

# FACULTY OF JURIDICAL SCIENCES

# Lecture-14



# **THE URUGUAY ROUND AGREEMENT**

Although the Uruguay Round officially commenced in 1986, the agreement was only provisionally concluded in December 1993 and formally signed in Marrakesh, Morocco in April 1994. A major stumbling block that delayed conclusion of the Round had been the dispute between the United States and European Union over agricultural subsidies. Another difficulty was the number of trade issues and products that were covered in the Uruguay Round negotiations.

The broad product coverage of the Uruguay Round negotiations included industrial products, agricultural products and services, with separate agreements concluded for each grouping and for specific products in each group. The treatment of trade in services and intellectual property had not in fact been covered by GATT prior to the Uruguay Round. An additional feature of the Round was the negotiation to establish the World Trade Organization (WTO), which is the successor to GATT.

## **The key features of the Uruguay Round Final Settlement are:**

- An agreement on agriculture to increase market access, reduce export subsidies and tariffs and eliminate non-tariff barriers.
- An agreement on textiles that emphasizes in particular the phased removal of quota restrictions.
- Agreements to reduce most import tariffs on industrial products by one third over the next five years; tariffs on some products, including pulp and paper, will be eliminated completely in major developed country markets over the next 8-10 years.
- A commitment to increase the proportion of import tariffs on industrial products that are bound, with developed countries (including transition economies) agreeing to bind virtually all tariffs and developing countries binding 65% of tariffs; one of the largest increases in tariff bindings in developed country markets will be forest products.

- Agreements on secured market access and trade rules for services, trade-related intellectual property rights and trade-related investment measures.
- Improved trade rules controlling the use of subsidies, countervailing duties, anti-dumping measures and safeguards.
- Establishment of the WTO, which will oversee all Uruguay Round agreements, administer the GATT Trade Policy Review Mechanism and provide a permanent forum for discussion of new trade issues, such as trade impacts on the environment, international competition policy and trade in telecommunications.

Recent analyses by the GATT Secretariat, OECD and World Bank indicate that the overall impact of the Uruguay Round on world trade and incomes will be significant (GATT 1994). As a result of the agreement, the level of world merchandise trade is expected to be around 9-24% higher in the year 2005 than it would be otherwise, an increase of approximately US\$ 244-668 billion (1992 prices). The largest increases in trade are estimated to occur in clothing (69-192%), textiles (18-73%), non-grain agricultural products (21-22%), and transport equipment (12-30%). The improvements in market access through the Uruguay Round could lead to gains in world income of between US\$ 109-510 billion annually.

## **Achievements**

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The GATT still exists as the WTO's umbrella treaty for trade in goods, updated as a result of the Uruguay Round negotiations (a distinction is made between GATT 1994, the updated parts of GATT, and GATT 1947, the original agreement which is still the heart of GATT 1994). The GATT 1994 is not, however, the only legally binding agreement included in the Final Act; a long list of about 60 agreements, annexes, decisions and understandings was adopted. In fact, the agreements fall into a simple structure with six main parts:

- an umbrella agreement (the Agreement Establishing the WTO);
- goods and investment (the Multilateral Agreements on Trade in Goods including the GATT 1994 and the Trade Related Investment Measures (TRIMS));
- services (General Agreement on Trade in Services (GATS));

- intellectual property (Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS));
- dispute settlement (DSU);
- Reviews of governments' trade policies (TPRM).

The agreements for the two largest areas under the WTO, goods and services, share a three-part outline:

- broad principles (such as the General Agreement on Tariffs and Trade and General Agreement on Trade in Services);
- extra agreements and annexes;
- Lengthy schedules (lists) of commitments made by individual countries.

One of the achievements of the Uruguay round would be the Uruguay Round Agreement on Agriculture, administered by the WTO, which brings agricultural trade more fully under the GATT. Prior to the Uruguay Round, conditions for agricultural trade were deteriorating with increasing use of subsidies, build-up of stocks, declining world prices and escalating costs of support. It provides for converting quantitative restrictions to tariffs and for a phased reduction of tariffs. The agreement also imposes rules and disciplines on agricultural export subsidies, domestic subsidies, and sanitary and phytosanitary (SPS) measures through the Agreement on the Application of Sanitary and Phytosanitary Measures

## **Criticism**

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Groups such as Oxfam have criticized the Uruguay Round for paying insufficient attention to the special needs of developing countries. One aspect of this criticism is that figures very close to rich country industries—such as former Cargill executive Dan Amstutz—had a major role in the drafting of Uruguay Round language on agriculture and other matters. As with the WTO in general, non-governmental organizations (NGOs) such as Health Gap and Global Trade Watch also criticize what was negotiated in the Round on intellectual property and industrial tariffs as setting up too many constraints on policy-making and human needs. An article asserts that the developing countries' lack of experience in WTO negotiations and lack of knowledge of how the developing economies would be affected by what the industrial countries wanted in the WTO new areas; the intensified mercantilist attitude of the GATT/WTO's major

power, the US; the structure of the WTO that made the GATT tradition of decision by consensus ineffective, so that a country would not preserve the status quo, were the reasons for this imbalance.