

Meeting the Uruguay Round Deadline

By Ichiro Araki

The Uruguay Round of multilateral trade negotiations is scheduled to conclude in December with its last ministerial meeting in Brussels. With only two months from that deadline, where exactly are we now? Are all the participating countries ready to make final concessions (i.e. decisions at the ministerial level) so that we can conclude the Round successfully? How far have we come in preparing the drafts of the final agreements?

In July, Arthur Dunkel, director general of the General Agreement on Tariffs and Trade (GATT), speaking in his capacity as chairman of the Trade Negotiations Committee (TNC)—an organ responsible for coordinating all the negotiations in the Uruguay Round—lamented: "I cannot but underline the very deep sense of concern which has emerged from the TNC's thorough examination of the negotiating groups. First, let me say about the profiles (of the final agreements, submitted by the chairman of each negotiating group) that many represent a compendium of positions, rather than draft agreements. Second, and this flows from the first, it is clear that we are collectively behind schedule."

Having made this observation, he set out a "work program" toward the end of the negotiations in order to move them forward, using the Brussels ministerial meeting as a benchmark and working backward. First, to provide time for ministers to prepare for the meeting, documents will have to be ready by November 23 at the latest. The evaluation of negotiation results from the viewpoint of developing countries must take place early in November.

In order to achieve this, from the last week of August to the first week of October each negotiating group met formally and informally to seek to resolve the outstanding issues before them. Since then, senior officials responsible for the overall conduct of the negotiations have been in Geneva, where they must stay until

November 23, with full power to negotiate and conclude tentative agreements. TNC meetings to decide difficult issues will be "on call" at any time. Offers of tariff reductions and other market-opening measures on all product sectors had to be submitted by October 15.

Following this work program, negotiators in Geneva were in early October in the final phase of the preparation of documents to be sent to Brussels. But the lament of Dunkel persisted. No single negotiating group had come up with a draft agreement. The "compendium of positions" was still there, and we had not moved very far from there. We were already desperately short of time.

Let us not be too pessimistic, however. With courage and political decisions, ministers gathering in Brussels can reach a comprehensive agreement that will serve as the basis for prosperity toward the 21st century through an open multilateral trading system. In this article, I would like to examine the current situation of major negotiating groups and show where Japan can contribute to the successful conclusion of the Uruguay Round. The views expressed here are my personal ones and not the official ones of the Japanese government or MITI.

The Uruguay Round issues fall into three main areas:

- (a) Market access, which includes traditional tariffs, nontariff measures, tropical products, textiles and agriculture;
- (b) GATT rules, which govern international trade, such as antidumping, subsidies and countervailing measures, safeguards and dispute settlement; and
- (c) New areas—intellectual property, investment and services.

Market access

Let us start from the market access area. This area has been the mainstay of the multilateral trade negotiations since

the inception of GATT. Particularly in the Uruguay Round, agriculture has received much attention, which it well deserves. However, this does not mean that the importance of other market access has diminished. This area is vital in order to secure full participation of developing countries in the results of the Round.

(1) Tariffs and nontariff measures

In this area, reduction of tariff and nontariff barriers on a worldwide basis is sought. According to the work program set at the July TNC, all countries had to submit offers in all product sectors on tariffs and nontariff measures by October 15.

Japan made an offer on tariffs in the industrial sector in March 1990, in accordance with the agreed target of a 33 percent reduction (which was achieved in the Tokyo Round), and recently made an offer on agricultural products as described below. In addition, in seeking to construct the largest possible package of balanced concessions with the maximum participation, Japan has indicated that it is willing to engage in total mutual elimination ("global free trade" as it is sometimes called) of tariffs in specific sectors.

Tropical products, such as coffee, cocoa, tropical timber and rubber are of particular interest to developing countries, and therefore are treated differently from other products in the negotiations. In April 1989, Japan reduced tariffs on a number of tropical products by way of an "early harvest" of the result of the Round. It improved its offers on tropical industrial products in July, and is now negotiating further reductions in tropical agricultural products.

In nontariff areas, Japan has concentrated its efforts on the disciplines in the rules of origin. Rules of origin are in themselves neutral standards to decide the "nationality," so to speak, of a product in applying various trade rules. However, because of the lack of internationally agreed disciplines on their use, they can be effectively used as a tool for protection-



Photo: WWP

Representatives of 14 agricultural product exporters meeting in Punta del Este, Uruguay, at the start of the GATT round of negotiations in 1986.

ism. We need to ensure that origin rules are used in a predictable, transparent manner that does not restrict trade. Along with several other countries, Japan has taken a lead in the negotiations. We were seeking to finalize the draft text by mid-October, and to establish a work program in pursuance of harmonization of origin rules within the GATT framework.

All in all, negotiations in tariffs and nontariff measures are showing good progress. Japan is now actively engaged in intensive bilateral market access negotiations. Other participants, including developing countries, are beginning to show a forthcoming attitude in this area, as was highlighted at the ministerial meeting of the Asia-Pacific Economic Cooperation (APEC) group held in Vancouver in September. Thus we can hope to achieve an ambitious result in Brussels in the market access area.

(2) Textiles and clothing

The negotiations on textiles, though classified under the category of "market access," have been quite different from those on other issues of tariffs and

nontariff measures. The issue, as stated in the Punta del Este declaration, has been simple: "the eventual integration of this sector into the GATT on the basis of strengthened GATT rules and disciplines, thereby contributing to the objective of the further liberalization of trade."

Yet this is a very deeply rooted issue for many countries, and success in this area is indispensable for the successful final package of the Round, especially from the viewpoint of developing countries.

Japan has been actively engaged in the negotiations. It submitted a concrete proposal for integration of the textiles sector, which is now subject to restrictions based on the Multifiber Arrangement (MFA), to GATT in February. Japan is in a unique position as a former major exporter of textiles and a current net importer, and from this unique position we hope to contribute to the progress of the negotiations so as to ensure that transitional measures are equitable for both exporting and importing nations.

Unfortunately, until very recently the negotiations had not progressed much because of differences of opinion over the

"modality" of integration—whether the transitional measures should be based on the MFA, or whether they should be a new system of "global quotas." In the Vancouver APEC meeting, however, the United States and Canada showed a flexible attitude on this issue, and now the negotiations seem to be getting out of the stalemate. Though there is not much time left, if we work hard enough we could come up with a successful and realistic outcome in Brussels.

(3) Agriculture

This area is by far the most well-known of all 15 negotiation areas, and receives wide media coverage, so I need not go into the details of the negotiations. My impression is that the negotiations are steadily moving ahead. At times, the differences between the United States and the European Community seem to be so great that there is no hope of reconciliation. However, something has changed since the text prepared by Aart de Zeeuw, chairman of the Agriculture Negotiation Group, was accepted "as a means for intensifying the negotiations" in the Houston Economic Summit.

Now that offers by major participants have been put on the table, the negotiations have entered the stage of a serious deal. The core of the issue is whether the EC accepts the de Zeeuw proposal that export subsidies be reduced deeper and faster than other forms of support and protection. In order to achieve successful long-term reform in agriculture, every country has to pay a price. Japan's political determination to ensure the success of the Round will be tested by how far we can go in contributing to the agriculture negotiations.

GATT rules

Negotiations on GATT rules are also vital to the success of the Round. The ultimate goal is to bring about the rule of law in international trade. If a nation can ignore the rules and disciplines of international trade in order to attain its economic objectives, what good does market access liberalization serve? Unlike market access, the results cannot be ex-

pressed in numbers but rather are fixed in the form of do's and don'ts, making it more difficult to compromise both for challengers and defenders of the status quo. But we must have some result one way or the other. The following is a very brief summary of some of the key issues in the rules area.

(1) Antidumping

There is no doubt that application of the current antidumping rules should be significantly improved so that they are not used as a means of protectionism, or a tool for harassing legitimate exporters for disguised safeguard purposes. Japan has been a leading advocate on this issue. However, on the other side of the negotiations, concerns about "circumvention" of antidumping measures are growing. Japan's view on this issue is simple and clear: we can address genuine cases of circumvention only after strong rules and disciplines are established on the antidumping measures.

(2) Subsidies and countervailing measures

It is important that the negotiations cover both enhanced disciplines on the trade-distorting effects of subsidies and more operationally effective GATT rules and disciplines on countervailing measures. Also, the significance of subsidies as a tool for realizing social and economic policy objectives should be recognized. If certain domestic subsidies are to be prohibited (red), certain other subsidies should be made nonactionable and non-countervailable (green).

(3) Dispute settlement

The establishment of an effective dispute settlement mechanism is an essential element of the final outcome of the negotiations. We must have a firm commitment that all the GATT contracting parties abide by the rules in dispute settlement and that they all renounce recourse to unilateral measures outside GATT or the threat of such measures. In order to secure this commitment, the reliability of GATT in dealing with disputes must be enhanced. For this purpose, some form of automaticity should be in-

troduced in the adoption of panel reports.

(4) Institutional aspects

In connection with the dispute settlement mechanism, more and more attention is being paid to the institutional aspects of the GATT system. An international consensus is emerging that ministers should seek a decision in Brussels to examine in detail the possibility of a world trade organization.

New areas

Successful negotiations for adequate protection of intellectual property rights, disciplines on trade-related investment measures and establishment of comprehensive rules on trade in services are all indispensable elements for a successful outcome, since these so-called new areas are the most unique feature of the Uruguay Round and we would like to build on the results of the Round toward the future. We must have real results here, but these areas are where negotiators are facing the greatest difficulty, reflecting the difference of interests between developed and developing countries.

(1) Trade-related intellectual property rights (TRIPs)

We must reach an agreement that represents an international consensus in favor of strong standards for protection of intellectual property rights such as patents and copyrights, and standards for enforcement both internally and at the border. Negotiators are now in the process of formulating a comprehensive text, although difficult issues remain, including how to incorporate the results in the GATT framework. In order to attain participation from developing countries, some transitional periods must be considered to meet their needs.

(2) Trade-related investment measures (TRIMs)

Japan, along with the United States, has been in the forefront of the effort to address the issue of trade-related investment measures in this Round. We have argued that some investment measures such as local content requirement and



While farmers seek ever greater yields, calls for elimination of tariffs and agricultural subsidies have been a major sticking point in the Uruguay Round.

export requirement inherently distort trade and should be prohibited. Other TRIMs should be subject to periodic review, and action could be taken if their trade-distorting effects were found to be significant. Developing countries, however, have opposed the outright prohibition of any TRIMs, arguing that TRIMs are an important tool for their development policy. Vigorous negotiations are expected to last until the final moments in Brussels.

(3) Services

Establishment of a general framework of rules for trade in services—international transactions pertaining to telecommunications, transportation, professional services, tourism, engineering and construction, financial services and so on—is one of the major objectives of the Uruguay Round. Negotiations have been difficult, but we can now foresee the profile of the framework to be agreed in December. As is noted in the chairman's summing up of the Vancouver APEC meeting: "It is now time to decide on how the universal coverage of an agreement on services can be achieved through the negotiations of sectoral annotations, and limited, multilaterally agreed derogations."

In conclusion, while the task ahead is immense, we can meet the deadline with hard negotiations and political courage. Despite the Gulf crisis and the resultant slowing down of the world economy, we must achieve success in the Round. We cannot afford to have a failed multilateral trade negotiation at a time of major economic crisis.

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