Achievements and challenges of the Uruguay Round



Nobutoshi Akao
Former Ambassador of Japan

In April 1993, during the final phase of the marathon negotiations that lasted seven years and three months, I was appointed as Japan's Chief Negotiator. It was a great honour for me to be involved in what is considered as one of the most important negotiations in the history of the GATT and the WTO.

The Uruguay Round negotiations, launched with the Punta del Este Declaration in September 1986, failed to conclude by the original deadline set for the end of 1990. The deadline was extended three times — to the end of 1991, 1992 and then 1993 respectively. At the G7 summits in Houston (1990), London (1991) and Munich (1992), strong support had been expressed for reaching an agreement within each respective year.

Contribution of the Tokyo G7 Summit in 1993

On the eve of the Tokyo G7 Summit in July 1993, there was a shared understanding that no further extensions were possible. Ministers from Japan, the United States, Canada and the European Union (which was known as "the Quad") were engaged in overnight discussions and reached an agreement on measures contributing to the resumption of negotiations. This agreement was endorsed at the start of the G7 Summit on 7 July.

Initially, however, the discussions among the four parties were extremely difficult. At one point, Canada and the EU started withdrawing their respective major offers, bringing the negotiations to the brink of collapse.

Then, Japanese Foreign Minister Kabun Muto, who chaired the meeting, offered to eliminate tariffs on whiskey and brandy (so-called brown liquor) - items of strong common interest to the US, Canada and the EU. This dramatically changed the whole atmosphere, leading to the comprehensive package that included mutual tariff elimination in eight sectors, including pharmaceuticals, and tariff harmonization for chemicals.

A week later in Geneva, my counterparts from the other three parties confided to me

that they were very surprised to see the Japanese Foreign Minister had made such a bold offer on liquor tariffs on the spot, which were outside his jurisdiction.

In fact, Minister Muto had chaired the Liberal Democratic Party's (LDP) Research Commission on the Tax System just before becoming Foreign Minister. He was well-informed about the Japanese liquor industry and influential in this sector. The G7 Summit was scheduled to start in the afternoon of 7 July, and I received a call from Minister Muto beforehand, confirming that he had explained the package to both Prime Minister Kiichi Miyazawa and Finance Minister Yoshiro Hayashi and obtained their approval.

Final phase of the negotiations

Peter Sutherland, former Attorney General of Ireland and European Commissioner, had just taken office as the new WTO Director-General on 1 July. On behalf of the chief negotiators of the Quad, I invited ambassadors and WTO Secretariat senior staff to the Japanese Mission in Geneva on 12 July to explain the Quad package and urged the early resumption of the Trade Negotiations Committee (TNC), which had been suspended since early 1993.

On 14 July, Mr Sutherland convened the TNC and explained the ground rules for the negotiations to be resumed. I was asked to introduce the Quad package adopted at the Tokyo Summit. This was followed by the exchange of views among the participants, and then Mr Sutherland declared the resumption of the negotiations, setting a deadline of 15 November.

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While the Quad package made a great contribution to the resumption of the Uruguay Round, many issues remained unresolved, making it impossible to meet the deadline. For example, the EC's offer was full of conditions and difficult to evaluate.

On the night of 14 December, as a matter of fact, the EC began withdrawing its offers on the table, drawing strong criticism from developing countries, in particular. Mr Sutherland had to call key EC ministers late at night to urge their cooperation. The US and Japan were also dissatisfied with each other's offers, and developing countries were unhappy with those from the US and the EC.

In the services sector, deadlines for submitting schedules and most-favoured nation (MFN) exemption lists were repeatedly extended. Sharp disagreements arose, especially over US positions on financial services and direct taxation. The US-EC dispute over audiovisual liberalization dragged on.

At the end of November, the US proposed 11 amendments to the Anti-Dumping Agreement, provoking strong backlash from Japan and others, stalling discussions. There were also many requests for amendment of the agreements on subsidies and trade-related aspects of intellectual property rights (TRIPS). The agricultural dispute between the US and the EU as well as Japan's rice issue remained unresolved.

Ultimately, all deadlines were pushed to 15 December.

Under such circumstances, with the discussion of the Tokyo Quad ministerial meeting of July being still fresh in our memory, the US and the EC proposed another Quad ministerial meeting, this time in Geneva, in early December. In Japan, with the change of Government to the Hosokawa Cabinet in early August, Mr Tsutomu Hata became Foreign Minister, who participated in the proposed Quad meeting.

It was very obvious to the Japanese delegation that the US and the EC wanted to convene the Quad ministerial meeting to gain further tariff reductions of non-agricultural products from Japan. The US and the EU intended to gain tariff reductions on items where they could not agree between themselves. It was exactly how we say in Japan "to sumo wrestle in someone else's loincloth", meaning "to profit at someone else's expense".

The respective average tariffs on non-agricultural products of the Quad, as was tentatively calculated and already on the table in the negotiations by that time, was 1.5% for Japan,

3.5% for the US, 3.7% for the EC and 4.8% for Canada. This means that the average tariff level of Japan was less than half of those of both the US and the EC, and it was less than one-third of that of Canada.

Therefore, we did not see any reason for additional offers of tariff reductions, unless there were additional offers by other parties. Our Foreign Minister Hata did not see any need to change the position that we officials were maintaining prior to his arrival in Geneva. Of course, Minister Hata did not come to Geneva for this tariff issue alone. During his visit, the issue of rice imports, politically one of the most sensitive issues for Japan throughout the whole negotiation process as well as bilaterally with the US, was resolved.

In such a chaotic situation, how was it possible to bring this complex negotiation to a successful conclusion in this final week?

First, all countries recognized that this was the last chance for a successful conclusion of the Uruguay Round. Under the so-called “fast track” rule of the US Congress, the US Government had to notify Congress of a substantial agreement of the negotiations by 15 December, and further extensions were seen as unlikely. While some countries resented being bound by US Congressional rules, setting a firm end date for the long drawn-out negotiation was not necessarily a bad thing.

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Secondly, there was resolution of key issues between the US and the EC. Their negotiations at a ministerial level resolved most of the difficult issues on agriculture and industrial tariffs. Although the audiovisual issue remained unresolved, the US and the EC agreed to disagree, allowing the Uruguay Round to conclude. While the Round was not solely a US-EC matter, their agreement was essential for its success.

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The third point was the strong leadership of Director-General Sutherland. Mr Sutherland played a crucial role at the final stage.

Though he is from Ireland, which is an EC member, he was very fair to non-EC countries like Japan as well. While tariff reductions were largely subject to bilateral negotiations and his role was limited, he worked tirelessly to maximize the package of agreements, contacting ministers and leaders by phone as needed. When US positions on direct taxes and financial services threatened to derail service negotiations, he contacted Treasury Secretary Lloyd Bentsen, asking him to dispatch Undersecretary Lawrence Summers and Assistant Secretary Leslie Samuels to Geneva, eventually crafting a compromise acceptable to all.

Meanwhile, regarding the Anti-Dumping Agreement, which is of the greatest political importance to the United States, the Director-General drafted a compromise proposal that both sides could accept amid strong opposition from East Asian, Indian and Latin American countries regarding the US proposal for amendments. This led to a breakthrough and adoption of the Agreement in the final stage of negotiations.

In the past, GATT negotiations were often decided among major countries, leading to criticism of a lack of transparency. However, the Director-General made efforts to ensure transparency in the negotiation process. While former Director-General Arthur Dunkel utilized “Green Room” meetings attended by representatives from only about 20 countries — so named after the room used by the Director-General to

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I believe it was extremely fortunate for the members that Mr. Sutherland was appointed as Director-General during the final and most difficult phase of the Uruguay Round negotiations. Even when Western countries, claiming, for example, that Japan's offers were too meagre, sought a scapegoat to shift blame away from themselves, the Director-General remained remarkably fair and recognized Japan's cooperative stance.

While he continued to exert various pressures on the United States and the EC, he did not apply pressure on Japan — except for urging an early resolution of the rice market issue and showing a firm stance (to find a compromise with the US) on the revision of the Anti-Dumping Agreement. He was a good, understanding partner for Japan, including on the issue of opening its rice market.

Finally, I have to refer to the increasingly stronger voice of the developing countries of East Asia, Southeast Asia, South Asia and Latin America in particular, as we witnessed during the final phase of the Uruguay Round negotiations. This was a very important as well as a desirable trend in our endeavour to promote their integration into the world economic and trading system. At the same time, I found that there was increasing opportunity for Japan to work closely with them in such a multilateral forum. Let me elaborate on this experience.

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East and Southeast Asian countries were very dissatisfied with the US and EC offers for tariff reductions for their textiles, electronic products and forestry products. Some Asian and South American countries, which export fishery products, were very unhappy with the EC, which did not show a favourable response to their request. In contrast, they appreciated the Japanese offer in this respect. Asian and Latin American countries were very unhappy with the US-EC deal on agriculture. Japan worked very closely with Hong Kong, the Republic of Korea, ASEAN and Latin American countries in our response to the issue of the US proposal for the amendment of the anti-dumping issue.