

by the strength and persistence of protectionist forces in major GATT countries are seriously undermining the credibility of the GATT itself. There are strong perceptions that the GATT is not equally respected by all its members and that it is becoming a constraint to, rather than a powerful instrument for, trade liberalization. There are also concerns that the inherent balance of rights and obligations under the GATT is being seriously altered and that it is running a serious risk of gradually becoming a less relevant instrument for dealing with new issues facing the international trading community and for managing trade relations.

21. This credibility challenge is of practical and fundamental importance for Canada because it affects the principal instrument available to Canada to preserve the achievement of past trade liberalization efforts and to manage Canada's trade relations with most other countries. It is also a collective challenge which should be met in the new MTN by seriously reviewing such fundamental questions as non-discrimination, national treatment, security of market access and dispute settlement. This should also include scope for greater Ministerial participation in and direction of GATT affairs.

#### F. Conduct and Management of the Negotiations

22. There are a number of considerations relating to the conduct and management of the negotiations which will need to be addressed, once the objectives of the various countries which have an interest in the negotiations are known. At this stage, it would seem appropriate to comment on a distinction which has often been made in discussions about the GATT Work Program between the so-called "traditional" issues and the "new" issues. It is not clear how useful this distinction is in practice, since the relevance of those issues for purposes of trade negotiations is how they impact on international trade flows. For instance, trade action in some of the so-called new areas such as patent infringement can have a direct prohibitive effect on the flow of goods thus placing such measures in the activity of "traditional" issues. Clearly a new round should seek to deal with all the key issues of interest to the trading countries which are expected to make a contribution to the success of the negotiations.

23. One important consideration concerns the relationship between trade and monetary questions, in particular the impact of exchange rate developments on trade flows. Canada supports the deployment of sustained and intensified efforts to address the problems of the international monetary system, but the improvement in the functioning of the monetary system should not be a pre-condition for the trade negotiations nor should this be pursued within the GATT.

24. The trade negotiations should be conducted on the basis of overall reciprocity of mutual advantage. An appropriate contribution to the resolution of trade problems should be made by all participants. This contribution should be commensurate with the benefits which participants obtain from open international markets, with their economic strengths and