

**MULTILATERAL TRADE  
NEGOTIATIONS  
THE URUGUAY ROUND**

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Group of Negotiations on Goods (GATT)

Negotiating Group on Functioning  
of the GATT System

Original: English

PROPOSAL BY THE DELEGATION OF CANADA

The following communication has been received from the delegation of Canada with the request that it be circulated to members of the Group.

INSTITUTIONAL COOPERATION BETWEEN THE GATT/IMF/IBRD  
A PROPOSAL FOR THE MID-TERM REVIEW

In referring to the need to "strengthen the role of the GATT" and "increase the responsiveness of the GATT System to the evolving international economic environment", the Punta del Este Declaration recognized the interdependence of international trade, finance and monetary policies. The Uruguay Round has as its final objective to

foster concurrent co-operative action at the national and international levels to strengthen the inter-relationship between trade policies and other economic policies affecting growth and development, and to contribute towards continued, effective and determined efforts to improve the functioning of the international monetary system and the flow of financial and real investment resources to developing countries.

Accordingly, the Declaration established a negotiating group on the 'Functioning of the GATT System' to "develop understandings and arrangements":

(i) to enhance the surveillance in the GATT to enable regular monitoring of trade policies and practices of contracting parties and their impact on the functioning of the multilateral trading system;

(ii) to improve the overall effectiveness and decision-making of the GATT as an institution, including, inter alia, through involvement of ministers; and

(iii) to increase the contribution of the GATT to achieving greater coherence in global economic policy-making through strengthening its relationship with other international organizations responsible for monetary and financial matters.

The work of negotiating group has underscored the importance of a strong surveillance role for the GATT in monitoring trends in international trade and the policies of its members. Accordingly, significant progress has been made toward the establishment of a Trade Policy Review Mechanism that will enhance the role of the GATT as an international trade policy institution.

In conjunction with the strengthening of the surveillance role of the GATT, the group has also developed ideas for an expanded Ministerial involvement in the operation of GATT. A higher degree of political participation will improve the GATT's overall effectiveness by providing more guidance to the Gatt's work and strengthening the linkages between domestic policies and the international trading system.

Through these measures, the GATT will gain greater strength as a trade policy institution. This will reinforce its role in liberalizing international trade and augment its contribution to promoting economic growth and development.

Although it has a different mandate and operational structure, the GATT shares with the IMF and the IBRD the common goal of promoting growth and development through a stable international economy based on free and non-discriminatory trade, freely convertible currencies and stable and predictable exchange rates. In recent years, however, economic performance has been uneven and the global economy has witnessed a great deal of volatility. The stability of the international trade, finance and monetary systems has been strained.

Governments have responded through intensified international economic cooperation. A major feature of developing this cooperation is the contribution the strengthened GATT, IMF, and World Bank can make both collectively and within each institution's sphere of responsibility. An important consideration in this respect is to understand fully how the three institutions now complement each other and what scope there is for closer cooperation. In this context, a number of questions emerge. For example, are there elements within the mandate of these institutions which can inhibit the pursuit of common goals? Are there adequate arrangements for the exchange of information? Do the staff of the institutions meet often enough to explore areas of mutual interest?

These are some of the questions which will need to be addressed. A discussion in the FOGS Negotiating Group would be facilitated by an assessment by the three institutions of the problems encountered in practice and how these could be resolved.

Given the Uruguay Round objective, outlined above, and the mandate of the FOGS negotiating group, it is thus proposed that

The Chairman of the TNC at Ministerial level request the Director General of the GATT to approach the respective heads of the IMF and the IBRD to jointly (and in consultation with others as appropriate)

review current avenues of cooperation among the institutions;

explore ways to enhance greater coherence in global economic policy making;

suggest the means to develop linkages among themselves and their respective institutions to that end; and

to report back to the TNC within 12 months.