

ECONOMIC COMMENTARY

by

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So What If GATT Isn't NAFTA?



Concern about the latest GATT round agreement's chances for ratification by Congress is evident in recent media reports. The new Uruguay Round agreement will have trouble in Congress, some say, because GATT—the General Agreement on Tariffs and Trade—doesn't offer as many advantages to as many groups as the North American Free Trade Agreement did.

GATT involves 116 countries to NAFTA's three, so it should surprise no one that GATT is more complicated than NAFTA or that GATT doesn't go as far for those 116 countries as NAFTA does for its three. After all, GATT has a lot more negotiators who need to be convinced about the benefits of free trade. Tariffs won't typically go to zero under GATT, as they do under NAFTA. The openings in banking, insurance and other financial services that were an important part of NAFTA won't be repeated for other countries through the new Uruguay Round of GATT. More generally, the broad service-sector openings the United States has urged aren't in the cards for this GATT round.

GATT isn't NAFTA, but it is still a no ifs-and-or-buts, win-win agreement. Americans will be able to sell more of what

they make most efficiently and to buy more cheaply what others make more cheaply. GATT will more than double the share of goods that the developed countries import without tariffs, to 43 percent from today's 20 percent. For the developing countries, the share of goods that will enter duty-free is 45 percent, up from 22 percent. Tariffs on memory chips drop to 7 percent from 14 percent. Right now, industrial tariffs average 4.7 percent; they'll fall to 3 percent.

If you could pump up U.S. consumer income by as much as \$30 billion a year just by pushing a button, would you do it? With the congressional vote this year to ratify GATT's Uruguay Round of trade agreements, every member of Congress will have that choice. GATT

may not offer as clear benefits to as broad a range of producers as NAFTA, but it will help give American consumers and producers more competitive prices for what they buy and will open foreign markets more fully to many of the products America currently sells or wishes to sell abroad. GATT isn't NAFTA, but then three countries are not 116.

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