COMMUNICATION FROM JAMAICA

The following communication is being circulated to the Negotiating Group on Functioning of the GATT System at the request of the delegation of Jamaica.

I. Purpose

The common purpose should be to ensure that the General Agreement and its constituent parts (Agreements, Committees, Working Parties, Panels and Secretariat) together with national trade policies and measures constitute an efficient and effective system for liberalizing and expanding trade.

II. Approaches

(i) The legal-institutional framework is being negotiated in other Groups. This Group might well attempt an overview of the progress being made in the other Groups with a view to arriving at some synthesis for the sake of coherence, consistency and unity. This then is the internal dynamics of the GATT system.

(ii) The effectiveness of the trading system depends on the efficacy of other "systems" particularly the international monetary and financial system and vice versa, and the relationships between investment decisions at the national and international levels. This is the external dimension of the functioning of the GATT system.

(iii) The challenge is to strike the proper balance between measures taken to improve the internal dynamics and the external dimension which is not the responsibility of contracting parties.

III. General Principles

(i) The loss in the credibility of GATT is not due to its Articles nor the functioning of its bodies. The responsibility for this loss of credibility rests squarely on the actions of contracting parties, particularly those having major shares and stakes in world production and trade. Any approach to improving the functioning of the GATT system must start with trade policy (any other policies) at the national level.
(ii) Improved surveillance in the GATT might increase respect for GATT rules but to improve surveillance without contracting parties having additional means to influence removal of the restrictive or distorting practices of contracting parties, is to build up unrealizable expectations.

IV. Preliminary Comments

(i) There is a close relationship between GATT (and the multilateral trading system) and the IMF (and the international monetary system) recognized in the Articles of both Agreements. They have a history of co-operation. This should be examined with a view to seeing whether there is need for updating the Articles and procedures. Examples are, inter alia:

(a) The impact of floating exchange rates on tariff concessions, exchange rate fluctuations and instability on the attainment of the objectives of GATT;

(b) Currency convertibility and protective measures, in particular quantitative restrictions, for less-developed contracting parties faced with restricted market access;

(c) The obligations of contracting parties with structural surpluses in their balance of payments, including Articles VII:3 of the IMF, the scarce currency clause, in particular for less-developed contracting parties faced with a chronic shortage of convertible currencies.

Co-ordination between the secretariats of the IMF and GATT will need to be considered carefully. It cannot be taken for granted that increased co-ordination either will be in the interest of contracting parties and traders or in that of the effectiveness of the GATT.

(ii) Proposals for further involvement of Ministers are well recognized but the nature of such involvement requires careful and sober reflection.

Great care should be taken not to "politicize" the GATT. Ministers are the highest expressions of political responsibility. There may be some danger if Ministers were thus to be called upon to give "political stimulus" to resolving problems in dispute settlement cases.

Careful attention should be given not merely to the form established in the Bretton Woods institutions but to the practice. Groups of 10, 20 or 24 have not been able to resolve the urgent and pressing problems in the monetary and financial fields. In any event, Groups of 3, 5 and 7 working informally and outside of the institutional framework have been more effective. This has tended to undermine the formal institutional mechanisms.
(iii) The temptation to seek to solve problems by creating new mechanisms within the GATT should be avoided. There may be in fact an additional dispersion of effort and focus should new mechanisms be created. The first step should be to seek to rationalize the approximately fifty (50) mechanisms existing in the GATT.

(iv) The temptation to seek solutions to problems manifested in the trade field, but which in reality are created by imbalances in the monetary and financial fields, should be avoided. Failure to do so could lead to the further erosion of CATT's credibility.

The GATT secretariat should consult with the IMF and World Bank on these and other relevant issues to identify the trade policy issues.

In the course of the negotiations the delegation of Jamaica will make specific comments and proposals.