

III. WHAT IS THE URUGUAY ROUND?

The seventh in a series of multilateral negotiating rounds since the General Agreement on Tariffs and Trade (GATT) was concluded in 1947, the Uruguay Round was the most comprehensive and complex round of trade negotiations ever undertaken. Its aims were to advance trade liberalization in the traditional areas of trade in goods, achieve wide-ranging agreement in areas not previously covered by the GATT, in particular trade in services and intellectual property, and tighten dispute-settlement procedures and enforcement mechanisms. Overall, it sought to make the world trading system more open, more fair and more transparent.

The Uruguay Round results are expected to contribute to improved wealth generation across the globe. The Organization for Economic Co-operation and Development (OECD) has calculated that the comprehensive cuts in tariff and non-tariff barriers to trade in agricultural and industrial goods in the Uruguay Round package should result in a net increase in world income of US\$270 billion by the year 2002. In fact, these net benefits are likely underestimated because the quantitative assessment does not take into account the liberalization of trade in services.

Conclusion of the Uruguay Round should also result in other benefits. It may ease bilateral trade tensions and the associated political conflicts. It should improve the fairness of trade competition and make domestic rule-making and application more transparent. As well, it will increase the number of member countries participating in and bound by the rules of the multilateral trading system. A broad and predictable rules-based system is particularly important to small- and medium-sized countries, as it reduces their vulnerability to the actions taken by their economically more powerful trading partners.

Some economic effects of the Uruguay Round will be more immediate. Business confidence is expected to improve as a result of increased certainty in the trading system. Consumers should see lower prices due to the removal of trade barriers and, therefore, an increase in their real incomes. Tighter disciplines on the ability of governments to protect domestic industries from import competition could free up resources for the pursuit of other policy objectives. The strengthening of multilateral trading rules, and the broadening of their coverage, will create a more stable environment for business and investment. Furthermore, the growth in output resulting from trade liberalization of goods and services will provide an important impetus for growth in employment.

Of course, the effects of the Uruguay Round will not be felt equally by all countries or by all industry sectors within them. In some cases, there may be short-term costs associated with structural adjustment. These growing pains will demand