

the gatt uruguay round a negotiating history 1986-1992 subsidies and countervailing measures

The GATT Uruguay Round: A Negotiating History (1986-1992) on Subsidies and Countervailing Measures

The General Agreement on Tariffs and Trade (GATT) Uruguay Round, which took place from 1986 to 1992, marked a significant turning point in international trade negotiations. This round was not merely an extension of previous trade talks but a comprehensive effort to address a wide range of trade issues, including the contentious topics of subsidies and countervailing measures. Understanding the intricacies of these negotiations is essential for grasping the evolution of global trade policies and the establishment of the World Trade Organization (WTO).

The Context of the Uruguay Round

The Uruguay Round was initiated in Punta del Este, Uruguay, in September 1986. It aimed to extend the GATT framework beyond tariffs to include other trade barriers and issues. The negotiations were propelled by several factors:

- **Global Economic Changes:** The mid-1980s saw a shift in global economic dynamics, with increased industrialization in developing countries and growing trade imbalances.
- **Trade Friction:** Rising trade disputes, particularly between the United States and Japan, highlighted the inadequacies of existing GATT rules.
- **Pressure for Reform:** There was a growing consensus among member countries that the GATT system needed reform to address contemporary trade issues effectively.

The Round encompassed 128 countries, making it the largest multilateral trade negotiation ever attempted. The complexity of the negotiations was compounded by the diverse economic interests of member nations, which included both developed and developing countries.

Key Issues Addressed in the Uruguay Round

One of the most significant aspects of the Uruguay Round was its focus on the regulation of subsidies and the establishment of countervailing measures. These issues were critical for maintaining fair competition in international markets.

Subsidies

Subsidies can distort international trade by artificially lowering the prices of goods and services, giving an unfair advantage to subsidized products. The Uruguay Round aimed to establish clearer rules governing subsidies, leading to the Agreement on Subsidies and Countervailing Measures (ASCM).

The ASCM categorized subsidies into three types:

1. **Prohibited Subsidies:** These include export subsidies and subsidies contingent upon the use of domestic over imported goods. Such subsidies were deemed unacceptable, particularly for developed countries.
2. **Actionable Subsidies:** These are subsidies that can be challenged if they cause adverse effects to the interests of other countries. This category allowed for a more flexible approach, enabling countries to negotiate their implications.
3. **Non-Actionable Subsidies:** Initially, certain subsidies, such as those for research and development, were deemed non-actionable for a limited time to encourage innovation and development.

The negotiations surrounding subsidies were contentious and complex, reflecting the varying economic interests of different member countries. Developed nations, particularly the United States and the European Union, sought to curb subsidies in agriculture and manufacturing, while many developing countries argued that such measures could hinder their economic growth.

Countervailing Measures

Countervailing measures are imposed to counteract unfair subsidies provided by foreign governments. During the Uruguay Round, member countries sought to establish a framework for the implementation of these measures. The ASCM provided guidelines on how countries could initiate investigations and impose countervailing duties.

Key components of the countervailing measures included:

- **Investigation Procedures:** The ASCM outlined the process for initiating an investigation into alleged subsidies, ensuring transparency and fairness.
- **Burden of Proof:** The exporting country was required to demonstrate that the subsidies in question had an adverse impact on domestic industries.
- **Timeframes:** The agreement established specific timeframes for investigations and the imposition of duties to ensure timely resolutions.

Negotiation Challenges and Resolutions

The negotiations over subsidies and countervailing measures were fraught with challenges. Disparate economic interests, differing levels of development, and varying political agendas complicated the discussions.

Key Challenges

1. **Divergent Interests:** Developed countries aimed for stringent rules to limit subsidies, particularly in agriculture, while developing nations sought more flexible regulations to support their economic growth.
2. **Political Pressure:** Domestic political pressures influenced negotiations, with various interest groups advocating for or against specific provisions related to subsidies.
3. **Complexity of Issues:** The multifaceted nature of subsidies, including their impact on various sectors, made it difficult to reach consensus.

Resolutions and Compromises

Despite the challenges, several key resolutions emerged from the negotiations:

1. **Balanced Framework:** The ASCM established a balanced framework that aimed to protect the interests of both developed and developing countries.
2. **Transitional Provisions:** Recognizing the challenges faced by developing nations, the agreement included transitional provisions that allowed for

gradual implementation of rules.

3. Technical Assistance: Developed countries committed to providing technical assistance to developing nations to help them comply with the new rules.

The Impact of the Uruguay Round on Global Trade

The successful conclusion of the Uruguay Round in April 1994 led to the establishment of the World Trade Organization (WTO) in January 1995. This new organization was tasked with overseeing the implementation of the agreements reached during the Round, including those related to subsidies and countervailing measures.

Long-term Implications

1. Enhanced Transparency: The ASCM introduced greater transparency in subsidy practices, requiring countries to notify the WTO of their subsidy programs.
2. Dispute Resolution: The establishment of a robust dispute resolution mechanism under the WTO allowed countries to address grievances related to subsidies more effectively.
3. Global Trade Liberalization: The Uruguay Round contributed to the overall liberalization of global trade, setting the stage for future negotiations and agreements.

Conclusion

The GATT Uruguay Round (1986-1992) was a landmark event in the history of international trade negotiations, particularly concerning subsidies and countervailing measures. The establishment of the ASCM not only provided a framework for regulating these critical issues but also laid the groundwork for the formation of the WTO. While challenges remain in the implementation of these rules, the Round marked a significant step toward a more equitable and transparent global trading system. Understanding this history is crucial for policymakers, economists, and scholars who continue to navigate the complexities of international trade today.

Frequently Asked Questions

What was the primary objective of the Uruguay Round negotiations?

The primary objective of the Uruguay Round negotiations was to create a comprehensive framework for international trade that included not only goods but also services and intellectual property, ultimately leading to the establishment of the World Trade Organization (WTO).

How did subsidies and countervailing measures come into play during the Uruguay Round?

Subsidies and countervailing measures were significant topics in the Uruguay Round as countries sought to address unfair trade practices. Negotiators aimed to establish rules that would limit the use of domestic subsidies that distort trade and to provide mechanisms for countries to counteract such practices through countervailing duties.

What impact did the Uruguay Round have on agricultural subsidies?

The Uruguay Round resulted in commitments to reduce agricultural subsidies and enhance market access, leading to a more disciplined approach to agricultural trade. This was aimed at creating a fairer competitive environment for farmers globally.

What role did developing countries play in the discussions on subsidies during the Uruguay Round?

Developing countries played a crucial role in the discussions on subsidies, advocating for special considerations and flexibility in commitments due to their economic vulnerabilities. The negotiations highlighted the need for a balance between discipline on subsidies and the development needs of poorer nations.

What were some of the key outcomes related to countervailing measures from the Uruguay Round?

Key outcomes included the establishment of clearer guidelines for the use of countervailing measures, including definitions of subsidies, the rights of member countries to impose countervailing duties, and procedural rules to ensure fair investigations of subsidy practices.

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