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Multilateralism and Regionalism after the Uruguay Round

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1 Objectives and Results of the Uruguay Round
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INTRODUCTION

At the end of 1993, when few were still confident of a positive outcome, the Uruguay Round of the General Agreement on Tariffs and Trade (GATT) was finally concluded, even though the participating countries did not sign the final documents until 15 April 1994 at the Marrakesh Conference. The effective deadline, which had been set for 15 December 1993, was met only with extreme difficulty in an atmosphere characterized right up to the last minute by controversy. The final rush to conclude the negotiations was influenced by the imminent expiration of the 'fast track' authorization granted by the US Congress to the President.1 A similar deadline, originally fixed for the end of 1990, had already been missed, resulting in an extension of the 'fast track' authorization. But by the end of 1993 it appeared highly unlikely that the US Congress was willing to extend it again. Despite this and other incentives, three more years were needed in addition to the four originally allotted to complete the negotiations, an indication of the complexity of the negotiations and of the size of the obstacles that needed to be overcome to reach a satisfactory conclusion. During the entire period the deep and seemingly irreconcilable conflicts of interest over key areas of the negotiations put the Uruguay Round at risk of failure more than once.

The eighth round of trade negotiations held within GATT was launched in September 1986 with a major conference at Punta del Este in Uruguay (hence the name 'Uruguay Round'). Despite delays the negotiations ended with a global agreement that can be defined with little exaggeration as truly historical, both for the number of countries that signed the final text (117) and for the array of trade sectors placed within the GATT's jurisdiction (trade in goods, including agriculture and textiles, trade in services, trade-related aspects of investments, intellectual property protection, the dispute settlement system and tariff reductions, just to name some of the most important). The seven preceding rounds of negotiations had never seen such broad agreement on so many different aspects of international trade. Obviously, not all the agreements reached in the Uruguay Round reflected
initial objectives, or what each individual country or group of countries had ideally hoped to achieve. However, the final text met with the approval not only of the USA, the European Community (by then the European Union, or EU) and Japan, the three main players who monopolized the final phases of the negotiations, but also of the many developing countries which had entered the negotiations fearing unfavourable or marginal outcomes.

In summary, these extremely complex and ambitious negotiations were concluded with the signature of no fewer than 28 separate agreements, among which one can single out GATT 1994 (and other arrangements) covering trade in goods, the General Agreement on Trade in Services (or GATS), and the agreements on Trade-Related Investment Measures (TRIMs) and Trade-Related aspects of Intellectual Property Protection and Investments (TRIPs). Moreover, although this was not the main objective of the round, tariffs on industrial and agricultural products were also considerably reduced. In the case of industrial products the reduction amounted to more than one-third, while in that of agricultural products the reductions were even higher (if from a higher base), and subsidies were also reduced. Reform of GATT rules was achieved in areas such as the use of subsidies, anti-dumping and countervailing procedures and safeguard measures. Agreement was also reached on the reform of some institutional procedures provided in the GATT, particularly the process of trade dispute settlement. Finally, it was agreed that under the modified General Agreement on Tariffs and Trade, the new agreements on services and protection of intellectual property and the various GATT codes of conduct (such as those concerning anti-dumping and public procurement) would come under a new institutional umbrella called the World Trade Organization, or WTO, which would serve as the future framework for regulation of all the main aspects of trade relations among member countries.

The potential impact of the agreements is far-reaching, particularly if we consider that at the end of the six-year period foreseen for the phasing-in of most clauses, there should be in practice very few 'grey areas' left in which common rules are not in force. In terms of the breadth of coverage, the Uruguay Round should be signed by about every country in the world, making the new WTO system truly global in scope. The purely economic benefits that should derive from this agreement are significant. This expectation is based not only on historical record and the observation of economic expansions that usually followed preceding GATT Rounds, but also on estimates of the specific economic effects of the Uruguay Round agreements made by both individual analysts and organizations such as the World Bank, the Organization for Economic Cooperation and Development (OECD), and the GATT Secretariat.

A combined World Bank-OECD study (Goldin, Knudsen and van der Mensbrughe, 1993) forecast that the liberalization of world trade would by 2002 add $213 billion (annually) to the size of the world economy. According to the two organizations, these were cautious estimates based mainly on the hypothesis of a 30 per cent reduction of industrial tariffs and agricultural subsidies. They did not include the effects of the liberalization of the services sector, and the 'tarification' and reduction of non-tariff barriers (NTBs) in agriculture. The GATT Secretariat (1993a) was equally optimistic. It foresaw an annual increase in world income of $235 billion by 2005 from the full market access package negotiated in the Uruguay Round and a 12 per cent increase in world trade over the next ten years. More recent estimates of static gains from the actual Round agreements tend to be less buoyant, indicating gains of $115 billion (applied to a 1992 world economy basis). But, when some of the important dynamic gains arising from the liberalization are accounted for (e.g., increased investments) do the new estimates yield global benefits of the order of $250 billion (Francois, MacDonald and Nordstrom, 1995). These are significant magnitudes. While estimates of the distribution of gains among various groups of countries are even more uncertain, current indications are that about two-thirds would probably accrue to industrial countries and one-third to developing countries (World Bank, 1995).

| Table 1.1 Recent estimates of the impact of the Uruguay Round on merchandise trade and incomes |
|---------------------------------|-------------------|-------------------|
| **Increase in global income/welfare (static gains only)** | **Increase in global merchandise exports** |
| GATT (1993a) | $235 billion annually by 2005 from the full market access package (1992 dollars) | 12 per cent in real terms by 2005 |
| OECD (1993) | $274 billion annually by 2002 from the full market access package (1992 dollars) | |
| Francois, MacDonald and Nordstrom (1995) | $115 billion annually from actual Round agreements (estimated on a 1992 basis) | |
The agreements concluded within the Uruguay Round can be summed up under eleven specific headings plus the special agreement on the creation of the WTO. The first five headings have to do with market access. The next three pertain to GATT rules. The three following this have to do with new areas of trade, and the last covers the organization of the WTO.

Agriculture

Most of the subsidies that distort trade in agricultural products and the various import-related barriers would be substantially reduced over the next six years. Internal support for agriculture, as calculated by the total Aggregate Measure of Support (AMS), would be reduced by 20 per cent from a 1986–8 basis. Subsidized exports would be reduced by 36 per cent in value and 21 per cent in volume from a 1986–90 basis. All import barriers existing in industrial countries would be converted into tariffs and then reduced over six years by 36 per cent from a 1986–8 base. Duties on tropical products were cut by more than 40 per cent. For nine years the use of anti-subsidy actions would be constrained under the 'peace clause' negotiated between the USA and the EU. Japan and Korea would gradually open up their internal rice markets, while France would receive preferential treatment reflecting the strong agricultural component of its national economy.

Textiles and Clothing

The Multifibre Agreements (MFAs), which quantitatively regulated the trade in textile products of industrial countries for over 30 years, would be gradually phased out over a ten-year period and tariffs would be gradually reduced. The developing countries, which were to be the main beneficiaries of the liberalization of trade in textiles with industrial countries, would attempt to open up their internal markets by eliminating their own quantitative barriers. At the end of the ten-year period, normal GATT rules would apply to most of the world trade in textiles.

Industrial Tariffs

It was decided that the industrialized countries would reduce their current tariffs on the import of manufactured products by about one-third. In most cases, this would entail their near elimination as, on average, current duties amounted to 5 per cent ad valorem (for the sake of comparison, at the beginning of the first round of GATT negotiations in 1947, the average tariff rate was more than 40 per cent). More than 40 per cent of all industrial products would in any case be imported tariff-free. However, exceptions were made for developing countries.

Technical Barriers

New rules were adopted to ensure that technical specifications and certifications would not create arbitrary obstacles to trade and to encourage harmonization of international standards, though without precluding the potential future improvement of these.

Public Procurement

In this most sensitive area, separate agreements were reached covering the various sectors such as services, public works, local and national government procurement and public utilities. It was also agreed that in 1995 separate negotiations would take place on telecommunications, a sector in which consensus could not be reached during the Uruguay Round.

Safeguards

Procedural rules for the use of safeguard actions (including their duration, re-introduction, and compensations due) were clarified and tightened. Existing safeguards would be eliminated in 5–8 years. Voluntary export restraints (VERs) and similar measures on exports and imports would be eliminated in four years, though each member retained the right to maintain one VER until the end of 1999.

Anti-dumping

New rules and codes of practice were adopted for procedures and investigations related to anti-dumping actions, thereby making it easier to establish the degree to which firms were harmed by dumping. Anti-dumping duties would in any case be eliminated at the end of a five-year period. New regulations were also considered for firms trying to avoid anti-dumping duties by relocating their production facilities.

Subsidies

The use of subsidies was modified under the agreement. Measures that could be considered subsidies were first of all more precisely defined. Some
were declared to be unacceptable, while others were still allowed (e.g., incentives for research and regional development). Measures harming competition were explicitly forbidden. A number of concessions were made for developing countries. The use of countervailing duties, like that of anti-dumping measures), was to be better regulated.

Trade-Dispute Settlement

New rules were applied to increase the use of automatic procedures and to reduce delays in the adoption and implementation of investigative reports. Provisions were made for mediation, arbitration and appeals. A binding appellate review process was also established. There would now be a single procedure for each area of trade, including those not yet covered, such as services and agriculture.

Services

The basic GATT principle of non-discrimination was introduced for trade in services. Special measures to open up the markets would be applied to financial services, telecommunications, air transport, and movement of workers. Negotiations on telecommunications and financial services would continue after the Uruguay Round.

Intellectual Property

Agreements were reached which gave more effective protection to intellectual property rights (such as trademarks and patents), specific product names, industrial design, computer software and industrial secrets. Developing countries were granted an extended time period in which to implement the new rules.

World Trade Organization

The WTO would serve as a single institutional framework for the regulation of world trade, encompassing GATT 1994, GATS, the agreements on TRIPs and TRIMs and the settlement of disputes. The members of the GATT would automatically become members of the WTO if they assumed the obligations laid out in the agreements on goods, services and intellectual property rights. The WTO would also provide common procedures for settling disputes.

The conclusion of the Uruguay Round negotiations constituted a fundamentally important step in re-establishing world trade (and political) equilibriums that appeared to be under severe stress. If the negotiations had not reached a positive conclusion, a new phase of trade conflicts, restrictions and protectionism would probably have commenced and a breakdown of the world trading system would most likely have followed. The consequences of broad trade restriction and protectionism could have led, as the experience of the 1930s showed, to renewed political and perhaps even military conflict. As a well known economist once said, where goods can’t get through, arms can.4

Apart from such dramatic possibilities, it seems nonetheless clear that the successful conclusion of the Uruguay Round, even with its limitations (owing to only partial success in some sectors of the negotiations such as audiovisuals, financial services and telecommunications), may have defused another major threat; that of a world closed up into a number of select commercial or economic blocs, each opposed to the other or, at the very least, cooperating at levels nowhere near those now attainable by GATT members. It is worth recalling that just a few weeks before the conclusion of the Uruguay Round, the North American Free Trade Agreement (NAFTA) was concluded, stretching trade regionalism from Europe to the entire North American continent. And a few days after this a strong boost was given to the new Asian Pacific Economic Cooperation Forum (APEC), which covers all the main Asian economies, by the Seattle Conference.5

Within the new WTO framework, regional trade blocs will not disappear, but may instead become tools for economic promotion and integration between different areas and a complement to a strengthened, rule-based global trading system, rather than the building blocks of a new, power-based economic order. The value of a multilateral trading order, one which is also the facilitator and guarantor of economic cooperation among its members, cannot be overstated. The aforementioned calculations of the income and trade-augmenting effect of the latest round of trade liberalization provide a notion, however limited and imprecise, of the advantages of international cooperation within the GATT framework.

The success of the Uruguay Round and the setting-up of the WTO, are likely to influence significantly the international trading order in years to come. The idea of creating an International Trade Organization (ITO), a worldwide body designed to oversee international trade rules and practices, was put forward as long ago as 1946. This proposed organization constituted the third pillar of the edifice of post-war economic reconstruction contemplated at Bretton Woods in 1944, the other two being the International Monetary Fund (IMF), which was set up to deal with international payments, and the World Bank, which engaged in capital transfers to
countries in distress. However, the ITO was never formally established, mainly due to opposition by the US Congress, which at the time was not overly inclined to permit a 'supranational' authority to interfere with its internal economic policy decisions. The recent birth of the WTO therefore signals an important change in the direction of a new international economic order, as it indicates the willingness of the most important trading nations to submit at least a part of their economic policy to the evaluations and judgment of an authority of peers. This does not constitute supranationalism, but rather a stronger form of multilateralism than GATT was able to achieve. WTO decisions on trade will not be blocked by any single, dissenting member (generally the party found to be at fault) and defaulters will be 'punished' by members. GATT could not ensure either of these results.

This development is coming in the wake of the momentous political changes that followed the fall of the Berlin Wall and the entry into the global economy of important new countries: in particular, those belonging to the former Soviet Union and the countries of Central and Eastern Europe. All this could indicate a turning point in international economic and political cooperation and the beginning of a new order. With the end of large political and military blocs, a new phase might now be initiated in which global economic relations constitute the true achievement test for national governments and the societies that they represent. The participation in the Uruguay Round of the leaders of the principal members of GATT (the US President, the EU President and the Prime Minister of Japan, to mention a few), in a much more direct form than in the past, is an obvious demonstration that post-Second World War priorities, which in the past were much more focused on strategic and military interests, have already changed and are rapidly being replaced by new concerns about the economic well-being attainable through international cooperation. Thus, the success achieved with the signature of the Uruguay Round Agreement may go well beyond the economic sphere. Its additional value may lie in its capacity to engender the international political cooperation so crucial to the liberal economic order itself.

GATT MILESTONES: 1947–94

Born officially on 1 January 1948, the GATT will probably not live to celebrate its 50th birthday in 1998 as it will soon be absorbed into a new framework, the aforementioned WTO. However, its demise should not be viewed as failure. In its lifetime, GATT has proved to be one of the most effective international agreements ever to be reached. It not only achieved results of enormous importance in deregulating and liberalizing international trade; it also realized its institutional objectives at low cost, through the very efficient use of (mostly human) resources. It is therefore worthwhile reviewing briefly the most significant GATT milestones, from its fairly remote inception at a time when the Second World War was still being fought to its eventual submergence into the WTO.

As Golt (1988) reminds us, 'those who shaped the international economic system and institutions after the Second World War were determined to try to avoid the mistakes they saw as having been made in the prewar era and as having been among the causes of the war'. While the war was still in progress there was a long preliminary debate, mostly between the UK and the USA, on the shape of the future world order and the trading system within it. Gradually a number of new countries took an interest in the reconstruction of a cooperative trading order. The building phase culminated in November 1947 with the Havana Conference and approval of the Havana Charter, the basic document on which the future multilateral trading order was to be built. As already mentioned, the ITO, contemplated in the Havana Charter, was never established as the US Congress was reluctant to ratify this organization, even though the original proposal was American. As a consequence of this failure, GATT emerged as the acceptable fall-back agreement, and began to operate as a multilateral treaty with the participation of 23 of the 53 countries that had taken part in the preparatory work done on it within the United Nations Economic and Social Council.

To date, GATT has been signed by 117 countries which, combined, account for almost 90 per cent of international trade. Its main objective was the establishment of an open, free and competitive international trading system that would provide predictability and stable conditions for traders, thus facilitating growth and fostering increased prosperity for the global economy. Its basic principles were non-discrimination in trade relations among members and reciprocity of trade concessions. Non-discrimination ensured that reciprocity in trade concessions would not come at the expense of weaker members of the system, thus providing a framework within which countries of different size and levels of development could co-exist and cooperate in the field of international trade.

One of GATT's main functions was to initiate multilateral negotiations on the progressive reduction of trade barriers (both tariff and non-tariff) and to improve trading rules in general. It thus served two important roles, as it was simultaneously a code of conduct for trade relations and a forum for negotiating non-discriminatory trade liberalization steps.
GATT did not remain static. More than once it was modified and enhanced to take into account economic and political factors and tendencies. In 1965, for example, a whole new section (Part IV) was introduced into GATT after long negotiation with the developing countries, so that these nations’ trade-related economic development needs could be more directly addressed. This change spurred the industrial country members to waive the principle of reciprocity in trade negotiations in their dealings with developing countries. As Tussie (1987) observed, with the adoption of Part IV ‘the benefits that LDCs were to derive from participation in the GATT were in principle no longer assumed to depend on what they were able to offer in return’. The granting of special conditions to developing countries from the beginning was institutionalized with the introduction of Part IV into the agreement, thus considerably skewing the application of one of GATT’s basic tenets: reciprocity.

The next step was the allowance of tariff preferences in favour of developing countries’ exports under the Generalized System of Preferences (GSP). This diluted the other key principle of GATT: non-discrimination in trade relations, if only vis-à-vis one specific category of member countries. Other exceptions to the rule of non-discrimination among members had been permitted or tolerated earlier on: the creation of the European Economic Community in 1957 was accepted through a liberal interpretation of Article XXIV (which concerns preferential trade areas). Some praised this decision as flexibility, but others criticized it as a progressive weakening of the GATT order with profound consequences.

GATT has throughout its life been highly adaptable to changes in world political and economic circumstances. As it was both a political and economic treaty, adaptability was essential to its survival. This dual nature often required the recognition of the special position of the needs of individual countries or groups of countries, as in the case just mentioned of the developing nations and of the European Community (EC). But what Hudec (1987) calls the ‘rise of pragmatism’ within GATT throughout the early 1970s did not just stop with these allowances. The particular needs of the newly industrializing countries, and more recently of the former communist countries of Eastern Europe, were also considered. China and Russia, however, posed a much greater challenge in terms of their trade practices and the speed with which these were being transformed. Their status as great powers made it more difficult for them to comply with GATT mandates. Their entry into the General Agreement was thus delayed and their future position will have to be determined within the framework of the new WTO.

GATT founders aimed at building a multilateral system that could be flexible and adaptable to changing requirements, one that could ensure to the maximum extent possible an open and non-discriminatory trading environment among members. These ideals are reflected in GATT’s guiding principles, which can be summarized as set out below.

Non-Discrimination in Trade Relations

The fundamental principle of GATT, that which ensures a fair (in the sense of broadly symmetric) multilateral trading system, is the Most Favored Nation (MFN) clause. This requires that, within the framework of the GATT, there should be no country experiencing vis-à-vis another advantages or disadvantages that are not simultaneously extended to all other countries included in the agreement. In other words, any trading concessions granted to one member country must be automatically extended to every other member. Conversely, the same applies to any restrictive measures which, under certain circumstances, GATT allows members to apply for specified periods. The application of this principle has allowed, among other things, developing countries to remain in the system and to benefit from the trade liberalization negotiated between industrial countries, even when their capacity to negotiate tariff reduction directly with industrial countries was minimal. The clause has protected the smallest and weakest among them.

Preferential Use of Tariffs

The basic objectives of GATT included, as mentioned, actions to mitigate the use of obstacles to international trade. The Agreement had, however, to take into account different realities. It therefore considered the possibility that, for various reasons (crises in the balance of payments, economic development requirements, or the temporary emergence of anomalous trade situations damaging to certain countries or regions), situations could arise that would justify the temporary imposition of trade barriers. In such cases, the Agreement’s preferred form of trade limitation is a tariff, which is visible and easily measurable. This principle of favouring transparent instruments for trade restriction was rather consistently adhered to by GATT members in the first two decades of the Agreement’s life, but has become increasingly shaken in recent times by the growing use by many member countries of NTBs, which are obviously much less easy to recognize and to control than tariffs. Given its pragmatic bent, GATT did not ignore the multiplication of NTBs and tried at least to regulate their use through a number of codes of conduct that now accompany the main provisions of
the Agreement. This was in many respects an inevitable consequence of the nature of GATT, a 'voluntary' pact with no effective power to enforce a strict discipline in its members' trading practices. Whenever certain deviant behaviour could not be prevented, it was at least regulated with the intention of limiting it.

**Fair Competition and Disputes Settlement**

GATT has constantly tried to ensure a climate of openness in trade relations and competition so as to guarantee to all its members as level a playing field as possible. In the event of unfair trade practices such as dumping (i.e., exporting at prices lower than production costs or at prices that are below those prevailing in the exporting country's own internal market) or subsidies (i.e., government grants to exporters which are aimed at making domestic goods more competitive in external markets), the Agreement explicitly considered allowing the importing country to counter the unfair practices of exporters by imposing countervailing (compensatory) duties intended to realign sale prices on imported goods with those prevalent in its own markets. However, this provision made it easy for conflicts to arise between countries, as determination of costs at origin or even cost differentials are to a large extent imprecise, and perhaps even arbitrary. Nonetheless, GATT provided a negotiating forum for solutions to satisfy all the parties involved in such disputes, thus avoiding (or at least reducing) the risks of trade wars. This mechanism has functioned, albeit in a less than satisfactory manner, for several decades.

**Gradual and Ongoing Opening-Up of Markets**

As a voluntary agreement, GATT reflected a positive commitment to and a belief in trade liberalization by all the contracting parties who recognized the advantages of free trade and the economic and political benefits of gradual and continuous (mutual) reductions of trade barriers. The overriding objective of the Agreement and of the member countries was, therefore, a progressive opening-up of markets through negotiations among all the contracting parties. These multilateral trade negotiations, generally called 'rounds', characterized the development of GATT from 1947 to 1994. The negotiations and the entire GATT mechanism earned the reputation of not only extending the area of international trade that is totally or partially free of constraints and restrictions, but also making it more difficult to introduce protectionist measures or to withdraw existing concessions, precisely because of the precondition of multilateral consensus.

_Enrico Sassoon_

There have been eight rounds of multilateral trade negotiations within the framework of GATT from 1947 to 1994.

**The Geneva Round, 1947**

The 23 countries which took part in this round completed 123 trade negotiations and established 20 agreements (on tariff reductions and other purposes) which later became an integral part of GATT. These agreements covered about 45,000 tariffs and achieved concessions worth about $10 billion in international trade.

**The Annecy Round, 1949**

GATT's second round was negotiated in the French town of Annecy. Ten new member countries were admitted to GATT, and the contracting parties exchanged about 5000 tariff concessions.

**The Torquay Round, 1950–1**

The third round took place in the English town of Torquay. In the end, the contracting parties exchanged 8700 new tariff concessions together with an important average reduction of tariffs of about 25 per cent. Four new member countries were also admitted to GATT.

**The Geneva Round, 1956**

This round yielded tariff concessions that were less significant than those of the previous rounds (covering only trade flows of $2.5 billion in value). Nonetheless, it was during this round that the crucially important preferential policy in favour of developing countries was adopted.

**The Dillon Round, 1960–2**

This was a special negotiation, divided into two parts. The first dealt with the problem of the newly established EC (1957) and the creation of a single negotiating system for all the member countries. Even at this point, the USA was concerned that the EC's common external tariff could become a real barrier to external trade if it were set higher than the average duties of the member countries, thus leading to trade diversion. Once this problem was solved, thanks to the initiative of the then US Under Secretary of State, Douglas Dillon, the actual negotiations began. The results achieved were modest as only 4400 tariff concessions were exchanged, worth $4.9 billion in trade.
The Kennedy Round, 1963–7

This round was launched by President John F. Kennedy at the beginning of his administration. It was the first truly wide-ranging round of trade negotiations, and its results were highly significant. It commenced in May 1964 with the work of a ministerial-level Committee and concluded three years later (June 1967) with the participation of 50 countries, representing collectively more than 75 per cent of world trade.

The first innovation concerned negotiation methodology. In practice, all the preceding round concessions had been negotiated product by product, requiring protracted negotiations. The Kennedy Round introduced the method of linear reduction of tariffs on whole categories of industrial products. The working goal was extremely ambitious, as it aimed at an average reduction of duties by 50 per cent over five years. This target was, in fact, achieved in many areas, although the final average reduction amounted to no more than 35 per cent.

The amount of world trade to which the agreements applied was worth more than $40 billion, but the most significant aspect of the Round was that for the first time a GATT negotiation went beyond tariff reduction. An anti-dumping agreement was also formalized and later incorporated into GATT regulations, thus becoming the first non-tariff agreement to be included in the GATT.

The Tokyo Round, 1973–9

The seventh round was promoted by 99 countries, representing almost 90 per cent of world trade. Its objectives were even broader than those of the preceding round, as it aimed at dealing with both tariff and non-tariff barriers, the latter an issue that had been only marginally addressed by the Kennedy Round. The results achieved were in line with expectations. At the end of the negotiations in November 1979, the tariff reduction agreements covered more than $300 billion of trade. The customs tariffs on industrial products of the nine most advanced countries dropped to an average level of 4.7 per cent from the 7 per cent previously in force, an average reduction of 34 per cent.7 There was also a double harmonization effect: the three major trading areas (EC, USA and Japan) reduced their duties by different percentages to establish similar average tariff levels. Second, stronger tariff reductions were made on the higher duties so as to make tariffs for various product groups more homogeneous.

Although the results, as far as tariffs are concerned, were very important, those relating to NTBs were even more significant. Indeed, the Tokyo Round led to the adoption of no less than five codes of conduct concerning: (a) subsidies and compensatory duties; (b) evaluations of products in customs; (c) granting of import licences; (d) public procurement; and (e) technical obstacles to trade. The previous anti-dumping code was also improved, and agreements were concluded on trade in cereals, meat and dairy products. A specific agreement covered trade in aircraft and parts. Finally, the industrialized countries adopted a new set of concessions for the import of tropical products from developing countries with both tariff reductions and other non-tariff initiatives. They also systematized the GSP initiated in the early 1970s.

The results of the Tokyo Round came into force on 1 January 1980, with a time span of eight years for the application of the agreements and an expected review after five years to assess any necessary changes. Yet, as early as 1982, the USA was feeling a strong political need to launch new negotiations in areas that had been totally or partially ignored in the previous rounds. In effect, when the Punta del Este Conference took place in 1986, the main agreements of the Tokyo Round were already fully operative, but many new problems, some of which carried considerable significance in international trade, had come to the fore. It was essential to deal with these on a multilateral basis.

ORIGINS AND OBJECTIVES OF THE URUGUAY ROUND

At the end of the Tokyo Round, an informal announcement was made in GATT circles that no new multilateral trade negotiations would be launched during the 1980s in order to allow the effects of the previous round to develop fully. Therefore, it was somewhat surprising when, at the Ministerial Conference held in Geneva in November 1982, the USA proposed to start a new round of trade negotiations within a relatively short period of time aimed at including within the GATT regulatory framework a number of trade sectors dominated by practices that were completely antagonistic to free trade (in particular agriculture, services, textiles and clothing, and intellectual property). The US proposal did, however, contain self-interested economic and political motivations rooted in the domestic conditions prevalent at the beginning of the 1980s. The driving force behind the international economy was resulting at the time from the economic policy mix being followed in the USA by the then President, Reagan: restrictive monetary policies and expansionary fiscal policies, known as 'Reaganomics'. This policy had far-reaching effects on world economic activity, payment balances and international trade. At the time, the USA had a significant trade deficit which subsequently worsened due
to the effects of an expansion of domestic demand, triggered by deficit spending and an overvalued dollar, and underwritten by massive inflows of capital induced by high interest rates. Between 1982 and 1984, this policy undoubtedly had the positive effect of contributing significantly to worldwide economic recovery, but it also had the negative consequence of exacerbating the US trade deficit, creating acute discomfort inside the USA.

It was in this climate that many in the USA came to view the trading practices of the country’s international partners as a key cause of their plight. This sentiment in turn fuelled the revival of protectionist sympathizers and inspired strong demands for assistance by corporations and unions operating in those industrial sectors most exposed to foreign competition (e.g., steel, automobiles and textiles). These feelings, strongly voiced in the US Congress, pressured the US Executive Branch to propose the opening of a new round of negotiations as a possible solution to the growing trade deficit problem (through granting US services providers and agricultural producers better access to foreign markets). Hence the forceful pressure on GATT members and in particular on the main trading partners, the EC and Japan, to launch a new round.

Thus, to many, the motives behind the organization of the new round appeared rather suspect. This explains why difficulties and misunderstandings abounded throughout much of the life of the Uruguay Round, as doubts over the real aim of the negotiations lingered on. This problem was compounded by the repeated pressure that the USA had to exert on most of its political allies and main trading partners to get the negotiations going and to push them along.

In substance, the problems left unsolved by the Tokyo Round basically were the use of safeguards, trade in agriculture, the revision of codes of conduct, non-tariff obstacles in general, and the mechanisms for settling disputes. These were all ‘rules problems’ that, in and of themselves, would not have required the launching of new multilateral negotiations as they could have been dealt with in a more restricted framework during the implementation of the Tokyo Round provisions. The trade policy choices faced by the three main partners also made the idea of new negotiations less attractive.

The EC was not particularly keen to embark on new negotiations on the liberalization of agricultural trade, as it was facing very serious internal problems caused on the one hand by the rigidity and higher costs of its Common Agricultural Policy (CAP), and on the other by the different interests of new member countries in this sector. Because the internal debate over the CAP was becoming more heated, the prospects of a contemporaneous international debate on the same issue held little attraction. Japan seemed uninterested and more in favour of keeping a low profile on the matter, in order to induce others to forget the numerous grey areas present in its own trade policy, which was becoming increasingly characterized at the international level as de facto mercantilism (i.e., based on the relentless penetration of foreign markets and on the simultaneous defence of domestic markets through the use of non-tariff and non-trade obstacles to foreign access). In addition, changes in agricultural policies and the protection accorded by Japan to domestic producers were likely to be difficult issues for its dominant political party, which was supported heavily by farmers. Even the USA had an ambiguous attitude, pressing on the one hand for an opening of the export markets in traditional as well as new products, while on the other imposing import-restricting measures in many sectors, foremost among these steel and automobile and electronics, in addition to textiles and clothing. Its call for the liberalization of trade in services, an area where they generally enjoyed a strong competitive position, also appeared to be brazenly self-serving. Finally the developing countries, led mainly by India and Brazil, were strongly opposed to the liberalization of their internal market for services and to the new and more binding international regulations on copy-protected products that were being sought by some of their major industrial partners. They felt, in particular, that their weak domestic financial sectors would become largely dominated by foreign firms, especially if conditions of access to their markets were too quickly and too radically liberalized.

Despite these conflicts of interest and the disingenuous motivation of the USA in proposing the new round, the acceptance of the need for new multilateral trade negotiations quickly gained ground, not so much because of the objective importance of the problems left unsolved by the Tokyo Round, but because of the desire to prevent US trade policy from slipping into protectionism and aggressive, sector-by-sector, bilateralism. Moreover, while tariff questions had been considered and to a large extent solved, at least outside the agriculture and textile sectors, it was still quite clear that the huge area of NTBs (more than 800 different kinds, as catalogued by the IMF) had now become more important and therefore required urgent attention, as a major risk of neo-protectionist tendencies emerged in the use of these instruments.

The second area that required attention was undoubtedly trade in agriculture. The Tokyo Round had produced a few limited sectoral agreements in agricultural trade, but had left a general solution to subsequent initiatives. The countries favouring a drastic liberalization of international trade in agricultural products were the USA and its supporters, mainly other
major producers such as Canada, Australia and Argentina. This group of countries accused the EC of seriously distorting international agricultural trade through its CAP, which underwrote a system of price support, import protection, and export subsidies that not only insulated EC markets from outside competition, but made EC products artificially competitive with their own in export markets. Even during the Tokyo Round, the USA had tried (in vain) to introduce the principle of undifferentiated negotiations for industrial and agricultural products, but this had been decisively opposed by the EC. The Community had not then rejected in principle the idea of liberalization of trade in agriculture; it had instead insisted on the need to find a solution through the ‘organization of the market’, an umbrella arrangement covering multiple requirements such as the fixing of international prices, stockpiling procedures, export regulations and procurement commitments. In practice, however, the EC stance amounted to a defence of the status quo.

A third problematic area concerned the modification of a number of GATT regulations, in particular the treatment of developing countries. It has already been mentioned that GATT provides for special concessions for developing countries in consideration of their weaker trade position. More specifically, the rules contemplated an ‘enabling clause’ formalizing the principle of ‘non-reciprocity’ between developed and less-developed countries, and recognized that identical principles could not be imposed on partners at different stages of development. However, there were new and unsolved issues arising from the fact that the developing countries included a number of newly industrialized members, each very export-oriented and quite capable of affecting the home industries of the larger importing countries in key sectors (typically, textiles and clothing, shoes, electronics and steel). The call for temporary limitations on imports from these developing, but rapidly industrializing, countries therefore arose more frequently than in the past, and this explains the increasing utilization of protective measures in situations when domestic enterprises operating in the sectors concerned were injured. GATT did permit the use of some emergency measures in the presence of serious injury or the threat of such injury to domestic interests through the ‘safeguard clause’, but the exercise of this right required the implementation of an important condition, one considered risky and limiting by the industrialized countries: the provision that safeguards be applied not only to the country directly responsible for the injury, but, consistent with the principle of non-discrimination, to all GATT member countries. In practice, this made the ‘safeguard clause’ very difficult to apply. The position of the industrialized countries, which was favourable to a modification of this clause to allow its selective use, was not shared by the developing countries, many of which feared an overall weakening of their competitive position and bargaining power.

The developing countries, though sceptical about beginning a new round, had an important interest in dismantling the industrial countries’ protection against imports of textiles and clothing products. Trade in these products had been kept outside GATT’s domain at the insistence of both the USA and the EC. It was quantitatively regulated within the framework of successive MFAs. Despite some relaxation, the import regime on textiles and clothing enforced by the main industrial countries was quite restrictive for developing exporting countries and thus harmful of their trade interests (Grilli, 1990; Hamilton, 1990). The dismantling of the MFAs and the placing of trade in textiles and clothing firmly in the GATT framework was thus an objective that developing countries very much wanted to pursue.

Though marked by different motivations and accompanied by many misgivings, the idea of a new round gained acceptance. Individual concerns remained strong, however, among both the industrialized and the developing countries. A pervasive feeling remained that it was not very constructive to plan a formal round of multilateral negotiations aimed at strengthening the GATT system and extending its rules to new areas when, in fact, many current problems stemmed from the reluctance of the main contracting parties to remain bound to the regulations that already existed. This applied in particular to the use of NTBs to trade and to the abuse of anti-dumping and anti-subsidy procedures.

To thaw this situation, GATT entrusted the study of the entire question to a group of eminent authorities led by Fritz Leutwiler, former Governor of the Swiss Central Bank. The Leutwiler Report, published in February 1985, strongly underscored the need for a new round, not so much to deal with new problems, but literally to avoid a world trade disaster then considered to be a possible consequence of the escalation in trade conflicts. The Report found some support in Japan and the EC, which were increasingly becoming the targets of bilateral actions by the USA, but it did not convince everyone. The new round was, however, approved in September 1985 at a formal session of the contracting parties of GATT, but only by a majority vote, an unprecedented event in the history of the organization. This initiated the preparatory work for the conference that would launch the new round.

The Uruguay Round was finally and formally launched with the Punta del Este Conference, held from 15 to 20 September 1986. An important declaration was approved there specifying the new areas of negotiation and, above all, introducing and affirming a number of principles of considerable
importance from a general economic and political standpoint. For the first
time in a major international conference (attended by 108 countries) the
principle of the interrelation of monetary, financial and trade policy was
sanctioned. It was explicitly stated in the Punta del Este Declaration that
monetary phenomena (a reference to the vagaries of the dollar which, after
almost doubling in value between 1982 and 1985, began a rapid fall during
which it lost half of its value between 1985 and 1987) strongly condi-
tioned trade. It was also pointed out that the fiscal situation of some
member countries (a reference to the foreign debt crisis of many develop-
ing countries that exploded in August 1982 and was at the time still in full
swing) could not be easily corrected if trade imbalances were not rectified.

The Declaration went on to ratify two fundamental points of the Leut-
wiler Report: the first concerned the need to strengthen the GATT’s role
by extending its jurisdiction to new trade areas such as services, which
by then accounted for about one-fifth of world trade (Table 1.2), and by
making its actions more effective through the assignment of new roles.
The second reaffirmed the principle of special treatment for developing
countries, but in an ambivalent manner: industrialized countries were called
upon to accept non-reciprocity with weaker partners; however, develop-
ing countries were also invited to contribute progressively to world trade
by opening up their own markets in proportion to their stage of develop-
ment, according to the principle of graduation supported by both the IMF
and the World Bank. Lastly, the Declaration invited the contracting parties
of GATT during future negotiations to avoid the temptation of making
‘intersectoral incursions’, with the objective of obtaining advantages in
certain sectors to compensate disadvantages in others, and to try to balance
demands and concessions in each sector.

The Uruguay Round negotiations started at the beginning of 1987 with a
timetable for conclusion by 31 December 1990. This deadline reflected condi-
tions imposed by the US government under the ‘fast track’ authorization
approved by Congress. Under this authorization the Executive Branch
was empowered to present Congress with trade agreements on a ‘take it
or leave it’ basis (i.e., without the possibility of attaching congressional
amendments to the text of the negotiated terms). In the absence of a strong
assurance to partners that agreements reached with the US government
would not be still subject to change by actions of the US Congress, trade
negotiations would lack credibility. This made ‘fast-track’ authorization
essential and the limit imposed on it became de facto the true limit of the
entire negotiations. Events at the end of 1990 required the extension of
negotiations beyond the original deadline, and the ‘fast track’ authoriza-
tion was extended accordingly, but only to the end of 1993. This then
became the new final deadline for completion of the Uruguay Round.
Negotiations largely focused on the following areas.

**Trade in Agriculture**

The Uruguay Round negotiations began with many different viewpoints
divided mainly into two broad fronts: on the one side, there was the group
headed by the EC, which was reluctant to negotiate from the start; on the
other, there was the USA and the countries of the Cairns Group, which
intended to achieve a strong liberalization of agricultural trade. The start-
ing text that was serving as a guideline in the negotiations reflected
both the contrast and compromise between the two positions. As the EC
requested, production and export subsidies and the financing mechanisms
typical of the CAP were not mentioned explicitly in the document, and
only a generic reference had been included to the need to modify those
agricultural policies that led to a distortion of the markets and generated
structural surpluses. Similarly, the USA was able to avoid any mention of
the mechanisms used to underwrite federal financing for farmers (different
from those of the EC, but almost equivalent in their monetary amounts).
The stated objectives of the negotiation were to abandon any forms of
direct or indirect subsidies that influenced international market outcomes;
to search for better conditions of competitiveness; to reduce obstacles to
import; and to abolish the much-maligned export subsidies.

**Trade in Services**

The inclusion of services in the new round was accepted with a certain
amount of reluctance. Once the EC’s initial opposition was overcome,
strong resistance followed from a number of developing and newly indus-
trialized countries which already had a substantial service sector and were

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**Table 1.2** World export of goods and commercial services, 1988–92

<table>
<thead>
<tr>
<th></th>
<th>Value (billion $)</th>
<th>Composition (%)</th>
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<tbody>
<tr>
<td>Goods*</td>
<td>2.550</td>
<td>3.650</td>
</tr>
<tr>
<td>Commercial services</td>
<td>650</td>
<td>1.000</td>
</tr>
</tbody>
</table>

* Not including re-exports from Hong Kong.
reluctant to see its development jeopardized by too sudden and too strong a challenge from industrial countries. However, it was difficult even for these developing countries to oppose the objective of extending GATT’s jurisdiction to an economic sector which held increasing importance to all economies, whether industrialized or developing. Finally, after a long confrontation – during which major issues such as what constituted the definition of service activities and how to provide guarantees for weaker countries had to be solved – the negotiations finally commenced, thanks in part to the mutual concessions made. To ensure the inclusion of services in the negotiation, the USA had to guarantee support to the developing countries for the liberalization of trade in tropical products and grant EC broader allowances on the agricultural question. Actually, the services sector was not immediately included in GATT negotiations. A specific body, the Negotiating Committee on Services, was first set up to deal with the difficult issues involved in this sector. The Committee worked parallel to the negotiations of the Uruguay Round. Its findings came to constitute GATS. The negotiating principles agreed upon in this sector were particularly important. In response to the concerns of the many countries which were initially reluctant to start the negotiations, the Declaration of Punta del Este clearly stated that the new regulatory framework had to conform to the political objectives of international laws and regulations and also had to take into account the work of the competent international organizations.

Trade in Tropical Products, in Natural Resource-Based Products, and Textiles and Clothing Products

Notwithstanding the profound differences between these three sectors, they could be grouped together, as they were all of primary interest to the developing countries. This was clearly reflected by the Less Developed Countries’ (LDCs’) behaviour during the Uruguay Round. Moreover, on all these issues (with only the partial exception of the textile and clothing sector, where Japan maintained no quantitative protection on imports), there were no substantial differences among the industrialized countries which, on the whole, acted on them in a cohesive manner. In particular, regarding trade in tropical and natural resource-based products, there was broad agreement that it was necessary to grant significant concessions to the developing countries within a short period of time.

The situation was different as far as the textile and clothing sector was concerned, because of the magnitude and diversity of interests expressed by key industrialized countries. The objective of the negotiations was to integrate this sector within the framework of GATT on the basis of strengthened GATT rules and regulations so as to contribute to the achievement of overall trade liberalization. The rather abstruse phrasing of the Punta del Este Declaration was intended to read that the MFA (which for decades had regulated the flow of imports of textile and clothing products into the advanced countries) had to be replaced, as it conflicted with GATT principles and had been strongly contested by all developing countries. But no agreement existed among industrialized countries on the timing of a phasing-out of the existing MFA. This ambiguity was to weigh upon the entire Uruguay Round negotiations in this sector.

Tariffs

The Uruguay Declaration called for negotiations ‘to reduce, or, if possible, eliminate import tariffs and to reduce or eliminate tariff peaks and tariff escalation’. In actuality, tariff reductions, which had been such an important element of previous negotiation cycles within GATT, were not a priority issue in this round. This was due in part to the rather low average level already reached for industrial product tariffs (with the exception of textiles and clothing). An objective concern was rather that of the disproportionately high tariffs on specific products such as most textiles and clothing, some leather goods and footwear, fish and chemicals. Another was the ‘cascading’ nature of some of the tariffs used; they became progressively higher with each successive stage of processing of the products and thus indicative of effective rates of protection higher than nominal rates on processed products. Yet another was about unjustified tariff use by some newly industrialized countries which were very competitive in many export industries, but were not inclined to open up their import markets.

The confrontation in this field was therefore between the developed and developing countries rather than among the industrialized countries themselves. It should also be pointed out that, given the ‘sporadic’ nature of tariff use by GATT members, it was no longer possible to apply general formulas suitable to broad tariff reductions. Thus it became necessary to return to the old method of negotiating case by case. By contrast, in the area of agriculture the major impediments to imports were non-tariff in nature (especially in the EC and Japan). Here two objectives became important in the effort to establish ‘a market-oriented trading system and to strengthen multilateral rules’: first, non-tariff impediments were to be transformed into transparent import duties (the ‘tarification’ commitment); second, tariffs were to be reduced.
Non-Tariff Measures

This broad heading covered, in the language of GATT, 'all forms of governmental intervention, different from tariffs, which have an impact on international trade'. The definition was sufficiently broad and generic to allow different interpretations. Indeed, the USA intended to adopt an even broader definition that would encompass 'market access', in order to take into account all the 'market impediments' in their various forms, including tariffs. This position was supported by few and opposed by many. It should be remembered that the previous rounds had already begun to regulate some important forms of NTB (the Tokyo Round Codes of Conduct). However, an attempt was made to initiate negotiations on a broad set of non-tariff measures. This inevitably led to intrusion into other areas of negotiations and to significant overlapping. On the whole, although inspired by good intentions, the objectives in this area seemed to be rather complex and, in many cases, somewhat confused.

Modifications to GATT Regulations

These were in regard of safeguards; subsidies; anti-dumping and countervailing duties; settlement of trade conflicts; protection of intellectual property; and protection of foreign investments. The consensus which led to the Uruguay Round negotiations assigned particular importance to the question of the functioning of GATT and the need to strengthen its enforcement mechanisms. Between 1982 and 1986 there was a strong increase worldwide in protectionist practices and trade conflicts. In this environment, the GATT's effectiveness weakened, and it seemed no longer capable of effectively regulating global trade. Strengthening GATT regulatory powers was thus thought to be the best way to give the Agreement a new and more efficient role. However, most observers were surprised by the extent of the proposed changes, as for example the suggestion that a ministerial-level meeting be convened every year and that a closer institutional link be established with the IMF and the World Bank.

Overall, the package of modifications to the existing regulations included six specific areas. Changes to the safeguard clause have already been discussed, though in addition to a simplification of its current mechanisms the proposals called for greater transparency in the use of the safeguard clause and for the establishment of objective definitions of 'serious injury', as well as codified procedures for notification, surveillance and settlements. As for compensatory subsidies and duties, the central issue became the choice between a strengthening of the rules allowing the use of the latter and a greater control or reduction of the former. In the area of trade conflicts, more effective and binding rules were sought to shorten the settlement process. The protection of intellectual property rights (IPRs) and the questions over trade-related aspects of foreign investments were introduced at the request of the USA, despite the strong opposition of the developing countries, which particularly feared the possible consequences of a serious fight against unauthorized copying, a flourishing practice in many of their economies.

Standstill and Rollback

Although strictly speaking they were not a subject of negotiations, the standstill and rollback clauses were of both significant practical and symbolic importance. They referred to two commitments made by the contracting parties to stop and progressively eliminate any trade practices conflicting with GATT rules. From a concrete standpoint, these clauses aimed at creating a trading environment that would be more relaxed and less subject to the tensions generated by conflicts of interest. From a symbolic standpoint, they indicated the general willingness of members to uphold GATT principles. At the same time, however, emphasis on this clause clearly indicated – and confirmed – the fact that the international trade climate had reached a point of considerable confrontation and that it was indeed the right time to embark upon a new round of negotiations to strengthen multilateralism and the rule of law in world trade relations.

THE RESULTS OF THE NEGOTIATIONS

The achievements of the Uruguay Round were very broad and complex. As was noted earlier, they comprised no less than 28 separate and very detailed agreements, which we will consider and summarize in this section under four separate headings: institutional changes; market access; new areas of trade; and rules. The text of the Final Act of the Uruguay Round, approved in Brussels, consisted of more than 500 pages, while the documents approved and signed in Marrakesh, taken together, amounted to more than 2000 pages. Our purpose here is to highlight the most significant results, taking into account the initial evaluation made public by such organizations as the GATT (1993a, 1993b) and United Nations Conference on Trade and Development (or UNCTAD, 1994). A detailed account of the results is given in Table A1.1.
Institutional Changes

The establishment of the WTO is certainly the most important institutional result of the Uruguay Round. It is somewhat ironic that an institution this important was not even contemplated by the promoters of the negotiation in 1986. Actually, the concept of the WTO emerged at a certain stage of the negotiations almost as if dictated by necessity, given the scope of the agreements contemplated and the requirements for their implementation. The realization that the sum total of what was being generated would be too large for GATT to handle validated the search for a more solid and comprehensive institutional framework.

As mentioned before, the creation of the WTO completed a design conceived as far back as the Conference of Bretton Woods in 1944 and the Havana Conference of 1947. It is to be the third and final organizational pillar around which the management of international economic relations will be based. It is, therefore, an institution of the greatest importance and deserving of deeper analysis. Thus, we shall return to it in the next section in greater detail.

Market Access

As was expected, agriculture became the most tricky and contentious aspect of the entire Uruguay Round negotiations. It could not have been otherwise, given the considerable distance between starting positions in this sector among the key contacting parties. During the negotiations, the EC consistently maintained a rigid position aimed at minimizing changes in existing policy, given that any modifications would have implied reform of the CAP and changes of internal equilibriums. This was an unrealistic posture since, because of the divergent positions within the Community itself, neither maintaining the status quo nor delinking the reform of the CAP from the pace of negotiations was very easy. On the other side were the USA and the Cairns Group, both of which were determined to achieve substantial modifications in the CAP and the EC’s agricultural trading regime right from the start of the round. The EC’s position, although solitary and controversial, remained firm for almost the entire duration of the Round. For economic, political and social reasons, it never considered modifying the CAP at the start and only with extreme difficulty was it convinced to do it at the end by a small enough margin to let negotiations come to a conclusion.

The EC started by asking for immediate commitments from the countries which were the largest producers of agricultural products to reduce their exports significantly, so as to help strengthen export prices in the international market. The Community saw rapid approval of these 'emergency' measures as a solid base on which to build subsequent agreements within the Uruguay Round framework. However, the position of the other parties was completely different. Most other major exporters of agricultural products were accusing the EC of lacking the political conviction necessary to put an end once and for all to the subsidy system it had created. In fact, the initial US proposal was that all subsidies be completely abolished within an agreed upon time frame, which was not to extend beyond the year 2000. The Cairns Group’s position in this all was even more drastic. It demanded the abolition of subsidies by the end of the current negotiations. Curiously enough Japan, the other major ‘culprit’ of agricultural protectionism, was left relatively untouched by the dispute between the others.

Given these conflicting views, it is not surprising that agriculture became the rock on which the ship of GATT risked foundering several times. Agriculture was the main stumbling block at both the mid-term conference held in Montreal in December 1988 and at what was intended to be the concluding conference of the round held in Brussels in December 1990. It took two more years to reach a solution to the agricultural problem, since agreement inevitably required prior consent within the EC on the CAP reform. All in all, the process was not completed until May 1992. It eventually led to a bilateral accord with the USA in November of the same year, known as the Blair House Agreement. In actuality, the Uruguay Round’s conclusive series of agreements on agriculture merely reflects understandings reached at Blair House between the USA and the Community. This final result was not achieved easily due to significant external opposition by a number of countries of the Cairns Group and the extensive misgivings voiced inside the EC by France. But in the end the Blair House compromise stuck in substance.

The results of the agricultural negotiations must be considered of primary importance both because of their scope and the time frame in which their effects will be felt. These agreements were intended to ensure a decisive shift in both national agricultural policies and international trade policies towards greater market orientation. They concentrate on four main areas: concessions and commitments to ensure better access to markets; internal support measures and export subsidies; health and phyto-sanitary measures; and clauses concerning the least developed countries and the net importers of food products.

With regard to market access, a key objective achieved was the transformation of existing NTBs into tariffs which, though equally protectionist,
will be more transparent and easily measurable. But in addition to existing NTBs a process to reduce import duties was also started. This will lead to a cut of average duties by 36 per cent in the industrialized countries and 24 per cent in developing countries, with a minimum obligation of a cut of 15 per cent on all tariff lines (10 per cent for developing countries). The tariff reductions are to be introduced over six years by the industrialized countries and over ten years by the developing countries, starting from a 1986–8 base. No tariff reduction is required by the least developed countries. Minimum access through the use of tariff quotas is to be guaranteed for all products whose imports in 1986–8 did not reach 5 per cent of domestic consumption. If existing import penetration is less than 3 per cent, access must be expanded to at least 5 per cent during the period of implementation of the agreements. If it exceeds 5 per cent, access at this level must be maintained. Safeguard mechanisms are also provided giving a minimum level of protection in the case of a strong increase in import penetration to liberalizing countries. In addition, a ‘special treatment’ clause allows resort to restrictive measures under conditions that are precisely detailed in the text of the agreement.\textsuperscript{11}

Finally, the concessions demanded by the developing countries on the reduction of tariff barriers on tropical products and natural resource-based products were also granted by industrial countries. For tropical products, tariff reduction would exceed 40 per cent on average, but many commitments were made by various countries to import these products duty free. In the case of natural resource-based products, preliminary information indicates that a 34 per cent tariff cut was reached in the aggregate. All told, therefore, the results for the poorest countries were quite positive, something that had not been achieved in previous rounds. These results are counterbalanced somewhat by the fact that some developing countries enjoying preferential tariff treatment will see their preference margins reduced and some others, which depend on imports of food products at market prices, will see their import prices increase over time.

Since international trade in agriculture is affected not only by import regulations, but also by national policies affecting production and export to third markets, negotiations covered a number of related areas, including internal support measures at the national level and export subsidies, which directly and indirectly bear on market access.

As for internal support measures, reductions of 20 per cent over six years for developed countries and of 13.3 per cent over ten years for developing countries were agreed upon using a common yardstick (the AMS, which covers all domestic support provided either on a product-specific or non-product-specific basis). The so-called ‘green box’ instruments of support policies were excluded from the commitment to reduce internal support to the agricultural sector: general government services (such as those for research, disease control and food security), certain types of income support that are decoupled from production, payments made under programmes aimed at improving environmental conditions and regional assistance programmes. Other policies can also be kept out of the computations of the AMS and thus will not be modified: direct payments under production-limiting programmes and policies whose effects are comparatively small in terms of the value of production of specific products or the total value of agricultural production. These exceptions were made to appease specific US and French demands.

The export subsidy agreements, which were the object of a fierce trial of strength between the USA and the EC, mandated that GATT members reduce the value of export subsidies by 36 per cent over six years in relation to a 1986–90 baseline (in some special cases, the baseline may be the two-year period 1991–2) and their quantity by 21 per cent over the same period. Developing countries were authorized to enact cuts that were one-third lower over a period of ten years. Precise conditions for total exemptions were also considered. The least developed countries, for example, were exempted from all reduction commitments.

Under the ‘due restraint’ clause, for a period of nine years the use of anti-subsidy actions by the contracting parties was strongly limited. This is the so-called ‘peace clause’ negotiated between the USA and the EC. The subsidies excluded from the reduction commitments will be considered ‘non-actionable’ by countervailing duties and legal challenges on grounds of injury, nullification and impairment of benefits. In the case of subsidies which are subject, instead, to reduction commitments, countervailing duties will be allowed in response when injury or threat of injury is proved to exist. Proof must be provided under GATT regulations.

Finally a ministerial decision was reached to take specifically into account the possible negative effects of the new agreements on agricultural trade, particularly in the area of subsidies, on the least developed countries and developing countries dependent on food imports. These negative consequences have several causes. The first has to do with the possible reduction in food aid by countries (such as the EC members) that have, as a result of production subsidies and artificially high domestic prices, accumulated surpluses of agricultural products, a good portion of which was given to LDCs. Second, there is the possibility of an increase in international prices that some developing countries (such as those of sub-Saharan Africa, which are net importers of food) will have to shoulder as a consequence of the reduced export supplies resulting from lower subsidies for
production and exports in industrial countries. The ministerial decision specified that food aid levels will be reviewed periodically by a committee under the Food Aid Convention and that levels of food aid commitments sufficient to meet the legitimate needs of the affected countries will be negotiated. In addition, the Ministers agreed to give full consideration, in the context of their bilateral aid programmes, to requests for technical and financial assistance coming from the same countries for the purpose of improving agricultural productivity and infrastructure. The World Bank and the IMF, moreover, would be activated to help countries meet short-term payments difficulties deriving from higher food import bills.

After more than 40 years of trade restrictions codified by the MFA, the Uruguay Round succeeded in gradually making trade in the textile and clothing sector consistent with GATT’s principles. In this sector also, the negotiations were long and difficult because of the enormous interests of both the developing countries, which are major exporters of these products, and the industrialized countries12 which, although net importers of textiles and clothing, are still nonetheless major producers of these goods. The latter had long resisted developing countries’ demands to liberalize the terms of the MFA. In fact, the impasse was only overcome towards the end of the negotiations, when a compromise was established to phase out the MFA while keeping certain safeguard guarantees requested by various industrialized countries.

This agreement specifically provided that trade in textile and clothing products would be integrated into the GATT framework over ten years, beginning on 1 January 1995, in order to coincide with the planned inauguration of the WTO. The process of integration and elimination of the quantitative restrictions in this sector will take place in four phases. Products accounting for not less than 16 per cent of 1990 total imports (in volume terms) are to be integrated into GATT in 1995. By 1998 at least another 17 per cent of total 1990 import volumes are to be integrated, followed by at least another 18 per cent by the year 2000. The remaining 49 per cent is to be integrated into GATT by the year 2005. The elimination of restrictions incompatible with GATT on imports will, therefore, be quite backloaded as nearly half will occur in the last five years of the phase-out period.

The safeguard measures which will accompany the process of integration, albeit on a transitory basis, are, moreover, of crucial importance. To avoid serious market disruption in importing countries, a mechanism has been set up which allows the adoption of restrictive measures against a country directly responsible for an excessive increase in exports within a specified period of time which causes (or threatens to cause) serious injury to the home industry of the importing country. The adoption of the safeguard measure may be agreed upon bilaterally or decided unilaterally, but only after consulting a specific department of the WTO (the Textiles Monitoring Body), which will also monitor the duration of the restrictions and alleged unfair practices by the exporting country (such as the deviation of flows through third countries and the falsification of certificates of origin or other official documents). The agreement reached between the industrialized and developing countries also provided that the latter should begin a phase of gradual market access corresponding to the respective levels of development reached in order to compensate for the benefits they receive under the complete liberalization of the textile and clothing sector after 2005.

Though the reduction of tariff barriers was not a fundamental objective of the Uruguay Round, extremely important results were achieved in this area which went beyond the purely tariff aspect of ‘market access’.13 The agreements pertained not only to the tariff reductions exchanged by participating countries, but also to various measures to improve the free circulation of goods across countries. They addressed the fact that while tariffs are typical of the trade in industrial products, other obstacles affect the international exchange of agricultural goods and services. In these areas much needed to be done to ensure better market access by concentrating on NTBs. Though developments on this issue are still in progress, the Uruguay results are important to survey.

Guarantee of market access, in general, was greatly increased by a larger number of binding commitments made by the contracting parties.14 Tariffs were bound for 99 per cent of industrial products imported by industrialized countries (versus 94 per cent before the round) as well as for 99 per cent of tariff lines (Table 1.3). Tariff binding for industrial products increased to 61 per cent of the total from 13 per cent before the Round, whereas tariff binding for agricultural products reached 100 per cent of imports for all three groups of countries. Tariffs on imports of industrial products applied by developing countries were cut by 40 per cent (from 6.3 per cent to 3.8 per cent on average). Those on agricultural products were reduced by 37 per cent (Table 1.4).

These averages conceal a number of interesting details. For example, the percentage of industrial products with zero duty was doubled (from 20 per cent to 43 per cent) and there was also a significant drop (from 7 per cent to 5 per cent) in the quota of imports subject to tariffs greater than 15 per cent (the so-called tariff peaks). Tariffs on textiles, clothing, rubber, leather, footwear and transport equipment were cut by much less than the average. Tariff escalation15 was also significantly reduced. This was
Table 1.3  Pre- and post-Uruguay Round scope of binding for industrial products  
(number of lines, billions of US dollars and percentages)

<table>
<thead>
<tr>
<th>Country group</th>
<th>Number of lines</th>
<th>Import value</th>
<th>Percentage of tariff lines bound</th>
<th>Percentage of imports under bound rates</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Pre-Round</td>
<td>Post-Round</td>
</tr>
<tr>
<td>Total</td>
<td>249 573</td>
<td>1 089</td>
<td>43</td>
<td>83</td>
</tr>
<tr>
<td>By major country group:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Developed economies</td>
<td>86 369</td>
<td>737.2</td>
<td>78</td>
<td>99</td>
</tr>
<tr>
<td>Developing economies</td>
<td>163 204</td>
<td>352.1</td>
<td>21</td>
<td>73</td>
</tr>
<tr>
<td>Transition economies</td>
<td>18 962</td>
<td>34.7</td>
<td>73</td>
<td>98</td>
</tr>
<tr>
<td>By region:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>North America</td>
<td>14 136</td>
<td>325.7</td>
<td>99</td>
<td>100</td>
</tr>
<tr>
<td>Latin America</td>
<td>64 136</td>
<td>40.4</td>
<td>38</td>
<td>100</td>
</tr>
<tr>
<td>Western Europe</td>
<td>57 851</td>
<td>239.9</td>
<td>79</td>
<td>82</td>
</tr>
<tr>
<td>Central Europe</td>
<td>23 565</td>
<td>38.1</td>
<td>63</td>
<td>98</td>
</tr>
<tr>
<td>Africa</td>
<td>21 500</td>
<td>18.5</td>
<td>13</td>
<td>65</td>
</tr>
<tr>
<td>Asia</td>
<td>87 944</td>
<td>461.4</td>
<td>16</td>
<td>68</td>
</tr>
</tbody>
</table>

Table 1.4  Tariff reductions of developed countries on industrial products by category (%)

<table>
<thead>
<tr>
<th>Product category</th>
<th>Imports from all sources</th>
<th>Imports from developing economies</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Pre-Round</td>
<td>Post-Round</td>
</tr>
<tr>
<td>All natural products</td>
<td>6.3</td>
<td>3.8</td>
</tr>
<tr>
<td>Fish and fish products</td>
<td>6.1</td>
<td>4.5</td>
</tr>
<tr>
<td>Wood, pulp, paper and furniture</td>
<td>3.5</td>
<td>1.1</td>
</tr>
<tr>
<td>Textiles and clothing</td>
<td>15.5</td>
<td>12.1</td>
</tr>
<tr>
<td>Leather, rubber, footwear</td>
<td>8.9</td>
<td>7.3</td>
</tr>
<tr>
<td>Metals</td>
<td>3.7</td>
<td>1.4</td>
</tr>
<tr>
<td>Chemicals and photographic supplies</td>
<td>6.7</td>
<td>3.7</td>
</tr>
<tr>
<td>Transport equipment</td>
<td>7.5</td>
<td>5.8</td>
</tr>
<tr>
<td>Non-electric machinery</td>
<td>4.8</td>
<td>1.9</td>
</tr>
<tr>
<td>Electric machinery</td>
<td>6.6</td>
<td>3.5</td>
</tr>
<tr>
<td>Mineral products and precious stones</td>
<td>2.3</td>
<td>1.1</td>
</tr>
<tr>
<td>Manufactured articles (n.e.s.)</td>
<td>5.5</td>
<td>2.4</td>
</tr>
</tbody>
</table>

* Excluding petroleum products.  
n.e.s. = not elsewhere classified.  
Source: GATT.
intended to encourage developing countries to export products at higher levels. Moreover, tariffs were differentially reduced by region to boost export industries in the countries of Africa, Latin America and the poorer parts of Asia.

A number of different trade obstacles come under the non-tariff measures heading. To a large extent, use of these measures was already regulated by the Codes of Conduct negotiated in the Tokyo Round. The most important of the Uruguay agreements concerning NTBs was undoubtedly the one which covered the use of anti-dumping measures (Article VI of GATT). It improved considerably on the existing Code of Conduct. In particular, clearer and more precise criteria were established to determine what constitutes ‘dumping’ and ‘serious injury’. Anti-dumping procedures and applications were also specified. The agreement also established more stringent requirements for clear demonstration of causal links between imports and injury. Additionally, sharper rules on ensuring a correct flow of information during notification of an investigation and adoption of anti-dumping measures were established. A Committee on Anti-dumping Practices will exercise surveillance on the application of the new rules. The main results of the Uruguay Round in all of these areas are summarized in Table A1.1.

The agreement on public procurement was no less important, although the results achieved were considerably less than expected because of the discord between the USA and the EC. This difference was only partly overcome during the Marrakesh conference. However, the agreement provided for consultation mechanisms and established the criteria to be followed for opening up national public procurement markets. Nevertheless, it should be noted that the understanding, which will come into force on 1 January 1996, was signed during 1994 by a limited number of countries only.

Other agreements concerned the reduction of technical barriers to trade, the harmonization of rules of origin, the customs evaluation of products, and the granting of import licences. In all these cases, questions that had remained open after the Tokyo Round were cleared up, thus increasing the operational effectiveness of the various Codes of Conduct.

New Areas of Trade

Among the key objectives of the countries promoting the Uruguay Round, most notably the USA, was the liberalization of international trade in services. Results in this area, again while less than expected, were nonetheless impressive. A general agreement on trade in services (GATS), was reached. Based on the principle of non-discrimination, it was the services equivalent of the agreements reached on goods. The GATS was set on three pillars: the basic obligations common to all member countries; the provisions included in a number of appendices dealing with specific problems affecting individual service sectors; and a series of initial commitments that various countries took in view of a subsequent extension of the liberalization process.16

The general agreement considered the total coverage of all services traded internationally in any form: those supplied in the territory of one country to consumers of another (such as tourism); those offered by the service supplier of one country through a commercial presence in another country (such as banking); or those which were the result of an individual cross-border activity (consulting, engineering). In each case, treatment for all partners was to be no less favourable than that accorded to the country most favoured among them.

Each government undertook to guarantee the observance of the principle of non-discrimination (with the possibility of exceptions lasting no longer than ten years), the transparency of regulatory instruments and the impartial administration of domestic regulations. Also covered was the repatriation of payments and income deriving from service activities. The GATS in addition mandated progressive liberalization of trade in services through successive rounds of negotiations beginning no later than five years after the establishment of the WTO.

The annexes dealt with the movement of labour, financial services (mostly banking and insurance), air transport services (other than traffic rights) and the access to and use of public telecommunications. They also contained the agreements to begin negotiations for the gradual liberalization of basic telecommunications and maritime transport services. The former were to be concluded by April 1996 and the latter by June 1996.

The third pillar of the GATS concerned the initial liberalization commitments. Here the aim was two-fold: to encourage the planning of further steps towards opening up the service markets and to record analytically the limitations on market access or on national treatment maintained by the participants.

On the whole, these constituted very important advances, though there were also important exceptions. On various issues the USA and the EC were unable to reach agreement; for example, on telecommunications, financial services, maritime transport and audiovisuals. Given the particular sensitivity on these matters shown by the parties concerned and the great gaps between their final positions, it was agreed that further negotiations would be carried out within the WTO, with the aforementioned deadlines for telecommunications and sea transport.
The negotiations on TRIPs were particularly complex, again owing to the extremely varied initial positions of the contracting parties. The USA and the EC, in particular, were in favour of introducing rigid and binding rules enforcing the protection of trademark, patent and copyright rights. Practically all of the developing countries were opposed to this, as they were very concerned about the possible negative effects on their development deriving from rigid rules on patents and trademarks.17

The text of the agreement on TRIPs reflected the deeply held concerns of both groups of countries in so much as it established minimum standards of protection for each category of international property rights: copyrights (including those for computer programs, sound recordings and films), trademark and service marks, indicators of geographical origin of goods, patents, industrial designs, lay-out designs of integrated circuits and undisclosed information. These standards must be reflected in the national laws of each signatory and applied on the basis of the MFN natural treatment principles. These standards include and extend to all signatories of the agreement the obligation contained in the pre-existing international conventions, such as the Berne and Paris Conventions on copyright and industrial property. Moreover, new standards were set where missing (e.g., for patents), and norms for the enforcement of rights and the settlements of disputes were also established. The national laws of the signatory countries are required to provide procedures and remedies for the effective protection of IPRs to the holders of these rights, which are mostly private firms.

Developing countries were given much longer periods than industrial countries to implement the new rules. While the latter have one year to meet their obligations, the former were given five years, with the possibility of an extension. Moreover, those developing countries that did not provide at the time of signature patent protection in a particular section, such as agricultural chemicals and pharmaceuticals, were offered special transitional arrangements.

Decisions of great importance were also made in the field of TRIMs. The TRIMs agreement recognized the fact that certain investment measures have a distorting and restrictive effect on trade. It was therefore decided that member countries should avoid such measures and proceed with the rapid elimination of barriers currently in place within two years for the advanced countries, five for the developing countries, and seven for the least developed countries. In particular, the agreement included the abolition of clauses that set minimum local content requirements and proportionally limited the values or volumes of imports for foreign companies to their exports.

With respect to modifications of GATT operational rules, many early objectives were achieved and very important agreements were concluded. The following is a summary of these results in the same order as the preceding section.

**Modification of GATT Rules and Operations**

The agreement reached on those safeguard measures allowed under GATT (e.g., under Article XIX) had two main aspects. On the one hand it tried to ensure that improper use is not made of the existing safeguard mechanism. On the other, it finally established more realistic criteria for the adoption of these safeguard measures. This is the case in particular for the criteria of non-discrimination in the application of safeguard measures under Article XIX of GATT and compensation to injured parties. Compromises in these two areas, which relaxed existing obligations of GATT members in using Article XIX, made possible the elimination of measures such as VERs, which were incompatible with GATT but still widely used.

Safeguards can now be applied selectively in some circumstances (instead of *erga omnes* in all circumstances, as previously mandated), have limited duration (a maximum of four years in the first instance), and do not require compensation to the affected trading partners for the first three years (they can thus be applied selectively for a limited amount of time). Existing safeguard measures are to be eliminated over a period of 5–8 years. All this was designed to make the use of GATT-permitted safeguard measures more attractive in the circumstances where temporary surges in imports created serious difficulties for domestic producers, and thus reduce the incentive for members to use alternative measures, which tend to be non-transparent, discretionary and illegitimate under GATT.

Developing countries were given total exemptions from safeguard actions if their export market shares are small. They were also granted the right to use safeguards for a longer period than industrial countries. Agreement was reached on the elimination of all ‘grey area’ measures such as VERs and OMAs (Orderly Marketing Arrangements) or any other similar measure operating in the export or the import side over a period of four years.

The use of *anti-dumping* and *anti-subsidy* (or countervailing) measures was clarified with regard to the determination of injury to the domestic industry by dumped or subsidized imports and to the procedure for initiating and conducting the relevant investigations and the implementation and duration of the measures taken in either case. Provisions were agreed upon which establish that anti-dumping measures expire five years after
their imposition by the injured country, unless a positive determination is made that at termination dumping would occur again or that injury would continue. De minimis provisions were established, requiring that anti-dumping or anti-subsidy investigations would cease when it was determined that the margin of either dumping or subsidy was very small, or that the volumes presumed to be exported in dumping or with the help of a subsidy were negligible.

In addition, subsidies were more clearly classified and defined as prohibited, allowable but actionable (i.e., challengeable by a trading partner), or allowable and non-actionable. Certain subsidies were prohibited for all members (e.g., non-agricultural export subsidies and subsidies contingent on domestic content requirements). Prohibited subsidies are to be eliminated within pre-set time limits. Other subsidies were instead clearly permitted (non-specific subsidies, regional aid, subsidies for the environment, and research and development activities). Developing countries were given some exceptions and a longer time period for the elimination of subsidies, and more generous provisions than industrial countries concerning antidumping and anti-subsidy measures.

The Uruguay Round agreement significantly strengthened the mechanism for the settling of trade disputes in cases raised by member countries. A Dispute Settlement Body was set up and charged with the task of finding compromise solutions through mediation and arbitration. An Appellate Body was also established to which the loser may appeal a case. All of these procedures will be subject to precise and binding time constraints to safeguard both the plaintiffs and the defendants. The agreement underlines the principle that member countries may in no case decide unilaterally that violations have been committed by others and suspend concessions. They must, in every case, apply to the WTO for redress.

THE WORLD TRADE ORGANIZATION

The launching of the WTO, which took the place of GATT on 1 January 1995, marked a significant step towards the goal of preserving multilateralism and to set on this basis the trade agenda of the new century. Its task will not be easy.

The shortcomings of GATT's voluntary nature had become evident in recent years above all for two main reasons. The first was the growing intensity of trade conflicts, which GATT was unable to defuse. The consequences of this weakness was, first, a steep increase in anti-dumping measures and the temptation to impose unfavourable trading clauses on weaker partners. In addition, the tendency to set up new regional trade blocs (such as MERCOSUR and NAFTA, whose justification under GATT was dubious), highly prone to trade fragmentation, picked up speed when the GATT order appeared under stress in the late 1980s and early 1990s. The second reason was the GATT's inability to link trade liberalization with financial liberalization and other structural changes that were occurring in the world economy.

The need for a new organization capable of establishing these necessary links and working closely with organizations such as the IMF and the World Bank became progressively clearer as the Uruguay Round negotiations unfolded. It did not, however, make the negotiations any easier, since it added ambitious and controversial institutional objectives to an already contentious Round. The enthusiasm of those who wanted to see the WTO set up quickly was dampened by a sometimes heated confrontation between two schools of thought which had already clashed on other issues. The first school could essentially be characterized by its strong free market orientation and its emphasis on the defence of national sovereignty, which was conceived as being irreconcilable with any semblance of a supranational order. The second was more oriented towards managed, cooperative solutions; it was internationalist (when not supranationalist) and more disposed towards cooperation between nations.

It is not possible to ascribe precisely the first or the second position to any single country in particular, as the complexity of views is such that this would entail oversimplifications. Nevertheless, it was fairly clear during the Uruguay Round negotiations that the USA, as in 1947, regarded with suspicion any potential limitations on its national sovereignty in industrial and trade policy, no matter if arrived at multilaterally. Overall, the position of traditionally free-market countries such as Germany and the UK was similar to that of the USA, though less drastic. These countries favoured a 'lighter' framework of multilateral negotiations which allowed for the possibility of dealing with trade-related problems on a bilateral basis, too. Countries with a stronger tradition of state-guided economies were opposed to this. These nations, typically represented by France, Italy or even Japan, were clearly receptive to the strengthening of cooperative relationships in the financial and trade areas, particularly when they permitted what they considered to be a sufficient degree of market management. If the creation of multinational or even supranational institutions in certain spheres became required to achieve these purposes, these countries would support them. In the area of trade, they could see greater benefits coming to them from multilateral rather than bilateral relations.

The contrasting positions of the 'prototypical' countries, the USA and
France, were also rooted in the fact that the USA had in previous years embarked upon a clearly aggressive international economic policy. This policy was implemented through the use of instruments strongly contested abroad such as the ‘unfair trade’ actions permitted under Section 301 of the 1988 Trade Act and the numerous anti-dumping investigations conducted at home with dubious impartiality. On the other side France, supported by other countries (including Japan), strongly opposed what it had long viewed as American ‘neo-colonialism’ in trade relations.

The WTO became a reality, with rights and powers far beyond those of the GATT, much to the surprise of many observers. Because of the fact that a wide range of trade matters touching both traditional and non-traditional areas – such as the extension of the multilateral order to trade in services, the regulation of safeguard actions, the protection of IPRs and the settlement of disputes – now comprised the GATT, the negotiating parties agreed more easily on the need for a WTO than was first thought possible. A consensus was achieved to entrust the new and vastly more complex institutions that they had created to a more solid organization capable of managing and further developing the international trading order.

It is highly significant that the text of the final agreement of the Uruguay Round explicitly mentioned the aim of pursuing greater coordination in global economic policy-making. The final agreement affirmed, among other things, that greater exchange rate stability should contribute to the ‘expansion of trade, sustainable growth and development, and a timely correction of external imbalances’. It also recognized that, although the difficulties arising from factors originating outside the trading context could not be overcome by the sole means of trade policy solutions, there existed nonetheless important interrelations between the various aspects of economic policies that trade policies could not ignore. The WTO was therefore called upon to enhance cooperation with those international organizations responsible for global monetary and financial matters, and primarily with the IMF and the World Bank.

As the successor to GATT, the WTO should facilitate the efficient implementation of all the agreements negotiated in the Uruguay Round. These include not only what was explicitly included in the Final Act, but also the so-called Phirlateral Trade Agreements (i.e., the agreement on civil aviation, the understanding on public procurement, and the agreement on dairy products and beef). The WTO will also serve as the negotiating forum for dealing practically with all types of trade matters, including the management of disputes, thus filling what had been defined as a ‘legal vacuum’ in this field. It will also manage the Trade Policy (Review) Mechanism, launched after the 1988 Montreal Conference, which was

Figure 1.5 Structure of the WTO

![Diagram of WTO Structure]

- Committees set up to administer the various arrangements

aimed at maintaining coherence in member countries’ trade policies through peer reviews, discussions and moral suasion. Finally it will lead the members into the next century and set the stage for the world trading order that will then prevail.

GATT member countries are automatically members of the WTO. There is also a specific mechanism allowing new countries to join the organization at a later stage. LDCs, specifically recognized as such by the United Nations, may become members of the WTO, though their obligations are limited to what their levels of development allow.

The structure of the WTO is summarized in Figure 1.5. The organization will be led by a Director General appointed by the Conference of Ministers of the contracting parties. The organization will operate on the basis of the work of the Ministerial Conference, which will meet at least once every two years, and through a General Council consisting of the representatives of all the member countries. The Council, in turn, will be organized around three operational branches: the Committee for Settlement of Trade Disputes, the Committee for the Review of Trade Policies, and three specific councils for goods, services and intellectual property.
UNSOLVED PROBLEMS

All told, the Uruguay Round’s achievements were quite remarkable. They met many of the expectations leading up to what we may now rightly refer to as the ‘negotiation of the century’, at least as far as international trade is concerned. None the less, it is clear that the very wide scope of the negotiations and the far-reaching aims of the initial programme were also weaknesses which prevented the achievement of completely satisfactory results for all countries and in all areas. The obvious success of the agreement setting up the WTO should not overshadow the fact that the agreements concluded and signed during the negotiations must be enforced and implemented to be meaningful.

Enforcement will pose a continuing challenge. Implementation will be difficult, as shown by the recently arrived at agreement on telecommunications which the USA decided not to join (at least temporarily). There are also other issues looming, including trade and the environment and trade and workers’ rights, which will prove to be highly divisive.

The most delicate aspect of the whole agreement may be operationalizing the WTO. The decision-making mechanism in the General Council is based on the principle of ‘one country, one vote’. Decisions will be made by majority vote when consensus cannot be achieved. This system undoubtedly reflects the necessity of international cooperation among independent states. But with 120 or more member countries expected to join, there is a risk of paralysis in decision-making. A different approach, however, would not have been possible, as the developing countries drastically opposed the ‘weighted voting’ which, they feared, would ensure the hegemonic supremacy of the stronger partners. The fact remains that voting mechanisms such as those used in the Washington-based international financial institutions would have assured greater operational effectiveness and reduced the ratification hurdles the WTO faces in some countries (particularly the USA) because of its perceived supranational character and the ‘one country, one vote’ rule.

Apart from the questions of the WTO being able to function effectively and being accepted once and for all as the highest authority in the field of international trade, there is still the issue of how to implement the broad range of agreements it is intended to supervise. In particular, the organization will have to devote attention to the following fundamental questions:

• ensuring that member countries observe their commitments to eliminate agricultural subsidies gradually;
• monitoring the application of the treaty guaranteeing the observance of international standards as regards patents, trademarks, and intellectual property in general;
• ensuring that the textile and clothing markets are effectively liberalized over the next ten years;
• making sure that there is no repetition of the very widespread misuse of anti-dumping measures and countervailing duties;
• checking the correct application of the new safeguard rules in demonstrated cases of serious injury in the various markets.

In addition to these particularly sensitive points a number of other open issues important to future negotiations should be kept in mind. These areas are, in particular:

• the liberalization of the financial service markets;
• the opening-up of the national telecommunications markets;
• the definition of rules for sea transport;
• the free circulation of unspecialized workers;
• the protection of workers’ rights (the so-called ‘social clause’);
• the link between international trade and environmental protection.

A number of serious clashes took place during the Uruguay Round negotiations and at the Marrakesh Summit concerning the last two questions, the social clause and the trade-environment link. The problems involved are wide ranging and will have to be dealt with by the WTO. They are summarized below.

The Social Clause

This rather ambiguous expression refers to a very complex problem, namely the attempt made by some countries (foremost France and the USA, allies for a change) to establish a link between the observance of workers’ rights and international trade negotiations. The question is obviously delicate, as it goes well beyond the traditional nature of the issues dealt with by GATT in the past and by the WTO in the future, which for the most part have to do with freedom of international economic activity. This question constitutes a new set of issues that touch directly the political and social balance within each country, the forms of social and economic organization, and even the various socio-cultural traditions.

The definition of ‘social dumping’, the term applied to countries which do not observe certain trade union rights or which allow the payment of particularly low wages, is itself a matter of debate. All the countries that
are today industrialized and have comparatively high wage levels at some point in their history passed through a period of low labour costs, a factor which contributed to the growth of industrialization its earliest stages. Today many developing countries count on their low labour costs to become competitive in the international market, a fact their representatives in the Uruguay Round negotiations have stressed repeatedly. At the same time, it is quite true that pressure by the industrialized nations on the LDCs concerning workers' rights may contribute effectively to the correction of glaring standard of living discrepancies between the two groups. However, it is probable that the question will be extended from the mere safeguarding of workers' rights to the protection of human rights, particularly when child labour, exploitation of convicts, or even slave labour are involved. This calls for careful political and social judgments.

On the whole, it is clear that the positions expressed require serious consideration by both sides. The developing countries cannot reasonably defend all their deviations from minimum worldwide standards of labour, especially when human rights are involved. On the other hand, the industrialized countries must be sure that accusations of 'social dumping' are substantial and are not merely vehicles for the interests of specific sectors and lobbies looking to protect themselves from international competition.

Interestingly enough, the 1947 Havana Charter incorporated a 'modern' social clause inviting all member countries to introduce equal standards of workers' rights to avoid distortions in international trade flows. This clause evidently lost force along with the Charter itself and did not re-emerge in later GATT regulations. However, it is once again on the agenda of the new WTO.

Trade and the Environment

The question of the effects of trade policies on the environment was taken into consideration during the Uruguay Round, although only at the end of a debate that was no less acrimonious than that over the social clause. This is certainly understandable because, as was the case with the social clause, the environmental question contains both trade-promoting and trade-distorting elements.

Once again, the positions of the industrialized countries, led by the USA, and those of the developing countries were completely opposed on this question. For the USA the environmental question was a particularly delicate one, as ecological causes enjoyed the backing of strong environmental protection groups with large constituencies and effective support in Congress, not to mention the Executive itself (Vice President Al Gore is a staunch environmentalist). During the debate on NAFTA in 1992 and 1993 the environmental question came to the fore in a serious clash between the USA and Mexico over tuna fishing. This controversy actually went as far as the GATT panel for Dispute Settlement, which ultimately came out in support of the Mexican position. Other less publicized episodes highlighted the awareness of the environmental problem in many countries, especially regarding such problems as deforestation, the use and abuse of natural resources, and the 'greenhouse effect'.

The developing countries, led by India (frequently the spokesman for the group), were very opposed to the 'environmental threat' before them. They had consistently refused the inclusion of the environmental clause in the WTO agreements, stating that, like the social clause, it constituted simply another covert attempt by the industrialized countries to impose new forms of protectionism. Though these countries did not deny, in principle, the need for environmental awareness, they considered it risky to establish formal links between this question and codified rules of international trade.

The dispute was in part settled during the Marrakesh Conference, where it was decided to set up a specific Committee on Trade and the Environment that would operate within the framework of the WTO. The understanding recognized that the relationship between trade and the environment does come within the framework of sustainable development. This is stated formally in Agenda 21 of the Declaration of Rio, articulated at the United Nations Conference on the Environment and Development held in June 1992. It was also maintained that this relationship must be managed while keeping in mind the following objectives: raising the standard of living; ensuring full employment and a stable and lasting increase in the volume of real income and effective demand; and expanding the production and trade of goods and services. Optimum use of world resources consistent with the objective of sustainable development had also to be taken into account.

Apart from the specific agreement, the contents of which will be defined by the practical work of the Committee within the WTO, the environment was mentioned many times in various other agreements, such as those on technical barriers, health and phyto-sanitary measures, agriculture, subsidies and compensatory duties, intellectual property, access to markets and services.

CONCLUSIONS

The Uruguay Round concluded a cycle in the history of world trade and trade policies that began in 1947 when the overwhelming objective was
that of liberalizing world markets in order to contribute as much as possible to post-war reconstruction. GATT was the instrument chosen to achieve this objective in the area of international trade in goods. We have come a long way from the time when trade liberalization started and average tariffs were well above 40 per cent, to the current period in which tariff barriers have been virtually eliminated, NTBs face the same future, safeguard actions are being more tightly regulated, and new areas such as services and intellectual property are included in the scope of multilateral agreements.

With the birth of the WTO a new phase has opened in which trade relations between countries will be managed no longer only by a weak, voluntary agreement but rather by an actual institution with surveillance and enforcement powers similar to those of the existing major international organizations. There can be no doubt that this new set-up is much more 'in sync' with the new economic realities of the world than its predecessor, particularly in regard to new developments such as the increasing weight of services in the most advanced economies, a high mobility of the factors of production (capital, labour, technology) with evergrowing integration of markets, and the existence of large countries in transition towards a market-based economic system.

All this provided the impetus for the formation of a new framework of rules and institutions capable of going beyond a purely sectoral vision of trade towards one capable of recognizing the linkages between trade, monetary and financial policy-making on the global scale. A new era has thus commenced in which there are no deadlines, but rather a long series of new milestones in the ongoing process of improving international economic relations. This framework has been, and still is, exposed to the risk of once more being fragmented by the creation of new regional trade groupings. However, the WTO should help ensure that the regional trade areas facilitate the growth and integration of the member countries without hurting the rest of the system. It is, above all, an instrument which can ensure that creeping regionalism does not conflict too strongly with new processes of world integration, and instead supports it.

The resulting international trade system will be freer, more open and more reliant on multilateralism in negotiation. It is hoped the scope of questionable options in trade relations, such as unilateralism or aggressive bilateralism, has been reduced. Customs and other barriers have been demolished, subsidies to agriculture reduced, and multilateral surveillance mechanisms reinforced. The strengthening of intellectual property protection, together with the liberalization of trade in goods and services, should greatly encourage investments and foreign trade. Whole new service sectors, from tourism to insurance, will enjoy new freedom of movement, with beneficial effects for all countries. The international diffusion of technology should also be boosted.

Of course, considerable limitations on other important sectors of international trade still need to be addressed and resolved, but the direction taken seems to be the right one for solving these and future problems. The major task of the WTO and of its member countries will be that of managing over time the difficult compromise between broader trade expansion and more and tighter rules of conduct. This is the challenge posed by world trade relations as they are taking shape today and it will probably remain the main one in the twenty-first century.

Notes

1. The 'fast track' authorization allows the US President to negotiate and sign a treaty which Congress must ratify or reject in its entirety (i.e., without the possibility of amending it).
2. The Uruguay Round negotiations began in a climate that cannot really be defined as one of cooperation and trust (see Secchi, Chapter 2 below, for an analysis of the objectives sought by the key players). Moreover, neo-protectionist tendencies on a world scale had reached their peak precisely at the end of the 1980s (see Grilli and Sassoon, 1990).
3. Many authoritative voices were heard in the 1980s protesting against resurgent protectionism, especially in some of the main industrialized countries. Among the most significant contributions to this debate were Bhagwati (1988, 1991), Hufbauer (1989) and Ostry (1990).
4. The prospects of worldwide confrontation among the main economic blocks for supremacy in international trade are analyzed by Threw (1992).
5. On the formation of regional areas and the relationship between regionalism and multilateralism, see Chapter 6 by Grilli in this book. Other important references may be found in Schott (1989), OECD (1992, 1993), and Grilli (1992).
6. For an in-depth treatment of the new orientations of trade policies and the different areas of global strategic and economic interests, see Salvatore (1993).
7. It should be remembered that, before GATT, tariffs were on average more than 40 per cent and that they were still above 15 per cent before the Dillon Round.
8. The Report stated: 'We advocate the launching of a new round of GATT negotiations with the primary aim of strengthening the multilateral trade system and further opening up world markets. The current agenda of important issues of trade policy requiring settlement is such that we have come to the conclusion that a new round is now necessary and should be launched as soon as possible.'
9. The Cairns Group takes its name from a meeting held on 25–27 August 1986 at Cairns, Australia, which was attended by representatives of 14 agricultural-product exporting countries. They agreed on principles and common objectives for the forthcoming GATT negotiations. These countries were: Argentina, Australia, Brazil, Canada, Chile, Colombia, Fiji, Hungary, Indonesia, Malaysia, New Zealand, the Philippines, Thailand and Uruguay. The Cairns Group approved a declaration condemning the ‘predatory practices’ of the main industrialized countries and the disastrous trade wars between the USA and the EC, the real cause, in their view, of profound distortions in the international agricultural product markets.

10. The American proposal, first made in 1987, to abolish farm subsidies was based on the formula ‘Zero-2000’, which envisaged the complete abolition of all forms of production and export support by the year 2000. It should be pointed out that at the time the proposal was made, subsidies granted by the USA to its own farmers, though in forms different from those of the EC, were equal in terms of value to those paid by the Community.

11. Regarding market access, an important secondary result of the Uruguay Round was the acceptance by Japan of the elimination of its home rice monopoly. The opening-up of the Japanese rice market, opposed right until the end, will become a reality in 1995. In that year, Japan will undertake to import a quantity of rice amounting to 5 per cent of its national requirements. This figure will rise gradually to 8 per cent over six years.

12. On this subject, see Hamilton (1990) for an exhaustive examination.

13. Although it may seem strange, the results achieved in the negotiations on market access were not included in the text of the final document of the Uruguay Round. Neither were the ‘initial commitments’ concerning the service sector. The reason in both cases was that these agreements are continually evolving, and their contents are subject to positive changes as various countries grant new concessions. GATT therefore preferred to keep these areas separate from the documents resulting from the Final Act of the Round.

14. The concept of binding commitment is fundamental for understanding the importance of the results achieved. Tariffs are in and of themselves an obstacle discouraging potential exporters, but what is even more harmful is the uncertainty of prospects created by their existence. If a tariff is reduced in a negotiation and later raised again, the damage caused is considerable. Binding commitments undertake to reduce the tariff in question once and for all. However, tariffs are not the only subjects of binding commitments. They can also be applied to agricultural products subject to import taxes or export subsidies. For services, binding commitments may address the barriers obstructing effective performance.

15. Tariff escalation was a great cause of concern for the developing countries. This term refers to the industrial countries’ practice of applying tariff hikes on developing nations’ goods in proportion to the degree of manufacture of the product in question, thus increasing the effective protection of the domestically produced finished products and creating a disincentive to import products with higher added value. (see Balassa, 1971)

16. At the end of the Uruguay Round, the process of exchanging offers and requests related to the liberalization of trade in services had reached a more than respectable level of 89 commitments. Consequently, every potential member of GATS had made commitments to increased market access and for reciprocity in national treatment on future implementation of the agreements.

17. Any estimates of the amount of unauthorized and illegal copying of trademarks is somewhat arbitrary, but it is thought that the worldwide value of such products produced and traded internationally might be between $300 and $400 billion (i.e., about 10 per cent of total world trade).

18. Among the many contributions to analysis and proposals for the revision of GATT mechanisms, see Baldwin (1988), Low (1993) and Jackson (1990).

19. The new aggressiveness of the USA in international trade was reflected in the theories of a number of important economists. See, for example, Krugman (1986, 1991). Regarding world competition in high-technology industries, the contribution of Tyson (1992) should also be considered.

20. The question of audiovisuals and the insistence on a ‘cultural exception’ by a number of European countries led by France is a good example of the kind of disputes that took place and of the difficulty faced in reconciling two different world views.

21. The controversy on the social clause reached extremes of acrimony. While the representatives of the developed countries asserted that their actions were in no way ‘motivated by protectionism, but by a genuine conviction that the problem must be faced to build a credible trade system’, the representatives of the developing countries sceptically declared that they were convinced of the contrary and that they did not at all believe that the ‘heart of American workers is bleeding for the fate of the workers in the developing countries’.

22. Concerning the introduction of the social clause, the International Labour Organization (ILO) has pointed out that GATT rules already allow member countries to forbid the entry of goods produced by prison labour, although they do not cover other aspects of the problem. The ILO stressed the difference between using trade sanctions to enforce the observance of human rights and using them against countries accused of gaining unfair advantages through unfair labour standards and practices. Although, on the whole, there is a broad agreement by the industrialized countries (with the EC in the forefront) to consider strongly the ILO conventions on the exploitation of minors, slavery and other forms of forced labour, and freedom of trade union association, the developing countries do not seem inclined to face this question, at least for the foreseeable future.

23. The wording of the Havana Charter concerning the social question is surprisingly clear:

The member countries recognize that all countries have a common interest in achieving and maintaining equal standards for labor, linked to productivity and, therefore, to the improvement of working conditions, to the extent to which productivity makes it possible. The members recognize that unjust working standards, above all in production for export, create difficulties in international trade and, consequently, each member will adopt the appropriate and applicable measures to eliminate such conditions in its territory.
24. The tuna fish war was triggered by US environmental protection groups, which accused Mexico of marketing tuna fished with unsuitable nets that also captured (and suffocated) dolphins. For this reason, in 1991 the USA ordered the suspension of imports of Mexican tuna, a decision contested by Mexico, which brought the dispute to GATT. The panel entrusted with the task of settling the controversy decided in favour of Mexico, stating that no country can impose processing methods on any other country, thus obliging the USA to withdraw its embargo.

25. The concept of sustainable development was introduced for the first time at the Stockholm Conference in 1987 and was made popular by the Bruntland Report published in Our Common Future. It advocates ensuring the highest possible quantitative development for present generations without jeopardizing the rights of future generations through the exploitation of world resources.

References


GATT (1993a), An Analysis of the Proposed Uruguay Round Agreement, with Particular Emphasis on Aspects of Interest to Developing Countries (Geneva: GATT Secretariat), 4R 93-0126.

GATT (1993b), Final Act Embodying the Results of the Uruguay Round of Multilateral Trade Negotiations (Geneva: GATT Secretariat), UR 93-0246.


### Table A1.1 Summary of Uruguay Round goals and main results

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<thead>
<tr>
<th>Areas of negotiations</th>
<th>Main goals</th>
<th>Main results</th>
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<tbody>
<tr>
<td><strong>Market access for traditional products</strong></td>
<td>Overall cut of 33 per cent, reductions in peaks and in tariff escalation, increased bindings.</td>
<td>Reductions in tariffs in five equal annual instalments beginning with entry into force of the World Trade Organization (expected in mid-1995). 40 per cent cut in tariff on manufactures by industrial countries, and an increase in tariff bindings from 94 per cent to 98 per cent of imports. Peaks in industrial country tariffs on manufactures reduced from 7 per cent to 5 per cent of all imports, and weighted average tariff lowered from 6.2 per cent to 3.7 per cent. Developing country tariffs on industrial products reduced by 30 per cent, from an average of 20.5 per cent to 14.4 per cent, and tariff binding increased from 13 per cent to 61 per cent of imports. Transition economy tariffs on industrial products cut by 30 per cent, from 8.6 per cent to 6.0 per cent on average; tariff bindings increased from 74 per cent to 96 per cent of imports.</td>
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<tr>
<td>1. Tariffs on manufactured goods</td>
<td>Overall cut of 33 per cent, reductions in peaks and in tariff escalation.</td>
<td>Reduction in tariffs of 43 per cent on agricultural tropical products and of 52 per cent on industrial tropical products by industrial countries. The impact of reductions on tariff escalation and peaks is not yet determined.</td>
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<td>2. Tariffs on tropical natural resource-based products</td>
<td>Overall cut of 33 per cent, reductions in peaks and in tariff escalation.</td>
<td>Preliminary information (November 1993) indicates a 34 per cent cut in tariffs, reducing the weighted average from 3.2 per cent to 2.1 per cent. The impact of reductions on tariff escalation and peaks is not yet determined.</td>
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<td>3. Tariffs on natural resource-based products</td>
<td>Reduce state intervention and establish a freer trading system based on multilateral rules.</td>
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<td>4. Agriculture</td>
<td></td>
<td>• The agreement eliminates virtually all NTBs imposed by members, secures bindings on agricultural tariffs across the board. • Restriction against imports are subject to a ‘tarification’ commitment, with average tariff cuts by industrial countries of 37 per cent over 6 years from a 1986–88 base, and a minimum cut of 15 per cent on all tariff lines. There are few exemptions from the tarification commitment. Developing countries have 10 years for their tariff reduction. • Tariff bindings increase from 81 per cent to 100 per cent of imports in industrial countries; from 25 per cent to 100 per cent in developing countries and from 54 per cent to 100 per cent in transition economies. • Minimum access by tariff-quotas to be guaranteed in respect of all products where imports during 1968–88 do not reach 5 per cent of domestic consumption. If imports are less than 3 per cent of domestic consumption in the 1986–88 base period, access must increase to at least 5 per cent during the implementation period. If the access level is greater than 5 per cent in the base period, this level of access must be maintained. • Domestic supports, as calculated by the total AMS, must be reduced by 20 per cent by industrial countries from a 1986–88 base, over an implementation period of 6 years. Domestic supports of less than 5 per cent are exempted from the reduction commitment (de minimis provision). The so-called ‘green box’ subsidies — certain government service programmes, decoupled income support, social safety-net programmes, structural adjustment assistance, environmental programmes and regional assistance programmes — are exempted from reduction commitments. • Export subsidies must be reduced by 36 per cent in value and 21 per cent in volume over an implementation period of 6 years from a</td>
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<th>Areas of negotiations</th>
<th>Main goals</th>
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<td>5. Textiles and clothing</td>
<td>Phase out the MFA and integrate the textiles and clothing sector into GATT System.</td>
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**Main results**

- 1986–90 base. In certain cases, the reduction commitments can be calculated from a 1991–92 base.
- Special safeguard provisions, triggered by volume increases or price reductions, permit the imposition of additional duties up to specific limits. The volume trigger changes with the degree of import penetration. The price trigger is related to 1986–88 average prices expressed in domestic currency.
- Several provisions introduce greater flexibility in implementation for developing countries.
  - Gradual integration of trade in this sector into the GATT in four stages over 10 years, under the supervision of a Textile Monitoring Body.
  - Product accounting in 1990 for not less than 16 per cent of total imports (in volume) to be integrated into GATT 1994 upon entry into force of the WTO. After the third year of the phase-out period, at least a further 17 per cent of total 1990 import volumes of the listed products to be integrated, followed by at least another 18 per cent after the seventh year, and the remainder (49 per cent) at the end of the 10-year period.
  - Progressive relaxation of outstanding quota restrictions: at the prevailing quota growth rate plus 16 per cent annually in the first three years, by 25 per cent in the subsequent four years, and by 27 per cent in the final three years.

**New areas of trade**

1. Trade in services

   Bring trade in services under the domain of GATT and begin liberalization of trade in this sector.

- Commitment made to take the necessary anti-circumvention measures to deal with trans-shipment, re-routing, false declaration of origin and forgery.
- Establishment of a ‘transitional safeguard’ only on products not yet integrated into GATT 1994, which can include restricted and unrestricted products. This safeguard may be applied selectively.

- Extensions of multilateral rules to trade in services, improvement of predictability of conditions for investment in this sector. Many initial liberalization commitments only consolidate the status quo.
- GATS establishes the non-discrimination principle. It includes most of the GATT-type provisions for controlled departures from MFN treatments. Specific exemptions from this commitment are to be listed by Members. More than 70 countries registered exemptions from the MFN treatment provision. These should in principle be eliminated within 10 years.
- GATS provides the necessary framework for establishing and maintaining liberalization commitments, including provisions on transparency, domestic service-related regulations and adjudication procedures, and recognition of qualifications and other prerequisites for service suppliers. It also provides for progressive liberalization through successive rounds of negotiations.
- Negotiations for the gradual liberalization of basic telecommunications and maritime services to begin and be concluded respectively by April 1996 and June 1996.
- Continuing negotiations called for on provisions relating to safeguards, subsidies and government procurement.
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<th>Areas of negotiations</th>
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<td>2. TRIMs</td>
<td>Consider whether to establish disciplines in relation to the trade-</td>
<td>• All TRIMs inconsistent with Articles III and XI of GATT 1994 to be notified within 90 days and eliminated within 2 years. Elimination to</td>
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<td>restrictive and distorting effects of investment measures.</td>
<td>be achieved by developing countries within 5 years, and by least developed countries within 7 years.</td>
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<td>3. TRIPs</td>
<td>Develop rules to protect IPRs.</td>
<td>• National treatment and MFN treatment are to apply in respect of all intellectual property rights covered by the agreement.</td>
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<td>• Establishment of standards for the protection of intellectual property rights, provisions for their enforcement, and provision for dispute</td>
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<td>prevention and settlement.</td>
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<td>• Minimum standards of protection for intellectual property are provided in respect of copyright (including for computer programmes,</td>
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<td>sound recordings and films), trademarks, service marks, indications of geographical origin of products, industrial designs, patents,</td>
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<td>lay-out designs of integrated circuits, protection of undisclosed information.</td>
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<td>• Enforcement provisions are designed to ensure that intellectual property rights established under the agreement can be effectively</td>
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<td>and expeditiously enforced under national laws.</td>
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<td>• Dispute settlement provisions exclude non-violation complaints for a period of 5 years and foresee further discussion on the issue.</td>
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<td>• Establishment of rules on trade in counterfeit goods.</td>
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**Rules**

1. Safeguards

    Improve rules governing the use of temporary import restrictions to protect industries in difficulty.

    • More flexible use of safeguard under tighter discipline. Safeguard measures taken under GATT rules may discriminate among suppliers only in exceptional circumstances, where imports from a Member increase disproportionately.
    • Duration of safeguard measures set at a maximum of 4 years in the first instance, but extendable for a further maximum period of 4 years, provided conditions warrant this and there is evidence the industry concerned is adjusting. Safeguards must be reviewed if they last more than 3 years, and progressive liberalization must take place during the life of the measure. Developing countries can maintain measures for a maximum of 10, instead of 8 years.
    • Safeguard measures cannot be reintroduced for a period equal to the time they have been previously applied, and in any event not until 2 years after the previous application of the measure. Developing countries may reimpose safeguard measures after half the time of a previous application, provided the minimum 2-year period of non-application has elapsed.
    • Non-compensation or retaliation is foreseen during the first 3 years during which a measure is applied.
    • Developing country exporters accounting for less than 3 per cent of a country's import of a product shall be exempt from safeguard action, provided that all developing Members with less than a 3 per cent share account for less than a 9 per cent of total imports.
    • Existing safeguards are to be eliminated within 4 years.
    • VERs and similar measures on exports or imports are to be eliminated within 4 years, although each member has the right to maintain one VER until the end of 1999.
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<th>Areas of negotiations</th>
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| 2. Anti-dumping procedures | Strengthen existing rules on anti-dumping measures. | - Introduction of some improved provisions, such as those applicable to dumping margin calculation, injury determination, the definition of domestic industry, investigation procedures, and the standard of evidence.  
- Establishment of *de minimis* provisions relating to the margin of dumping (less than 2 per cent), the volume of dumped imports (less than 3 per cent of imports, or cumulatively 7 per cent among exporters supplying less that a 3 per cent share), and the degree of injury.  
- Establishment of a 'sunset' provision requiring that anti-dumping duties remain in place no longer than 5 years unless a review demonstrates that the removal of a duty would probably lead to continuation (or recurrence) of dumping and injury.  
- Curtailment of the reach of dispute settlement procedures.  
- Anti-circumvention provisions, allowing for anti-dumping action against producers that shift the location of production in order to avoid anti-dumping duties, are excluded from the agreement, but remain subject to negotiation. |
| 3. Subsidies | Restrain use of all subsidies and improve the existing rules on countervailing duties. | - Establishment of a presumption of serious prejudice when subsidization of a product exceed 5 per cent, subsidies are used to cover operating losses of an industry, or where there is direct forgiveness of government-held debt. Developing countries are exempted from the presumption of serious prejudice.  
- Agreement on not raising export subsidies from 1986 levels, or levels prevailing at the entry into effect of the agreement, and on removing them if export competitiveness is attained (defined as 3.25 per cent share of world trade in the relevant product for 2 consecutive years).  
- Elimination of prohibited subsidies within set time limits.  
- Provisions very similar to those on anti-dumping are included in the text on countervailing duties (including deferral of the anti-circumvention issue). *De minimis* provisions also established. |
| 4. Rules of origin | Harmonization of rules of origin and establishment of common discipline for them. | - Establishment of a 3-year work programme to harmonize non-preferential rules of origin.  
- Establishment of rules on transparency, consistency, the use of positive criteria for the definition of origin, consultation, review, and protection of confidential information. A common definition of substantial transformation is established and a presumption in favour of the change in tariff heading criterion over an *ad valorem* rule or criteria relating to processing operations is created. |
| 5. Technical barriers to trade | Improvement of transparency and of coverage disciplines to prevent the use of technical norms and testing procedures as barriers to trade. | - Strengthening of provisions found in the Tokyo Round agreement on technical barriers to trade, to ensure that standards do not create unnecessary barriers to trade, nor create unwarranted discrimination among Members. Seek to ensure that standards are the least trade restrictive possible. Establishes a code of good practices for the preparation, adoption and application of standards.  
- Creation of a presumption in favour of harmonized international standards, technical regulations and conformity assessment systems. |
| Institutional changes | Strengthening of the dispute settlement mechanism. | - Introduction of greater speed and automaticity into dispute settlement procedures under fully integrated arrangements (eliminating competing dispute settlement fora within the system). |
2. WTO

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<th>Areas of negotiations</th>
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<td>• Provision of greater automaticity in the adoption of reports by dispute settlement panels and in the right of retaliation in the event that a Member does not comply with adopted panel recommendations.</td>
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<td>• Establishment of a binding appellate review process.</td>
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<td>• Limitations to unilateral actions by requiring that multilateral dispute settlement procedures must be followed, and that unilateral determination must not be made of violation of obligations or nullification or impairment of benefits under the WTO.</td>
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<td>• Establishment of the legal basis for the new multilateral trading system as a single, indivisible undertaking encompassing GATT 1994, GATS, the Agreements on TRIPs and TRIMs, the Understanding on the Dispute Settlement System and the Trade Policy Review Mechanism.</td>
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<td>• The WTO will be headed by a Ministerial Conference Meeting at least once every two years. A General Council will oversee WTO operations between meetings of the Conference. It will have three subsidiary bodies: the Goods Council, the Service Council and the TRIPs Council.</td>
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INTRODUCTION

Throughout the various negotiating cycles since the Geneva Round (1947), the GATT has achieved ever greater tariff liberalization. In the last 40 years, import tariffs on industrial products fell on average from 40% to today's current rate of about 5%. And this is not the only success of GATT. New rules on dumping, subsidies, safeguard measures and many others were also introduced. World trade in industrial products more than doubled in the second half of the 1970s, however, the growth of world trade slowed down considerably. In this same period, even GATT's numerous trade disputes over dumping, compensation measures, the abuse of numerous trade disputes over dumping, compensation measures, the abuse...