

Agriculture: Key to the Uruguay Round

The new GATT accord is the first multilateral trade agreement to put a major focus on agriculture. Subsidies and trade protection for farm products are not only harmful, but also more complex than those for other sectors of the economy. Until the Uruguay Round, this government intervention and complexity prevented agriculture from receiving the benefits that GATT provides other sectors.

Many governments consider protection of farm production an important way to stabilize the food supply and preserve a way of life. The intensity of this sentiment nearly caused the collapse of the entire Uruguay Round. Not only is agriculture's inclusion in the newest GATT accord important for overall trade relations, it will probably ease future negotiations.

The GATT agreement will bring better selection and quality for con-

sumers and lower costs for taxpayers. Despite these gains, the agreement is just the beginning of free trade for agriculture. The accord will reduce subsidies and trade protection, but there is a long way to go before agricultural markets will be truly open. In the United States, budget pressures have already reduced subsidies much lower than GATT provisions require. After the European Union (EU) makes its cuts, farm subsidies will still be two to three times greater in the EU than in the United States. GATT, however, will set the stage for further reductions and should keep subsidies and protection from increasing. For agriculture, the GATT agreement is a small, but greatly needed, step forward.

— Fiona D. Sigalla
Associate Economist

GATT at a Glance

Agriculture

In general, GATT reduces tariffs and quotas on most major agricultural products. The agreement also begins to limit the subsidies that governments can use to support their agricultural producers.

Manufacturing

The agreement significantly reduces tariffs on most manufactured goods and eliminates tariffs entirely on many others. The accord also spells out nontariff barriers that countries are prohibited from using to restrict imports of manufactured goods.

Services

GATT now contains provisions that prevent a country from restricting access to its markets in services. The accord states

that a country must treat foreign firms that provide services the same as domestic firms.

Intellectual Property Rights

The latest round of GATT specifies that countries must secure intellectual property rights involving areas such as copyrights, patents, trademarks, industrial designs, trade secrets and semiconductor chips.

Dispute Settlement

GATT now expedites the settlement of trade disputes between countries by setting time limits for resolving such disputes and providing greater access to nonconfidential information pertaining to disputes.

— William T. Long III
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