

protect themselves against the threat of unilateral retaliatory actions by the large, powerful countries.

d) Regional Agreements

In an increasingly interdependent world, more and more countries are looking to regional solutions to the powerful economic, technological and industrial changes taking place. This reflects the growing recognition that liberalized trade is a major contributor to economic growth.

Last year, Canada entered into a GATT consistent free trade-agreement with its major trading partner, the United States.

The integration and expansion of Europe also poses new challenges for the rest of the world.

Similarly, while the strong growth of Japan and the rapidly industrializing status of the Asia-Pacific region poses tremendous market opportunities, it also poses risks to the trading system unless a way is found to ensure that these economies are open to fairly-traded goods and services.

The glue that binds trading countries together is the GATT system.

e) Unilateralism

In this rapidly changing world, the major trading powers sometimes resort to, or threaten to use, unilateral actions to respond to perceived unfair or unreasonable trade practices of other countries. The new world trading system must discourage major powers from wielding such threats.

f) Dispute Settlement

The operation of the GATT depends upon a strong and effective dispute settlement system. Major achievements in securing more open access to international markets and improving new trade rules can be seriously undermined if there is not an effective, credible multilateral system to resolve disputes.

INSTITUTIONAL STRATEGY

The Uruguay Round offers an opportunity to develop a comprehensive institutional approach for the new world trading system. Many of the aspects of this approach build on negotiations already underway in Geneva. These would involve incorporating the elements of trade-policy monitoring and dispute settlement into a new, fully-fledged world trade organization.

The Canadian initiative calls for key steps to be taken to bring about the establishment of a new world trade organization. First, a work program must be set in place during the Round to