

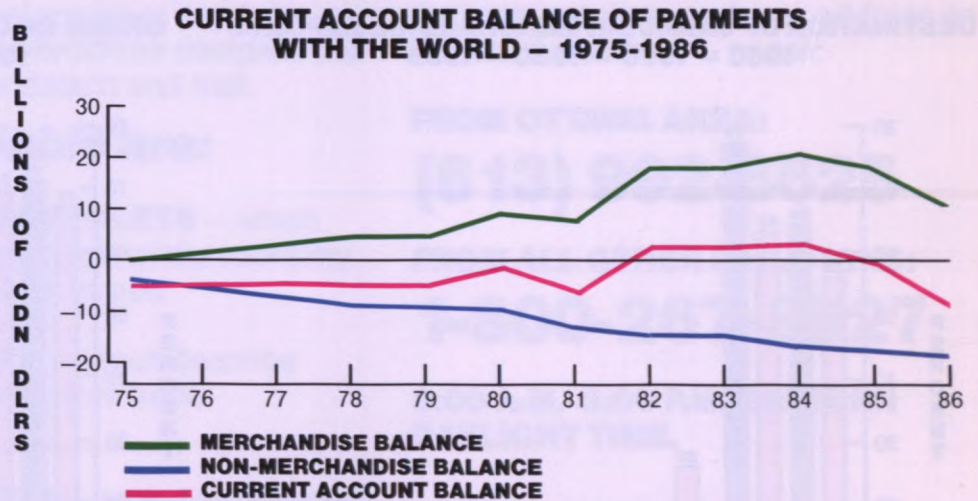
TOWARDS A BETTER GATT

A major new round of negotiations is under way among the 93 nations of the General Agreement on Tariffs and Trade, or GATT, the cornerstone of the world trade system that Canada has helped build in the years since World War II. GATT – the name now stands for both a treaty and an organization – governs about four-fifths of world trade.

The bilateral Canada-U.S. negotiations are taking place within the GATT framework. Indeed, they are calculated to complement and reinforce the more elaborate and longer-drawn-out multilateral negotiations.

For one thing, freeing up and expanding the already huge volume of trade between Canada and the U.S. would have a trade-generating effect throughout the GATT system. Then again, the Canadian-American effort to develop fair-trade rules and mechanisms, as well as new approaches to the problems of trade in agriculture and services, will assist efforts to tackle these same issues in the multilateral system.

GATT nations have made enormous headway in lowering tariffs and reducing other barriers to trade through the seven rounds of negotiation they have held since GATT's founding in 1947. World trade has multiplied many times. Canada's tariffs on average have come down from 20 per cent of the value of dutiable imports to only seven per cent. The U.S. level has dropped from 30 to five per cent. The final cuts approved in the 1973-79 Tokyo Round of negotiations are being implemented this year.



The Tokyo Round furthered GATT fair-trade aims among those nations adopting codes to try to reduce protectionism in five fields: subsidies and countervailing duties; customs valuation; import licensing; technical barriers to trade; and government procurement policies.

The GATT system has had to contend, however, with a wave of protectionism, resulting from the economic slump of the late '70s and early '80s. Governments have been under pressure to protect domestic jobs against imports, even though experience shows that in the long run protectionism reduces economic growth, hence reduces jobs.

To forestall trade wars and return to the pursuit of trade expansion, GATT countries last September launched their eighth round of negotiations at Punta del Este, Uruguay. One of the most ambitious since the founding of GATT, the Uruguay Round – the negotiations will actually take place at GATT headquarters in Geneva – will address a range of issues not adequately covered by GATT.

- **Agriculture.** Ways must be found to prevent the most powerful nations – the U.S. and Europe – from restricting access to their own markets and steamrolling foreign markets with subsidy programs; and to persuade Japan to drop its excessive domestic support program and to liberalize access to its market.
- **Services.** Though the world is moving to a service-dominated economy – over two-thirds of Canadian jobs are in services – the GATT rules do not yet reach into this area. The Uruguay Round will seek to apply rules to such service exchanges between nations as finance, consulting, engineering, transportation, communications and intellectual property.
- **Rules and Discipline.** Recent protectionist practices show that GATT's rules and the means of enforcing them must be tightened.
- **Tariffs.** Despite general reductions, highly protected areas remain. These include textiles, clothing,