This paper provides a brief historical sketch of the evolution of the multilateral trading system since its creation, seeking to place the role of the Uruguay Round negotiations in that context, and a qualitative overview of some of the most salient points of the outcome of these negotiations.¹ No economic evaluation of these results will be attempted here.

A Brief Historic Overview

The founding fathers of the General Agreement on Tariffs and Trade (GATT) in 1947 gave it three core functions, three personalities, which determined its evolution and which the World Trade Organization (WTO) now inherits. First and foremost was, and remains, its role as a legal contract: a set of agreed rights and obligations that apply among countries in various forms. Second, it provided for a juridical system that would allow the resolution of disputes related to the respect or otherwise of those rights and obligations. And third, the founding fathers decided to establish a negotiating forum to allow for the evolution and expansion of those rules and commitments.

The latter of the three functions (i.e., the negotiating forum) has periodically become dominant and then disappeared over the years, in a cyclical fashion, through so-called rounds of multilateral trade negotiations (MTN) organized under the auspices of the GATT. In total, seven such rounds were held prior to the Uruguay Round, which was launched in Punta del Este in September 1986. The previous rounds mostly focused on tariff negotiations, except for the Tokyo Round concluded in 1979. The latter was the first major attempt since the creation of the GATT itself to address its “rules” content, and negotiations in it led to a set of so-called Agreements on Nontariff Measures (often referred to as NTM Codes). But despite this partial exception, without

¹This paper contains the main points made in Mr. Seade's intervention at the IMF seminar in March 1995. The views expressed are those of the author and do not necessarily reflect those of the WTO.
any doubt, a key function and result of the GATT-based process was to reduce tariff barriers to trade. On this it was quite successful: through tariff negotiations, industrial tariffs fell from an average of nearly 50 percent in industrial countries after World War II to just over 6 percent, the level prevailing at the end of 1994—prior to the implementation of the new Uruguay Round tariff commitments.

This is a major achievement in itself, by any standards. This massive global liberalization, underpinned by the confidence that the multilateral trading system represented, provided a powerful incentive to traders and investors and was the backbone of the huge expansion of trade the world has enjoyed. It also permitted and enhanced the major and sustained improvement in incomes and living standards that industrial economies and vast parts of the developing world have witnessed since World War II.

Alongside this secular trend toward reduced tariffs, three qualitative features of the evolution of the multilateral trading system are to be noted.

First, a gradual but continuous shift of attention by negotiators, from so-called border measures—trade policy issues that affect trade directly at the border, notably tariffs—to a collective effort to address issues that formally pertain to other areas of domestic policymaking, but which have a direct bearing on trade. The explanation for this can be found in the very success of the MTN rounds, which led to the sustained reduction in border barriers and which was the focus of attention at GATT's inception: with the reduction of tariffs, other issues affecting competitiveness in the marketplace gained in relative importance.

In addition, through an increase in globalization of trade and economic activities in the last ten to fifteen years, there has been a continuous and noticeable weakening of the concept of "separate markets"; the concept of what is "domestic" has correspondingly blurred. Thus, the gradual development of rules on norms and standards, internal regulations, subsidies (first industrial, now also agricultural), government procurement, and others emerged as equally important, aimed at leveling the playing field. This trend continues, as can be observed with the emergence of a new or proposed future agenda for the WTO, which notably includes such items as trade and environment, trade and competition, investment policy, and others. It would seem that the area of rule making in trade and trade policy is moving the boundaries once again, to widen and deepen the collective grip on what was often considered to fall exclusively under the competence of domestic policy.

Second, since the early days, the sectoral evolution of the trading system became increasingly unbalanced, excluding key difficult areas
that were swept aside from the mainstay of the system of rules and from the negotiations. Such was the case since the 1950s with agriculture, which the United States covered through a waiver and the European Union through the Common Agricultural Policy, better known under its acronym CAP. Another equally sensitive sector, textiles and clothing, was since the 1960s covered through special provisions followed by successive forms of the Multifiber Arrangements (MFA), sanctioned by the GATT but consisting of a mixture of market restraints that effectively impeded the smooth functioning of the trading system and distorted trade and investment. Equally, a large number of “gray area measures” in major industrial sectors such as cars, steel, and consumer electronics increasingly surfaced in subsequent decades and could not be addressed properly under prevailing rules, thus amplifying the distortions and the unbalanced evolution of the trading system.

Third, another main element in the evolution of the trading system was the numerous systems of special rules that were developed for particular countries (special protocols of accession) or groups of countries (notably developing countries) or otherwise to take account of special situations through sectoral exceptions and special regimes, country derogations and waivers, à la carte codes, and so on. In particular, the Tokyo Round contributed to this situation through the negotiation of the above-mentioned agreements on nontariff measures, which only applied to those countries that subscribed to them. The result of these developments was an absolute plethora of different legal systems applying to different countries and different goods under different situations. This affected the levels of rights and legal obligations of different countries, and of different sectors within different countries, in a way that gave good grounds for questioning the existence at all of a legal system for international (multilateral) trade. The case for establishing a more universal, uniform, and enforceable system of rules was paramount.

In this regard, I consider that the overarching and most fundamental implicit objective of the Uruguay Round was the replacement of this highly fragmented legal system by a more equitable, coherent, and truly universal one, attuned to the needs of today’s more integrated global trading village.

This extension and essential unification of the rules took place along three different, mutually complementary slants:

- The extension of rules to all signatories, which would effectively bring to a halt the à la carte approach of the Tokyo Round, referred to earlier. This was achieved through the “Single Undertaking” approach that was adopted from the outset of the negoti-
ations in the Uruguay Round and that implies that all rules and obligations apply to all members.\textsuperscript{2}

• The extension of rules to “old” sectors that were de facto excluded from the GATT system, even if in theory they were part of it, such as agriculture and textiles.

• The extension of rules to the “new” issues of the Uruguay Round, which had thus far not been included in the multilateral legal system for trade, but whose growing importance to international trade flows demanded it: in particular trade in services, and intellectual property matters related to trade.

Results of the Uruguay Round Negotiations

The results of the Uruguay Round negotiations can be grouped under eight headings: industrial tariffs, rules, agriculture, textiles, trade in services, trade-related aspects of intellectual property rights (TRIPs), dispute settlement, and the new World Trade Organization.

Industrial Tariffs

In noting as I do above that there has been a secular relative shift of attention from tariffs to other issues, I certainly do not mean to suggest that tariffs themselves have become unimportant as impediments to trade. Indeed, the Uruguay Round negotiations were as engaging and difficult in this area as in any and were very successful, with one of the largest sets of tariff cuts ever achieved. While the agreed objective had been to match the overall 33 percent reduction achieved in the Tokyo Round, a global tariff reduction of close to 40 percent was the final outcome. At the same time, and despite this successful result, it is true that tariff peaks remain in some sectors and for some products.

Second, a major increase of tariffs bound at zero was agreed, their coverage increasing from 20 percent to 44 percent of all trade, which effectively implied that nearly as much as half of the trade flows of industrial products would now be duty free. And third, a drastic increase in tariff lines bound in GATT must also be noted: from 78 percent to 99 percent by developed countries and from 21 percent to 73 percent by developing countries, which considerably enhanced secu-

\textsuperscript{2}The exception being four relatively specific plurilateral agreements: the Agreement on Trade in Civil Aircraft, the Agreement on Government Procurement, the International Dairy Agreement, and the International Bovine Meat Agreement.
urity and predictability in the trading system, factors that in return were conducive to new trade and investment flows.

In relation to this, and to close my comments on the results on market access, it should be kept in mind that the virtual elimination of all industrial nontariff barriers (NTBs) not specifically provided for by GATT provisions was agreed, in particular among industrial sectors. These include NTBs affecting textiles and gray-area measures, which alongside those in agriculture (to which I turn below) represent the vast bulk of NTBs in place.

Rules

The Uruguay Round negotiations led to a general clarification, improvement, and strengthening of trade rules. To mention a few: the agreement on Subsidies and Countervailing Duties now contains a definition of “subsidy” and clarifies and strengthens the disciplines and the conditions under which subsidies can be provided. It introduces the so-called traffic-light approach and devises different rules for different types of subsidies, which can broadly be divided into three categories: prohibited, “actionable” (i.e., susceptible to remedial action), and “nonactionable” subsidies. Another main feature of the agreement is the introduction of “de minimis” provisions, thus rendering rules again more predictable. Disciplines in the area of antidumping have similarly been strengthened, largely by reviewing definitions and by introducing new provisions, which should effectively reduce resort to this instrument under conditions that would not warrant their application. In the area of safeguards, the key objective was to eliminate gray-area measures, while at the same time introducing clearer conditions under which safeguard measures could be resorted to by members, which the new agreement provides. Last, the Trade-Related Investment Measures Agreement is equally important and significant, despite the wide gap that existed between different countries’ perceptions and negotiating agendas in this area. The agreement clarifies the extent to which certain GATT articles have investment implications and, as a result, establishes clearly the inconsistency of certain trade-related conditions often placed on investment, such as domestic sourcing or trade performance.

3Such as those permitted to face balance of payments difficulties or under other general exceptions.
Agriculture

This is perhaps the area that attracted the most attention during the Uruguay Round negotiations. It is not uncommon to hear opinions to the effect that the results here were disappointing, a view that, in my judgment, is wholly and utterly incorrect. While it was understandable that efficient agricultural exporters, during the negotiations, would argue that the results taking shape were inadequate (their ambition was higher and, of course, they were negotiating), it is necessary to take a closer look at the achievements to have a better appreciation of the fundamental nature of the results that were reached.

First, perhaps it can be said that the relatively more modest component of the three-legged economic package that resulted from the negotiations in this sector is the fact that domestic support (as measured by the Aggregate Measure of Support) is to be cut by 20 percent "only." But the intention is to reduce trade distortions and not to affect domestic policies as such, unless and to the extent that they impinge on trade. It should also be recalled that this 20 percent reduction is accompanied by the introduction of the so-called Green Box, which allows for the maintenance of certain well-defined subsidies and thus protects less distortionary income-support measures decoupled from prices or volumes. This implies that the 20 percent reduction is bound to provide a powerful incentive for the redirection of agricultural policies, which is precisely what is urgently needed to enhance overall efficiency in this sector.

The second main feature of the agreement relates to the reduction in export subsidies, which under the terms of the agreement are to fall (inter alia) by 36 percent of budgetary outlays. This is considerable and should, in return, contribute to reducing trade disputes related to distortions on world markets caused by subsidization.

And perhaps most important, the third main feature of the agreement was the decision to eliminate all NTBs in agricultural trade, which in recent decades became most pervasive in major agricultural subsectors of great economic importance. This plethora of import bans, quotas, and other impediments to trade was replaced by tariffs, which even if often very high, and in some cases arguably too high, are indeed more consumer friendly, transparent, and susceptible to gradual reform and negotiation. This process is generally referred to as "tariffication" of the NTBs. In addition to the elimination of the quotas through tariffication, all countries agreed to bind 100 percent of their agricultural tariffs. In fact, it implies that, in one stroke, the level of bindings in agriculture now is even higher than that for industrial products. These two elements together are no less than spectacular.
Above and beyond all these specific aspects of the agreement, the key accomplishment of the negotiations perhaps was the very return to multilateral rules of a major sector that was carved out of the GATT rules since the earliest days of the GATT, not least because of the exceptions introduced through the U.S. waiver and the EU’s CAP. In fact, this sector was largely responsible for the Havana Charter and the International Trade Organization not coming into being, which is perhaps a good indicator of the importance of finding an agreed multilateral-rules-based outcome for it. It has also been a major bone of contention in various trade disputes. Agriculture is now back in the trading system and firmly established as an area subject to the law and its natural evolution as part of multilateral rules.

As a last point and related to the Agreement on Agriculture, I will only mention the Agreement on Sanitary and Phyto-Sanitary Measures, mostly referred to as the SPS Agreement. It contains disciplines that should prevent measures being taken by governments on safety or health grounds for protective reasons and is as such a valuable complement to the Agricultural Agreement.

**Textiles**

Textiles is a sector of great economic importance for many countries, developed and developing alike. The rapid surge in trade from east and southeast Asia in the 1950s led importing countries to introduce various types of import restrictions in the early 1960s. These were subsequently “formalized” through what became the first Multifiber Arrangement (MFA), which entered into force in 1974. What followed was what may be the most complex system of trade management the world has witnessed internationally or nationally, one that comprised an elaborate array of country-specific, product-specific, and year-to-year variable import quotas.

Obviously, this situation was considered most unsatisfactory by the growing range of textile and clothing exporters among developing countries, and remained so for many years. It remained very high on the agenda of the Uruguay Round. The result was the conclusion of the Agreement on Textiles and Clothing, which contains provisions through which this sector will progressively (in stages) be integrated into the multilateral trading system, meaning that, at the end of the day, textiles and clothing will be covered by GATT rules in the same way as any other industrial product.

An often-heard criticism here is that it will take ten years to conclude this integration process, as well as the back-loading of the agreement: nearly half of the integration of textiles and clothing (49 percent)
may be avoided by importers until the very end of the transition period. True, it would certainly have been desirable to achieve the integration in a shorter time frame and with a better early crop. But, as negotiators often said (as they would), and as experience did seem to confirm, politically it simply was not feasible to achieve better commitments at that point. This can be illustrated by the fact that the major difficulties encountered in closing the industrial products' tariff negotiation, to which I referred earlier, were in very good measure centered on textiles: more particularly on differences between major developed country players who on the MFA negotiation broadly sat on the same side. But as with agriculture, the key fact to be borne in mind is that after thirty years of rather endemic distortions and frictions, the sector is finally back in the multilateral fold—and for good.

Trade in Services

The General Agreement on Trade in Services (GATS) represents the first set of multilaterally agreed and legally enforceable rules and disciplines ever negotiated in the area of international trade and investment in services—indeed across all service sectors. In terms of potential economic impact over the longer term, this may well be the most far-reaching element of the Uruguay Round outcome, given the increasing importance of tradable services in the international economy and the growing awareness of countries of their potential comparative advantage in some services activities.

The GATS sits on three pillars. First, the Framework Agreement, the GATS proper, which establishes the concepts, principles, and rules adopted as the basic legal basis for trade in services. These are GATT-like principles such as, notably, MFN treatment as a general obligation (subject to certain negotiated exemptions, themselves subject to review and termination), and national treatment when access is granted (which is negotiated separately and subject to conditions established up front). These principles would ensure the best possible treatment in domestic foreign markets, once suppliers do enter.

Second, there are a number of sector-specific annexes—for financial services, air and maritime transport, telecommunications, and movements of natural persons engaged in providing a service—that deal with key peculiarities of those sectors, such as the right of governments to take prudential measures to protect investors and depositors and to ensure the stability of the financial system, to give one example.

And third, there are the commitments to engage in specific liberalization measures (or to bind such measures already in place on an autonomous basis), which are reflected in the country's Services Sched-
ules and which form an integral part of the results of the Round. These commitments are basically the services equivalent of the binding of tariffs. In addition to commitments already undertaken, participants agreed to launch supplementary continuation negotiations in several sectors so as to increase the early harvest, namely, on movement of natural persons, financial, maritime, basic telecommunication, and professional services, due for completion at various times within the first two years from the entry into force of the Uruguay Round Agreements. There are also other areas where further legal rather than sectoral negotiations are under way (on qualifications and standards, services trade and the environment, subsidies and safeguards) and there is also an engagement to conduct broad rounds of services negotiations periodically.

Trade-Related Aspects of Intellectual Property Rights (TRIPs)

Unlike in the area of services, international agreements providing for the protection of intellectual property predate the Uruguay Round, often by a wide margin (e.g., the Bern Convention on copyrights and the Paris Patents Convention). However, the majority of WTO members have not signed these and other key international conventions in the area of intellectual property. Participation has been rather partial, and surely a source of problems. For this reason, in addition to the equally important fact that these conventions do not provide for dispute settlement and say little about enforcement, the opportunity of creating a consolidated, global, and enforceable multilateral instrument attracted a great deal of attention and support in the negotiations of the Uruguay Round.

The TRIPs Agreement is broad and all encompassing, as it deals with all major categories of intellectual property: copyright, trademarks, appellations of origin, patents, industrial designs, designs of integrated circuits, and trade secrets. It establishes certain general obligations—notably MFN and national treatment—and sets high minimal standards of protection by members. On copyrights it establishes multilaterally the Bern Convention’s protection of literary and artistic works but provides for the extension of protection to computer programs as literary works and outlines how databases should be protected, too. It deals with rental rights for the benefit of computer programs, recorded sound, and film rights-holders, and it lays out a 20-year patent protection on products or processes in almost all fields of technology.

Finally, the agreement contains very novel and interesting provisions concerning anticompetitive practices and has detailed obligations on enforcement.
Dispute Settlement

Dispute settlement has always been a central pillar of the GATT system. The law means nothing if it is not respected and made to be respected. The record of the GATT in this area was in fact rather good. A majority of cases historically came to a satisfactory resolution—often even before they were formally launched and as a result of the mere initiation of preliminary procedures acting as a catalyst. Nevertheless, a significant minority of politically highly visible and economically important cases was bogged down over the years by the nature of the procedures, most notably by the fact that a consensus was required both to set up a panel to look into a case and particularly to “adopt” (give an official, final character to) the panel’s report and recommendations. In other words, the consensus approach related to all aspects in the procedures, which meant that parties had various opportunities to block the process. That is exactly what happened in some cases, few in number but sometimes quite important and rather visible, thus undermining the credibility and the deterrence power of the system itself.

The new system to settle disputes in the WTO is very different, mainly through the reversal of the consensus approach: under the new procedures, all steps that are foreseen in the agreement to carry out an investigation will be followed automatically, unless a consensus to block the process emerges. It is thus the right of any party to have a panel established—if and when the first phase of consultations is exhausted unsuccessfully—and this panel must operate within a set time frame and come up with its report, which is final except for the possibility that has been created to recur to an independent appellate body for appeal procedures. Moreover, all provisions related to the settlement of disputes have been strengthened with regard to the conduct of consultations, technical and other evidence, timely implementation of rulings, and so forth.

This new, much stronger, more reliable dispute settlement system is justifiably seen as one of the star components of the results. It consolidates the structures of the multilateral trading system and should ensure its functioning.

What Is The World Trade Organization?

As a first approximation, the WTO could be seen as a much-enlarged GATT, absorbing both the old areas that had de facto remained outside the system and the new subjects that were not part of it at all. Or it can be seen as a greatly reinforced GATT too, with better rules
overall and a much better system to deal with (or prevent) disputes. In reality, however, the WTO is much more than a "GATT-plus."

The WTO is a new and proper organization with a permanence and a life of its own, unlike the GATT, which was a temporary arrangement that merely stuck in place for too long. It also does away with the legal fragmentation of the GATT system—namely, the General Agreement proper plus the codes and protocols and understandings that coexisted but had no legal unity or coherence. In contrast, the WTO is a single agreement, with all other components being an integral part of it, all brought together also by an integrated dispute-settlement system. This legal and judicial unification of the old GATT, and with the new agreements, results from the key single undertaking that participants agreed to during the negotiations, whereby all the agreements would be open for subscription as a single whole, in one piece. And last, the permanent nature of the WTO, as a proper organization, and the depth and scope of the rules and the commitments that it embodies, are together bound to command, both de jure and indeed politically, a badly needed, altogether higher level of attention and adherence to the multilateral trading system by members.

At the same time, the WTO also is the appropriate institutional arrangement among our members to maintain the momentum of trade liberalization in the future. This is provided through the commitments it already embodies to revisit and review all kinds of matters within its provisions, and to pursue further negotiations in the future—the so-called Built-In Agenda, to some of which I referred earlier. It also provides us with the means to address, as and when necessary, the needs and the challenges of the evolving trading system. Certain topics, including trade and environment, trade and competition policy, investment, but also labor standards, have been proposed for future consideration in the WTO. Whether any will materialize cannot be anticipated at this stage, as it depends on the degree of support these proposals will find among the members of the WTO. These issues are clearly politically very sensitive.

There is on the other hand the need to develop, more fully than was necessary or possible with the GATT, the WTO's cooperative interaction with other intergovernmental agencies, so as to enhance collaboration, avoid when possible inconsistencies, and promote cross-fertilization in their work from their respective areas of competence. In particular, a mandate was given by ministers, as part of the Uruguay Round results, for the director-general to work with his counterparts in the International Monetary Fund and the World Bank in the pursuit of greater coherence in global economic policymaking, and indeed relations with
these organizations are viewed by our members as being singularly important.

The first ministerial meeting of the WTO, provided as part of the outcome of the Uruguay Round negotiations, will be held in December 1996—in Singapore. In addition to reviewing the state of implementation of the Uruguay Round Agreements, ministers will also make decisions with regard to the WTO’s future direction and agenda. This institutional mechanism foreseen by the members, which consists of having ministerial meetings at the latest every second year, should allow the trading system to keep abreast of developments in the “real world.” The WTO has thus reinforced the third, and in the end perhaps the acid test, function that the founding fathers of the GATT had initially foreseen for the GATT system, as I suggested at the outset of this paper—strengthening the role of the new institutional housing for multilateral trade as a consensual but pragmatic, forward-looking but sure-footed, negotiating body.