

Summit's economic pursuits merely produce trivial results

The widespread indifference to the failure of the economic summit in Venice this week shows as clearly as anything the public's loss of confidence in the ability of nations to take charge of their own destiny. No one — not even, apparently, the leaders of the seven industrial countries who participated in the annual ritual — expected great decisions, so there was little disappointment over the outcome. The trivial results of the summit, though, should be cause for concern.

The world is not yet in a state of economic crisis, but serious and difficult problems have been emerging and have been allowed to accumulate since the mid-1970s. The charade in Venice raises troublesome questions about the competence and commitment of the leaders of the industrial nations in managing the world order.

Every country is preoccupied with its own narrow concerns, and national leaders seem unable to set aside local concerns in the interests of global growth and stability. The meaning of the gathering in Venice evidently is that the ominous drift of the past several years will continue.

The problematic state of the world order is described succinctly by Mario Kakabadse of the Paris-based Atlantic Institute for International Affairs in a new study, *International Trade in Services: Prospects for Liberalization in the 1990s*. He expresses deep pessimism over the prospects for the new round of trade negotiations under the General Agreement on Tariffs and Trade — the so-called Uruguay Round — and observes that, in recent years, there has been a serious erosion of confidence in the GATT system.

Dr. Kakabadse worries that the international economic background — which provided the context for the pointless little meeting in Venice — is not favorable for the launching of a new trade round, essential though it is for the GATT to be reinforced in the interest of supporting a global economic recovery.

"Over the past decade," he said, "persistent slow growth, rising unemployment and the commitment of governments to accept responsibility for employ-



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ment levels and for the survival of particular industries have led to increasing protectionism mainly in the form of domestic or non-tariff border measures.

"The result of protectionism, subsidies and support for weak industries has been more disputes; weaker rules and further erosion of the multilateral trading system. During the 1980s, protectionist pressures have been intensified by the large and growing imbalances in the world economy, most clearly illustrated by the U.S. deficit and the decline in American competitiveness as a result of the overvalued dollar."

These festering problems were discussed at the summit, but evidently without any sense of urgency or discernible commitment to the objective of working out practical and acceptable solutions.

The leaders promised in their final communiqué to increase coordination in economic policies — a crucial requirement in view of the deteriorating health of the world economic system, but seemingly nothing more than empty words in the context of the summit pageantry.

Dr. Kakabadse, in his sober appraisal of the risks surrounding the trading system, calls for a genuine political commitment to the objective of making the Uruguay Round succeed despite all the obstacles. "This means not only a commitment to begin the negotiations, but also a commitment to a timetable to bring the talks to a conclusion sooner rather than later. Domestic and international political consensus is the prerequisite for the successful negotiation of international commitments."

So far, there is no consensus on

even the most basic parts of the negotiating agenda. All that is certain is that the new GATT round will be long and difficult. It probably will be acrimonious. Dr. Kakabadse notes that the Tokyo Round lasted from 1973 to 1979, and it was considerably simpler than the Uruguay Round, which is intended to extend the GATT rules to agriculture and the service sector.

Establishing a fair and stable framework for regulating trade in goods is difficult enough — so difficult, in fact, that serious questions are being raised about the capacity of the liberal trading system to solve major trade issues. Dr. Kakabadse cites estimates that, at present, well over half of world trade is subject to quotas, orderly marketing arrangements and a variety of other non-tariff barriers.

Extending the coverage to intellectual property, high-technology trade and traded services adds troublesome new complexities. For example, although traded goods are shipped across borders, many services can be delivered only on the spot. Protectionism in services, therefore, means restrictions on foreign investment. "New rules for services," says Dr. Kakabadse, "will have to deal with the question of the right of establishment in the customer's country and will touch upon the sensitive issue of a country's autonomy to make its own foreign investment rules."

Difficult and time-consuming though it will be to liberalize trade in services, Dr. Kakabadse maintains, the Uruguay Round will not succeed unless progress is made in bringing a much larger part of world trade, including trade in services, under GATT principles. He cautions that progress in services may well be blocked by the problem of reconciling the protectionist demands of troubled industries with the need for greater economic efficiency. To succeed, he says, several major powers must throw their support behind moves to liberalize trade in farm products, steel, textiles and pharmaceuticals. These are among the areas where trade frictions are most intense. More than platitudes from the summit will be required to overcome the problems.

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