BOOK REVIEWS


The Uruguay Round of multilateral trade negotiations, conducted under the auspices of the General Agreement on Tariffs and Trade (GATT), was completed in December 1993 after seven arduous years of talks, involving over 100 countries and spanning 15 different negotiating “tracks”. The final agreement of the Uruguay Round, a document of 400 pages in length and supplemented by thousands of pages of appendices, required an additional year of national debates before ratification by GATT-member countries could be achieved and the new agreement could be put into force at the outset of 1995 under a new international organization to be known as the World Trade Organization (WTO).

The Uruguay Round agreement is more extensive than the agreements struck during the seven previous rounds of GATT multilateral negotiations, held since the late-1940s, to liberalize international trade through reciprocal “concessions” among member countries and to open domestic markets to greater competition from imports on a most-favoured-nation (MFN) basis. Building upon the success of the earlier rounds in liberalizing trade in manufactures (principally among the major industrial countries), the Uruguay Round sought to widen the GATT trading rules to cover trade in agriculture and services, but also other sectoral and systemic elements of the multilateral trading system, including trade-related domestic policies governing investment and protection of intellectual property rights, GATT rules and codes on administered protection and other border measures (for example antidumping and countervailing duty actions), and dispute settlement procedures under the new WTO. The Round also sought to involve a large number of developing countries in multilateral trade negotiations for the first time.

Full comprehension of the details and appreciation of the implications of the new GATT agreement are beyond the constraints of time and technical capacity of most businessmen, economists, and policy makers, not to mention consumers. Keeping covenant with its early support for the Uruguay Round, the Institute for International Economics (IIE) has released a timely overview and assessment of the Uruguay Round outcome authored by Jeffrey Schott with Johanna Buurman, which above all is a valuable guide to the new agreement for trade policy analysts and decision makers. Indeed, Schott and his associate have produced a very comprehensive and useful reference, presented in simple language but drawing upon the longstanding dedication of the principal author to understanding and evaluating the technical as well as general issues underlying the new multilateral trading agreement.

The IIE volume is presented in three chapters: an overview of the history, accomplishments, and global and U.S. implications of the Uruguay Round negotiations and outcome (Chapter I); assessment of the major components of the Uruguay Round agreement (Chapter II); and
summaries of the key provisions the agreement (Chapter III). The discussion of these chapters is usefully organized around four major areas of the negotiations: (1) trade liberalization covering agriculture, textiles and apparel, tariffs, and government procurement; (2) GATT trade rules covering antidumping, subsidies and countervailing measures, and safeguards; (3) new issues covering the new General Agreement on Trade in Services (GATS), trade-related investment measures (TRIMs), and trade-related aspects of intellectual property rights (TRIPs); and (4) institutional issues covering the GATT dispute settlement procedures, new World Trade Organization, and GATT trade policy review mechanism (TPRM). Finally, two appendices included in the volume consider the requirements for U.S. implementing legislation, and the application of computable general equilibrium (CGE) models to analysing the global and economy-wide effects of the Uruguay Round outcome.

Much of the volume concerns descriptive and factual aspects of the high-points, and some low-points, of the new GATT agreement. Among the high-points emphasized are the (limited) success of the Uruguay Round in bringing trade in agriculture and textiles and apparel under traditional GATT strictures calling for non-discrimination and reliance upon tariffs for protection, in adopting multilateral rules for trade in services under the new GATT agreement, and in establishing the World Trade Organization with its provision of a "single undertaking" condition for membership, whereby countries joining the new organization must adhere to not only GATT rules but also heretofore voluntary trade accords negotiated under GATT auspices such as the Tokyo Round code on subsidies. The principal shortcoming of the Uruguay Round negotiations emphasized in the volume is the failure of the negotiations to bring greater international discipline to GATT trading rules governing the increasing use of antidumping measures not only in the United States and European Union, but also a growing number of developing countries.

The overview chapter reviews quantitative estimates of the long-term effects of the new agreement on global and U.S. trade and economic welfare, found from simulations of prominent trade-focused CGE models and a partial equilibrium framework developed by Schott and other IIE economists for analysing the trade, economic welfare, and employment effects on the U.S. economy of multilateral trade liberalization. These estimates indicate that the (static) gains to world trade and output resulting from the Uruguay Round are modest (about 15 per cent and 1 per cent, respectively), but, as the authors note, they do not reflect inherently hard to quantify dynamic gains related to considerations for scale economies, endogenous economic growth, and the new and new multilateral trading rules on administered protection, government procurement, services, and institutional property rights promulgated by the new GATT agreement.

The authors' main assessment of the Uruguay Round agreement, however, is reserved for an analysis based on letter grades given to the major components of the final GATT agreement, using a scale from A (excellent) to F (failure). The standard underlying the grading system is the conformity of the Uruguay Round results with the recommendations for concluding the multilateral trade negotiations presented in an earlier IIE volume (Jeffrey J. Schott, ed., Completing the Uruguay Round: A Results-Oriented Approach to the GATT Trade Negotiations. Washington, D.C.: Institute for International Economics, 1990). Based principally on high marks given to the trade liberalization and institution-building components of the final agreement, the authors award the Uruguay Round an overall grade of B+. Recognizing the subjectivity of their assessment, they conclude more generally that the Uruguay Round succeeded in restoring confidence in GATT (as a body of trading rules) and the process of multilateral trade negotiations for promoting the expansion of world trade on an MFN basis, and in controlling protectionist pressures especially in the major industrial countries.

This is a welcome conclusion, raising hope that the seven years of Uruguay Round negotiations have borne important fruit and, through the establishment of the World Trade Organization and
strengthening of the trade policy review mechanism and other institutional elements of the GATT, the long years invested in the negotiations will continue to sustain the global trading system and ensure the availability of undiminished, if not greater, gains from trade well into the next century.

Inspection of the IIE standards for evaluating the Uruguay Round, however, raises some concerns for "grade inflation". Advanced in 1990, the IIE standards were highly pragmatic and recommended that, especially for the difficult negotiations on agriculture, half-a-loaf was better than none. What emerged in December 1993 as the final outcome of the multilateral trade negotiations amounts to substantially less than half-a-loaf of trade liberalization and other reforms. For instance, the weak terms of the agreement on agriculture and especially the binding of extremely high tariff rates under the requirements for tariffication of non-tariff barriers (NTBs) suggest that no more than a few thin slices were cut from the full loaf of possible reforms to world trade in agriculture.

That the establishment of the World Trade Organization and the other institutional reforms to the GATT will restore confidence in multilateralism and the GATT trading system is also problematical. From a somewhat jaundiced perspective, the creation of a new international organization at a time when the relevance and efficacy of the two Bretton Woods institutions, the International Monetary Fund and World Bank, are increasingly being questioned seems archaic and even counterproductive to the extent the new organization holds about equal potential for advancing greater administered trade as free trade under what has proven to be a politically-malleable General Agreement on Tariffs and Trade, which provides for liberal economic principles (Articles I–III) but also a long list of exceptions (Articles IV–XXXVIII).

An important manifestation of the problems facing the GATT system is the increasing competition in pursuing effective trade liberalization from regional trading arrangements, in Asia as well as Europe and the Western Hemisphere. For example, the intention of the Asia-Pacific Economic Cooperation (APEC) forum to establish a free trading area in the Pacific Rim seems undiminished in the wake of the conclusion of the Uruguay Round. Moreover, given APEC’s importance to world trade and its all but formal commitment to “open regionalism”, the prospect of an APEC free trading area is viewed in some quarters as a potentially more dynamic and effective instrument than GATT for promoting the next major expansion of MFN-based trade in the world economy.

While the last comments are at some odds with the IIE assessment of the Uruguay Round, they do not detract from the fundamental contribution of the Institute’s latest volume to promoting greater understanding of the new GATT agreement, its implications for trade and economic welfare in the world economy, and the still appreciable agenda of further reforms to the international trading environment that might be pursued in future rounds of multilateral (or regional) trade negotiations.

DEAN A. DEROSA
International Food Policy Research Institute


Ross Garnaut’s expression of appreciation to Dr Arndt for his five decades of contributions to the study of economic development begins the volume by observing that, “Heinz Arndt’s long and continuing career as a professional economist in Australia has probably been the most influential of his era.” (p. vi) In response to this point, Dr Arndt begins the preface to the book by reflecting back over his career in development economics. In doing so, he points that he

... was fortunate in being in at the start when Rosentein-Rodan and others began to think about