

participate in a number of multilateral institutions, such as the GATT, the OECD and the IMF, and any negotiations will have to take into account each country's multilateral economic objectives and policy obligations. With regard to the external environment, the following points warrant particular attention.

- Partly as a result of past international cooperation in the economic and trade systems, the world economy is much more integrated today than ever before: national economies are increasingly linked through flows of goods, services, capital and people.
- By 1987 the staged tariff reductions agreed to by the participants in the Tokyo round of multilateral trade negotiations will be fully implemented. The new codes extending and clarifying the GATT rules governing the use of non-tariff trade measures, which were also adopted in the Tokyo round, have led the members who have signed the codes to amend their domestic trade legislation to make it conform with their new rights and obligations. Some of these changes have given rise to additional conflicts among GATT members, while others have effectively reduced earlier sources of conflict.
- The world economy continues to undergo major structural adjustments; numerous industries, particularly in the traditional manufacturing sectors, are moving to new locations of production, especially in the Newly Industrialized Countries (NICs); the older developed countries are maturing and have entered a post-industrial stage of development; and global production is becoming more specialized internationally.
- Resistance to the adjustment process in the form of protectionist measures and other "defensive" adjustment policies has become a major problem for the substance and management of international trade and economic relations, both between developed countries and in a North-South context.
- The rise in protectionism is characterized by a preoccupation with bilateral and/or sector trade balances, the use of non-tariff measures, frequently applied outside the rules developed under the GATT, and the resort to trade protection when the real cause of the problem is macroeconomic policy imbalances, or domestic economic changes. As such, the current rise in protectionism not only disrupts international trade and investment flows but also weakens the basic GATT principles of non-discrimination, predictability and transparency for trade policy.