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GATT AFTER THE TOKYO ROUND

Commercial Policy in the 1980's

Note by the Secretariat

The unstable state of most economies rivets policy attention to current developments. However, economic stability also requires - or requires above all - adequate long-term policy planning. In matters of commercial policy, the need to take a longer view is particularly obvious. It was repeatedly stated in recent years that, were it not for the Multilateral Trade Negotiations, many governments would have been forced to make even greater concessions to protectionist demands. Now the end of the Multilateral Trade Negotiations is in sight while the pressures for protection still continue to mount. The absence of convincing long-term policies encourages them.

Each government giving in to such pressures notes that precedents already exist elsewhere, other governments doing the same. This observation suggests that each government would be strengthened if there existed a shared view on trade policy problems beyond the Tokyo Round and on the most promising ways of approaching them. How shall we continue to resist the tendencies opposed to liberal trade? How shall we maintain an order of trade policy rules conferring rights and obligations on equally sovereign States? How shall we maintain the degree of co-operation which is necessary for sovereign States to be willing to submit themselves to such general rules? If the next session of the CONTRACTING PARTIES could address itself to these long-term issues, and develop a degree of consensus on them, the difficulties which now confront national economic policies might be significantly reduced.

This note cannot do more than suggest a number of themes for thought and discussion.

The essential themes would seem to be:

I. How is trade liberalization to be maintained and pursued?

1. In a context of sluggish economic growth?

Would it be prudent to expect economic growth to continue at approximately the present, less than satisfactory rates at least into the early 1980's?

2. In the face of monetary uncertainty?

Notwithstanding the efforts undertaken by national and international monetary authorities, is it not prudent to expect monetary uncertainty to persist in the years to come?

3. Taking account of the need for adjustment or restructuring?

The growing industrialization of the developing countries, the necessity for them to meet the needs of their population, the need to service their external indebtedness - will not all these be reflected in growing pressure from those countries' exports in the markets of industrialized countries? Because of this pressure, will not the need for adjustment and restructuring become more important and more urgent, whereas these processes are particularly difficult in times of sluggish economic growth, and more problematical in view of the monetary uncertainty? How can trade relations be adjusted to meet these developments?

II. How is the operation of the rules of international trade to be maintained and strengthened?

It may well be that the multilateral trade negotiations will result in the establishment of certain new rules and institutional arrangements.

Would the trends or developments referred to above indicate a need for a more serious effort on the part of all contracting parties to observe GATT rules and to use the procedures for consultation and dispute settlement than appears to have been made in recent years?

To achieve this, how to reconcile application of the rules and their observance by the GATT member countries which present highly diversified individual characteristics, whether in terms of their trade significance or their degree of economic development?

Assuming that the present trends towards the emergence of international cartels or of price and supply undertakings among producers continue, how far can GATT provisions or procedures for consultation and dispute settlement be used to address the growing problem of cartelization of international trade?

III. How is the concertation or management of trade relations to be improved?

It has become commonplace to say that we are in an era of economic interdependence. The consequences must still be drawn for the conduct of commercial policy in a world in turmoil.

More and more frequently, heads of State or of government consult together. How can the conclusions adopted at those summit meetings be translated onto the operational plane?

For their part, those responsible for monetary policy set up the "Committee of Twenty" which subsequently became the "IMF Interim Committee", in order to strengthen their methods of concertation. What can those responsible for trade policy do in order to shoulder their responsibilities more effectively?

How can the Consultative Group of Eighteen, which was devised as an organ for concertation within GATT, be made more useful and effective?

More generally, what changes in the institutional structure of GATT would have to be made to render it more useful and effective in coping with the trade problems of the 1980's?