unjustified and disproportionate "countervailing duties" which it is applying to many developing countries, including Peru.

The industrialized nations are applying this type of policy to make the poor countries dismantle their schemes for aiding production and underpinning exports, and they are unwilling to admit that our countries do not resort to subsidizing in the sophisticated manner in which the rich countries do it, but merely offset the disincentives which in developing economies stand in the way of any productive process.

These trends are of particular concern to the developing countries, since they come about in a context of economic depression which the draft Ministerial Declaration does not succeed in diagnosing in all its dramatic reality or in its concrete effects on - for example - levels of unemployment and poverty still subsisting in large sections of the population in developing countries which have achieved high levels of growth in certain sectors of their economies.

It is not merely a matter of a falling-off in productive investment, a reduction in trade and a serious fall in the prices of primary commodities. It seems to us that the nub of the crisis is quite clearly the adverse trend of the financial system and the inflexible relationship between the

problems of external debt and trade. The inadequacy or non-existence of international sources of credit preventing the developing countries from breathing have begun to make inroads into their viability, generating critical situations which, if they go on for any length of time, will inevitably threaten the subsistence of the order on which the international financial system is based.

The magnitude of this situation, which illustrates the interdependence of world economy, calls for priority and concerted attention by all the governments and organizations concerned with international financing and trade.

However, it is not sufficient to recognize once more the hard facts of interdependence as a decisive factor in international economic relations. The real challenge of this Ministerial meeting is that of honouring undertakings calculated to promote parallel national readjustment policies made necessary by the crisis, while at the same time ensuring better and more rational overall use of productive resources, so that instead of penalizing efficiency and productivity we shall help to create higher levels of living, increase in effective demand, and the full use of world resources and increased production and trade, in other words the fulfilment of the basic objectives laid down in the preamble to the General Agreement.

This Ministerial meeting would be a distressing failure if it did not produce at least the solemn undertaking to comply fully with the GATT rules. There is an urgent need for a wide consensus on topics as vital as a multilateral safeguards discipline in keeping with the most-favoured-nation principle; the equitable application of the system of subsidies; the strengthening of the system for the settlement of disputes; and the liberalization of trade and access to markets, especially in the case of products of interest to the developing countries, whether primary products or manufactures and semi-manufactures.

The Government of Peru is firmly determined to abide by this desirable consensus, provided that all the contracting parties comply faithfully with the commitments outstanding within the GATT system, and honour the agreements we hope will be reached at this Ministerial meeting, which is decisive for the evolution of international trade and the development of our countries.