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DISCUSSION PAPER

MTN:DISPUTE SETTLEMENT

Dispute settlement is an integral part of a well functioning and credible multilateral trading system, underpinning the rights established by the multilateral trade agreements. A fundamental objective of the Uruguay Round is to make the dispute settlement system more effective, timely and predictable. While improvements have been steadily made to the system over the years and new procedures regarding establishment and operation of panels have been implemented on an interim basis as a result of the Mid-Term Review, further improvements are needed on adoption and implementation of panel reports.

An improved GATT dispute settlement system will fulfill the Punta del Este mandate of ensuring prompt and effective dispute settlement for the benefit of all contracting parties. It will strengthen the credibility of the GATT as the forum for the resolution of trade disputes and obviate the need for any contracting party to act unilaterally, outside the trading rules, to resolve trade disputes arising under trade agreements.

In order to be effective and credible, the multilateral dispute settlement system must be accepted by all contracting parties. Criticisms condoning recourse to unilateralism purport that the existing GATT rules are inadequate, the GATT system is slow and its results can be ignored, either through blocking adoption or delaying implementation. Substantial improvements in the rule making areas in the Uruguay Round combined with improvements to the timing of the dispute settlement process, and the strengthening of the procedures for implementation and the restoration of the balance of benefits would respond to these criticisms. The value of stronger rules will be diminished if contracting parties choose to ignore the system.