A few reflections on the Uruguay Round



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The breadth of the negotiating objectives and mandate of the Uruguay Round reflected the urgent need to both address the problems (one could say existential) that had piled up in the multilateral trading system (MTS) since the Tokyo Round as well as the expansion of its remit to areas other than trade in goods.

The main problems included safeguards and the proliferation of voluntary export restraints, agriculture, the fragmentation resulting from the plurilateral Tokyo Round codes, managed trade for textiles and clothing, and the weakness of the dispute settlement system. Trade in services and intellectual property were two areas that some countries considered were in need of a higher level of international cooperation and disciplines.

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The results were a far cry from what the negotiators of the Punta del Este Declaration ever imagined in 1986. It was a major overhaul and expansion of the MTS and the establishment of an international organization, the WTO. How was this outcome made possible? Many explanations can be offered and possibly all are valid. Much will depend on the viewpoint of the observer. What follows is a recollection of some key developments that in my view were fundamental.

The 1982 GATT ministerial meeting was deeply divided over an initiative of the United States, with support from some developed countries, to begin negotiations on trade in services. Very few knew how the international markets for services worked, price formation, nomenclature, trade data and other basic stuff. The opposition was fierce, including countries such as Spain and Australia and all developing countries except Chile and Jamaica. The compromise was to encourage national studies and exchanges thereof. The issue of multilateral disciplines was left for future consideration.

Four years later, the opposition had been reduced to 10 countries led by Brazil and India (the G-10), not enough to withstand the strong pressure from the rest to start negotiations to address the outstanding problems and particularly liberalization of trade

in agriculture as well as trade in services and intellectual property.

The national studies and exchanges that followed as well as work done in international organizations such as UNCTAD and ECLAC were instrumental for this turnaround. This demonstrated that governments find it safer to say no if the facts to assess the consequences of a proposal are not available. Information and analysis are a necessary but not sufficient condition to have governments negotiate with a positive attitude.

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After a meeting of wheat exporters in Uruguay in 1986,[1] an enlarged meeting covering other products and countries took place in Pattaya, Thailand, followed by a ministerial meeting in Cairns, Australia, giving birth to the Cairns Group which comprised developed countries (Australia, Canada, New Zealand), Hungary from the socialist camp and developing countries (Argentina, Brazil, Chile, Colombia, Fiji, Indonesia, Malaysia, Philippines, Thailand).[2] Until then, a coalition of countries belonging to different categories (developed, developing, least developed) was unheard of.

The Cairns Group was decisive in securing an ambitious mandate at Punta del Este. Likewise, twice during the negotiations this group or a subgroup thereof paralyzed the negotiations because agriculture was being left behind, while progress was made in other areas (1988 Montreal and 1990 Brussels). Individually, these countries would probably not have been able to exercise their muscle so effectively. Australia's technical expertise was crucial for everyone to maintain strong positions.

Next, something often forgotten was the voting that took place in July 1985 to establish a Preparatory Committee of the Punta del Este ministerial meeting, including the drafting of a declaration. Opposition led by Brazil and India prevented a consensus to establish the Preparatory Committee. This led the United States to request a ballot vote. This was a major departure in the GATT whose text provided for voting but since its inception a practice - almost a dogma - had developed to decide everything on the basis of consensus, with the notable exception of accessions.

"Never ask for a vote unless you are certain of victory" is the dictum, and true enough the proposition of the United States gathered around two-thirds of the GATT contracting parties. Many problems could have been avoided in the future if voting on procedural matters had been allowed instead of requiring consensus on issues that do not directly create or diminish the rights and obligations of members, such as acceptance of an observer, dates for the selection process for replacement of Appellate Body members.

In the Punta del Este preparatory stage, work on the decisions by ministers was opposed by a group of countries led by Brazil, India, Egypt, Cuba, Yugoslavia, etc. In reaction, a group of developed and developing countries, excluding the US and the EEC, held meetings outside the GATT premises at the Swiss mission to draft the declaration. This process became known as "Café au Lait" because it was chaired by the ambassadors of Switzerland and Colombia. This generated trust and a sense of common purpose, shared interests and created a group that had clout because of their numbers, trade and politics.

Agreements within the group were a powerful indication of where the middle ground and the interests of most of the membership stood, something that could not be ignored altogether. This changed perceptions. As long as they were able to coalesce around certain fundamental issues, most GATT members were no longer at the mercy of the European Communities and the United States on the one hand and Brazil and India at the other extreme.

Facts, analytical capacity, formation of coalitions along specific interests and not artificial levels of development, and the flexibility to operate plurilaterally to overcome the constraints imposed by the rule of consensus are some lessons that can be drawn from the process of the Uruguay Round negotiations.

Endnotes

1 The meeting was held in Montevideo at the initiative of Ambassador Carlos Pérez del Castillo, then Director General of International Economic Relations at the Ministry of Foreign Affairs of Uruguay.

2 An anecdote: the author was part of this process beginning in Pattaya. For the meeting at Cairns, the Australian Government had some difficulty in inviting a Chilean Minister representing the Pinochet dictatorship. The message reached Santiago welcoming Chile as long as the Head of Delegation was not a Minister. In the internal discussions of the Ministry of Foreign Affairs of Chile, a majority of the diplomatic establishment said this was an offense and that Chile should abstain from attending. The author, representing the Economic Affairs Division, held the view that it was vital to be part of this emerging coalition to better protect our burgeoning agricultural exports which we should protect in spite of our "principles". As a result, the Chilean Ambassador to Australia (and former Ambassador to the GATT, Mr Jorge Berguño) attended, with the author as deputy and only official.