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Intereconomics

Suggested Citation: Adlung, Rudolf (1987) : GATT and the "Uruguay Round", Intereconomics, ISSN 0020-5346, Verlag Weltarchiv, Hamburg, Vol. 22, Iss. 1, pp. 14-20, <https://doi.org/10.1007/BF02929790>

This Version is available at:

<https://hdl.handle.net/10419/140059>

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GATT and the "Uruguay Round"

by Rudolf Adlung, Bonn*

In September 1986, a ministerial conference staged in Punta del Este, Uruguay, gave the starting signal for a new GATT round. This round will be a test of the adaptability and reformability of the multilateral trading system. The following article examines the issues involved and the ensuing conflicts of interest.

In Punta del Este the GATT's 92 contracting parties managed relatively promptly to achieve a consensus on the subject matter, aims and procedures for the negotiations. In the run-up to the conference, such an agreement had by no means been assured: the ministers were, after all, under substantial pressure from current problems – the numerous protectionist advances in the US Congress, increasing cause for conflict in agricultural policy – and still had to settle a large number of issues which had proved insoluble in the long and sometimes difficult discussions in the Geneva preparatory committee.

The road to Punta del Este was a harder and more insecure one than the positive outcome would suggest. The preparatory committee frequently saw the limelight directed not upon the contracting parties' global, common aims – resisting protectionism, liberalizing trade – but upon conflicts between particular interest groups. It is in the nature of things that such conflicts will also arise and have to be dealt with in future negotiations.

One group bound together by common interests, for example, encompasses established industrial countries which are facing heavy competition from cheaper suppliers of traditional products (e.g. agriculture, textiles). Governments are under heavy pressure to apply protectionist measures in order to ameliorate the adjustments needed – measures which are not always in accordance with existing GATT regulations (discriminatory trade restrictions) or which occupy a grey area outside the ambit of GATT (bilateral self-restraint agreements). Simultaneously, new and expanding fields of economic activity (e.g. certain services such as banking and insurance) are faced with

obstacles to trade, and hence to growth, because these areas are largely free of international rules and therefore prone to a certain amount of legal uncertainty.¹

Making a crude distinction, it is possible to mark out another group of countries whose comparative advantage lies in producing (and exporting) agricultural goods and simple, standardized industrial products. This group is predominantly composed of developing countries. Their prime interest is in stricter rules for the agricultural sphere and liberalization in classic merchandise trade. It is relatively easy for developing countries to voice their demands in this regard, as they have less obligations within GATT and therefore face a lesser risk of contractual breach than the industrial countries. In the main, they do not have any primary trading interests within the new areas of discussion;² what seems to concern them more is the danger that these areas will unduly swell the agenda of the new GATT round. In addition, many (developing) countries also have reasons based on sovereignty and prestige for being reluctant to give up opportunities for autonomous national regulation. Especially as far as a number of services and foreign investment are concerned, it seems that fear of "subjection to external law" plays a considerable part.

From a liberal, market-economy point of view, this confrontation of interest positions may be a displeasing sight.³ One of the implications it carries is that governments regard free trade as a burden once it forces adjustments to be made, and adopt the position of advocate for particular industries' income and

* Federal Ministry of Economics. The article is a reflection exclusively of the author's own personal views. The author is grateful to Ullrich Mohrmann for his critical suggestions and his patience in discussions.

¹ Cf. for example, H. J. Petersen et al.: Der internationale Handel mit Dienstleistungen aus der Sicht der Bundesrepublik Deutschland – Entwicklung, Handel, Politik, DIW-Beiträge zur Strukturforschung, No. 78, 1984.

² As well as the inclusion of services, other particular issues are trade in counterfeit goods, and trade-related investment measures (e.g. export performance or local content requirements).

employment goals. Hence more importance is attached to the desires for protection and redistribution than to the growth aims of the economy as a whole and the interests of consumers and taxpayers in favourable prices and a low tax burden.

On the other hand, it has to be recognized that governments do not operate in a political vacuum but that – for the sake of their own survival – they have to orient themselves within an existing constellation of economic and social interests. Moreover, experience shows that this constellation is determined to a greater extent by powerful organizations from the threatened areas, e.g. manufacturers' associations and trade unions, than by taxpayers or consumers. Nevertheless, the task of a *responsible* economic policy is to develop a greater public understanding for adjustment needs and growth requirements and – even in the face of special interests – to achieve the best possible overall economic development. In this respect the GATT can provide valuable support.

This article begins by developing arguments in favour of an institutionalized system of rules for world trade. It then goes on to show why such a framework, in spite of its advantages for all participants and not least for the European Community, grows obsolete over time and tends to break up – and why efforts are therefore necessary to get a new GATT round under way.

GATT as an International Legal Framework

The GATT is basically no more than a contractual arrangement – it does not have an organizational superstructure with any teeth, and has no sanctioning power in its own right.⁴ The contracting parties essentially pledge that, in shaping any economic policy measures with direct or indirect trade effects and in dealing with trade conflicts, they will abide by certain rules.

Such a *uniform* system of rules provides all participants with greater security from both legal and planning points of view. The very existence of the system – irrespective of the detailed form it takes – ought to have an effect in promoting trade; the final costs

and risks of foreign trade are less than they would be under a system (or tangle!) of bilateral agreements. There is a close attachment between these economic benefits and further, political advantages: the more firmly international relations are embedded in general rules rather than continually having to be newly negotiated and built up, the more limited will be the potential for conflict.

In analogy to the established legal order within individual nations one could speak of a public good – namely legal security – “produced” by the GATT's contracting parties. There is, however, an essential difference: no individual citizen can evade domestic legislative order; it is binding in the same way on everyone. Accession to the GATT, on the other hand, is a matter voluntarily decided by individual contracting parties. As in the case of a club or association, it is possible to join or leave at any time, depending upon the assessment of its benefits when set against the associated obligations.

There are strong indications that the benefits of GATT membership are not equal for all parties. The greater the export share of a country's economy, the more dynamically its trade is developing and the fewer possibilities are available for the country to autonomously assert its own needs, the greater its

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³ The above-mentioned attribution of interests to industrial or developing countries should, however, be seen as an illustration rather than a faithful depiction of the realities of GATT. Especially the important phases of negotiation prior to and during the ministerial conference were not only characterized by rigid “fronts” but also by significant overlaps. This applies, not least, to the formation of a group of “Fair Traders in Agriculture” with a spectrum of members ranging from Australia and Canada via Argentina to Thailand.

⁴ The GATT Secretariat is not empowered to carry out such functions. It is primarily concerned with analytical, advisory and administrative functions.

interest will naturally be in multilateral guarantees. One would therefore expect the GATT to be particularly significant for relatively small and/or highly developed economies as well as for countries "catching up" (NICs), following an export-oriented growth path.

Centred around the USA, Japan and the EC as the largest trading parties, there are two main constellations conceivable as alternatives to the multilateral system. The first is one of cooperation between the large economic powers in an effort to mutually come to terms and achieve a balance of interests. Such arrangements would hardly pay much regard to smaller countries with more limited negotiating power; they would most likely have to somehow fit in to a predetermined and, probably, extremely unstable trading network (i.e. to perform only a residual function). In the other alternative there is greater friction in relations between the large economies, all of which would endeavour to create their own spheres of interest and to be the dominating power, grouping a body of trading partners around them. Nor is this scenario in the least attractive to smaller countries keen to maintain their independence. It is therefore easy to understand why Switzerland in particular, along with other EFTA countries and moderate developing countries (Colombia), has persistently attempted to establish a consensus in the Geneva preparatory committee.

Domestic Economic Effects of GATT Obligations

Governments have a variety of ways in which they can intervene in markets to give backing to individual industries in their efforts to survive or grow. Such state interventions frequently have external effects too. By their nature, the moves most directly relevant to the GATT are external protection measures (tariffs, import quotas and other non-tariff barriers) and subsidies affecting foreign trade (e.g. subsidized agricultural exports).

⁵ Cf. Strukturbericht 1983, Institut für Weltwirtschaft, Kiel.

⁶ Cf. E. Gerken et al.: Mehr Arbeitsplätze durch Subventionsabbau, Kieler Diskussionsbeiträge Nos. 113/114, October 1985; also R. Adlung: Subventionen: Dauerthema und Dauerleiden?, List Forum, Vol. 13, 1985/86, No. 4, pp. 156 ff. The functioning of the subsidy system as described can also be presumed to be similar as far as other interventions are concerned (e.g. external protection) which could be used as an alternative towards achieving the same (protective and distributive) aims. Nor is it likely that an assessment of other industrial countries would produce any markedly more favourable results, indeed the indications available suggest the opposite might be true. Certain imbalances in the political process are the factor ultimately responsible for this – not all requests for economic and social support are equally effectively backed up by organized groups, with those wishing to defend the status quo generally holding more sway. Mancur Olson, in particular, has very succinctly set out the determinants playing the most essential part. Cf. M. Olson: The Rise and Decline of Nations. Economic Growth, Stagnation and Social Rigidities, New York 1985, pp. 36 ff.

There are clear indications that the system of protection which has built up over time does, for the most part, inhibit growth and adjustment. Taking the results of a structural analysis of the German economy as an example, approximately 80 % of all subsidies paid flow to industries with below-average growth rates.⁵ From an economic point of view, they have the effect of rewarding lack of success and poor growth performance. Estimates by the Kiel Institute of World Economics project – though some of the assumptions involved are rather restrictive – that if the volume of subsidies were to be halved and direct taxation reduced by the same amount, 1 million additional jobs could be created within 4 years.⁶

To be fair, our assessment of this very depressing picture should recognize that governments do not intervene according to economic criteria alone; a whole number of other – sometimes more important – motives must be taken into account. Moreover, we must consider the position of those who have to decide on interventions on a case-by-case basis, and who are subjected to pressure by powerful interest groups. Mere criticism of the end result is not particularly helpful in this context; what is more important is to create a potential for easing the concrete situations in which decisions have to be made.⁷

In principle, there are two ways of tackling this problem: politicians may make a credible pledge to call a lasting halt to the use of certain interventions, hence also renouncing a good many of the "necessities of day-to-day politics", and/or attempts could be made to mobilize countervailing pressure from others who would be the most likely to be harmed by particular actions.

□ There is more room for manoeuvre in establishing economic policy rules on an international level than there is in settling domestic disputes concerning concrete individual cases. Entry into blanket (GATT) obligations generates less attention and protest in the first instance, as immediate results do not usually occur. Support is easier to mobilize for precisely determined demands than it is for debates about abstract rules, the practical consequences of which are not, for the time being, apparent.

□ In the political debate, it is one thing to argue more or less academically from a general economic point of view but another if it is essential to abide by international contractual obligations. This is especially true if

⁷ "Unfortunately, as British experience in the late nineteenth and early twentieth centuries shows, free trade alone is not enough . . . Freedom of trade and of factor mobility have to be used in combination with other policies to reduce or countervail cartelization and lobbying." M. Olson, op. cit., p. 144.

individual countries are involved in a network of "rights" and "obligations" – as is the nature of GATT – and if privileges granted to one industry (e.g. in the form of greater tariff protection) would have to be paid for in terms of concessions causing hardship elsewhere. If another branch of the economy not directly concerned is faced with declining exports because of government interventions, demands for such interventions will possibly arouse more resistance than might otherwise be the case.

GATT, therefore, could have the protective effect of a shield. Politicians and the civil service could use it to weaken or divert pressure from domestic interest lobbies – or to neutralize it by countervailing pressure – in areas of relevance to foreign trade.

GATT and the European Community

The potential economic advantages of an economic union for its member states are indisputable. Numerous empirical investigations of European integration confirm positive trade and growth effects for the countries involved, and in the main for third countries, too.⁸ Even so, it is impossible to ignore the fact that such effects could partly be counteracted by trade diversion and indeed trade destruction. Progress in internal integration, then, is in part bought at the expense of disintegration in external relations. The following factors, in particular, would appear to lie behind such tendencies:

□ The enlarged dimensions of the domestic market within the newly created union can lead to a relative blurring of the view beyond the borders, especially in comparison to the situation in a smaller country with more intensive external relations. The compulsion to adapt structurally to an ever-changing economic environment tends therefore, as economic areas grow larger, to be less urgently felt and less quickly acted upon than elsewhere.

□ A certain "illusion of protection" may begin to spread: when set against the background of a large country in terms of its geographical span and economic strength, support for some declining industries (e.g. coal and steel, shipbuilding) appears relatively unproblematic. The economic potential of the area taken as a whole seems adequate to provide, for example, individual maintenance subsidies or adjustment aid (as structural change is a continuing phenomenon, the latter may also prove to be maintenance aid), screening off weak

branches from their foreign rivals. And, finally, all the individual cases begin to add up. . .

□ Particularly smaller, poorer member countries with relatively limited foreign trade occupy a psychologically favourable position vis-à-vis their larger partner countries. They expect rapid economic progress once they have joined, and appeal to the solidarity of the "large" and "rich" countries. And no small measure of this solidarity could be the extent to which the latter group is prepared to grant "fair" market opportunities to weaker competitors – including measures at the expense of third countries.

Thus, the more strongly European integration is pushed ahead – with good reason, it should be said – the more necessary it is for the process to be firmly tied into an international contractual context. The Community's outward orientation and its responsibility towards the world economy should not suffer from efforts to attain autarchy and build up protection. The economic advantages of integration come to the fore all the better the less – if at all – international involvement is lost. It ought therefore to be a prime responsibility of the large member countries with particularly strong trading interests to make sure that the necessary contractual conditions are maintained and developed – and the GATT is the framework within which this can be done.

Naturally, these notions do not fit in perfectly with the intentions of lower-income EC countries which draw advantages from the market potential of the "rich" countries and profit from intervention policies with a strong redistribution element (agricultural policy!). Such countries can be taken to have a primary interest in the continuation of these policies, and a lesser one in the price which has to be paid in trade-policy terms. Even they, however, ought to have a certain self-interest in other member countries and economic sectors which ultimately finance the redistributive system being able to operate under favourable conditions. Yet the real difficulties begin for advocates of an open, liberal trade policy when further resistance is encountered from countries which in any case tend to have a sceptical attitude to free trade and place more emphasis – in the mercantilist tradition – on a leading role for the state in the economy and hence also the external trade regime.

Regardless of the fundamental position of individual countries, however, it ought to matter to the Community as a whole that a functioning *system of rules* is in place: processes of political agreement within the EC are generally more cumbersome than in its two major trading counterparts, the USA and Japan. For one thing, there are institutional and/or bureaucratic difficulties in

⁸ Cf., for example, B. Balassa: Trade Creation and Diversion in the European Common Market: An Appraisal of the Evidence, in: B. Balassa et al.: *European Economic Integration*, New York 1975, p. 116.

achieving vertical and horizontal coordination between different decision-making levels (regional government, national government, EC). For another thing, one can expect the natural individual momentum of member countries – and hence also a certain unwillingness to compromise – to be more pronounced than it is in nation states which have grown together over a longer period of time. Both factors ultimately mean that the Community has more trouble with its trade policy (too), and acts more sluggishly than its major counterparts. To protect its internal cohesion, then, it ought to have a great desire for clearly defined rules and a system of world trade largely operating without any need for intervention on a case-by-case basis. If the world should come to blows on trade policy, others will presumably turn out to be swifter and more flexible.

Reasons for the Erosion of GATT

Whenever agreements are drawn up – and in this respect the GATT is not unusual – the parties concerned have to make a fundamental choice between tough, unequivocal wording and milder formulations very much open to interpretation. The main factors governing this choice can be regarded as:

- ☐ how seriously the parties take contractual obligations as a matter of principle (key question: to what extent are they prepared to conform to the agreement even when it entails sacrifices?),
- ☐ what autonomous changes they expect to occur in the relevant environment during the course of the agreement (key question: how likely is it that difficulties may come about which will place pressure on contractual fidelity?),
- ☐ how strong they rate their chances in interpretational conflicts at a later stage (the question of negotiating strength).

A particularly apt example by which to illustrate the above is the existing safeguard clause of Article XIX of the GATT. This provides that, in the face of sudden pressure from imports, contracting parties may resort to protective measures in favour of particular domestic industries. These measures do, however, have to be applied equally to all trading partners (*erga omnes*) and, if affected countries so require, must be compensated for by concessions (= improved market access) in other fields. This means that the GATT incorporates a substantial “safety-valve” to permit protective measures in emergency situations. Yet the amount of intervention in breach of GATT and of grey-area measures that have been occurring in recent years show that this safety-valve – still a relatively tight one –

has been increasingly less able, over time, to alleviate the pressures in trade policy.⁹

Presumably, to a considerable extent this development is a reflection of the more difficult world economic environment since the mid-1970's. Slow growth and high unemployment make adjustment processes especially painful, and employment policy needs generate increased pressure to somehow dampen or channel such processes. Not only grey-area measures serve this purpose, but also the extensive use and abuse of existing GATT regulations (e.g. the introduction of countervailing or anti-dumping duties) and, from time to time, intervention which is overtly in breach of GATT (e.g. discriminatory quantitative restrictions).

One important source of such problems is the differing economic potentials among contracting parties. Small countries, especially if their exports are concentrated upon very few products, are in a difficult position: they have limited negotiating power against the larger contracting parties if the latter wish to protect certain industries and, in addition, they might not be able to derive much benefit from any compensating concessions in other spheres. In some cases, therefore, smaller countries may see an advantage in coming to an arrangement with the large countries outside the ambit of GATT, in the form of self-restraint agreements. Compared with autonomous intervention in breach of GATT, these do after all offer some guarantee of market access. Such grey-area agreements may also prove attractive from the larger trading partner's point of view. They can be concluded with less fuss than procedures within the GATT framework, the most dangerous competitors can be addressed selectively without having to proceed on an *erga omnes* basis, and it may be possible to avoid concessions in other product areas.

The EC in particular tends to see a connection between the growth of grey areas and what it claims is a lack of selectivity in Art. XIX. It is indeed true that if the most-favoured-nation principle – albeit one of the corner-stones of the GATT! – were to be renounced in this case, a re-drafted article could allow a similar “fine-tuning effect” to that achieved via grey-area measures.

⁹ According to an empirical investigation by Nogués et al., at least 27 % of the imports of the 16 most important industrial countries in 1983 were subject to non-tariff barriers in one form or another. These interventions had progressively spread during the period 1981-1983. Cf. J. J. Nogués et al.: The Extent of Nontariff Barriers to Imports of Industrial Countries, World Bank Staff Working Papers, No. 789, Washington 1986, pp. 29 and 33.

Yet to do this would be to take the dubious path of bringing unfortunate realities into harmony with the rules of behaviour simply by bending the latter long enough until they fit.¹⁰

The diminishing trade discipline in recent years can certainly also be attributed to the weaker part now played by arbitration, especially in the agricultural field, within the GATT framework. It is entrusted to independent experts who are convened to form "panels" and draw up recommendations for the disputing parties. However, because of the consensus principle which predominates in GATT, the defendant party has various opportunities to obstruct or disrupt such procedures: it can withhold its agreement to a panel being set up in the first place, to its composition, to its mandate and, finally, to the conclusions it draws.

It seems that there is only one real factor which might keep countries from following this obstructive course: the active desire to maintain goodwill in the hope of not themselves falling prey to such behaviour on some other occasion. But here again, the greater the acute economic problems occurring domestically, the greater in turn is the danger that short-term tactical motives dominate. Thus the "tyranny" of individual, isolated decision-making situations can lead over time to the – ultimately undesired – erosion of the system.

Reversing the Protectionist Trend

This erosion process, under the conditions which have been described, is to some extent inevitable. This does not, however, mean that it will steadily continue in the same way. Countervailing forces are conceivable, and indeed are also discernible.

The greater the lack of contractual discipline, and the heavier the damage caused to the multilateral trading system, the more evident will be the losses which have to be borne by all parties concerned: trading transactions are burdened by political influences and – vice versa – political relations placed in jeopardy by economic sources of conflict, growth is globally retarded because world trade expands too sluggishly, backlogs arise in structural change and employment problems are exacerbated due to distorted incentive structures. There are clear indications that these losses are being perceived more and more as cumbersome. It is increasingly realized that, if protectionism persisted,

hardly any country or industry would profit any longer, and only losers would remain.

However desirable it may be, though, individual contracting parties are hardly in a position to change course in isolation, nor to do so immediately. Under current conditions, governments would probably not be given any chance internally of enforcing unilateral moves to promise, for example, a "standstill" (no new protectionist measures) or "rollback" (reduction of the actual scope of intervention). The key notion governing discussion on trade policy remains that of reciprocity.¹¹

In general, trade liberalization is felt to be a concession which can only be made good by counter-concessions; autonomous liberalization is seen as unaffordable generosity. The only realistic chance of reversing the trend, therefore, is for all contracting parties to proceed jointly and in coordination, and for all to undertake a common obligation. It seems the only way such coordination can be achieved is within the multilateral framework of a new GATT round. And it is undoubtedly no coincidence that not only the controversial matters of substance (e.g. agriculture) came to the fore during preparatory committee sessions and the ministerial conference, but also precisely these "procedural" points such as standstill, rollback, the safeguards clause (reform of Art. XIX), and dispute settlement procedures.

New Areas of Concern

The Uruguay round may be seen, indeed must be seen, as a test of the multilateral trading system – a test of its adaptability and reformability. Incorporated within this test is the question as to whether new areas of concern can be suitably handled (an important example: trade in services). Given that income and employment priorities change as economic development proceeds, it would be only natural if this change were to be reflected in appropriate adjustments to the GATT. Hence the Punta del Este ministerial declaration, which addressed, with different degrees of intensity, the questions of services, trade in counterfeit goods and trade-related investment measures, represents an important first step towards this target. Many more such steps now have to follow. If substantial results do not emerge from negotiations on services, for example, large industrial countries' interest in GATT might fade in inverse proportion to the sector's growing economic significance. A network – or tangle – of

¹⁰ Apart from this, the GATT rules for the agricultural sphere, which are only very vaguely formulated, could serve as a counter-example to the disputes surrounding Art. XIX. Whilst in the latter case the – allegedly – too tough wording is responsible for provoking measures to circumvent it, on the other hand the distinctly weak rules on agriculture are the starting-point for many interpretational conflicts, which ultimately are also trade conflicts.

¹¹ "That reciprocity constitutes the only politically acceptable mode of advance towards freer trade is, in the case of the United States, explicit." E. D e l l : Of Free Trade and Reciprocity, *The World Economy*, Vol. 9, 1986, No. 2, p. 133.

bilateral contracts, instead of a multilateral agreement, would be the result.

The resistance to treating service matters within GATT so far shown by many developing countries is difficult to comprehend on economic grounds alone. After all, even classic commodity trade would largely come to a halt without the aid of services such as transport and insurance. Moreover, all industrial products include a certain proportion of service input – and this, as empirical enquiries show, with an increasing trend over time. Finally, developing countries themselves appear to be ever more successful as suppliers of certain services (e.g. transport, tourism).¹²

It therefore remains to be seen whether, or to what extent, objections to further developing the GATT in this direction have been tactical in origin. It would be quite understandable in political terms if particular countries hoped to seize the opportunity of doing an “exchange deal” in order to more effectively assert their own primary negotiating goals (e.g. progress on the liberalization of trade in tropical products and of traditional agricultural trade). The upshot of this would only be to ask the industrial countries to accept solutions which are rational in general economic terms: that markets should be opened up and long delayed adjustment processes be started, that maintenance subsidies be reduced and resources freed for other areas with better growth prospects. An “exchange deal” of this kind – progress in dealing with new issues set against freer trade in “old” products – would ultimately be in the interests of all parties concerned.

This optimistic perspective, however, should not blind us to the real risks which are present. During the new round, as has happened before, disruptive manoeuvres may repeatedly occur, with “hardliners” from various camps unintentionally playing the ball into their opponents’ hands. For example, there may still be ideologically motivated resistance to substantial negotiations on new areas and, on the other hand, long-standing and “proven” intervention policies may be virtually declared sacrosanct.

Balancing the Contracting Parties’ Interests

The GATT, like every other agreement, can ultimately only survive if those participating in it believe that their “rights” and “obligations” are approximately balanced. They expect that if they open their borders trading partners will also adopt a liberal stance. This formula applies equally to the new GATT round; it can only make progress if there is a certain balance in the exchange of

“concessions”. Not only the ultimate results of negotiations are crucial in this respect, but also the “sub-totals” totted up along the way. The concessions made by one party should be in a *politically* acceptable proportion to those made by others; this means, for example, that major topics can only be dealt with in a certain time context. The rollback during the negotiations could be subject to a similar constraint, as indeed the implementation of the agreements ultimately reached will be.

The question of a balance of interests will play a major role even within the EC. Important as it is for the Community to have clearly established GATT rules, it will nevertheless be difficult to maintain its internal cohesion during critical phases in the negotiations. This applies especially to cases in which individual negotiation results will give rise to different effects in different regions. The most pessimistic scenario: the Community, which as it encompasses highly productive industrial regions as well as agricultural development zones would be well equipped to play a mediating role in the GATT, involuntarily blocks negotiations because of its inability to reach an internal consensus on specific questions (differing coalitions of member countries fear for their vital interests). If such blockading activity is to be avoided, political strength will have to be shown again and again; the Community certainly cannot afford to trust that the new GATT round will run of its own accord.

From a pure market-economy, liberal perspective, trade negotiations may be regarded as relatively superfluous. After all, there is no need to strive for a balance of interests if, ultimately, there is only one, supreme common goal: “If the truth is that those countries which open up most will benefit most, then they can act unilaterally and do not need the GATT, which can be abandoned as the product of mercantilist philosophy. The GATT is an institution blessed with an objective that can never be achieved, namely free trade reciprocally negotiated.”¹³

If all parties could unilaterally conduct a sensible policy, negotiations would, indeed, appear to be absurd. The crucial question, however, is whether the protagonists are actually in a position to act this way. There are good reasons to be sceptical on this score. The alternative to the GATT would quite probably not be sensible, unilateral steps in the direction of free trade, but further steps down the road to protectionist chaos. While reflecting on the best of all possible worlds, sense should not be lost of the best that can be achieved under current circumstances.

¹² Cf. H. J. Petersen et al., op. cit., p. 48.

¹³ Cf. E. Dell, op. cit., pp. 135 f.