GATT ACTIVITIES IN 1977

Protectionist pressures, but trade negotiations advance

"GATT Activities in 1977", published today, gives a detailed account of how member countries of the General Agreement on Tariffs and Trade (GATT) together tackled three major challenges facing them in international trade policy during 1977: the "Tokyo Round" of multilateral trade negotiations, severe protectionist pressures in many member countries, and the arduous negotiations to decide the future of international trade in textiles.

The report also describes other aspects of GATT's work that contribute to its two basic aims of opening up opportunities for world trade and of overcoming problems that may threaten international trade relations.

Summarizing 1977 as "exceptionally active and difficult for GATT", the report sees 1978 as a critical year for which the international trade outlook is uncertain, and in which the Tokyo Round negotiations assume greater importance than ever: "besides holding out the promise of a future stimulus to economic growth, they provide an effective influence against protectionist pressures and important evidence that the trading nations can continue to co-operate in adverse economic circumstances and are determined to seek co-operative solutions for their difficulties".

MORE

1"GATT Activities in 1977" is available in English, French and Spanish editions and may be ordered from booksellers or directly from the GATT secretariat, Centre William Rappard, 154 rue de Lausanne, 1211 Geneva 21. Price US$6 or Sw Fr 12.
The "Tokyo Round" enters its decisive phase

The report describes how the multilateral trade negotiations were driven by a series of political pushes during 1977 towards the present decisive stage of hard bargaining which got under way in January 1978.

Looking ahead, the report comments that "in almost all negotiations, however long and carefully prepared, it is the final stretch which is the most demanding. Although great progress has been made in recent months, much remains to be done. A case in point is the negotiations in the so-called 'Framework Group', which is examining proposals for a number of changes in GATT provisions, including those affecting developing countries. Others are the negotiations on safeguards, on subsidies and countervailing duties and, not least, on agriculture. Here, and elsewhere, work has not progressed as rapidly as it should. Even where the negotiations are on schedule, the hard bargaining is largely yet to come, in which each participating country will have finally to decide what is the most it can give and the least it can take!"

"Nevertheless", the report says, "and in spite of the unfavourable present economic circumstances, there is evidence of a strong renewal of political commitment by major governments to the negotiations. The potential benefits to the world community, in terms of new trading opportunities and a strengthened and updated set of rules to govern and foster international trade relations, are generally recognized. So too are the great dangers of a relapse into economic nationalism which a failure of the multilateral trade negotiations would signal, and probably entail."

The outlook for international trade in 1978 is particularly uncertain

The report notes that international trade itself continued to expand in 1977, "reaching a value of over $1,100 billion, and growing in volume by about 4 per cent over the previous year. During the final two quarters of 1977, however, its growth decelerated, and the outlook for 1978 is therefore particularly uncertain. Even if growth picks up, its favourable effects on employment and on the lagging world economy as a whole will be felt only after some delay. While most sectors of international trade continue to develop normally, if slowly, a few are encountering great difficulties. If these difficulties are not to spread, governments must resist any weakening of their commitment to liberal trading policies and to consultation and co-operation in overcoming trade problems as these arise."
Protectionist pressures are serious, but should not be exaggerated

The report says that against the encouraging developments in the Tokyo Round negotiations "must be set a worldwide and disturbing resurgence in protectionist pressures which in recent months have reached a level not experienced for more than a generation. The result has been a significant increase in trade restrictions".

"While the challenge to liberal trading policies is serious", the report says, "the deterioration should not be exaggerated. There has been no general resort to protection. Most of world trade is still moving freely, and all governments continue to resist, with considerable success, domestic pressures to introduce import restrictions. Some degree of increased restriction was perhaps inevitable, given the severity and length of the recession, and the legacy left by the postponement over many years of necessary industrial adjustments. What is essential is that governments continue to hold fast and to contain what is recognized by all to be a very difficult and dangerous situation. This will call for a close watch on trends in national trade policies and for continuous consultation among governments."

Renewal of the Multifibre Arrangement

The report says that "the third main challenge faced by GATT in 1977 was that of deciding the future of the Arrangement Regarding International Trade in Textiles, better known as the Multifibre Arrangement. As a result of extremely difficult negotiations, spread over the entire year, it was agreed in December to renew the Arrangement for a second four-year period. This agreement was not possible without painful concessions. Renewal itself was however generally recognized as crucially necessary to maintain stability and some degree of growth in world trade in textiles, and to avoid a crisis that could have caused even greater damage to the trade prospects of developing countries and seriously threatened the Tokyo Round and international trade relations as a whole. Agreement on extension of the Arrangement removed this threat".