

URUGUAY ROUND

OF MULTILATERAL TRADE NEGOTIATIONS

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IN BRIEF - WHAT WOULD A URUGUAY ROUND DEAL CONTAIN?

The Uruguay Round is the largest, most comprehensive trade negotiation ever undertaken and has more participating governments than any previous GATT-sponsored trade round - some 108. The final package will contain at least 28 agreements as well as extensive and specific national commitments to lower tariff and non-tariff barriers to merchandise trade and to reform trade-restricting domestic regulations affecting trade in services.

It is worth noting that among the 28 agreements, agriculture counts for just one and services for just one more. In other words, there is much more to the Round than the much-publicized issues related to these two, albeit important, sectors.

Essentially, the results of the Round can be divided into four different kinds of trade accord which together form a cohesive global package. First there are market-opening measures like tariff concessions, the traditional business of the GATT. Second, there are agreements which seek to strengthen the rules of the General Agreement on Tariffs and Trade. Into this category can be put stronger anti-dumping and subsidies rules but also trade in textiles - which has been subject to a negotiated market-sharing arrangement in the GATT for the past 20 years - and trade in agriculture which has been subject to loose and partly-ineffective GATT rules.

The third element in the package are agreements on new sectors of economic activity not previously covered by GATT - notably, trade in services and trade-related aspects of intellectual property protection. Finally, there are understandings on institutional matters; in particular, improvements to the dispute-settlement system and the establishment of a new Multilateral Trade Organization.

With the exception of the results of the tariff negotiations and the rather similar liberalization commitments for trade in services, largely-agreed draft texts on every one of these elements were tabled, last December, by GATT Director-General, Arthur Dunkel, in the so-called Draft Final Act of the Uruguay Round. This remains the only negotiating document at the multilateral level.

Opening markets

The aim is to bring the average level of tariffs (customs duties) down by more than 30 per cent. After seven previous trade rounds they are already low - around 5 per cent for the main industrial countries. However, some high tariffs remain. It is expected that some industrial sectors will see import tariffs abolished altogether, while many developing countries should secure significant market-access improvements for tropical products and natural resource-based products. And not only will tariffs fall, many other kinds of border restrictions - import quotas, for instance - will be wholly or partly liberalized.

Re-writing the rules

Many of GATT's rules are concerned with ensuring fair competition within markets and between markets. Thus, agreements resulting from the Uruguay Round will include new rules on anti-dumping measures, new disciplines on the use of subsidies and the countervailing duties which can be used to offset their effects, a comprehensive agreement on emergency import control measures where industries are under real threat from competition, and a new code on the way in which the origin of imports are determined by customs authorities. Many other rules of the original General Agreement on Tariffs and Trade will also be clarified and improved.

The last big trade round, the Tokyo Round, resulted in a series of agreements on non-tariff measures. Most of these agreements will be expanded and improved in the Uruguay Round. In particular, the agreement on government procurement will be extended to subject billions of dollars of extra government business to international competition.

The Uruguay Round will also lead to new disciplines on national investment regulations which distort trade.

Bringing textiles and clothing trade back to the real GATT

The textiles and clothing sector has been governed by a system of quota controls - affecting the exports of developing countries to industrial countries - for more than 30 years. The Multifibre Arrangement,

which provides the current framework for the system has been in place since 1974. The Uruguay Round may be expected to lead to the progressive phasing out of the MFA, and other similar restrictions, over a period of probably ten years.

This does not mean that trade in textiles and clothing will be completely free. It does mean that the same rules will ultimately apply as apply to other sectors.

Fairness for farm trade

The draft agreement on trade in agriculture has four components. The first three represent a programme of commitments for reform which will lead to substantial changes in policies but very gradual changes in effective support for farmers.

The first element is a commitment to reduce domestic support for agriculture - and, in particular, to shift that support from payments related to production to direct income support for farmers. The second, will require a gradual reduction in the level of border controls on agricultural imports - with current non-tariff barriers being "tariffied" to ensure transparency and predictability. The third element sets commitments to reduce both the national budgetary expenditure on subsidized farm exports and the actual volume of such subsidized exports.

A fourth part of the agricultural deal will be an agreement on the use of regulations related to animal and plant health and safety standards. This should result in an overall improvement and some harmonization in the use of such standards while ensuring they are not used as arbitrary and unjustified barriers to trade.

Trading creativity and invention

Intellectual property protection covers matters like patents, copyright, trademarks, integrated circuit layouts, trade secrets, geographical indications and appellations of origin. The Uruguay Round agreement on intellectual property will create or reinforce jointly agreed standards of protection in all these areas. It will apply GATT principles, like non-discrimination, equality of treatment and transparency, to that protection.

Other important aspects of the "TRIPS" deal include provisions to enhance the enforcement of intellectual property rights at the national level and the establishment of an international system of dispute settlement.

Among other things, the agreement will give governments a much better opportunity to combat trade in counterfeit goods.

General Agreement on Trade in Services

The fast-growing area of services trade covers a multitude of sectors from banking and insurance, through transport, tourism, consultancy, telecommunications, to accountancy, films and TV and the provision of labour. None of these are covered by the GATT so a completely new set of rules have been negotiated to govern international trade in services and to secure an initial package of liberalization measures.

While some of the rules on services find their roots in the GATT itself, many reflect the fact that trade in services is normally less a matter of exchanges across the border - there are no tariffs to be negotiated, for instance - than a question of the establishment of infrastructure in the "importing" country.

In essence, the agreement contains three elements: first, a body of general rules; second, a number of special conditions or exceptions related to the particular circumstances of individual service sectors; and, third, a package of initial liberalization commitments by members of the agreement.

Reforming the institution of GATT

There are three major institutional agreements in the final package. The first seeks to streamline and give more teeth to the dispute-settlement procedure. Some reforms have already been introduced during the Round, but a final package should provide even clearer timetables and deadlines, ensure more automaticity in the process (thus, preventing blockages), and improve the implementation of adopted dispute panel reports.

The Trade Policy Review Mechanism was introduced into the GATT on a provisional basis in 1989 and should be confirmed at the end of the Round. For the first time, it has permitted the GATT to undertake comprehensive, detailed reviews of the trade policies of individual members. Thirty reviews have already been completed.

Finally, a new Multilateral Trade Organization is envisaged to provide the institutional framework for the implementation of all the Uruguay Round results. Thus, it will subsume the GATT (including the various non-tariff agreements of the Tokyo Round) as well as taking under its wing the agreement on intellectual property and that on services. It is also expected to operate an integrated dispute-settlement system.