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Glimmer of Hope for the Uruguay Round

The nineteenth world economic summit in Tokyo, which ended on 9th July, need not be remembered as a summit of empty promises, as those of 1991 in London and 1992 in Munich were. At their last two meetings the heads of state and government of the seven leading industrial nations had made similar declarations about giving highest priority to bringing the Uruguay Round to a successful conclusion, but the expectations they had aroused could not be fulfilled; in Tokyo, by contrast, the talks produced at least some concrete results, in that the trade representatives of the USA, Canada, Japan and the European Community agreed on a package of market-opening measures that they want to incorporate into the GATT negotiations.

The agreement provides for the removal of all tariff and non-tariff barriers to trade in pharmaceuticals, construction equipment, medical equipment, steel and beer. With certain exceptions, the same will apply to furniture, farm equipment and spirits. It also provides for harmonising customs duties at a lower level on a series of industrial products. Although only chemical products have been placed in this category so far, it is intended that other product groups will be added. An attempt will also be made to halve existing peak rates of duty of more than 15%. Tariffs on all other industrial products, such as scientific equipment, electronics, wood, paper and pulp, are eventually to be reduced by an average of at least one-third.

The planned tariff reductions are subject to agreement being reached within the GATT, so that for the moment they remain simply an expression of intent. Essentially, the package of market-opening measures therefore represents little more than an understanding among the four major economic powers on the method of negotiating tariff reductions, but even that should be regarded as progress, for originally the USA had insisted on a pure request/offer procedure for tariff reductions and had rejected negotiations based on any formal approach on the grounds that this would perpetuate existing imbalances in market access.

The Tokyo agreement smooths the way for a resumption of the GATT negotiations, which have been stalled since the beginning of the year. The other signatories to the GATT now have to respond to the Tokyo proposals and to make further offers regarding market access before bilateral talks can be held to thrash out compromise solutions. Some of the participants at the world economic summit hailed the Tokyo agreement as a breakthrough in the Uruguay Round, which has now been under way for almost seven years, but it remains to be seen whether it really will break the deadlock, for in all the euphoria one must not overlook the fact that many problems are still unresolved.

As far as market access for industrial products is concerned, the main question is whether and on what conditions the USA will be prepared to reduce its peak tariffs on textiles, since the Tokyo agreement allows for exemptions to cuts in the highest rates, and an "appropriate concession" can be demanded from trading partners in return. In the steel sector, another critical area, the four major economic powers linked the removal of regular import tariffs to the conclusion of a multilateral steel agreement. Apart from the fact that the replacement of tariffs by quantitative restrictions cannot be described as a reduction in obstacles to trade, the conclusion of such an agreement seems rather unlikely until the present dispute over US anti-dumping and countervailing duties has been resolved.

With regard to agricultural products, an area of great political sensitivity, it will be even more difficult to reach market access agreements that satisfy the many national reservations. This

also emerges from the report submitted by the trade negotiators in Tokyo, which merely states with regard to the liberalisation of the agricultural market that talks on market opening are expected to be resumed at multilateral level in the immediate future. The Blair House accord of last November between the EC and the USA, which largely followed the proposals in the Dunkel paper, could serve as a model for further negotiations.

Under the Blair House accord, all restrictions on imports of agricultural products are to be converted into customs duties, which will then be reduced within six years by an average of 36%, with each individual tariff line being cut by a minimum of 15%. The creation of minimum access opportunities of 3% of domestic consumption (5% by the end of the transitional period) was also taken over from the Dunkel proposals. France, however, continues to withhold its agreement to the package of agricultural concessions worked out between the EC and the USA. Japan and South Korea also show little willingness to open up their agricultural markets. On the other hand, some of the Latin American countries have announced their opposition to a final GATT agreement if the discriminatory EC regulations on bananas are not removed.

Negotiations on market access in services also still have to be held in Geneva. Progress is said to have been made in Tokyo with regard to financial services, in which primarily the EC and the USA are demanding concessions from Japan and other countries in South-East Asia. Moreover, as a basis for further negotiations on the worldwide liberalisation of basic telecommunications services, the USA, Canada, Japan and the EC have worked out a detailed timetable which provides for a complete settlement in this area even after the end of the Uruguay Round.

The Tokyo summit brought the parties no closer together on other contentious issues, however. For example, with regard to maritime services, such as coastal shipping, the USA continues to insist on the discretionary right to withhold most-favoured-nation status as a means of forcing other countries to liberalise. In the audio-visual field, the EC has cultural policy reservations against the unrestricted application of the principle of non-discrimination. Liberalisation here would benefit primarily US producers of films, videos and TV programmes. In Tokyo all that the negotiators could agree on with regard to these two fields was their willingness to continue to work for a satisfactory solution.

The package of market-opening measures, which will be examined by the negotiators in Geneva in the next few weeks, is the last missing element in a final global agreement. However, the agreement cannot be finally drafted until consensus has been reached on the other pieces of the jigsaw. Differences of opinion about the new GATT rules – regarding agriculture, subsidies and countervailing duties, anti-dumping measures, safeguard clauses and the protection of intellectual property, to name but a few of the problem areas – must also be ironed out. A particularly contentious issue is the creation of a strong multilateral trade organisation that would make it difficult to introduce unilateral trade sanctions. The main opponent to the establishment of such a body is the United States, which insists on the prerogative of national governments to impose punitive measures against allegedly unfair practices by trading partners.

Despite the many problems that could defy attempts to solve them for a long time to come, agreement in the Uruguay Round has come within grasp, as in Tokyo the leading industrial nations displayed a clear desire to bring the negotiations to a satisfactory conclusion. Nevertheless, if the GATT Round is to be concluded before the end of the year, all the participants at the negotiations in Geneva will have to show a considerable willingness to compromise. Above all, they must resist the temptation to make substantial amendments to the Dunkel draft. Sectors that have been excessively regulated up to now, such as agriculture, will then at least be rather more subject to market forces. Little resistance is likely to be offered to the current trend towards managed trade in the world economy, however; this is evident simply from the fact that in tandem with the efforts of the G-7 summit in Tokyo to strengthen the multilateral trading system, the USA and Japan were negotiating a bilateral framework for their future trade relations.

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