

Governments are not leading the charge; we are simply trying to keep up with global trade patterns. We cannot achieve this without trade rules to back us. We need the rule of law, as embodied in the WTO, to serve as regulator and transformer all at once.

The new, far-reaching and prescriptive rules of which I have been speaking have bred new challenges. These rules demand streamlined and effective dispute settlement to equip us with expeditious, timely and responsive procedures to enforce the rules and to prevent all-out trade wars - a sort of essential containment function.

As I have noted, until the World Trade Organization came into being, dispute settlement within the GATT, as transformer, was concerned primarily with the maintenance of a balance of reciprocal rights and obligations, rather than illegality or breaches of treaty obligations. This mechanism was a strange and unwieldy beast for trade lawyers, very different from the legal systems in which they had received their initial training. As an illustration, no consensus ever emerged on the nature of a GATT Panel ruling - whether or not it was binding on the parties to the dispute and whether or not it created legally binding interpretations of GATT rules for future disputes.

Within this difficult framework, there developed additional problems over the years. Delays of up to two years occurred between initial requests for consultations and circulation of a panel report. The quality of panel reports, while generally good, could vary. There were even, on occasion, shortages of qualified, available panelists. Moreover, the adoption of panel reports could be blocked by one of the parties to the dispute if it found it convenient to do so. Even if adopted, implementation of recommendations by the offending party could be delayed.

Now, with the creation of the World Trade Organization, a new era in dispute settlement has dawned. Practical and positive changes are being wrought. The creation of a Dispute Settlement Body which will manage all disputes, improved time limits, automatic establishment of panels, the creation of an Appellate Body and improvements in implementation and compliance procedures all mean that the new World Trade Organization, the regulator, has been given some bite.

Building on the impressive achievements of the North American Free Trade Agreement, the WTO now recognizes the importance of effective institutional arrangements for conducting trade on a non-discriminatory basis. It recognizes that the best form of dispute settlement is dispute avoidance. The best way to avoid disputes is to let others know what you are planning to do, to hear the views of others, and to correct small mistakes before they fester and become political issues. Hence the emphasis on transparency. The WTO also points towards more permanence in institutions.