

the GATT. Improvement of the process for settling disputes in the GATT is in itself a high priority for the Round. It is essential to improve predictability for business decisions and also for reasons of fairness. Effective machinery to settle disputes is the best guarantee for middle-sized and smaller countries against unilateral or collusive action among the major trading powers.

The two forms of surveillance should reinforce each other. As I suggested, in order to encourage frank and broadly-based discussions, policy surveillance must be distanced from the legal mechanisms of the GATT. But distance does not mean isolation. Quite the contrary. Effective policy surveillance might be able to anticipate serious trade friction and perhaps help prevent it. For example, over many years the steadily growing number of disputes centred on agriculture clearly signalled the need for basic reform. Or, let me cite a more recent example: the Japanese-U.S. microchip dispute. I don't think it unreasonable to speculate whether that dispute should be taken as an early warning of more to come in the high technology sector. An analysis of the problem in economic terms would at a least highlight the pertinent policy questions relating to industries with steeply declining