Is GATT a Good Deal?

A Commentary from
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Will the Uruguay Round of the General Agreement on Tariffs and Trade (GATT) be good for the United States? Undoubtedly, that is the bottom-line question for all Americans. The answer is, simply, yes. GATT will be an exceptional deal for the United States.

Although the new agreement will not completely liberalize world trade, it will do more for free trade than most analysts thought possible when negotiations began nearly eight years ago in Punta del Este, Uruguay. The accord hasn't given the American film industry greater access to the highly guarded French market, nor has it been able to deliver new rules for expanding trade in financial services. But it has opened markets in many areas never before addressed by a free trade agreement.

The new GATT accord will mean a higher U.S. standard of living and faster economic growth. Unlike previous GATT agreements, it opens trade in commercial services and agriculture. Moreover, it streamlines the management of the world trading system by unifying custom rules and fine-tuning the mechanism for settling disputes.

For the first time, intellectual property trade is covered by GATT, which will greatly benefit the U.S. computer, software, telecommunications and pharmaceutical industries.

More fundamentally, GATT will make products more accessible and less expensive for American consumers—the bottom line of freer trade. The United States, Canada, Japan and Europe, which account for three-quarters of world trade, are set to eliminate tariffs on pharmaceuticals, construction materials, agricultural equipment, furniture, paper products, steel and medical equipment.

To understand the value of the framework that GATT provides for global trade, imagine what any of the 50 states would be like today without the benefit of interstate trade over the past 200 years. Fortunately, the Commerce Clause of the U.S. Constitution ensures that the exchange of goods and services between states is free and open. In the mid-1800s, the regions of the United States were analogous in their relative stages of economic development to the world economy today. It was trade among these different regions—the industrialized Northeast, the agrarian Southeast and Midwest, and the resource-rich West and Southwest—that permitted the U.S. economy as a whole to grow and achieve the status it now enjoys.

The global economy is in a similar situation today. The United States, Canada, Japan and Western Europe have well-developed economies that produce much of the world's total output. Other economies are less developed but poised for growth. By breaking down trade barriers, GATT will benefit both developed and developing countries.

The accord also holds promise for each sector of the U.S. economy. For businesses, GATT will open more markets and reduce the risks involved in conducting global trade. For labor, the agreement will provide greater opportunities to specialize in the areas of service and production in which we are the undisputed leader. And for consumers, it will provide access to less expensive goods from around the world. The new GATT accord is indeed a good deal for the United States. But it is much more than that. It's a way the world can take a decisive step toward freer trade and a higher standard of living.