

Our collective economic well-being is closely tied to a strong and liberal trading system. To ensure the system remains strong and credible, we must act on opportunities to strengthen what has been achieved and to build on it.

However, current economic circumstances weigh so heavily that trade policy officials are severely constrained by domestic preoccupations. The key domestic political concern today is jobs. International trade policy has a lot to do with the location of employment and therefore is inextricably linked to domestic realities.

Difficult as their task is, I sometimes look very enviously at our Treasury colleagues. Their policy judgements have profound and significant consequences for the rest of us but their debates are often obscured by discussions on the money supply, velocity rates, liquidity traps and J curves. Very few people out there in the real world understand what they are talking about. Unfortunately trade policy officials do not have that luxury.

Trade problems are much more immediate and understandable. Trade policy officials and politicians will therefore continue to be required to work within the context of today's domestic realities. In order to do so, we must improve our understanding of why the system is under attack.

I am not one of those who believe that we are about to witness an imminent collapse of the system or a massive retreat into the inward-looking policies of the 1930's. We are, I think, wise enough to avoid that. The threat I see is much more insidious - a steady erosion of the trading system - a gradual chipping away at the principles on which the system has been so painstakingly built.

What are the arguments? The first one is that imports are seen to cost jobs in the short run. At a time of record high unemployment, the temptation is strong to look at highly visible imports and fear that they are taking jobs. But what is not so visible is the gain in efficiency achieved through trade and the large element of employment in our societies dependent upon exports for survival.

These sectors often represent the most dynamic elements of our economies and restrictive measures which will only beget further restrictive measures by others can only put these in jeopardy. Trade is not a zero-sum game with winners and losers. With trade, we are all winners.