The GATT Uruguay Round: Effects on Developing Countries

Sheila Page

Michael Davenport
Adrian Hewitt

odi SPECIAL REPORT

AUTHOR Page, S.
Hewitt, A

TITLE The GATT Uruguay Round: Effects on Developing Countries

Date	Name

The GATT Uruguay Round: Effects on Developing Countries

Sheila Page

with

Michael Davenport
Adrian Hewitt

Overseas Development Institute

A British Library Cataloguing in Publication Data record is available on request.

ISBN 0 85003 165 6

Typeset by ODI
Printed by Chameleon Press Ltd, London.

Contents

List of Tables

Appendix tables

Preface and acknowledgements

This study was undertaken and completed in the climate of uncertainty which has hung over the Uruguay Round from its inception in 1986. Almost a year after the original deadline, no one knew when (or even if) the Uruguay Round would end, but governments, traders and producers in developing countries, and those interested in them, need to know the likely effects of an ultimate settlement. The authors think that they can now make assumptions and examine their consequences. They expect that there will be a result, of which they feel they can judge the main contours.

In a study such as this the particular interests of every individual developing country cannot be covered in detail. The authors, like the negotiators, have organised their work by commodities or subjects. The implications for regions have been computed, but only a few individual countries are discussed, more to indicate the range of possible outcomes, and the risks of looking only at aggregates, than as in-depth analyses of their particular circumstances. The authors have given more emphasis to the relatively poorer and smaller developing countries in Asia and Africa, but more advanced and larger countries could be among the greatest beneficiaries in absolute terms. These countries are included in the results for major regions.

This study was initiated by discussions held in ODI with officials from the Overseas Development Administration and the Foreign and Commonwealth Office. We are grateful for the ESCOR funding under ESCOR Research Scheme R4764 which enabled ODI to complete the research. In addition to the references listed, we should like to thank the officials of GATT, UNCTAD, the EC Commission, the International Textiles and Clothing Bureau, the ACP Group, and other official and private agencies who generously gave their time to brief us on the Round, and help us to interpret the significance of the possible agreements. We are particularly grateful to officials of the Overseas Development Administration and the Foreign and Commonwealth Office who commented on an earlier draft. None of these is responsible for our assumptions about the negotiations or estimates of their results.

Michael Davenport had primary responsibility for the sections on tropical and temperate agricultural products, tariffs, and anti-dumping; Adrian Hewitt for preferences; and Sheila Page for the remaining sections. We would like to give special thanks to Margaret Cornell whose invaluable editing was completed to a very tight deadline.

31 October 1991

Summary

Objectives

Changes in trade policy towards and by developing countries have been central in the Uruguay Round. This was the first Round in which the sectors which are of most concern to developing countries were negotiated. It was the first to address the types of barriers which have most constrained their exports. It took place when trade in manufactures had become more than half of developing country exports. It is therefore important, as the final agreement takes shape, to assess what its impact on developing countries is likely to be: whether it will be as large as the most enthusiastic observers suggest, and as beneficial; which countries (or groups) are likely to gain or lose; whether the results will favour particular patterns of development; and to which parts of the settlement these results are most sensitive. These effects are important not only directly, but because the outcome may influence developing countries' own attitudes to integration into the world economic and policy-making system.

Assumptions

The study uses evidence available up to October 1991. It assumes that a settlement covering all fifteen subjects initially included in the negotiations will be reached, in its major features, by late 1991 or early 1992, in time to be ratified and implemented from 1993. The quantified estimates of effects assume that all the quota arrangements under the MFA will be removed, although in stages, probably over ten years, with most of the substantial movement at the end; that agricultural support will be reduced by an amount greater than in the EC's 30%-on-1986 prices offer and that there will be a move toward less trade-related intervention; and that all tariffs will be reduced and some eliminated. The unquantified estimates for services and other negotiating subjects assume that there will be, on balance, an increase in the degree to which these are regulated internationally, but that there will not be changes with major immediate effects on the value of trade.

Results

The results, summarised in table 1, give a gain of 3% of exports for developing countries as a whole based on static gains only (with alternative low and high estimates giving 1% and 6%). This seemingly modest increase may not seem to justify arguments that failure to reach a settlement would be a serious setback for the developing countries. However, three arguments do support this widely believed warning:

First, these estimates are low, partly because cautious methods are used, but also because they ignore the dynamic effects on income and trade, in both industrial and developing countries, of a change in efficiency and in attitudes towards trade from a more open and more predictable trading environment;

Second, given their recent commitment to the GATT process, failure itself would be a discouragement to developing countries, out of proportion to the actual loss;

Third, the alternative is not the status quo (as the quantitative estimates made here assume), but a retreat into greater protection on a national or regional basis.

Table 1: Summary of Uruguay Round effects on developing countries

	Quantifiable (% exports)					*Unquantifiable (number)*		
	Tropical products	*Temperate agriculture*	*Textiles & clothing*	*Tariffs (inc NICs)*	*Total*	*Positive*	*Doubtful*	*Negative*
All areas	0	0	2.9	-0.1	2.8	6	1	2
Asia	0	0	3.6	-0.1	3.5	6	2	1
America	0.2	0.3	0.9	0.1	1.5	5	2	2
Africa	-0.1	-0.2	1.5	-0.7	0.5	4	3	2
ACP	-0.2	0	0	-1.1	-1.3	3	5	1

Source: Tables 12 and 13.

There is considerable evidence for the first argument. It remains unquantified because the international organisations which prepare medium-term scenarios have hesitated to include GATT effects. Evidence for the second is found in arguments used by the ldc negotiators, and in the fact that so many are participating actively for the first time in a GATT negotiation. The actions of the US and the EC (for example, the US Trade Act and both areas' anti-dumping actions) support the third argument, although there is little hard evidence of moves towards regional trading areas.

Distribution of the Benefits

The benefits, at this aggregate level, go principally to Asia, second to Latin America, third to the poorest countries, whether defined as Africa or the ACP countries. More detailed breakdowns largely support this, although some African countries do well in special areas, and the poor South Asian economies also gain substantially. This distribution arises because the agricultural gains are most useful for Latin America and the textile and clothing reforms for Asian countries, owing to the structure of each area's exports. But, more fundamentally, it is because high- and middle-income developing countries gain more from trade liberalisation. Most of the reasons for increased participation by developing countries in this Round apply mainly to them: namely, greater orientation towards trade, growing importance as markets for others, and a higher share of manufactures and other products which compete with those of industrial countries.

It is significant that the gains are not in the most advanced exports of the higher-income developing countries. Most advanced manufactures already have low tariffs because of the gains made in negotiations among the industrial countries in previous Rounds. The tariff reductions proposed do not reduce tariff escalation and thus do not promote further moves into greater processing.

The gains do go to the countries which have participated most actively. The causal relationship here works both ways. These countries participated actively because they believed that the international trading system offered an effective way of improving their position. It is not possible to know whether the negative conclusions for the low-income countries also hold in both directions. It is probable, however, that they could have gained relatively little from more active participation. They lose traditional trading preferences because lowering general tariffs and barriers necessarily implies erosion of differentials. This accounts arithmetically for some of the negative numbers in the quantitative results, but it is an area where assuming the status quo in the absence of a successful Round is particularly unrealistic. Preferential arrangements are already being eroded by other forces, both economic and political. The ACP countries have achieved some reduction in their potential loss by pressure on the European Community.

Overall Conclusion

The overall conclusion on the effects of the Round for developing countries, therefore, is positive, but with limits. It does not benefit all countries, and even allowing for underestimation and restrictive assumptions, the total effect is not likely to be massive.

Issues for the Immediate Future

Some questions and problems for the future are also identified.

The most important settlements, especially on agriculture and textiles and clothing, are subject to staged implementation. The agreements must be maintained, without modification from continuing pressures. Pressure groups have time to mobilise. A prolonged recession in the industrial countries would encourage more sustained resistance.

GATT must be alert to identify new types of evasion after this Round: non-tariff barriers, anti-dumping, and direct pressure on countries to change their policies are earlier examples.

Some of the developing country success in this Round has been aided by access to increased information and technical assistance. Mechanisms to continue this must be found. The GATT Trade Policy Reviews by country are already a substantial achievement of the Round, but they are not sufficient on their own.

Issues of Special and Differential Treatment

Countries which have not made gains, and especially those which will lose either in particular sectors like agriculture or through loss of preference margins, will require other types of assistance to maintain both their incomes and their confidence in the international trading system.

Finding new forms of generalised preference is not likely to be an effective means: the trends in international relations are against it, and it would always be subject to the same threats of unilateral removal or erosion as existing schemes.

One reason for the erosion of existing preferences for least developed countries has been that tariff preferences have been used for non-trade purposes, to favour countries which the governments of industrial countries want to support for other, more political, reasons. The economic arguments for subsidising desirable activities directly, and not through indirect means such as protection or export subsidies, are as strong in international contexts as in those of internal industrial policy.

Organisational Questions

Trade liberalisation is traditionally led by the newest industrial countries, those with most to gain. Japan has not taken this role. It remains to be seen whether it, or the NICs, who will gain from this Round, will do so in the future.

The current procedure of Rounds, especially in the form of separate negotiations brought together only at the end, has been proved to be virtually unmanageable for 15 subjects and 108 countries. As both the number of areas in which GATT is the competent authority and the number of members increase, and trade becomes a continuing concern and one which affects a large part of countries' economies, a more permanent way of administering a rules-based system for world trade is needed. A reorganised and stronger GATT would also need to tackle the problem of reconciling the ideological commitment to liberalising trade with the adversarial approach of traditional trade negotiations.

1. The new trading interests of developing countries

In the Uruguay Round of GATT trade negotiations changes in policy towards and by developing countries have been central objectives and concerns for both industrial and developing countries. It is therefore important, as the shape of the final agreement begins to become clear, to assess what its impact on developing countries is likely to be: whether it will be as large as the most enthusiastic observers suggest, and as beneficial; which countries (or groups) are likely to gain or lose; whether the results will favour particular patterns of development; and to which parts of the settlement these results are most sensitive. These effects are important not only in themselves, but because the outcome may influence attitudes to integration into the world economic and policy-making system. In the July 1991 review of progress (GATT, 1991b), the spokesman of the developing countries (the Brazilian ambassador, Rubens Ricupero) pointed out that 'without awaiting the conclusion of the Round, we have opened our markets, we have given away our non-tariff measures, our exceptions for balance-of-payments protection ... Having put aside our weapons, having placed our faith in the system, we cannot afford to wait any longer. We cannot allow the Round to drag on indefinitely.'

The developing countries had not played an important part in previous Rounds. The need felt by both sides for developing countries to be involved was symbolised by opening this Round in Uruguay. In all the major 'negotiating groups' into which the discussions divided, demands on and by the developing countries have been on the table. The reasons for this include the greater economic importance of the developing countries, the attempts to extend the role of the GATT into new areas, in some of which developing countries have a crucial role, and the significant changes in the nature of trade policy on both sides. Trade had also acquired more importance, through a higher share of output and supply, for many developing countries. There was also the intellectual shift in perception, towards attributing much of the success of the 1970s-80s generation of developing countries to trade rather than to land reform, infrastructure development, industrialisation, or other, more internal, explanations used in earlier decades.

The share of developing countries in total trade had increased from 21% in 1973, the beginning of the previous 'Tokyo' Round, to 26% in 1986 when the present Round opened. They are now a significant market for most industrial countries. Access to their markets and regulation of their trade policies have therefore become objectives of the traditional participants in the Round. In an increasing number of cases they are also competitors: over the same period, the share of their manufactures doubled to 15% of manufactured trade, while agricultural surpluses in the United States and the European Community brought them into competition with developing country exporters of food.

The rise in manufactures within developing countries' trade, to more than 50% of their total exports by 1986 (Table 2), brought more of their trade into sectors which had always been dealt with in GATT negotiations. The new areas which the developed countries wish to bring under GATT rules include some of their other major exports, namely agriculture and services, and also issues which many consider central to the process of development: the role of domestic subsidies, the transfer of technical innovation, and foreign investment. In exchange, developing countries were no longer willing to see the textile and clothing sector, still a major part of their manufactured exports, treated as a 'derogation' from GATT rules, governed by the Multi-Fibre Arrangement (MFA).

Table 2: Developing country exports by commodity classes and region

	Total $m	*To Developed Countries $m*	*To Developed Countries (%)*	*Shares of Commodities in Total[(a)] (%)*
All developing countries				
Total	701,366	435,710	62.12	
Food	77,822	47,244	60.71	11.10
Cereals	5,107	738	14.45	0.73
Textiles and clothing	99,791	62,147	62.28	14.23
Textile fibres	8,348	3,868	46.33	1.19
Textile, yarn & fabrics	37,841	13,650	36.07	5.40
Clothing	53,602	44,629	83.26	7.64
Chemicals	29,711	12,053	40.57	4.24
Machinery & transport	127,428	78,355	61.49	18.17
All manufactures	390,303	242,716	62.19	55.65
OPEC				
Total	141,072	95,275	67.54	
Food	4,335	2,881	66.46	3.07
Cereals	65	1	1.54	0.05
Textiles and clothing	2,513	1,667	66.34	1.78
Textile fibres	69	26	37.68	0.05
Textile, yarn & fabrics	1,165	616	52.88	0.83
Clothing	1,279	1,025	80.14	0.91
Chemicals	2,374	1,060	44.65	1.68
Machinery & transport	1,949	483	24.78	1.38
All manufactures	16,858	8,719	51.72	11.95
Non-OPEC				
Total	560,294	340,435	60.76	
Food	73,487	44,363	60.37	13.12
Cereals	5,042	737	14.62	0.90
Textiles and clothing	97,278	60,480	62.17	17.36
Textile fibres	8,279	3,842	46.41	1.48
Textile, yarn & fabrics	36,676	13,034	35.54	6.55
Clothing	52,323	43,604	83.34	9.34
Chemicals	27,337	10,993	40.21	4.88
Machinery & transport	125,479	77,872	62.06	22.40
All manufactures	373,445	233,997	62.66	66.65
America				
Total	123,507	85,151	68.94	
Food	31,567	20,656	65.44	25.56
Cereals	1,171	215	18.36	0.95
Textiles and clothing	5,638	3,643	64.62	4.56
Textile fibres	1,945	760	39.07	1.57
Textile, yarn & fabrics	1,724	1,239	71.87	1.40
Clothing	1,969	1,644	83.49	1.59
Chemicals	6,173	3,350	54.27	5.00
Machinery & transport	13,645	9,436	69.15	11.05
All manufactures	46,725	31,253	66.89	37.83

Table 2: Developing country exports by commodity classes and region (Continued)

	Total $m	To Developed Countries $m	To Developed Countries (%)	Shares of Commodities in Total[(a)] (%)
Asia excluding Middle East				
Total	405,082	241,015	59.50	
Food	32,441	17,378	53.57	8.01
Cereals	3,530	450	12.75	0.87
Textiles and clothing	82,570	50,608	61.29	20.38
Textile fibres	4,630	2,237	48.32	1.14
Textile, yarn & fabrics	32,156	10,263	31.92	7.94
Clothing	45,784	38,108	83.23	11.30
Chemicals	16,584	5,887	35.50	4.09
Machinery & transport	106,739	66,413	62.22	26.35
All manufactures	303,195	189,408	62.47	74.85
Africa				
Total	56,136	44,460	79.20	
Food	7,930	6,028	76.02	14.13
Cereals	124	42	33.87	0.22
Textiles and clothing	4,320	3,167	73.31	7.70
Textile fibres	1,263	639	50.59	2.25
Textile, yarn & fabrics	1,086	661	60.87	1.93
Clothing	1,971	1,867	94.72	3.51
Chemicals	2,260	1,179	52.17	4.03
Machinery & transport	872	470	53.90	1.55
All manufactures	11,579	8,084	69.82	20.63

[(a)] Percentages do not add to 100 because of omitted categories.

Source: UN, *Monthly Bulletin of Statistics*, May 1991.

In the period since 1973, the developed countries had increased their protection (Page, 1987), while developing countries, by choice and because of pressure from the international financial organisations, have liberalised their trade.[1] This has altered the balance of interest in strengthening and standardising GATT disciplines and reducing special treatment for particular groups (the developing countries) or sectors (agriculture and textiles). Internal policies of developed countries (notably support for agriculture) have had increasingly damaging effects on developing country trade, while planning and other intervention through domestic policy in developing countries has diminished, again shifting the balance. In the past, many of the most important, and successful, developing countries, notably in Latin America, had chosen to remain outside GATT altogether, while many of those inside attached great importance to maintaining rights to 'special and differential' treatment, to enable them to postpone accepting the same policy obligations as the more advanced countries. The

[1] David Henderson has pointed out that 'for the first time in economic history the impetus to trade liberalisation is not coming from industrial countries which profess to accept liberal norms, but rather from countries whose past tradition has been to reject them' (Henderson, 1991).

growing participation of developing countries in the GATT negotiations, the move towards the emphasis on removing the possibilities of arbitrary policies or derogations from the developed members, and the fact that most major countries, which had previously chosen to remain outside GATT in order to operate unconstrained trade policies, have now joined: all these indicate the importance which developing countries give to the outcome of the current Round and to a regulated system of international trade.

In international, as in national, economic systems, decision-makers see strong advantages in agreed rules, with procedures for enforcing them, and non-arbitrary methods of changing them. This is especially true for participants who are too poor to take major risks and too economically vulnerable to exploit a more unregulated system. The basis of the GATT has always been its rules and procedures: the most basic commitment is not to liberalise trade, but to maintain equal treatment of trading partners, 'most favoured nation' treatment for all fellow members, and to avoid disruptive changes in policies affecting trade, most notably by the 'binding' of tariffs. The only agreed exception to non-discriminatory treatment, introduced (1971) by amendment to the original treaty of 1948, was for developing countries: they may receive special preferences (for example, the Generalised System of Preference, GSP) or may introduce 'exceptional' import controls.

In practice, however, developing country members in the past were allowed further special treatment, through indefinite postponement of their obligation to bind tariffs. At the same time developed countries also had special privileges, which worked against developing countries: GSP preferences were not 'bound' or contractual, and the agricultural and textiles and clothing sectors were largely outside normal GATT rules. New developing country members have not been allowed as extensive exemption from binding as the long-standing members, and the more successful have come under increasing pressure to give up the right to exceptional controls for balance-of-payments reasons. Combined with their own changes in trade policy, which have led them to renounce some of their 'special and differential' treatment, this has reduced the perceived advantages of special treatment, and therefore increased those of moving towards a more rule-based system. The choice between the advantages of special, but unilateral and therefore uncertain, concessions and less favourable, but more certain, 'bound' treatment remains difficult.

A more rule-based international system, inevitably implies more constraints on tariff and other trade barriers and on domestic policies and policy instruments with potential effects on trade. In the past, both external and domestic policies have been regarded as essential tools by most countries which have developed successfully, including the present industrial countries, the newly industrialised countries (NICs), and the import-substituting large developing countries like India or Brazil. The absence of any international regulatory system until 1948, and the limited scope of GATT in its early years, meant that past generations of developing countries did not have to give up control over national policy in order to obtain the advantages of trade. And the choice of countries like Mexico and Venezuela not to become GATT members until the late 1980s indicates that some saw even the pre-Uruguay Round system as too restrictive. Estimates of the income gains from trade liberalisation suggest that any loss of policy independence may be more than offset, and the example of the industrial countries strongly indicates that there are always new policy instruments to replace any that are banned. Nevertheless, to give up such instruments permanently is not a trivial decision.

The Uruguay Round will thus have three main types of effect on developing countries, which will be treated in the following way in this study:

There will be specific changes in the level or the form of trade barriers operated by developing countries and their trading partners or their competitors, which will have direct effects on the value and direction of their trade. Quantifying these, in the absence of firm decisions on many of the most important subjects, must be uncertain at this time, but it is possible to identify the possible changes, and to set limits for their likely magnitudes. They are the changes most likely to affect the relative positions, and therefore needs, of different developing countries in ways which do not follow directly from their past trading performance. They are dealt with in this study in sections 5-8, on tropical and temperate agriculture, textiles and clothing, and tariffs in general. In some cases these changes will have special effects through changes in the preference regimes; which are discussed separately in section 9.

In order to identify the effects on particular sectors and particular types of developing country, the approach here will be largely through partial analysis, looking for static trade creation effects (in some cases offset by diversion effects where countries lose privileged access to some markets because of a lowering of general levels of protection). Most of the quantitative assessment uses a standard set of developing countries and country-groups. Details of the composition of the groups are given in the Appendix.

But this approach risks underemphasising other important positive effects for developing countries because they are not susceptible to detailed analysis. The purpose of the removal or reduction of trade barriers is to raise income levels, and growth rates if the efficiency effects are dynamic or if investment responds with an accelerator effect to the improved opportunities. Such growth effects are conventionally seen as the most important results of the liberalisation of world trade which occurred in the 1950s and 1960s through the GATT system, and are those frequently emphasised in the literature estimating the effects of the Single European Market on European Community members (Commission, 1988; Davenport, Page, 1991). They are difficult to allocate by area (except on the basis of broad differences in elasticities based on the structure of present exports) because they depend heavily on changing the structure of trade and of the importing economies, and on the economic and other policy responses of the exporting economies. These effects are likely to be the most important for the many countries and products which are not significantly affected by direct reforms in the present Round. These products are those which have already been most liberalised, or which have not attracted major protection, and include many manufactures with high income elasticities in the categories of chemicals and machinery, as well as some non-traditional primary products exported by the more advanced developing economies. These macro effects are discussed briefly in section 4, but detailed quantification is not possible with the size of the settlement still very uncertain.

Thirdly, there will be changes in trading regime, in the sectors or policy instruments covered by international regulation. Their effects are potentially significant but difficult to quantify, not only because the magnitudes are still not known, but also because we lack international data, understanding and models of how these respond to future changes. Among those which need to be considered are services trade, subsidies, anti-dumping actions and intellectual property rights; these are covered in sections 10-13.

All these changes may have further long-term effects on the allocation of investment in and by the developing countries, on the structure of their economies, and on the international economic system, and the relation of different types of developing country to it. The outcome of the GATT Round must also be seen in the context of developing countries' own policies. This study can only indicate how 'favourable' the final outcome may be for developing countries as a whole. A judgement for an individual country would also depend on the responses which it can make and its development objectives, which may extend beyond growth.

2. The likely outcome of the Uruguay Round

The method of GATT negotiations has embodied a mercantilist approach to trade, offering reductions in trade barriers as a 'concession' rather than viewing them as a gain to those making them, combined with the requirement that all such concessions be extended to all other members. Liberalisation has proceeded through a series of multilateral negotiating Rounds which offer all members a chance to gain. In all previous Rounds, the major issues were tariffs; agriculture was excluded; and the major bargains were among the industrial countries. A few other issues were raised in the Tokyo Round (1973-9), and some efforts were made to identify the effects on the tariffs and tariff structure (in particular escalation) facing developing countries, but these were literally after-thoughts. The high tariffs of developing countries were the subject of complaints, but many of the worst offenders were outside the GATT, and although non-tariff barriers by the industrial countries had begun to rise during that Round (and the MFA had existed since the early 1960s), the first calculations showing the extent of non-tariff protection were not published until 1979.[2]

In the Uruguay Round, tariffs for most goods were, on average, below 10% before it started. Although there remain peaks for individual products, they no longer constituted a sufficient agenda to attract either developing or industrial countries. In contrast, a much broader agenda was now concerned with the new protection through the use of non-tariff barriers, together with dissatisfaction that major areas had escaped previous Rounds. Moreover, the reduction in tariffs and the growing share of trade in domestic economies meant that 'internal' taxes and subsidies now clearly had much more important international effects than the remaining tariffs.

This broader agenda was one on which trade negotiators had less experience in negotiating and striking bargains. They chose to establish 15 negotiating groups, with the objective of reaching frameworks of agreement, and possible bases for agreement in each, before striking a final bargain across the board. The initial 4-year timetable, with the frameworks to be established by the mid-point, was shorter than that for the Tokyo Round, which had been interrupted by the oil crisis and recession, and more in line with previous Rounds. It was, however, ambitious, given the need in most groups to establish new definitions of protection and new modes of liberalisation, and, in some, to acquire the data needed to make quantitative bargains. Moreover, the exclusion of agriculture (and some of the other new subjects) from previous Rounds had been because there seemed to be no possibility of agreement.

The 15 groups were:

Tropical Products
Natural Resource-Based Products
Tariffs
Non-Tariff Measures
Agriculture
Textiles and Clothing

---

[2] A summary and references are given in Page, 1987.

Services
Safeguards
Subsidies and Countervailing Measures
GATT Articles
Agreements and Arrangements (including anti-dumping, customs valuation, import licensing procedures, etc.)
Trade-Related Investment Measures (TRIMs)
Trade-Related Intellectual Property (TRIPs)
Dispute Settlement
Functioning of the GATT System (FOGS).

Some of these were consolidated after the failure to reach agreement in December 1990 within the initial timetable. The present 7 are:

Market Access
Agriculture
Textiles and Clothing
Services
Rule-making
TRIPs
Institutions (dispute settlement and drafting the Round's Final Act).

The fact that, if the Round fails now, it will fail because the parties cannot agree on the size of a settlement, or the procedures and conditions for special exemptions from it, itself embodies several successes. Inclusion of the 'new areas' was itself subject to dissent at the inaugural meeting; they are now accepted as negotiable, and in most cases a framework exists. The data on services, non-tariff barriers, and trade regimes generally are improved, and procedures have been established to raise their quality. These include both new national procedures, backed by the international statistical services, and the new GATT system of reporting on each country's trade policy regime, under which countries are reviewed at 2, 4 or 6 year intervals (according to their importance in trade). The new sources of data will be particularly important for developing countries without the resources to compile reports on their trading partners, as is done by the United States and the European Community.

Some sectors or negotiating groups have reached agreements that are likely to be at least partially implemented through other means, even if there is no general agreement. For the developing countries, reforming trade in textiles and clothing now seems certain; the only available arrangements for regulating this trade after 1992 are those negotiated in the Round. For the other major sectors, and to obtain the general macroeconomic and confidence effects discussed in section 4, a formal agreement is needed.[3] The case for the underlying assumption that there will be such a settlement is discussed in the rest of this section.

Prior to the meeting of the Group of Seven main industrial countries in July, the order of seriousness of the remaining issues was probably agriculture, market access, and services: the three sectors identified as crucial by both the GATT and the United States. The G-7 communique (London Economic Summit, 1991) judged that 'textiles, tropical products, safeguards and dispute settlement' were 'already close to conclusion'. It pointed to a framework for tariffs by recognising that both the US preferred method of negotiation ('zero

---

[3] The assumptions which are made for what a general agreement will imply for each sector are outlined in the appropriate sections, with the evidence for them.

for zero') and the EC method (tariff reduction formulas, bearing most heavily on peaks) should be pursued. For the two remaining major areas, agriculture and services, the forms of any possible agreement are becoming clearer. The uncertainty is the political acceptability of the concessions required on the part of the EC, US, and Japanese negotiators. (A fourth specific area was mentioned, intellectual property, but the summit commitment on this was sufficiently vague to admit a compromise.)

One favourable indication is that there is now a deadline. The informal perception that any agreement must be substantially in place by the end of 1991 in order to avoid becoming a US election issue in 1992 or facing a new EC Commission in 1993 has now been given force by the G-7 statement that 'the aim of all contracting parties should be to complete the Round before the end of 1991'. A deadline failed to produce a settlement in 1990, but then the weight of technical detail still to be prepared, and the distraction of political attention to the Gulf War and of economic interest to the Single European Market of 1992 and other regional groups, proved insuperable obstacles. The G-7 target implied October 1991 targets for the negotiating groups. This was confirmed by Arthur Dunkel, the Director-General of GATT, who is to bring these together into a comprehensive document in the first half of November. On agriculture in particular, he is to prepare a paper incorporating his interpretation of the framework of a settlement now acceptable to all sides. This gives the rest of November for discussions (which can include cross-subject negotiations) on the basis of this document, and would permit a broad settlement by the end of the year, with final technical details to be settled in early 1992. This is broadly the timetable originally set for the last quarter of 1990, but much more background work has now been done on the settlements; and statements in September 1991 by the EC Commission and in the first half of October by German, French, and UK spokesmen suggest that some movement is now possible on the size of a settlement for agriculture. The other EC concession needed on this was on the form: agreement to limit each type of intervention, not simply the net effect, and this was made earlier in 1991 (see section 6). The Commission also appears to believe that it now has the negotiating flexibility required to participate in final deal-making, which, rightly or wrongly, it did not believe it had in December 1990. On the US side there are two conflicting signals. There is the additional criterion which it has introduced that the settlement be 'big',[4] it is not clear what this means operationally, what the political or economic reason for rejecting a 'small', but favourable, agreement would be, or whether it has any actual, rather than negotiating, importance. Against this is the widely held view that the United States does not wish to be seen to fail a second time in the negotiations, particularly in its new post-Gulf assumption of international leadership. The Administration would not have secured negotiating authority (the 'fast-track' procedure to put any settlement, unamended, to a direct Congressional vote) to continue the negotiations after December 1990 without some commitment to achieving success. The Uruguay Round was the first of the US economic objectives for the G-7 Summit (according to the State Department Briefing Sheet), and was placed at the top of the trade objectives by the US Trade Representative in her speech in London on 6 June 1991. It was only third (after fiscal and monetary policy and the environment) in the G-7 communique, but this claimed that 'no other issue has more far-reaching implications for the future prospects of the world economy', and the four areas mentioned were the US priorities.

On the EC side, there may be less commitment, as well as, it appears, less optimism about the chances of a settlement, although industrial lobbying has increased in strength since December 1990. Indications by the British and French Prime Ministers are conflicting. There

[4] Alternative, even less helpful, terms used by the US Trade Representative are 'maxi' or 'world-class'.

was no parallel advocacy that it be given priority among economic issues at the G-7 summit. The Japanese, while stressing that the principal responsibility in agriculture rests with the Community and the United States, have implied that some gesture on their agricultural imports might be possible, and appear to be ready to take a less reticent position in the Round, as in other trade issues, than in the past. This suggests that their approach to trade may be becoming more assertive, in line with stands on capital flows in the last two years, for example on debt forgiveness and Gulf War financing.

It remains true, however, as it has been since before the Round was opened in 1986, that the pressure comes principally from the United States, with other developed participants lacking both a conspicuous political commitment and an economic goal. Unless there is some assurance that the United States will agree that all services be included, at least in principle (see section 10), the European Community may not have enough to gain to offset the political difficulties of agricultural 'concessions'. On the other hand, the Community may expect to have to concede a phasing-out of the MFA, even outside the Round, And, as is now accepted even by some farming interests, the budgetary costs of the Common Agricultural Policy are such that it will need to be drastically reformed. This is reinforced by growing opposition by European business to allowing it to continue to drag down other demand (especially during a recession). Under these assumptions, bargaining for concessions in return, from the developing countries for the MFA and from the US for the CAP, is an important incentive to achieve a GATT settlement. Strongly expressed opposition by the UK Agriculture Minister to the details of the Commission's proposed CAP reform and public perceptions of growing French protectionism could suggest lack of EC commitment to achieving any settlement. But it could be that both these were more like the recent increases in apparent protection (see the sections on tropical products and textiles and clothing): mainly intended to raise the negotiating starting point.

Although many developing countries have medium-term or potential interests in services, and may be concerned about industrial country backtracking in areas like tropical products and non-tariff barriers, the main concerns of the most active participants are agriculture and textiles and clothing. If developing countries share their negotiators' optimistic assessment of the inevitable decline of the MFA, agriculture becomes the central issue. An agreement which excluded agriculture would be blocked (as happened twice before during the negotiations, in 1988 and 1990). The Cairns Group of major food exporters (10 out of 14 of whose members are developing countries) renewed on 9 July 1991, before the G-7 summit, its refusal to permit any agreement without agriculture.

The position of the GATT secretariat itself appears to be much more interventionist than in previous Rounds (although this may be a function of fuller reporting). This has had advantages in maintaining the momentum of negotiations since December 1990 and ensuring that an end-1991 settlement remained possible by using technical discussions to identify where settlements had to lie, and what political decisions would be necessary. But it probably had disadvantages in creating excessive expectations, both for the orderliness of negotiations in December 1990 and now for the size of a services outcome (see section 10).

A summary of the conditions for a settlement may therefore be: that the United States can produce enough concessions on those services where it is able, politically, to make them (i.e. anything apart from shipping), and that the European Community can accept these as worth enough, together with the concessions arising from the G-7 agreement on tariffs, to allow it to make the necessary concessions on agriculture. The Community also has the possibility of extracting some concessions on intellectual property and access for its clothing to developing country markets in exchange for MFA changes. Moreover, the agreement at the end of July to negotiate on specific actions and exemptions in the services sector, rather than on whole sectors or types of legislation, may avoid confrontation with the US commitments to shipping.

The other two areas where demands were initially being made on the developing countries have effectively faded from the negotiations. Trade-related investment measures, TRIMs, for example on local content or export regulations, are discussed briefly in section 13. Ending or restricting the additional rights of developing countries to use balance-of-payments protection (under GATT Article XVIII) as an excuse for restricting imports, although it remains on the US agenda, is no longer perceived as vital on either side: the more advanced countries (and the recent entrants to GATT) are tending to renounce them unilaterally, and it is clear that other mechanisms for justifying trade controls could be found as a substitute if they were abolished.

Results on less vital questions, such as subsidies other than in agriculture, may also be stronger on procedure (no discrimination, ultimate phasing out) than on immediate impact. The likely outlines, described in sections 5 and 7, of the deals on tropical products and textiles and clothing suggest that, unlike previous GATT Rounds, phasing of implementation will be more heavily loaded than in the past towards the end of whatever adjustment periods are chosen. If, as is now thought, most countries are pulling out of recession, they may expect to be better able to withstand shocks from imports 'later' (although reducing inflation now would be better served by rapid liberalisation).

Although most ex-COMECON countries are still only at the stage of applying to GATT, and (except for Hungary's membership of the Cairns Group) none has been active in the Uruguay Round, the desire on the part of the European Community and the United States to integrate the East European countries into the trading system is an additional reason to record success in the negotiations. As with the developing countries, offering them access to a liberalising world trading system is seen as a way of binding them politically, as well as economically, into market-oriented policies.

3. Changes in GATT and the trade regime: new opportunities and problems

The only outcome of the Uruguay Round which is already formally adopted and functioning is the new Trade Policy Review Mechanism (TPRM). This provides the same valuable resource as the Round's principal informal product: data on trade flows and trade practices. Information on the practices of individual countries, provided as a public good, is particularly important for the developing countries because they are less likely to have their own mechanisms for obtaining it.

If all the new sources of information since 1986 are combined,[5] it is clear that there has been a transformation in the transparency of international trade regulation. GATT and UNCTAD have begun to publish data (which they had only started to gather at the end of the 1970s) on non-trade barriers. This was made legitimate, even in the absence of firm international definitions, by the Uruguay Round commitment to monitor changes in non-tariff

[5] They are marked with an asterisk in the References.

barriers,[6] although this has had little effect on trade policy. First the United States, later the European Community, finally, in summer 1991, Japan, published their own lists of others' misdeeds against them. The discussions, especially in the services group, revealed much about how markets actually operated, and the GATT introduced services data to its annual review of trade. The GATT reports under the TPRM, although restrained in their analysis, especially at the beginning, are starting to provide a standard data base which both analysts and negotiators can use.

Even if there is now a successful outcome, the difficulties of negotiating within some of the groups and the near failure of this Round imply that some changes will be needed in future Rounds. The separation into 15 groups made sense as a response to completely new subjects which needed definition and understanding before negotiations began, and did permit a few to make progress without being held back by the others. The consolidation at the beginning of 1991, however, reflected dissatisfaction with the large number; this put a very heavy burden on the end-stage of the negotiation, to reach cross-settlements across 15 partial agreements. In future procedures, with some of the sectors now more firmly within the system, a grouping more like the 1991 division seems likely, with some of the appropriate parts of the commodity groups (subsidies and safeguards in agriculture or textiles and clothing, for example) grouped with those in the general procedural groups. Having the subjects negotiated separately would remove some of the problems of co-ordinating the timing of 'easy' and 'difficult' groups, but it would also restrict the possibilities of cross-group deals. As long as some countries or country groupings have clear demands but little to offer in some subjects, simultaneous negotiations are likely to be required, at least for the most controversial topics. The alternative, of a system of 'credits' to be used in later Rounds, is superficially attractive, but probably could not accommodate the type of messy, and deliberately untransparent, bargaining which is needed.

The addition of such a large number of new areas in one cycle brought serious strains in forming new political and industrial support for any settlement, particularly with an ambitious time limit. The traditional procedure of offering or demanding particular concessions with major trading partners, while treating the resulting mfn arrangements with others as incidental, was seriously strained in the face of a growing number of participants. The extension of 'trade-related' agenda items into domestic policy instruments with strong non-trade effects (and objectives) brought a number of non-trade interests and interest groups into the negotiations, but with no formal way of incorporating them. The difficulties of the European Community in forming joint positions and determining the correct degree of discretion to give their representative in final discussions also created problems for the system.

Both the agriculture and the textiles and clothing groups revealed the developing countries' power to change what had seemed to be fixed points of the international system. In agriculture, developed allies in the Cairns Group and the association of that group with the US position clearly helped, but in textiles and clothing they used the traditional negotiating weapons of good organisation, presenting their own programmes, and acquiring outside allies, including consumer groups. In both cases the negotiations are engaged in liberalising not merely the level of protection but the form of trade regime; in this the support, even if from inconsistent policy frameworks, of the international institutions has been helpful. The World Bank, the IMF, UNCTAD, and GATT itself have all contributed data and analysis of potential costs and benefits, and therefore implicitly contributed to developing countries' negotiating

---

[6] There was a commitment to 'stand-still' on new NTBs and 'roll-back' existing ones which has not been kept.

strength. UNCTAD and GATT have offered explicit technical assistance in the negotiations as well. These active forms of participation were much less important in previous Rounds. If the outcomes in these areas are successful, and if the costs in concessions do not prove too high, this suggests an important new role for these organisations in trade and other international relations.

Whether because of increased information, greater familiarity and more confidence in dealing with GATT and its institutions, or their own new liberalism, developing countries are now using GATT dispute mechanisms. Such use of the system is as necessary as success in the Rounds to justify confidence in the system. Again this is an area where technical assistance could have a role, probably at a multilateral level, because of the risk of a bilateral donor finding itself the subject of complaint.

The direct involvement of the international institutions, all of which accept the view that free trade benefits importers as well as exporters, and the acceptance of this view by a growing number of developing countries, raises an awkward question: how to present the benefits of current trade liberalisation on the part of the industrial countries as a 'reward', and future GATT Rounds as an incentive, for East European or developing country liberalisation, while impressing on these countries the benefits to themselves of liberalising their own trade. This question has not yet been addressed, but it must affect how future GATT Rounds can be conducted. The current Round (as discussed in section 8 on tariffs) has already faced liberalising developing countries with a dilemma: between the policies which they have adopted, often with strong encouragement (at least) from the international financial agencies, of unilateral reduction of trade barriers, and the GATT assumption that such actions are only to be taken in return for 'concessions' from trading partners. Trying to obtain 'credit' in return for the measures they have already taken places them in the awkward bargaining position of taking the view that such liberalisation is good in itself and at the same time asking their trading partners to treat it as a cost for which developing countries deserve a return. With those partners also professing a belief in the benefits of liberalisation but acting as if removing these barriers is a cost, the scope for theoretical studies of bargaining strategies may be excellent, but the possibilities of reaching inefficient, and by any criterion unfair, outcomes are serious. This problem of conflicts and ambiguities of economic interest and power, combined with inter-agency and donor-recipient contradictions, will need to be resolved.

Although in some groups the 'developing countries' have formed an identifiable and successful interest group, in others there have been conflicts of interest among them, and the outcome brings very different benefits to different groups (Tables 12 and 13 in section 14 present a summary). The need to give 'special and differential' treatment in some form to some countries is recognised in each negotiating area, but there is now a tendency to define this much more specifically both in scope and in country coverage. This provides a stronger, because more statutory, entitlement in existing areas, but its use as a complete substitute for a more general provision in the GATT treaty does have risks. The presumption in proposals for time-limited concessions that countries can reach 'maturity' within a predictable period is inconsistent with the variety of past experience, and is likely to impose international restrictions on some countries earlier in their development than in the past. As long as they are in agreement with this because of their own liberalisation policies, there is no conflict. Recently several developing countries have, on their own initiative, renounced the right to impose special import controls for balance-of-payments reasons under Article XVIII: Argentina, Brazil, Ghana and Peru. But their policies may change. Combined with the rather arbitrary division between 'old' developing country GATT members, who have escaped taking on full obligations because this was not customary when they joined, and the 'new' (and East European) members which faced more stringent membership conditions, the new trend does limit the range of policy options open to developing countries. Failure to liberalise all countries' access to developed country markets in order to preserve privileged access by GSP or Lomé Convention member countries would damage more groups than it helped, and clearly there are many cases where these 'losses' are not real (because the access was not used) or serious (because the benefits from secure access are a compensation). It is possible that such access offered a useful, if difficult to quantify, benefit for some countries for some products at the time of their initial entry to a market. The need to adjust to any change therefore suggests that some countries may need transitional assistance and that their successors may need a substitute form of assistance in entering new markets.

The future form and value of the Generalised System of Preferences is not strictly part of the GATT Round. Nevertheless, it influences assessment of its effects because the less is expected from it in the future, the more beneficial are Round-induced changes in standard, mfn, tariffs. The trends emerging in the Round will also influence the potential for a new GSP: the tendency of developing countries to prefer definite, negotiated, benefits to concessions; the reluctance of industrial countries to offer general rather than sector-by-sector concessions; the move towards defining an expanded category of 'least developed countries', combined with 'graduation' from special privileges at earlier stages of development. Other influences may come from the interaction of preferences for developing countries with a growing number of other types of preferences; for co-members of regional or other trading areas, for Eastern Europe, or for countries following desirable military, political or social policies (this is discussed further in section 9). With a growing proportion of the countries likely to receive such preferences now members of GATT, and therefore of the mfn system, all preference schemes will become less easy to define and implement.

4. Macroeconomic effects

For many developing countries, the trading sectors of most interest to them are not expected to see major changes, particularly in the short or medium term (Table 2). Although present shares may underestimate potential in heavily regulated sectors like temperate agriculture and textiles and clothing, it is clear that these will remain low for many. Although some services are important (see section 10), the short-term changes here are not likely to be large. The sectoral effects found in sections 5-8, although large for some groups, are fairly small at world level, so that the calculable macroeconomic effects are limited. The major liberalisation expected is in textiles and clothing and in agriculture, two areas with relatively low income elasticity and with a diminishing share in expenditure in the highest income areas. In the past, the major trade-creation effects came from the negotiations on the major exports: manufactures, of the major exporters: the developed countries. Now, there is little left to gain on these.

A calculation of the total effects of the various trade liberalisations discussed in this study requires a world model that simultaneously performs detailed calculations of the effects arising from changes in relative prices and on supply and incomes for each sector and combines these across sectors to give aggregate changes in income and the composition of demand, with the resulting effects on different groups of countries. In addition to the practical difficulties of estimating such a model, it requires a series of assumptions about policy and reactions to changes in balance-of-payments constraint, with consequences for fiscal and monetary objectives and policies for countries which have precise inflation or growth targets. Such estimates have been made of the effects of different degrees of liberalisation, especially in agriculture. But, as with the estimates of the income effects of the Single European Market, the range of results is too large to be helpful to policy-making, and is highly dependent on strong, and essentially arbitrary, assumptions about responses.

Although all the major international agencies have stressed the importance of liberalisation in general and the Uruguay Round in particular, estimates in the context of general forecasting are quite small, even for substantial liberalisation. The World Bank (1991), for example, has a 'high' forecast, in which the differences from its 'base' include the Uruguay Round. But they also include greater trade liberalisation: larger tariff reductions, with complete liberalisation of all sectors, including agriculture and services; and also: reduction in systemic financial risk, a fall to 2% for real interest rates, a reduction in oil prices and in Middle East uncertainty, and higher productivity in industrial and developing countries through domestic policies. All this combined adds only 1.1 percentage points to industrial country growth rates in the 1990s, and this comes principally from their higher productivity growth, not from trade itself, with 1.8 percentage points added to world trade. The developing country growth rates are increased by 1.6 points a year: ranging from 2.1 for East Asia and 1.8 for South Asia, through 1.5 for Latin America to 0.8 for sub-Saharan Africa (pp. 47-8). Of these, 'about one-half' (p. 49) is attributed to trade, but much of this trade is explained by the increase in internally-generated demand in industrial countries, rather than by their trade policy. The implied elasticity of developing country exports to industrial country growth is actually the same in the two scenarios. The UN (1991), UNCTAD (1991c) and the IMF (1991) do not attempt to quantify the effects; the UN and UNCTAD suggest that they will not be large.

On the negative side is the risk to investment from continued uncertainty until the Round is completed (or if it is not successful). On the assumption, examined in section 2, that the Round is completed, with at worst a small positive outcome, by early 1992, such effects are assumed here to be negligible after 1991. The 1991 recession in the industrial countries has already discouraged new investment both deliberately through restrictive policies and indirectly through low demand and has created an uncertain climate; additional influences are therefore negligible.

The uncertainty of such estimates increases the temptation to concentrate analysis on identifiable, sectoral effects, as much of the rest of this study does. The alternative is to use arbitrary procedures to reach a large absolute number, which could be justified by the emphasis on the Round in developing country policy and institutions' pleas for success.[7] The efficiency effects of trade and its effect on the process of development cannot simply be ignored. Nor can the judgement of the countries which consider that their gains from the outcome justify the considerable cost and risks of six years of negotiation in the Uruguay Round be discounted. We assume therefore that there is a positive income effect for all countries (Table 13). The area-by-area and sector-by-sector results reported here can then be considered as additional gains or offsetting losses relative to the general gain.

---

[7] The simplest would be to argue that if the final stages of trade liberalisation among the 12 countries of the EC yield 5 percentage points on income, much more extensive liberalisation among 106 must be greater.

5. Trade in tropical products

The principal commodities included in the Tropical Products Negotiating Group (TPNG) are coffee, cocoa, tea, spices, and cut flowers and live plants.[8] The United States and the European Community have insisted that those products which compete directly or indirectly with important temperate products, even if they are traditionally produced exclusively or largely in tropical climates, should be discussed in the Agricultural Negotiating Group rather than the TPNG. Thus rice, cassava (which competes with grains as a feedstock component), vegetable oils (including palm, palm kernel and coconut oils) and oilseeds, and sugar are all being treated in the agricultural negotiations.

In many cases the offers to the TPNG are conditional on liberalisation by the developing countries themselves. The developed countries expect the NICs and emerging NICs (the ASEAN and Latin American countries) to lower their barriers or export taxes on a range of products which may be covered in other negotiating groups.

The EC offer circulated during the Brussels meetings in December 1990 covers 220 tariff lines, which using 1988 trade statistics, amount to about $9 billion. This is a reduction on the previous offer covering 306 lines, $14 billion. The Brussels offer is not necessarily the final one. As happened in the months prior to the mid-term meeting, under intensive lobbying from interested parties, mainly the ACP states, the 'final' mid-term offer was substantially less than that presented three months earlier. Nevertheless we use here the December 1990 offer.

Coffee and cocoa account for 77% of the value of imports from developing countries of the products covered in the Community's offer. On average (weighted by import values) the EC offer would take the mfn tariff rate from 5.2 to 3.4%. With the decision to put all offers made at the Brussels ministerial meetings and subsequently into the 'secret' category, details of the latest US and Japanese offers are not available. However, the US offer is unlikely to differ very much from the US mid-term offer in terms of product-mix. Most of the important tropical products enter the US market tariff-free - either because the mfn tariff is zero or through the GSP. The US offer proposes removing the small mfn tariffs on defatted cocoa paste and cocoa powder but these already enter duty-free under the GSP. Japan has also made small offers on cocoa products. The US offer reduces the average mfn tariff rate from 3.3 to 1.1% and the Japanese offer from 5.5 to 3.7%. The average (weighted by product and country) offer of the other developed countries would reduce the mfn tariff from 7.3% to 4.5%. The averages are not very useful however, as they do not take into account concessionary rates.

The other offers cover many minor products, but the concessions are limited to relatively unimportant sub-products. The non-coniferous wood headings in the EC offer cover trade worth only US$190,000 in 1988 out of total imports of non-coniferous woods from the developing countries worth $1.8 billion. Other concessions, for example those on spices, may be important to one or two generally small countries.

---

[8] Trade data for developing countries for the commodities discussed in sections 5 and 6 are given in appendix table A1.

In many cases the offers to the TPNG reduce mfn rates but not to levels below the existing GSP rates. Except where industrial countries or others not eligible for GSP status[9] are exporters, the implementation of the offer will therefore have little impact. In fact, tropical products which are also imported from the developed countries in significant quantities (tobacco and tobacco products from the US in the case of the Community or cut flowers from the EC in the case of the United States) hardly feature in the offers. The United States has actually stated that it is unwilling to reduce tariffs on cut flowers since the Community is its second largest supplier and its tariffs are already substantially below those of the Community.

The GSP tariffs of the United States and the European Community (and the EC's Lomé agreements) have not been discussed in the Uruguay Round because the US and EC argue that they are discretionary, non-negotiable concessions. In our calculations we have generally assumed that GSP rates remain at their current level, even where under the offers mfn rates would be less than the GSP rates. On the tropical products of greatest significance to the developing countries, coffee and cocoa, the EC offer is to bring mfn rates down to zero, making the GSP on these goods irrelevant; the duty on flowers and plants is halved.

For spices, pepper, thyme, vanilla, cinnamon, pimento (capsicum), cloves, nutmeg, mace, cardamom, ginger, tumeric, and curry powder the unweighted average GSP rate for the EC is 3.2 and for Japan 1.3. The cases where the EC offer reduces mfn rates to below existing GSP rates (or reduces mfn rates where there is no GSP scheme) are for unprocessed pepper, (down 4%), vanilla (down 5.5%) and cloves (down 2%). The unweighted average rate in the Community would be reduced by 1.8 to 1.4%. US imports from the developing countries are almost all under the GSP. We ignore possible Japanese tariff cuts which would only affect curry powder.

The price changes calculated on the basis of these tariff assumptions are small (see Table 3). The price elasticities used in our calculations (drawn from the literature) were also low: 0.5-0.7 for developing countries' supply and -0.3 to -0.6 for developed country demand: for spices, 1 and -1, respectively. (Import demand elasticities are given in appendix Table A2.)

A single-equation partial equilibrium model was used to estimate the effects of the changes in tariff regimes.[10] The estimated impact on world trade volumes is minor. The reduction in Community tariffs means that the ACP suppliers suffer both a loss of export volume through trade diversion and, because of the reduction in the EC import price, the elimination of their economic rent.[11]

Reductions in ACP volume to the EC market cannot be offset by trade creation to other markets because most of the remaining significant barriers to tropical goods are to the EC market. Most other developed countries have zero tariffs, at least on unprocessed forms. The Community has maintained tariffs on these goods to protect the preferences of the ACP states.

---

[9] Taiwan, some countries of East Europe and the Far East - Vietnam, North Korea and Mongolia.

[10] The tariff reductions shift the importers' demand, in both the industrialised and the developing countries, giving a new (higher) world price and (lower) domestic price in the countries whose tariffs are lower. This changes import and export volumes and values.

[11] Davenport and Stevens (1990) concluded that there was little evidence that the ACP countries had taken advantage of their tariff preferences to expand their market share. This could stem from a number of factors, including low or even zero export supply elasticities. Just as the gains from preferences were low, the losses from reducing these preferences may be overstated.

Table 3: Tropical products

	Effects on prices and trade (%)			
	Coffee	*Cocoa*	*Plants and Flowers*	*Spices*
World prices	0.8	1	1	0.2
EC domestic prices	-3.9	-2.1	-4.1	-1.7
Import volumes				
World	0.5	0.4	1.2	0.2
EC	1.3	1.2	4.1	1.7
ACP export volume	-0.8	0	-0.5	-0.4

	Effects on export earnings, US$ m, based on 1987-88						
	Coffee	*Cocoa*	*Plants and flowers*	*Spices*	*Total*	*Total as % total exports*	*Effects of excise duty changes, US$m.*
Total	115	33	21	6	174	0.0	628
Africa	-66	-4	-2	-1	-72	-0.1	137
America	161	21	13	1	194	0.2	394
Caribbean	2	2	1	0	5	0.0	16
Asia	23	17	10	6	55	0.0	87
South Asia	4	0	0	2	6	0.2	31
ASEAN	15	13	3	3	34	0.0	46
Oceania	-3	-0	0	0	-3	-0.1	8
ACP	-67	-2	-1	-1	-72	-0.2	161
Countries							
Côte d'Ivoire	-14	0	-0	0	-15	-0.5	31
Ghana	0	4	0	0	4	0.4	4
Kenya	-6	0	-1	0	-7	-0.7	18
Mauritius	0	0	-0	0	0	0.0	0
Nigeria	0	-2	0	0	-2	-0.0	2
Tanzania	-4	0	0	0	0	-1.3	7
Zimbabwe	0	0	-0	0	0	0.0	2
Bangladesh	0	0	0	0	0	0.0	1
India	4	0	0	1	5	0.0	23
Pakistan	0	0	0	0	0	0.0	0
Philippines	2	0	0	0	3	0.0	9
Sri Lanka	0	0	0	0	1	0.0	7

	Effects on prices and trade of elimination of EC excise duties, (%)		
	Coffee	*Cocoa*	*Tea*
World prices	3.7	0.6	1.6
EC domestic prices	-27.2	-2.1	-4
Import volumes			
World	3.7	0.3	0.2
EC	8.7	1.2	2.4
ACP export volume	1.7	0.4	0.2

Source: OECD data; UN, *Trade by commodities*, 1990

Apart from the possibility of gains through excise tax reductions, the major offset to trade diversion for the ACP countries will come from the higher EC demand in response to lower tariffs and consequent higher world prices, which increase the value of their exports. This effect is material where there is an efficient world market: in tropical beverages, the more important spices, and (to a growing extent) in cut flowers.[12]

Table 3 identifies the major gains accruing to Latin American coffee producers and the losses to African ACP producers. The same pattern of gains and losses but smaller appears for cocoa, and the ASEAN countries make moderate gains. Latin American gains in the plants and flowers sector are small in absolute terms - some US$10m. - but likely to be concentrated on Colombia and the Central American countries (also major gainers from the tariff cuts on coffee). In this latter sector Kenya is a major loser.

There are significant gains for the ASEAN countries' exports of all four of these products, but particularly of coffee. These will accrue mostly to Indonesia and Malaysia. Indonesia is the world's leading exporter of spices, but the gains are small because of the small tariff cuts.

The Community has stated that it will add the elimination of excise taxes on tropical beverages to its offer if the producing countries can demonstrate that these taxes discourage imports. As these must be harmonised because of the advent of the Single European Market in 1993, this is a disingenuous offer. We do not include it as a GATT effect, but an estimate of its value is given in Table 3. With average excise tax rates at over 20% in the Community, the effects are considerably greater than from removing tariffs. Moreover, they would be beneficial to all producer countries, and would also affect tea.

In plain disregard of the Community's stated intention of removing these taxes, excise taxes on tropical beverages in Italy were increased 4- to 7-fold at the beginning of 1991 (though earlier tax rates are used in the calculations which were done on the basis of 1987-8 trade data). This is (informally) admitted to be designed as a bargaining counter.

One of the results of the Tokyo Round of multilateral trade negotiations was, for many tropical products, an increase in tariff escalation. Nevertheless, processing by developing countries has expanded in certain commodities. The share of raw cotton fell from 44% to 25% between 1980-82 and 1988; shares of yarn and fabrics rose. In rubber, raw rubber fell from 81 to 66%. Little progress has been made in coffee and cocoa. No clear pattern emerges as to the effects of the Uruguay Round proposals. If GSP rates were cut proportionately to mfn rates, some of the instances of increasing escalation for GSP-eligible exports would disappear, though in the two important cases of coffee and cocoa, the proposal to reduce mfn tariffs on beans to zero will inevitably mean increased escalation.

6. Temperate agricultural products

There are four issues here: domestic support, market access, export competition, and sanitary and phyto-sanitary matters. The achievement in early 1991 (or, according to different

[12] The sensitivity of these results to the elasticity assumptions are examined by doubling all the supply elasticities and halving the demand elasticities to give a 'worst case scenario' for the ACP and, in particular, the sub-Saharan countries, with trade diversion increased and the demand response diminished. The alternatives are compared in appendix Table A3. The negative effects are still small in absolute terms and as a percentage of total export earnings. (Even for coffee in Africa, this is about -0.2%.)

interpretations, the missed opportunity in December 1990) was EC agreement to treat the first three separately, and not to focus only on the outcome of the set as a whole. The fundamental assumption here, however, is that, while the details of such an agreement are important to the success of the Round, its effects on the prices and competition faced by the developing countries will determine the outcome for them.

The issue at stake in the negotiations is not whether governments are to be allowed to continue support for their agricultural sectors but the extent to which this support should be allowed to have effects on trade flows and international prices. The United States and the Cairns Group (Argentina, Australia, Brazil, Canada, Chile, Colombia, Fiji, Hungary, Indonesia, Malaysia, New Zealand, the Philippines, Thailand and Uruguay), which accounts for 25% of world agricultural trade, want the agreement to distinguish among the different methods of agricultural support, outlawing some, restricting others, and permitting a few ('red', 'amber', 'green'). The Community on the other hand, preferred an agreement on reducing overall support by a given amount, while maintaining discretion over the instruments used; it accepted the 'amber' and 'green' boxes, but did not want to outlaw any to a 'red' box.

The instruments to be phased out include price-support policies, income-support policies linked to production, and other subsidies discriminating against imports. Those to be 'bound' in the GATT sense and subject to negotiated reductions include investment grants and subsidised loans. Income-support policies not linked to output, environmental programmes and domestic food aid would be permitted. The latest Cairns Group statement explicitly requests 'due recognition to the position of the developing countries, including on the one hand faster reduction in market access barriers on products of export interest to them and, on the other, lesser cuts on their access barriers and domestic subsidies over extended time frames; and exclusion from reduction commitments of those rural and agricultural policies which are an integral part of their national development programs' (Cairns, 1991).

The European Community proposed using the Aggregate Measure of Support (AMS), based on the OECD's Producer Subsidy Equivalent (PSE). The AMS differs from the PSE primarily in that a fixed external price is used, and so it does not reflect movements in the world price. It covers price support, direct support and input subsidies, and excludes food aid, including domestic programmes, investment aids and stockpiling programmes among other policies.

Now that the Community has agreed to switch to treating separately the three issues of market access, domestic support, and competition, the only serious point of principle is whether more than the usual GATT safeguards are needed for agriculture, during a transition (this could be negotiated) or permanently (this probably would not be acceptable to the United States or to the Cairns Group). The fourth area, phyto-sanitary regulations, was largely agreed before December 1990, and this settlement might even survive a breakdown of the Uruguay Round.

Since the end of 1990, the Community has made proposals for reform of the Common Agricultural Policy. These are partly to ease the negotiations, both by showing good intent to other negotiators and by making it clear to the farming lobby that reductions in subsidies are inescapable, whatever the outcome of the Round. In particular, the sharp increase in costs in recent years, expected to continue in 1991 and 1992, makes it urgent to decouple farmers' incomes from output (largely through moves to deficiency-type payments). The proposals extend the mechanisms introduced in earlier reforms, and therefore continue the move away from 'red' export subsidies. They include quotas on output qualifying for intervention buying, and 'stabilisers' (i.e. penalties for over-production through reductions to subsequent intervention prices or maximum guaranteed quantities). Other 'structural' measures include 'set-aside' and 'extensification'. The outlook for these reforms is still in question, and they will probably not be finalised until after the Round. They are not therefore included here, either as Uruguay Round effects or as altering the base against which these are calculated.

Proposals from other countries are generally restricted to which policies should be in which class of restriction. Japan, for example, would exclude subsidies designed for a wider range of non-trade objectives, including land use, rural employment, food security and even products with a high import ratio to consumption.

From the point of view of the developing countries, whether net importers of food or net exporters, these proposals must be judged in terms of three crucial factors - their effects on access to wider markets, their effects on world prices and their effects on the stability of world prices. Even countries which are now net importers are concerned with market access, because there may be certain products which they could export at free market world prices and with fewer barriers.

In order to assess the effects of an agreement on the developing countries, we take a plausible outcome in terms of the percentage liberalisation. As in the EC offer, this is equal for the major CAP products (wheat, coarse grains, rice, meat, dairy products and sugar). We use a world price change and supply elasticities for each product based on existing studies of the effects of liberalisation.[13]

An assumption has to be made about the transmission of changes in world food prices to markets within a developing country. We follow most models in assuming full 'pass-through' of international price changes in proportionate terms. The alternative is a systematic divergence between the trends in domestic and international prices. Countries which have tended to favour consumer interests over farmer interests might seek to insulate themselves, at least temporarily, through export taxes and consumer subsidies. This could reduce or prevent any volume response. (The effects of assuming a more limited transmission were also simulated.)

The twin concepts of PSEs (producer subsidy equivalents) and CSEs (consumer subsidy equivalents) are an attempt by the OECD to summarise the effective rates of protection or consumer subsidy (or tax) in a single number for each principal product group. While subject to much debate and superseded in the negotiations by the AMS, they still provide a useful indicator of relative levels of protection (Table 4).

There are major differences in the results of the different model simulations although they all work on the basis of PSEs and CSEs. They do, generally, agree that world prices for these commodities will rise. The results (Goldin and Knudsen, 1990; UNCTAD/WIDER,

---

[13] For the supply elasticities of the developing countries we use the estimates of the United States Department of Agriculture (USDA, 1990). The elasticities are 0.5 for wheat and sugar, and for most exporters of coarse grains and meat. Coarse grains from Africa are 0.4. Meat from Latin America is 0.8. Rice is 0.3 for Africa and the Philippines and 0.4 for South Asia. The import demand elasticities are drawn mainly from studies of developed countries since estimates fro the developing countries are generally unavailable. However, there is little evidence that they vary much between countries, even at different levels of development (see OECD, 1988) and they are given in appendix Table A2.

Table 4: Producer and consumer subsidies in the developed countries

	Producer subsidies *Producer revenue/consumer cost at world prices (%)*				
OECD (1984-86)	EC	Australia	Canada	Japan	US
Wheat	36.4	7.1	35.0	588.0	49.6
Maize	32.9		10.5		33.2
Rice	87.2	15.4		384.3	74.0
Sorghum	40.3				
Soya beans	88.9		14.6	169.7	8.5
Cotton		4.8			
Sugar	83.2	14.4	43.8	199.1	265.1
Beef and veal	80.5	6.4	10.1	115.9	9.0
	Consumer subsidies *Producer revenue/consumer cost at world prices (%)*				
OECD (1982-86)	EC	Australia	Canada	Japan	US
Wheat	-19.5	-3.5	-2.8	-45.9	-2.0
Maize	-13.8		-1.5	-2.5	
Rice	-72.5		-175.0		
Sugar	-41.2	-47.3	-4.2	-101.8	-144.7
Beef and veal	-17.5		-0.7	-48.9	-0.8
Cotton		-11.4			

Sources: USDA (1988), OECD (1987 and 1988), UNCTAD-WIDER (1990).

1990; Anderson and Tyers, 1991) give the following ranges for full liberalisation by the developed countries:

Wheat: - 5 to 27%
Coarse grains: -10 to 22%
Rice: 3 to 43%
Meat: 5 to 40%
Dairy products: 14 to 84%
Sugar: 6 to 57%.

Some of the disparities can be explained by differences in the base year. The discrepancy over the price of coarse grains may reflect the difficulties of modelling the market in this product since it is primarily used for animal foodstuffs and subject to a wide range of substitutes.

We concentrate on estimating the direct effects on developing countries of the change in world prices, using, as a base, the modal estimates from the set of 7 different model simulations presented in Goldin and Knudsen (1990). As far as possible the different simulations from which the values were drawn were comparable in terms of underlying assumptions. These were simulations of a total liberalisation of agricultural trade in the

OECD countries. The most recent formal EC offer is 30% (with 1986 as the base date) against a US-Cairns request for 70%. We take a 33% liberalisation with an average 1987-8 base date as the starting point. The most recent comments from EC and EC member government sources indicate that the base date is now considered negotiable. This procedure gives the following increases in prices for the major temperate foods: wheat 5.0%; coarse grains 1.8%; rice 1.2%; meat 5.3%; dairy products 9.3%; sugar 5.0%;

Some researchers (e.g. Tyers and Anderson, 1991) include possible developing country structural responses, including induced innovation, which is not consistent with the first-round-only supply effects which we are using in this study. Such responses are, as we emphasise, likely in temperate agriculture and in the other sectors considered in sections 5 and 8. In the absence of knowledge of individual countries' industrial possibilities and strategies, however, we have excluded them. But in all cases, this exclusion means that the estimates are minima.

There is considerable uncertainty about the supply response. The only consensus is that, in the short run, supply elasticities are low. Duncan (1990: p. 466) argues that, in the long run, when factor inputs have fully adjusted, responses are greater than previously believed, but 'most of the empirical work ... fails to capture the response of aggregate supply in the long-run, a topic for which we lack a solid empirical base' (Zietz and Valdés, 1990: p. 463).

For sugar special treatment is required because of the guaranteed prices offered by the Community to the ACP producers for specified quotas of cane sugar exports.[14] In the base period the guaranteed price was some 15% above the world market price. The 5% price rise reduces the differential in ACP guaranteed prices over world prices.

The results of the simulations of developing country exports are given in Table 5. Overall a rise of 4% in Third World exports of these products is estimated. The gains are specially strong in exports of meat from Latin America and the Middle East (classified under 'other' Asia). ACP exports overall rise by 1.2% in value, largely because of higher meat exports but also because of higher sugar exports - to non-EC markets. Mauritius is an example.

The Cairns Group is particularly active in pushing for the liberalisation of agricultural markets in the European Community and the United States. Our country classification does not identify the gains to this group, but developing America, when the Caribbean is netted out, is dominated, as an exporter of agricultural products, by members of the group - Argentina, Brazil, Chile and Colombia. Clearly this area would be a major gainer in cereals, meat and sugar exports. Four of the ASEAN countries, Thailand, Malaysia, Indonesia and the Philippines, are also 'Cairnsians'. However, they are not major exporters of temperate products and do not appear to be major potential beneficiaries from liberalisation. Their membership may be intended to support all moves towards free trade or to show solidarity with the only important mixed developed-developing country coalition to have emerged in the Round.

Table 6 shows the sensitivity of these results to different assumptions. It presents what would happen if world prices were to rise twice as much as in our central estimates - well within the margins estimated by different models - as well as the effects of 50% higher supply response elasticities. A reduced transmission rate to developing country producers is

---

[14] Cuban sugar exports were assumed not to benefit from the increase in the world market price, since they are for the most part sold at administered prices.

Table 5: Grains, meat and sugar

Imports[(a)]	Wheat	Coarse grains	Rice	Meat	Sugar	Total	% exports of these products	$m
				US$ m				
Total	46	37	34	443	152	712	4.4	590
Africa	0	5	0	43	10	58	4.1	172
America	30	15	3	211	85	342	8.0	72
Caribbean	1	0	0	3	7	10	2.9	21
Asia	17	17	31	189	46	300	5.1	340
South Asia	1	0	8	7	0	17	2.8	26
ASEAN	1	4	12	28	34	80	4.6	64
NICS	0	0	1	63	7	71	7.8	86
Other Asia	14	13	11	91	4	132	5.1	164
Oceania	0	0	0	0	11	11	7.6	7
ACP	1	5	0	45	28	78	1.2	347
Countries								
Côte d'Ivoire	0	0	0	0	0	0	1.2	7
Ghana	0	0	0	0	0	0	0.0	2
Kenya	0	1	0	0	0	1	2.3	2
Mauritius	0	0	0	0	4	4	1.2	2
Nigeria	0	0	0	0	0	0	0.0	9
Tanzania	0	1	0	0	0	1	1.9	1
Zimbabwe	0	1	0	4	1	6	4.7	0
Bangladesh	0	0	0	1	0	1	8.1	2
India	1	0	2	5	1	10	4.1	14
Pakistan	0	0	5	1	0	6	1.8	7
Philippines	0	0	0	0	5	5	6.6	7
Sri Lanka	0	0	0	0	0	0	7.6	3

Source: See explanation of assumptions in text.

(a) This includes the effect of liberalising dairy trade, important to ldc imports, but not exports.

also simulated, at 50% of the increase in world prices.

The estimates of increased exports are highly sensitive to these assumptions. The effects on the trade balance (Table 7) can swing from substantially positive to negative. In general, developing America does well whatever assumptions are used, because of exports of cereals and meat. The overall trade balance for sub-Saharan Africa would suffer under our preferred assumptions, but the effects would differ in different countries.

The EC offer specifically excludes certain goods, the most important of these being fruit and vegetables, tobacco and wine. On these the Community has said it is prepared to reduce support by 10% from 1986 levels. For tobacco (and a number of other products including fruit and vegetables for processing) average annual reductions in tariff equivalents of 6.1%

Table 6: Sensitivity analysis: grains, meat and sugar (US$m)

	Effects on exports			
	(a)	*(b)*	*(c)*	*(d)*
Total	712	1494	1778	330
Africa	58	165	194	6
America	342	698	847	169
Caribbean	10	38	45	-3
Asia	300	609	710	149
South Asia	17	33	38	8
ASEAN	80	163	190	40
NICS	71	144	170	35
other Asia	132	268	312	66
Oceania	11	23	27	6
ACP	78	222	262	8
Countries				
Côte d'Ivoire	0	1	1	-0
Ghana	0	0	0	0
Kenya	1	1	2	0
Mauritius	4	31	36	-9
Nigeria	0	0	0	0
Tanzania	1	2	2	0
Zimbabwe	6	14	17	2
Bangladesh	1	2	3	1
India	10	19	22	5
Pakistan	6	12	14	3
Philippines	5	10	12	2
Sri Lanka	0	0	0	0

(a) Preferred estimates of effects of rise in world prices: see table 5.
(b) Effects of doubling the assumed changes in world prices.
(c) Effects of both doubling the world price changes and increasing the supply response elasticities by 50%.
(d) Effects of reducing the transmission of world price changes to ldc producers by 50%. The preferred world price increases and elasticities are used.

till 1995 and for fruit and vegetables reductions of 6.3% are proposed. For wine, according to Commission figures, the 10% support reduction offer has already been achieved.

Reductions in tariffs on these products could have trade diversion consequences for the ACP and GSP countries, which often have unlimited tariff-free access to the EC market or tariff-free access up to a tariff quota. Thus the possibility of maintaining the preference margin is generally not open. However, most of the goods included in the agricultural negotiations are temperate fruits and vegetables which do not receive GSP or ACP preference. Imports of these from the developing countries are limited.

In the case of tobacco we have calculated the trade effects of a 15% reduction in tariffs and in support as a whole on the basis of 1986 initial levels. The EC GSP on tobacco is currently ineffective. We have taken 5% as the average Community tariff. The US average mfn rate approximates 7.5%, while the rest of the OECD generally has zero tariffs on tobacco, the main exception being Canada. The US GSP rate is zero and the bulk of US imports are GSP-eligible. We assume that the average rate on other OECD imports is effectively zero. The price elasticity of demand in developed countries is assumed at 0.5, while the export elasticities of supply are set as 0.41 in the developing countries and 0.70 among the developed country producers. The principal impact is trade diversion away from the ACP states in favour of other suppliers to the Community; but the overall effects are small (see Table 7).

There are other less quantifiable effects of a settlement in agriculture. The exclusion of long-term structural effects was mentioned above. It is usually argued that agricultural protection contributes significantly to instability in world market prices. All random fluctuations caused by demand or supply disturbances are concentrated on those exporters or importers who trade at world market prices. Many developed countries, including the Community, Japan, the United States and most EFTA countries, and some developing countries, insulate their own markets from fluctuations in world markets. They may also export some of their own domestic fluctuations by 'dumping' on the world market. Anderson and Tyers estimate that instability would be reduced by almost half by 2000 in their phased 50% reduction simulation. The significance of protection for world price instability is not unchallenged. Duncan (1991), however, argues that instability arises primarily from speculative behaviour. This could increase as protection was reduced. However, he is primarily concerned with stockpiling effects. The use of futures and options markets would increase and that could be either stabilising or destabilising.

The most obvious group which is excluded from these estimates is oilseeds, vegetable oils, meals, cake and other oilseed products. This sector is complex for two reasons. Entry barriers in the United States and European Community are low because tariffs are 'bound' at zero or near-zero. All the considerable protection for US and EC producers derives from guaranteed prices. Secondly, the sector includes temperate oilseeds (soya beans, rapeseed, sunflower seed, etc.) and tropical products (palmnuts and kernels, coconuts, etc.). Any tendency for the price to rise as protection in the industrialised countries was reduced would be met by increased output of tropical oilseeds and temperate oilseeds produced in developing countries, especially soyabeans in South America. Assuming that the price effect of liberalisation is zero may, then, not be a serious misrepresentation.

In summary, reduced subsidies for exporting (a reduced) surplus output from the European Community and the United States will lower supplies on world markets and exert upward pressure on prices. Developing countries are net importers of all the product groups under consideration. However, whether a partial liberalisation of temperate products helps or damages their trade position depends very largely on the impact on world prices. Latin America and the Caribbean will benefit from higher prices of cereals, meat and sugar. Other countries - apart from exceptions such as Mauritius - will suffer from these increases. Secondly, the supply reaction of developing country producers is critical. That depends on the elasticities, but also on the extent to which producers in developing country markets are insulated from the world market. The greater this insulation, the less the export response to higher prices and the more the trade balances will suffer (Table 6). All are likely to have additional gains from reduction in the variability of food prices, as well as any impulses toward structural change or the dynamic effects from improvements in the efficiency of the industrial countries.

Table 7: Temperate products, trade balance

		Trade balance US$ m.[a]			*Trade balance as % of total exports*		
	Tobacco Exports (b)	*Preferred Estimates (c)*	*Highest Exports (d)*	*Lowest Exports (b)*	*Preferred Estimate (c)*	*Highest Exports (d)*	*Lowest Exports*
Total	14	108	1174	-274	0.0	0.2	0.0
Africa	0	-113	23	-165	-0.2	0.0	-0.3
N. Africa	0	-100	-97	-101	-0.4	-0.4	-0.4
Sub-Saharan	0	-14	120	-64	-0.0	0.4	-0.2
America	6	265	769	92	0.3	0.8	0.1
Caribbean	0	-10	25	-24	-0.1	0.2	-0.2
Asia	9	-49	361	-200	-0.0	0.1	-0.1
South Asia	1	-11	11	-19	-0.3	0.3	-0.5
ASEAN	1	15	125	-25	0.0	0.2	0.0
NICS	1	-16	83	-52	0.0	0.0	0.0
Other Asia	6	-38	142	-104	-0.1	0.3	-0.2
Oceania	0	5	21	-1	0.2	0.8	0.0
Total Asia	9	-44	382	-201	0.0	0.1	-0.1
ACP	0	-19	165	-89	0.0	0.4	-0.2
Countries							
Côte d'Ivoire	0	-7	-6	-7	-0.2	-0.2	-0.2
Ghana	0	-2	-2	-2	-0.2	-0.2	-0.2
Kenya	0	-1	0	-1	-0.1	0.0	-0.1
Mauritius	0	3	35	-10	0.3	3.5	-1.1
Nigeria	0	-9	-9	-9	-0.1	-0.1	-0.1
Tanzania	0	-0	1	-1	-0.1	0.4	-0.3
Zimbabwe	1	5	16	1	0.4	1.2	0.1
Bangladesh	0	-1	1	-1	0.0	0.1	-0.1
India	0	-5	8	-10	0.0	0.1	-0.1
Pakistan	0	-1	7	-4	0.0	0.2	-0.1
Philippines	0	-2	4	-5	0.0	0.1	-0.1
Sri Lanka	0	-4	-4	-4	-0.2	-0.2	-0.2

a) Exports from table 5 + tobacco exports - imports (table 5).
b) Preferred estimates of effects of rise in world prices; see table 6.
c) Effect of both doubling world price changes and increasing supply response elasticities by 50%, see table 6.
d) Effects of reducing the transmission of world price changes to ldc producers by 50%. The preferred world price increases and elasticities are used, see table 6.

Finally, a word should be said about the margins of error associated with our assumption of the result of the negotiations. Less liberalisation is probably more likely than more. Our estimates should be thought of as within the upper half of a margin of uncertainty. The lower limit of that margin is, of course, zero - reflecting total breakdown in the negotiations. But if the negotiations are to reach a successful conclusion, it seems unlikely that they could end with something even less than the Community's December 1990 proposal; this would be our estimates less 30%. The upper end of the margin is perhaps our estimates plus 15%.

7. Textiles and clothing

The Multi-Fibre Arrangement has existed since 1974 (and was preceded by the Short-term Arrangement, 1961-2, and the Long-Term Arrangement on Cotton, 1962-73). It has been a 'permitted derogation' from GATT rules. It operates through bilateral quota arrangements between importing and exporting countries, and thus with discrimination among suppliers, and the exporting countries differ for different importers, with differing instruments in both importers and exporters to allocate and enforce the quotas. Since the second negotiation of the MFA (in 1977), importers have also had discretion to impose new quotas or reduce existing ones under certain conditions. The Uruguay Round objective of bringing the textiles and clothing sectors back into the GATT thus requires eliminating the discrimination, the importers' discretion, and the diversity of instruments, as well as liberalising the quantities traded. For some flows (most notably those from countries with which the European Community has special trading relationships which preclude formal restrictions, such as the ACP, Maghreb, etc.) parallel measures, not formally part of the MFA, have been taken, in the form of 'voluntary' export restraints or surveillance. The clothing sector is also one of those in which counterfeiting and copying (of designs or trademarks) led to the inclusion of 'intellectual property' in the Uruguay Round, and both textiles and clothing are frequently subject to high tariffs, in industrial countries like the United States (where the average tariff is 17%, 6 times the average for other imports) as well as in developing countries. The textiles negotiations thus raise questions affecting a large number of other negotiating groups.

In the first part of the Uruguay Round various contradictory proposals were made for dealing with all these issues during a transition, but by December 1990 the framework of 'modalities', the length of the transition, and the system to be attained at the end were all reasonably clear. Any reservations still expressed on these were probably precautionary bargaining points for use in trade-offs between negotiating groups. The negotiations themselves were notable for the leading position taken by developing countries operating together. They had formed a group in 1981, which developed into the International Textiles and Clothing Bureau in 1983, and acted jointly in the Uruguay Round, especially from 1988.

With the exception of Egypt and Yugoslavia, the membership is entirely Latin American and Asian.[15] Most sub-Saharan African countries are not directly affected by general negotiations as their trade is principally with the European Community, and they are exempted from the MFA through their membership in the Lomé Convention arrangements. Nevertheless they could be affected by losing their privileged positions, and their absence, and their more general weakness in the Uruguay Round, has meant that they have obtained little to compensate.

The ITCB countries tabled the first proposals (in 1989), followed by the European Community; the positions of the United States, Canada, and Japan were not tabled until 1990. The ITCB papers formed the basis for the consensus described below, at least in part because they had the only clearly worked-out procedures for the phasing-out. (Tariffication, proposed by the US, was not only unacceptable to the others, but was not suggested in an operational form.) As in agriculture, the principal countries whose policies needed to be changed were the EC members and the United States; Japan and other European importers indicated early in the negotiations that they would not require a renewal of the MFA for themselves. In contrast with agriculture, the developing countries were in agreement with the European Community (and most other industrial countries) on the form of a transition, in opposition to the United States.

---

[15] Argentina, Bangladesh, Brazil, China, Colombia, Dominican Republic, Egypt, El Salvador, Guatemala, Hong Kong, India, Indonesia, Jamaica, Macau, Malaysia, Singapore, South Korea, Sri Lanka, Thailand, Uruguay, and Yugoslavia.

The current, fourth, MFA should have expired on 31 July 1991. Following the failure to complete a general GATT settlement before this date, it was renewed, for 17 months[16] (i.e. to end-1992, conveniently, when the Single European Market would in any case necessitate switching from country to EC-wide quotas). The developing countries' request that the discretionary powers be removed during this period was not met.

The agreement is that quotas will be increased in three stages, and removed after 10 years. The issues to be settled are: the point from which 10 years is measured; the amounts by which quotas will rise in each stage, and how these will be measured (including weighting systems for comparing different commodity and quantity mixes by the importers); whether the discretion to introduce new or tighter controls (safeguard measures) will remain during the transition; and whether any form of selective safeguard will remain after 10 years. As the transition is now expected to begin on 1 January 1993, presumably the 10 years will be measured from then. The suggestion in the end-1990 draft agreement was that goods be removed from the quotas in steps, proposed to be 10%, 15%, 20%, and then the rest. This gives a heavy bias towards the end, even before countries decide which goods to choose for the intervening steps. Similarly, the increases in the permitted growth rates for those goods not yet removed from the scheme would be increased in steps, with each step greater than the one before. (No increase was proposed in the flexibility provisions, namely the possibility of switching quotas among products or forward or back a year.) Although the draft does not give formal separate treatment (as proposed earlier in the negotiations) to least developed countries or those with very low exports, they are signalled out for more favourable treatment.

In order to secure agreement, it seems likely that interventions to increase protection, both unilateral 'emergency' and negotiated, under the present MFA safeguards rules, will be permitted during the transition, but only normal safeguards thereafter (the negotiations on these are discussed in section 10). Goods already removed from the MFA in the early stages, however, will cease to be subject to reimposition of MFA safeguards.

The intermediate steps are thus heavily 'end-loaded'. This delay in implementation can be increased through concentration on the least used quotas in the earlier stages. The European Community has recently added some very minor products to the quota list which conveniently raised the point from which to begin percentage cuts. (The parallel with the increased excise duties for some tropical products in the Community seems inescapable.) Other quotas, which appear under-used, have been cut back, again raising the starting point. (Under-use is not difficult to find in a period of recession.) The United States has also cut quotas to Hong Kong and others, under the guise of obtaining a contribution to the costs incurred in the Gulf War, and has also reassigned some to Turkey, while the Community has reassigned parts of its overall quotas to East European suppliers. All these reduce the starting point from which developing countries' quotas will rise during the transition. End-loading also applies to the regime, with unilateral action and discrimination remaining permissible until the end. The controls will remain tightest, longest, against the most severely constrained countries, which are also those most subject to selective intervention, i.e. the South and East Asian countries.

The phasing-out of the MFA formally removes some relative advantages from countries outside it, but there is little evidence that most of them have benefited from these. The already liberal trading regimes in some of the major exporters and unilateral liberalisation at

---

[16] Another EC-developing country success, over the initial US proposal of 29 months.

least from quotas, if not tariffs, in others (including India which was an important target for industrial country exporters) have made the original (1986) objectives of market access for developed country exports to these countries less pressing. The United States also maintains high 'peaks' on some tariffs in these sectors, and all these are on the table in the tariff group. They are one of the 'peaks' which the Community wants to level. There are few countries (at least among those active in the negotiations), which believe that they now need the special GATT treatment for infant industries in this sector, and export subsidies are not normally at issue. The question of export controls on raw materials like leather or cotton, in order to promote domestic industries and also to offset tariff escalation in the industrial countries, has also been defused by unilateral removal of controls, although some cotton producers still want special treatment. (More recently it has been India which has wanted to discuss removal of export licensing, with the United States wanting to leave it out of the negotiations, rather than the reverse.)

The advanced stage which negotiations have reached, and the practical point that no other negotiations for a renewal of the MFA have been held (because this was not expected to become necessary) mean that it now seems very likely that, even if the Uruguay Round should fail, the consensus reached would form the basis of an agreement under the MFA system for a phasing out over a 10-year MFA V from 1993. Although the timing and the scope of the intermediate stages remain in doubt, these problems are likely to be relatively small. It seems justifiable to consider only the final effects. World trade in this sector has been subject to multilateral quotas and controls on the most competitive suppliers for 30 years. In addition the relatively high tariffs are likely to survive. It is therefore difficult to estimate what trade would be in the absence of controls, especially given a 10-year period in which currently restricted and potential new suppliers could reorient not merely their textile and clothing sectors towards exports but their industries to these sectors. If tariffs (even high ones) become the only constraint, and if these are bound and non-discriminatory, the whole nature of the sector will be changed and opened to trade in a way which cannot be measured by the individual effects considered here. Table 2 shows the importance of this sector for all developing areas, but principally at present for the Asian countries.

In 1987 (Erzan *et al.* 1990: pp. 66-7) approximately half of developing country exports in this sector were subject to controls of which more than 70% were binding (quota utilisation was more than 90%). This percentage had been rising, and evidence since then for individual countries (for India, see Majmudar, 1990) shows that it has continued to do so. Table 8 assumes that it is now 80%. Thus for Asia (excluding the Middle East) 8% of its total exports are restricted by barriers in this sector alone.

There is strong evidence that exports of products that are not covered by binding quotas have increased significantly more rapidly than those that are: Erzan *et al.* (1990: p. 76) found differences between 5.4% and 6.7% p.a. during the period 1981-87 for the EC and between 2.4% and 13.6% for the United States. It would be surprising if the goods which have been formally designated as sensitive and likely to threaten domestic industries, were not those which would grow rapidly in the absence of quotas. The evidence also is that any trade diversion, from developing countries subject to quotas to new suppliers not so subject, was small (the diversion was probably to other member countries in the Community and to domestic producers in the United States (pp. 85-6)).

If the MFA is phased out, some or all of this difference in past growth will be made up. It may not all go to the existing suppliers in equal proportions. This is partly because the present major suppliers include more advanced developing countries which are moving out of these sectors into other manufactures, and partly because there has been recent substantial investment in new suppliers: even if this was in order to evade the MFA, the factories are now in existence, and the costs of increasing supplies from them rather than from existing suppliers may be less. It is therefore possible that the broader area estimates of effects as shown in Table 6 are more firmly based than those by individual country. But the basic uncertainty is the total increase that will come from trade creation as a result of the removal of barriers.

Direct estimation is impossible in the absence of comparable, but free, goods markets. The difference in past US growth rates between MFA and non-MFA goods would imply more than doubling by the end of 10 years; the difference for the European Community, substantially less, but in both cases there were other factors. In the case of the Community enlargement introduced a different direction for trade creation, affecting the 1980s figures. The transformation implied for the trading regime, combined with the major, not marginal, change in quotas, makes extrapolation unjustifiable. Silberston (1989: pp. 87-8) quotes a range of estimates ranging from around 100% (by IMF and UNCTAD economists) to 200% (by academic researchers) before choosing (in a report which was intended to take the cautious end of any estimation) figures of 16% or 32% for textiles covered by the MFA and 20% or 40% for clothing.

In Table 8, we use 25% and 50% (for textiles and clothing together) on products on which controls are now binding, which is equivalent to 20% and 40% on all MFA products. These assumptions are at the most cautious end of the range. The effect of higher assumptions can be computed (it is linear) but the risk of making no allowance for supply constraints or market situations in specific countries rises.

Even 25% or 50% would clearly have a major effect on some countries, and especially on Asia. For developing countries as a whole it is 1.4% or 2.9% of total exports,[17] but is much higher, 62% or 13%, for Pakistan or Bangladesh. It is thus potentially the most important benefit of the Round, and for developing countries as a whole the most important of those we quantify. It would be largest in the NICs and in low-income countries of South Asia.[18] Only Mauritius among the African countries receives a large benefit. In value terms, even these conservative estimates amount to $10 or $20 billion for all developing countries, a major contribution to their balance of payments. Taking a 100% rise would give $40 billion.[19]

8. Tariffs

There is still disagreement about the form of tariff cuts, although the G-7 may have reached a compromise. The European Community and most other participants want a formula-based approach; this would reduce the highest tariffs most: many are found in the United States (as

---

[17] As in other sectors, this is the change relative to an assumed with-MFA future, abstracting from any other changes in trade in these goods in the period: in this sector, potential new supplies from Eastern Europe could take some of the increase, but current expectations for the length of time needed to restructure industry there do not suggest a short-term effect.

[18] China would also be a major gainer, and perhaps in the medium term, the most important single country.

[19] This is close to the $ 50 billion calculated by Cline (1990), for all imports of textiles and clothing, quoted in UN (1991).

Table 8: Textiles and clothing

	Share of T&C in exports (%)	Share of T&C exports constrained by MFA quotas in total exports (%)	Change in total exports from: 25% rise in T&C (%)	50% rise in T&C (%)	25% rise in T&C ($m)	50% rise in T&C ($m)
All ldcs	14.2	5.7	1.4	2.9	9980	19961
Total Asia	17.8	7.1	1.8	3.6	8507	17013
Asia[a]	20.4	8.2	2.0	4.1	8256	16511
South Asia	23.3	9.3	2.3	4.7	473	946
NICs	12.5	5.0	1.3	2.5	2144	4288
ASEAN	3.9	1.6	0.4	0.8	236	471
America	4.6	1.8	0.5	0.9	563	1126
Africa	7.7	3.1	0.8	1.5	432	864
Countries						
Côte d'Ivoire	3.3	1.3	0.3	0.7	10	20
Ghana			Textiles not among major exports			
Kenya	1.4	0.6	0.1	0.3	2	3
Mauritius	43.6	17.5	4.4	8.7	24	48
Nigeria			Textiles not among major exports			
Tanzania	13.7	5.5	1.4	2.7	4	9
Zimbabwe	11.2	4.5	1.1	2.2	11	22
Bangladesh	64.8	25.9	6.5	13.0	62	125
India	20.6	8.2	2.1	4.1	187	374
Pakistan	63.8	25.5	6.4	12.8	192	383
Philippines	6.0	2.4	0.6	1.2	28	56
Sri Lanka	27.0	10.8	2.7	5.4	32	65

(a) Including Oceania, but excluding Middle East

Source: UN, *Monthly Bulletin of Statistics*, May 1991; UNCTAD, *Handbook of International Trade and Development Statistics 1989*, published 1990.

well as developing countries). It is also easier to obtain a common position for the EC member states on a formula. The United States continues to press the 'zero for zero' option, under which tariffs on a range of imports could be eliminated on a reciprocal basis; this tends to remove tariffs which are already low. The G-7 summit communique envisaged both a formula and a zero for zero approach, as have subsequent comments by UK spokesmen (Lilley, 1991; Roberts, 1991). The sectors specified are fish, beer, pharmaceuticals, paper, wood, non-ferrous metals, steel, electronics and construction equipment.

A group of middle-income developing countries, including Latin American, Caribbean, Asian, and East European countries, have proposed that the tariff reductions and trade policy liberalisation which they have undertaken unilaterally since 1986 be taken into account as part of their reciprocating offers in the tariff (and perhaps non-tariff) negotiations. They also want credit for increases in the scope of their binding. With the increases in protection in other areas by the developed countries (as noted in the sections on developing countries' tropical products and textiles), this makes it important for the developing countries that the base date of the beginning of the Round be taken for any formulas or phasing agreements that are reached. The European Community appears willing to accept the idea of some credit for some types of binding, certainly of tariffs, and of some types of non-tariff barrier but the position of other developed areas remains unclear. But there will still be pressure for further liberalisation, especially by the NICs. We therefore examine the effects of this.

Because fish is an important export for a number of the countries under consideration and because tariffs are currently high - over 15% for the Community, 8% for the United States and 6% for Japan, we have estimated the effects of the US zero-for-zero proposal (we have not included liberalisation by the developing countries). Supply elasticities of 0.5 for ACP states and 1 for other developing countries, and a world demand elasticity of -1 were taken (Table 9).

The elimination of tariffs on fish would mean gains to the developing countries as a whole. Export earnings from fish are estimated to increase by over 8%. EC imports of fish would increase by 9% in volume. The ACP countries would lose from the complete removal of their tariff preferences, but the amount is insignificant in relation to their total exports. The sub-Saharan African countries are the main losers with a US$56m. or 0.1% loss in export receipts: the Caribbean would actually experience a rise in earnings since the US, rather than the EC, is its principal market. All the Asian groups gain, in particular the ASEAN countries and the NICs.

For most goods which have not been considered separately a formula approach is likely to be used. Where R is the percentage reduction in the tariff, and B is the base, or initial, level, the EC formulas are:

$R = B + 20\%$, where $0 < B <= 30$
$R = 50$, where $30 < B <= 40$
New rate $= 20$, where $B > 40$.

This would give tariff cuts for most trading partners of close to 30% of the present tariff, with a maximum tariff level of 20%. Our calculations assume a 30% cut in actual tariffs paid both for mfn and for GSP suppliers. This reduces the absolute level of the mfn-GSP differential, but does assume a proportional cut in GSP. This assumption implies actual post-Round tariffs for GSP suppliers of about 4% for the US, 3.5% for Japan, and 4.5% for the EC and other developed countries. The supply elasticities used were 0.5 and 1.0 for the ACP states and other developing countries respectively. A world import demand elasticity of -1.3 was assumed.

The assumption that mfn rates are lowered more in absolute terms than rates paid on imports from the developing countries means that, unless ldc supply elasticities are higher than those for the developed countries (for which we have no evidence) the changes examined here can only benefit the latter.[20] Developing countries can only be damaged: they will lose

[20] If supply elasticities for all developing countries are significantly lower than those of developed countries (as we have assumed for the ACP), the trade diversion effects would be even higher.

part or all of the preference margin they previously enjoyed and will not gain sufficiently from increased demand to offset this because of the low demand elasticity. The NICs, however, which do not benefit from the US GSP, do not suffer diversion in that market, but gain from increased demand.

Income effects on the developed countries' demand for manufactured imports, which, as explained above, we have not attempted to quantify, could more than balance the small negative effects measured in Table 9.

The effects on the ACP countries are inevitably relatively larger than those on other developing countries: the loss of rent from their preference margins is greater. This stems from a reduction in the price they obtain on the EC market which, per unit, is equivalent to the tariff paid on the marginal imports. It will be to some extent offset by the rise in world market prices. Here the trade diversion effect is insignificant in volume terms, a reflection of the low assumed supply elasticity, but the reduction in export prices is 3%.

If the industrial countries do want to continue to offer preferential access to the developing, the GSP rates will be cut following whatever change is agreed on mfn rates. The ACP countries would gain on non-EC markets, but would still suffer diversion in the EC. If, however, there is an intention to phase out or redirect preferences, it is perhaps wrong to make the implicit assumption that the GSP would remain unchanged if no mfn tariff reductions were agreed, and the loss of preference margin would affect at least some exporters even without any agreement in the Round. These problems are discussed further in section 9.

The most striking feature of these estimates is how small they are. (They would clearly be more, if GSP rates were not cut, or less, if it were assumed that these were eliminated.) The ACP states, which effectively means Africa, lose more because they are losing greater tariff preference. Losses in trade with the European Community are to some extent compensated by increased export values to other developed countries. Even for sub-Saharan Africa, where the effects of the erosion of trade preferences will be felt most acutely, the over-all effects of our central estimates amount to only 1.4% of total merchandise exports. Results deriving from alternative elasticity assumptions are reported in appendix Table A3. The developing world as a whole suffers only half the loss in export markets of the preferred results.[21]

Significant Uruguay Round tariff concessions by the developing countries are most likely to occur on imports of manufactures by the Asian NICs. We have calculated the implications of a 30% across-the-board reduction in NIC tariffs on manufactured imports (Table 10). The price elasticity of import demand is taken as -1.0 and the NICs are assumed to face a perfectly elastic world supply curve for manufactures.[22] As one third of their imports come from other Asian countries (including from each other) the impact on the area and on all

---

[21] This is partly because of substantial diversion in favour of the NICs who are mfn exporters on the US market, and partly because of the price gains to Asian suppliers on non-OECD markets. About half the exports of the Asian countries go to countries other than the developed. Though the increase in world prices is small, only about 0.25%, the loss in preference vis-à-vis the mfn suppliers is also small. The losses to the ACP countries are about a third up on the preferred estimates.

[22] Initial tariffs for Singapore and South Korea (Laird and Yeats, 1987) are mfn tariffs on all imports; they are assumed to approximate tariffs on manufactured imports. The average applied tariff rate for Taiwan was supplied by Taiwanese official sources. Hong Kong is omitted since tariffs are typically zero.

Table 9: Tariffs: fish and manufactured exports, excluding textiles and clothing.

	Effects on prices and trade (%)	
	Fish	*Manufactures*
World prices	2.5	0.1
EC domestic price	-9	2.5
Import volumes		
World	4.1	1
EC	9	2.8
ACP export volume	-1.2	0

Effects on export earnings, based on 1987-88

	Fish exports		*Manufactured exports*		*Total*	*Total as %*
Exports	*US$ m.*	*% Fish exports*	*US$ m.*	*% Manu exports*	*US$ m.*	*Total*
Total	1151	8.3	-742	-0.2	410	0.1
Africa	-10	-0.7	-349	-1	-359	-0.7
N. Africa	46	9.5	0	0	46	0.2
Sub-Saharan	-56	-6.5	-349	-3.6	-405	-1.4
America	327	8.4	-196	-0.6	131	0.1
Caribbean	9	2	-66	-2.3	-58	-0.5
Asia	835	9.2	-186	-0.1	649	0.2
South Asia	71	9.9	-39	-0.8	32	0.9
ASEAN	257	9	-62	-0.1	196	0.2
NICS	356	8.8	49	0	405	0.2
Oceania	-1	-1.3	-11	-1.4	-12	-0.5
Total Asia	834	7.9	-197	-1.5	638	0.2
ACP	-48	-3.5	-426	-3.2	-474	-1.1
Countries						
Côte d'Ivoire	-11	-9.3	-5	-3.5	-16	-0.5
Ghana	-1	-3.5	-9	-3.2	-10	-1.0
Kenya	-1	-6	-3	-3.5	-4	-0.3
Mauritius	-1	-7.5	-3	-0.9	-4	-0.4
Nigeria	-1	-4	-4	-1.5	-4	-0.1
Tanzania	0	0	-2	-7.5	-2	-0.8
Zimbabwe	0	-9.4	-13	-3.6	-13	-0.9
Bangladesh	15	9.7	-1	-0.8	14	1.0
India	42	10	-26	-0.7	16	0.1
Pakistan	12	10	-12	-1	0	0.0
Philippines	33	9.7	-13	-0.6	20	0.3
Sri Lanka	2	10	-1	-0.8	2	0.1

developing countries is reduced by a third, and will be favourable for ASEAN in particular.

These calculations suggest that the impact on imports of the NICs will be modest except in the case of South Korea where tariffs are still high, at least by developed country

Table 10: Effects of reductions of tariffs by the Asian NICs on imports of manufactures (excluding textiles and clothing) (1989 data)

	Average tariff	*Manuf'd imports US$bn*	*Manuf'd as % of all imports*	*Effect of 30% tariff cut US$bn*	*% manuf'd imports*	*% total exports*
Singapore	1.3	36.36	73.2	0.14	0.4	-0.4
South Korea	13.0	39.54	64.3	1.41	3.5	-3.0
Taiwan	5.1	35.01	66.7	0.52	1.5	-2.5

Source: Trade data; GATT, 1991a.

standards. They are, however, being reduced unilaterally, again raising the problem of 'credit' for liberalisation outside the Round.

Two additional natural resource product areas of special interest to developing countries are forestry and minerals and metals. Both are on the US list of zero-for-zero products. In both product groups, whether GSP rates are also cut or not, the main gainers from liberalisation are the developed exporters. They gain both from increased volumes of imports and from higher world prices. Their gain could be even greater if GSP rates are cut, and this leads to a higher increase in world prices.

9. Tariff preferences, and associated issues of special and differential treatment

As the results reported in sections 5 and 8 imply, the benefits, potential and actual, to developing countries under both the generalised and the 'regional/historic' (ACP) schemes have been eroded substantially by the progress made so far in the Uruguay Round. GSP rates have not been cut in line with reductions in mfn rates agreed at the mid-term meetings and already in effect. But the role of generalised tariff preferences, accorded as a concession to any country prepared to call itself developing, was already changing. Such preferences are beginning to smack of a bygone era. In 1988, according to UNCTAD (1991b), $56.4 bn worth of goods received preferential treatment under the OECD GSP schemes.

GSP concessions. These are not, of course, negotiated, in the Uruguay Round or anywhere else: they are an autonomous gesture on the part of a richer or more industrialised trade partner. But the second ten-year revisions to the various schemes are effectively waiting upon the outcome of the Round, and have incurred delays in order to cope with its shifting calendar. Paradoxically, the one non-generalised preference scheme relevant to this study, that which the European Community accords to 69 ACP countries under the Fourth Lomé Convention, has already been negotiated up to the end of this century. Lomé IV was finally ratified only in August 1991.

The preferences, however, were also being eroded by non-tariff measures. The Lomé arrangements, essentially rooted in history, barely pass muster as the basis for an alternative 'regional' trading world, since they are a much less substantial and balanced arrangement than the possible North or pan-American free trade zones. Over the years donors have de-generalised their GSP schemes - some by excluding OPEC members, some by applying competitive needs criteria to exclude or quarantine brilliant performers, some by finding a legalistic reason for removing such preferences from a single maturing competitor, like Korea. On the other hand, these changes have opened the door to new or rejuvenated forms of special and differential treatment for the poorer or least developed of the developing countries. The UN's Committee for Development Planning had in the final quarter of 1991 proposed a new definition and a new list of forty-seven Least Developed Countries for United Nations General Assembly approval.

The least developed countries receive favourable treatment under most GSP schemes. Under the Community GSP, a number of their tropical product and agriculture exports enter tariff-free. By far the largest least developed country is Bangladesh, whose lldc status is taken into account in the calculations of the effects of the Uruguay Round.

But erosion has now come from another source, also potentially threatening to developing countries. Preference donors are redirecting their schemes towards countries not on the basis of development need but for reasons of political economy, and they are specifically being used as a *quid pro quo* to cement international political arrangements. To help Colombia combat the drugs trade, it was given special GSP status (previously accorded only to least developed countries) in order to promote non-cocaine exports. The European Community accorded this following US prompting. Preferences accorded to real lldcs are accordingly devalued. Similarly, GSP, which had not previously been given to *central* European developed states, was offered by the Community to Poland, Hungary and Czechoslovakia even before they abandoned centralised planning and the command economy, as a means of encouraging and sustaining economic reforms. (This was not to sustain existing export industries: the donors were arguing that these were not merely uncompetitive but defunct or obsolete.) The US made the same shift. Unveiling the 1991 United States GSP scheme, Carla Hills, the US Trade Representative, announced that half of the new benefits would go to Czechoslovakia, Poland, Hungary and Yugoslavia. By subsidising inappropriate and uncompetitive products from middle-income countries, such targeted GSP arrangements doubly penalise poor countries with infant industries which are trying to break into export markets with the assistance of tariff concessions. The decision to give the USSR mfn status further narrows the margin between countries enjoying special preferences and those less favoured.

The strongest criticism of GSP schemes is that over twenty years they concentrated their benefits among a handful of high-performing NICs: the four 'tigers' of East Asia plus a few other South-East Asian and Latin American countries. This could be seen as proof of the success of the scheme, but donors could then be criticised for not 'graduating' their strong performers promptly and furthermore for not passing on the benefits of the preferences which were removed from strong performers to the weaker emerging trading nations in a form they could exploit.

In fact, there was considerable fluctuation in the performance in accessing GSP benefits among countries eligible under the EC's scheme alone, during the 1980s, as Table 11 shows. Romania, as a member of the Group of 77 developing countries, started by reaping benefits ahead of all countries other than Brazil, but by the end of the decade this volume had fallen and Romania was even removed from the scheme for a while. Very poor countries such as India and China did consistently well under the Community's scheme. Some OPEC countries did well temporarily (until certain oil- and gas-based products were excluded), but the US scheme excluded OPEC countries. The four Asian NICs, Hong Kong, South Korea, Taiwan and Singapore, had been prominent, but the United States removed them after 1988, and the European Community removed South Korea after 1988. The sharing of global GSP benefits among developing countries was more even-handed than was commonly perceived. With the Uruguay Round there is a stronger perception that graduation rules must be applied more rigorously. So far there has been rather less concomitant stress on differentiation.

ACP countries: Next we consider the range of developing countries receiving special preferences from the European Community. ACP countries are nominally GSP preference-receivers but their Lomé access benefits are of at least equivalent value and are guaranteed, traditionally over the five-year life of the Convention, and currently for ten years - an exceptional arrangement of which, for manufactures, only Mauritius and a very few other ACP countries so far have taken full advantage (see Stevens and McQueen, 1990). At the moment the ACP countries still enjoy preferential access to the EC market for some exports of temperate agricultural products.

The three main instruments of preference in agricultural trade are: derogation from tariffs subject, for certain fruits and vegetables, to the marketing timetable; reductions (of about 50%) in the variable levy, though in many cases subject to tariff quotas, on maize, millet, sorghum and rice, poultrymeat, pigmeat and dairy products; and specific quotas for beef and sugar. For most CAP products tariffs are small and are used to supplement variable levies. Tariffication could change the whole picture. If variable levies and other measures, which raise the EC import price to an administered level irrespective of world prices, are to be replaced by tariffs and the ACP countries are to continue to enjoy tariff-free entry, their relative preferences will be greatly enhanced. Even though the Commission envisages that tariffication will not be complete and that a 'corrective factor' will be maintained to offset currency fluctuations and, to some degree, world market price fluctuations, the preferential margin of the ACP countries will still be vastly improved. However, if there were changes in the operation of the CAP, the treatment of the ACP countries might be changed; according to the Convention, they merely need to be granted more favourable treatment than other non-EC countries. It seems probable that the new treatment would be designed at least to maintain the nominal preferential margin. In principle, the absolute percentage reduction in variable levies could be maintained, as long as the Uruguay Round liberalisation did not go beyond 50%. Thus, the best assumption seems that an agreement will leave the volume of ACP exports of CAP goods largely unchanged.

The specific quotas for ACP boneless beef are designed to help traditional suppliers by giving a 90% reduction in the variable levy. They appear to reflect aspirations rather than limits. Nevertheless, there will clearly be a loss in the preference margin which could make expansion of exports more difficult.

The main effect of liberalisation will be on export prices. Under Lomé IV the ACP states receive an economic rent equivalent to 90% of the variable levy which makes up 30-40% of the Community import price. If the variable levy is reduced by 50% (roughly a 30% reduction in protection), the price received by the exporters will fall by 14-18%. On the basis of 1990 earnings that implies a loss in export earnings of US$2.6-3.7m. for Botswana, or 7-10% of its total exports to the Community. For the other countries concerned the cost in earnings would be minimal - under 0.5% of their exports to the Community.

Table 11: **Share of top 10 beneficiaries in total EC GSP trade 1981, 1985, 1988 (%)**

	1981			*1985*			*1988*	
	Share in covered trade	*Share in GSP benefits*		*Share in covered trade*	*Share in GSP benefits*		*Share in covered trade*	*Share in GSP benefits*
Brazil	7.9	9.2	Kuwait	5.1	10.6	China	13.1	13.8
Romania	6.9	9.0	Brazil	8.7	9.3	Brazil	10.0	13.8
Venezuela	3.4	7.6	Romania	5.9	8.4	India	6.8	9.3
Hong Kong	17.2	7.3	India	5.3	6.7	Thailand	4.8	6.3
China	5.9	7.3	Venezuela	3.0	6.4	Hong Kong	13.2	5.6
India	6.4	7.2	South Korea	9.2	6.0	Romania	3.6	4.6
South Korea	10.7	7.0	China	6.7	6.0	Indonesia	3.4	4.3
Saudi Arabia	4.0	4.7	Hong Kong	13.1	5.3	Kuwait	2.7	4.1
Malaysia	3.9	4.6	Saudi Arabia	3.9	4.5	Singapore	7.0	3.9
Philippines	3.1	4.3	Malaysia	4.1	4.4	Malaysia	3.8	3.9

Source: EC Commission, 1990.

Under the Sugar Protocol to Lomé IV the Community as in the past has, guaranteed to buy specific quantities of ACP sugar at guaranteed prices. The price is negotiated annually and in practice is virtually the same as that offered to EC beet-sugar growers. A significant fall in Community sugar prices would be reflected in reductions in the guaranteed prices for ACP sugar. In the calculations in section 6, the differential in the unit price of ACP sugar exports to the Community relative to world prices was assumed to fall by 5%. This 5% differential must be compared with a 5% rise in world sugar prices assumed in the and simulation.

Mediterranean countries: Exports from the Maghreb countries (Morocco, Tunisia and Algeria), the Mashreq countries (Egypt, Syria, Jordan and Lebanon), as well as Israel, Malta, Cyprus, Turkey and (unless suspended) Yugoslavia all receive preferential treatment under trade or co-operation agreements with the Community. Most of their agricultural exports consist of goods with CAP regimes, preponderantly vegetables, citrus fruit and wine, which receive generous tariff concessions amounting to between 20 and 100% and covering 80-90% of each country's exports (Matthews, 1985: 80). Much of the effect of the change in tariffs on tropical products is in the form of diversion from the previously more favoured to the less favoured groups of developing countries. The quantifiable results are presented in Tables 3 and 9. Reductions in mfn rates, however, will make developed market economies, and East-Central European countries, more competitive. The effects found are: little net change for tropical products and a $0.3 bn loss for manufactures, excluding textiles and clothing, or about 0.2% of the total exports of the Mediterranean countries.

These results could be smaller, for the reasons suggested in sections 5 and 8. These calculations also treat GSP or other preference regimes and mfn tariffs as equivalent. The fact that the former are not being negotiated in the Round illustrates one crucial difference: they are a unilateral concession. They can be limited (and often are, in the quantities permitted). They can be removed, as indicated above, for economic or political reasons. They cannot, therefore, provide a secure basis for investment for future exports. They also have well-known constraints, for example on local content, which limit their value both directly and through the need to provide additional documentation of eligibility.

The Commission's 1990 *Guidelines* on GSP (issued instead of a full ten-year review) state the position that 'The Community expects a large number of developing countries ... to assume more obligations under the GATT' (para.25) and that it is 'inconceivable that major differences . . . could be allowed to persist between donor countries' (para.23).

Although East-West considerations have recently become prominent, there is an emerging recognition that, after removing many of the NICs from preferential benefits, the differential schemes can and should successfully discriminate in favour of the poorest or least developed countries. It is, however, far from sure that the 'least developed' grouping (over half the ACP and a majority of the African countries) will prevail for purposes of preference discrimination. Whereas some bodies make a case for special treatment for Africa, and others for a balance of treatment between India and China, the fixing of an agreed focus for special needy status, even in terms of level of industrialisation or export performance, on a particular group of developing countries is not likely to be agreed multilaterally as a result of the Uruguay Round. Quite possibly, preference-donors will once again wish to develop unilateral or regional schemes of 'special need' (the European Community with Africa, the United States with Latin America). This would be a further sign that the heyday of generalised tariff preference schemes is over; indeed UNCTAD may be left without a negotiating role to co-ordinate the next round of generalised preferences.

The tension between the understandable desire to use trade and tariff policy as the embodiment of a political favour in return for meeting imposed conditions (itself mirroring a trend in aid policy) and the apparent willingness to return to more closely defined special and differential treatment for poor countries will not be resolved in the Uruguay Round.

10. Services

Services were included in the Uruguay Round, although, at the start, in a semi-formal way so that countries could differ about whether this meant that they were under the GATT system. For many services, particularly in transport and finance, there are already international agreements or regulatory frameworks, so that the principle of international intervention was not at issue. But such agreements are normally collections of bilateral arrangements or unilateral concessions, with no provision for mfn-type extension to all participants. The reasons for bringing them under the GATT included taking advantage of its enforcement mechanisms and using the multilateral framework both to accelerate negotiations, which otherwise had to be country by country, and to permit the striking of deals across services and goods trade.

At the inauguration of the Round, it was principally India and Brazil which opposed negotiating on services because of a wish to keep national independence on rule-setting, while their inclusion was one of the specific aims of the United States, mainly on the initiative of the major banks. The target markets for the US were both the other developed and developing countries. Some of the latter, for example, Singapore for air services, had the same interest as the US in gaining access for its competitive services. The European Community, in contrast, was hesitant about including services. Since 1986, more developing countries have seen the advantages of bringing their services exports under the GATT, while other US services, notably in shipping, saw competition as a threat. In November 1990, the United States formally proposed that mfn principles should not apply, and that some services should be excluded.

Early in 1991, some US industries and pressure groups informally suggested that an alternative group should be formed to operate mfn treatment among themselves. This is no longer under active discussion although it could re-surface in the event of a breakdown. In its moderate form, it would apply to services, and possibly some other 'new areas'. The more radical US proposal is a complete withdrawal from the GATT, to form a new organisation of only those prepared to accept new disciplines on both goods and services.[23] The problem is that such a group would effectively include only countries which already offer significant access, thus defeating its purpose. The US, however, seems to have retreated from the restricted mfn proposal (effectively withdrawn in early 1991) and probably *de facto* from that to exclude some subjects altogether. The compromise would effectively exclude the present controversial issues from a settlement by the end of 1991 (liner conferences would be considered private cartels; the European Community could raise the issue of US cabotage restrictions, but not demand a change), but without removing them permanently from the GATT system or future Rounds.

---

[23] This objective could only be met in this way: as GATT is a treaty, it would be impossible to 'expel' countries which simply refused to accept amendments to the existing structure, but those which did want them could resign.

The first objective for services is therefore likely to be met: they will be integrated into the GATT, with mfn treatment. The second, establishing a framework for negotiations, has been met *de facto*: negotiators have increasingly accepted that there should be only very general principles, not the detailed framework of codes of regulation which some originally proposed, and concentrated negotiations on specific provisions in specific services (as proved successful in the early Rounds in goods). The third objective, binding present regulation, requires more information than is yet available, but the commitment to obtain the data and to register regulations with GATT has been made. The objective which is seen as most important by some outside observers, including some within the GATT secretariat, but not by all negotiators - liberalisation - is unlikely to make much formal progress in this Round, but the massive increase in the information about different national controls and regulations and in data on countries' flows that has taken place has undoubtedly, through transparency and information effects, revealed opportunities and encouraged market entry.

Four issues remain: (i) whether any offers and requests will be made in specific sectors, (ii) settling how the initial conditions of restrictions will be defined (the services equivalent of 'binding of tariffs'), (iii) defining acceptable standards for national treatment (where national treatment is itself extremely unfavourable, for example where there are national monopolies or very regulated sectors) and thus what constitutes discrimination against imports, and (iv) agreeing on how much labour mobility must be included to make access meaningful. For labour, the question is whether some quantities (or professional levels) should be accepted semi-automatically if a service is allowed access, or whether normal mobility restrictions continue to apply.

Progress on all these issues is seen as essential to a settlement by those who want to bring services as fully into the GATT as goods are now, but such a settlement would be much more than was achieved for goods in the first GATT Round. It is notable, perhaps because there is no customary agenda or area of GATT competence from previous Rounds, that some proposals for services were extremely ambitious. In some cases, notably those for permitting labour movement as part of a 'right of establishment', they would be in advance of present treatment of goods, after 40 years of the GATT, where suppliers are effectively left to work out methods of distribution and sales in the importing country within whatever national regulations on migration or mobility exist. Similarly, early proposals on payments and financial services would have required countries to take on obligations of liberalising payments systems and movement of capital equivalent to, or greater than, those of IMF Article VIII (advanced country) status (UNCTAD, 1991c). They are only essential if a 'big' agreement is sought, not for a minimum.

The European Community made an 'offer', at the end of the December 1990 negotiations, on telecommunications, financial services, and transport and South Korea has made an offer on construction and telecommunications and, in the medium term, for shipping. But for Korean telecommunications and shipping, the 'offer' appears to be an unconditional announcement of opening, not tied to others' concessions, and some EC markets for financial or telecom services are already open. The United States continued to concentrate on general principles, rather than detailed offers. It is now too late for other offers to be made in time for intra-services bargains to be completed before inter-group bargaining begins in November 1991. An agreement on telecommunications would be difficult because of the wide range of public, regulated, and private regimes in the industrial countries, and opposition to international intervention in some developing countries.

The question of what are barriers and how to measure them is clearly a complex one, more like that of defining non-tariff barriers than tariffs. In tariff negotiations, although trade analysts are concerned with effective tariffs,[24] and with the difficulties of averaging tariffs (the more binding the tariff, the less the weight because affected goods are reduced more). Trade negotiators on the other hand, (as seen in section 8) are satisfied with simple changes applied to simple averages. It is only in the Uruguay Round, for the first time, that some taxes were included which have the effect of tariffs, because they are on non-competing imports like tropical products.

When non-tariff barriers were first discussed in the late 1970s, the boundaries between domestic measures which incidentally affect imports and those intended to do so had to be drawn for the first time. Although there is now some degree of consensus on which domestic taxes or regulations can be treated as negotiable in the same way as tariffs or non-tariff barriers, this has been reached through custom and practice at the technical level of those who compile the data. Lists of what are barriers, and elementary measures of the share of trade covered by any instrument have been drawn up. They have not been worked out through the type of discussion from principles now being undertaken for services in the present Round. Until more services are traded more extensively, it will be difficult to reach such a practical consensus, and the absence of data even on trade flows makes it difficult to derive measures even of the level of barriers, much less compare them across countries.

One achievement of GATT during the present Round has been agreement to improve data, and increase international harmonisation. The approaches to using these to derive measures of protection have tended to be ambitious: they have attempted to quantify the effect. This is in line with the analyst's approach to tariffs, or to the early attempts to find 'tariff-equivalents' for NTBs. In both these cases, the concepts have proved useful in some analysis, but not in GATT negotiations. Complexity is not the only reason. By any welfare measure, the principal negative effect of a barrier is on the country imposing it, not on the country against which it is imposed. To accept this as the basis for negotiations would be logical, but, as discussed in section 3 on the GATT system, it would be impossible to reconcile with present GATT (or other) trade negotiation procedures. Simpler measures, focusing on what instruments are used and how extensively, are likely to become accepted for services; the recent compromise of discussing arrangements instead of excluding sections supports this. Starting from the most traditional system of tariff negotiation, of bilateral offer and request, has the great advantage of leaving each country to evaluate for itself, partly quantitatively and partly subjectively, and also politically, what a concession is 'worth'.

No measurable effects of liberalisation can be assumed in this Round, but the increase in information is likely to lead to some trade creation. In the absence of good data even on total services for many developing country exporters (and both industrial and developing country importers), this cannot be quantified. Services are, however, a high share of exports for many developing countries, particularly among the smallest, and they tend to be labour-intensive, suggesting that developing countries should gain relatively in any liberalisation. Services are estimated to be on average about 15% of their exports (with under-recording more likely than over-recording). Even a small rise, therefore, could have a significant effect. Each 10% would add 1.5 points to developing country trade: the shares are largest, and trade in services most controlled, for the Asian countries. The services traded by Latin America are probably

[24] Where products which represent different stages of production are taxed differently, this produces a non-obvious effect on the intermediate stage of manufacture.

more income-elastic, but they currently face fewer controls. Air and shipping services are major Asian exports; travel services are more important for Latin America. The importance of services would be much less for Africa.

Under favourable conditions, the fact that countries which are developing in the 1990s are likely to face a freer services sector than previous generations could compensate for controls in other sectors and restraints on their ability to use certain national instruments to promote development. Some of the services in which developing countries are competitive, notably tourism or data entry and processing, are not subject to significant barriers. Others, including air transport, shipping and construction, are constrained, both directly and through restrictions on labour mobility. In other very highly regulated services like banking, it is harder to tell which countries (among the industrial as well as the developing) would prove to be competitive if markets were liberalised. A combination of low labour costs and the lack of the need to replace past methods could make developing countries competitive in the longer term. The probable direction of any effect is given in Table 13.

One negative factor would be the need to accept an internationally regulated services sector at an early point in their development. A discriminatory settlement which freed labour mobility at the professional level before, or by more than, the intermediate or unskilled level, would limit the benefit to developing countries from services liberalisation, by reducing the relative return to their labour, while raising that to developed country labour. This would be aggravated if capital mobility were also increased. In both cases, however, it is only the relative gain which would be reduced; except under very extreme assumptions, developing countries would still gain.

Imports could also increase. Since existing barriers are greater in developing countries, however, this is less likely to occur simply from information effects, without formal liberalisation. Some developing countries now attach the same type of special developmental significance to having particular services within their own control or ownership as they gave to heavy industry in earlier decades, either as a necessary part of the infrastructure, and therefore too important to leave to market forces, or as active engines of growth. This makes evaluating what is 'favourable' or 'unfavourable' difficult. Clearly an intermediate stage, with export opportunities increased, import costs possibly reduced through greater competition among suppliers, and no formal change required in local legislation providing for national control, would be favourable. If some liberalisation of developing country imports became a necessary part of the bargain at a subsequent GATT Round, the position at that point would then be more difficult to judge.

11. Subsidies, safeguards and other instruments affecting trade

The outcome on these matters will affect the nature of the trading regime, including its perceived openness and stability, although it is not possible to identify direct effects on exports *ex ante*. Reaching agreement and making procedures more transparent than in the past are important for the encouragement of investment, and also to encourage economically weak countries to trade.

On *subsidies*, there has been a difference of negotiating approach between regulating instruments (the US) and regulating effects on trade (the EC). That neither side has treated this as a major area for attention in recent months suggests that a limited agreement will probably be reached. The US success in requiring restrictions on specific instruments, not just outcomes, in agriculture suggests that there will be a similar agreement on non-agricultural subsidies.

On *safeguards*, the objective of the negotiations was to find a way of discouraging countries from using unilateral, selective restraints on imports, outside the GATT, as a substitute for existing GATT procedures which require consultation, compensation, and non-selectivity, but with the aim of not introducing selectivity into the GATT. Some developing countries have been subjected to selective restraints, and success here is particularly important if agriculture and textiles and clothing, which have had their own forms of selective safeguards, are brought under normal GATT procedures. A possible outcome is sacrificing the principle of compensation to secure the introduction of a time limit, probably four years. For the European Community the ability to discriminate remains a sticking point. There is no practical gain from discrimination by supplier, as it is the product which creates the disruption. The reason must therefore lie be in bargaining strength (a discriminatory action can be directed against new, small, suppliers, limiting retaliation and making its form easier to predict) or in protection of existing EC importers or distributors. This suggests that any movement towards permitting discrimination would be unfavourable to developing countries, except to the extent that it was balanced by a reduction in the measures now taken outside the GATT. Safeguards by developing countries would have a longer permitted time period, and they could be subjected to safeguard action only if they had at least 1% of the relevant market. As indicated in Table 13, it is difficult to judge whether the outcome of these negotiations will be favourable on balance for developing countries.

Prior to the Round, the role of *pre-shipment inspection* was seen by some developed countries as an obstacle to exports to developing countries. This issue has become less controversial in recent years, at least partly because greater information and familiarity have reduced fear of the unknown, and partly because standard procedures have evolved, outside the GATT, but with the Round as a stimulus. The outcome is basically that it is less of a disincentive to trade.

Agreement has been reached on how to clarify existing *codes* on import-licensing procedures, customs valuation, public procurement and other technical matters which were brought into the GATT under the last negotiating Round. The lack of dissension this time over what were major problems in that Round may be an encouragement for this Round. Both traders in industrial countries and exporters in developing countries have an interest in more certain and transparent rules of origin. These are used where discriminatory trade regimes exist (in regional arrangements as well as preferential schemes). It is unlikely that any agreement on GATT jurisdiction can be reached at present.

12. Anti-dumping

Each country has its own procedures for dealing with alleged cases of dumping, though all are supposedly consistent with the broad rules of Article VI of the GATT (for signatories to that code) and the GATT Anti-dumping Code. However, since the GATT rules are framed in very broad terms, national procedures may respect the letter but flout the intention of these rules. A group of countries which are often at the receiving end of anti-dumping actions - Japan and the NICs led by Hong Kong (the ‘exporting countries’) - have brought to the negotiating group on Agreements and Arrangements over 100 complaints directed, not so much at the Code itself, as at the national regulations of the importing countries. The exporters allege a systemic bias in the determination of dumping and of material injury, or threat of injury, and in the calculation of the dumping margin.

By the beginning of the Uruguay Round anti-dumping actions had become a favoured instrument of protection by the developed countries. From 1980 to 1986, Australia, Canada, the European Community and the United States accounted for 1,276 out of 1,288 initiations, and 767 out of 775 affirmative findings (Finger, 1987). Between 1987 and 1989, 354 actions were initiated, 76 by the EC Commission, 97 by the United States, 79 by Australia and 55 by Canada. Among the developing countries only Mexico has used anti-dumping actions with any frequency, initiating actions 14 times between 1987 and 1989.

In 1980-7 39% of US actions were directed at developing exporters. The number of actions against developing countries rose from 8 in 1981/2, to a peak of 69 in 1985/6; the majority were against the four Asian NICs (44) and the Latin American NICs (46), in particular Brazil and Mexico. Fifteen cases were brought against China between 1980 and 1987, and 21 cases against the rest of the developing countries.

The European Community took 402 actions from 1981 to 1990, 149 in the last four years. The incidence of actions against developing countries has increased: in 1981-6, 72; 101 in 1987-90 (GATT, *EC, Trade Policy Review*, 1991). EC actions have been concentrated against a limited number of developing countries, in particular Brazil, South Korea, Taiwan and China. There has been a trend away from actions in the chemical and steel sectors, though they are still well represented, towards the high-technology sectors, in particular consumer electronics. Messerlin (1989) demonstrates that quantities of imports are sharply reduced after successful anti-dumping actions, particularly where anti-dumping *ad valorem* tariffs are imposed. He estimates the average direct costs of a successful EC anti-dumping action, in terms of the loss of export volume and of trade diversion to other suppliers, after adjustment for the rent gained from increased export prices, at 25% of the value of exports for the NICs and 17% for other developing countries.

Anti-dumping investigations may result in a negative finding: either dumping did not take place or no injury was incurred by the domestic industry. In over a quarter of the EC investigations concluded in the period 1986-90 there was a negative finding. However, even a negative finding puts the exporter under threat of further action and may lead to a less aggressive pricing policy. It also imposes significant costs in time and legal fees on the exporter.

The most important proposals in the current Round concern:

(i) the determination of the 'normal value' to which export prices are compared. This may be simply the domestic price. Where there are no, or few, sales in the producing country, either the export price on a third market may be used or the normal value may be constructed from cost data plus a 'reasonable' profit margin. There has been a growing tendency to use 'constructed prices'. The exporting countries want to rule out constructed prices where there are sufficient sales in a third market. This would limit the importing country's discretion, and improve transparency and predictability.

(ii) the determination of the export price, in particular the treatment of expenses. Where the importer is 'related' to the exporter all marketing expenses and, except in the United States, a reasonable profit for the importer are deducted to arrive at the ex-factory export price. The new proposals would go some way to rationalise and standardise practices in this area. Secondly, the four principal users currently exclude from the average prices above the normal value ('negative' dumping). This practice would be ruled out. Cumulating imports from different countries in the assessment of injury would be restricted.

(iii) the setting of the duty. At present under US and Canadian rules the duty must be equal to the established dumping margin, while in the European Community and Australia it should be less if a lesser duty would be sufficient to remove the injury. The exporting countries want a mandatory lesser duty rule. Other proposals concern the speed at which duties are set or reviewed and refunded.

(iv) the 'sunset' clause. At present EC anti-dumping measures last in the first instance for five years, and can be extended for a further five. In the United States, unless a review is requested, the duties remain in existence. A standard duration for measures and a common procedure for review have been proposed.

Other 'exporting country' proposals, for example on the assessment of injury, are individually minor, but together would significantly tighten the procedure.

The United States and the Community proposals are on:

(i) circumvention. The anti-circumvention proposals are designed to attack low-price competition from foreign-owned plants in the United States or the Community. A number of developing country firms, particularly from South Korea and Taiwan, have opened such plants in the Community in recent years, most of them in electronics in the United Kingdom. The anti-circumvention proposals could mean that existing firms would face anti-dumping duties on imported components without a specific investigation. Investment by potential new entrants could be deterred. These proposals are disturbing because they could extend the use of anti-dumping for protection against imports to competition from foreign direct investors.

The EC proposals develop the US procedure of extending the duties on final goods to cover components. The proposals would widen the scope for extending the duty from components imported from the foreign producer to components imported from the same country. They would also cover products assembled in a third country. The United States has also sought to embody into the new GATT Code a version of its own rules designed to prevent circumvention through minor alterations of the dumped products by way of an extension of the definition of 'like product'. In 1987 the EC adopted a regulation to apply duty, under certain circumstances, to products assembled in the Community where imports of the assembled products already bore an anti-dumping duty. A GATT panel ruled in 1991 that this was not allowable. The Community has refused to accept the panel ruling, at least until the end of the Uruguay Round.

(ii) sampling. Where there are many small exporters, as, for example, in shoes, clothing and leather goods, investigations are difficult, especially where there is a multiplicity of products and rapid changes in fashion. The Community proposed a system of sampling exporting firms, and applying duties to all imports of the product from that country, if dumping were found.

A number of the proposals for tightening the GATT Code, in particular the rules for determining dumping and fixing the duty and its duration, are acceptable to the United States and the Community if anti-circumvention proposals are accepted. The sampling proposal now appears unlikely to survive. To some extent it was introduced as a bargaining chip in the EC campaign for selective safeguards. Tightening the GATT Code would not prevent the use of anti-dumping procedures for essentially protectionist purposes. But it might make it somewhat more difficult, and mean that anti-dumping duties were on average somewhat lower and of fixed, and shorter, duration. It is therefore likely to benefit developing countries, particularly the NICs which have become major targets. It could have negative effects for any countries which are found to be used for circumvention (Table 13).

13. TRIPs, TRIMs and investment

Copyright, patent, and other intellectual property and technology issues have not traditionally been seen as trade (or even 'trade-related') issues. They were brought into the present Round ostensibly because exporting counterfeit goods ranging from software to clothing was seen as a growing problem in trade with some South-East Asian countries. If this could be treated as a trade rather than a copyright violation, the enforcement mechanisms of the GATT, rather than the apparently ineffectual ones of local courts, could be used. This is also why the United States and others think the GATT is preferable to the traditional international agency, the World Intellectual Property Organisation (WIPO).

The matter has also been taken to include protection of industrial countries' intellectual property interests more generally, such as patents and copyrights on production for consumption within the developing countries concerned. This could only be called 'trade' if royalties are treated as a service, and services are included in the GATT. Foreign investors have claimed that lack of protection is an obstacle to the introduction of new technologies to developing countries. It has been used for decades as an argument in areas of traditional industrial-developing country conflict on investment, such as pharmaceuticals.

It could be that the growing importance of high-technology, innovative, industries in investment in developing countries has made the issue a more general problem, but this change has been most true of Japanese investment, while the complaints have come mainly from US investors. Its surprisingly central position in the present Round probably owes more to the influence of particular special interests in the United States, when computing and pharmaceutical companies joined major suppliers of financial services in encouraging the inauguration of the Round. It has also been useful as a bargaining point in groups such as textiles and clothing where the industrial countries had relatively little to request in response to the demands of the developing countries. The fact that the original and strongest supporters of the Round have TRIPs as an objective may mean that a 'good' settlement here is essential to achieve final acceptance. Reforms on this matter are also an objective of the European Community, and therefore important because the Community has so little to gain elsewhere. This may be the price developing countries must pay for a settlement in agriculture and textiles and clothing. Such an interpretation, however, means that the issue is their strongest bargaining point, in the Round and later on.

For developing countries which are still net importers of technology, the traditional choice has been between offering immediate protection and buying technology, and minimising current import costs by avoiding direct payment. They can instead obtain technology through the traditional methods of diffusion, including direct copying or hiring external advisers (as all previous industrialising countries have done), with possible costs in direct foreign investors' willingness to enter. There is little evidence in practice that these costs have been high. The countries which are most often accused of TRIPs violations (South Korea, Brazil, Singapore, Taiwan, Thailand) include not only the fastest growing developing countries but the most important recipients of foreign investment. With the introduction of the subject into trade, however, countries must consider not only the direct arguments for and against intellectual property protection but what they can gain in other fields by offering concessions here. This is most direct in the trade-off between protection of clothes design and reform of the MFA.

TRIPs were one of the subjects which middle-income developing countries were most opposed to including in the Round. This applied particularly to the large ones where technology was very important and trading interests relatively small, Brazil and India for example. The earlier counterfeiting exporters are becoming more advanced, and are producing their own technology to protect (they are more likely to try to find ways of evading controls than actively to defend them in open negotiations). The least developed countries are in some cases too small for any source of technology other than purchasing to be open to them, and they are not serious threats to the suppliers. The planned opening of Brazilian computer and telecommunications markets and the probable willingness of a liberalising Indian government to give way on pharmaceuticals may indicate that some TRIPs agreement will be conceded, and the GATT progress report in August was 'confident' about this (GATT, 1991b).

The effect on developing countries will be negligible for those which continue to evade controls. But it will be negative on others, by imposing an additional cost on entering new sectors or upgrading existing ones (Table 13). The effect could be positive only if negotiating a multilateral agreement is believed to give a less unfavourable result than would otherwise emerge from bilateral pressures. It is true that multinational companies have been demanding improved treatment on a bilateral basis, and this is one reason why a 'small' deal, less than they already have, is unlikely in this sector. A long transitional period, especially for the least developed, is likely, however.

Introducing TRIPs is a considerable extension of the scope of the GATT and of what is considered internationally negotiable. By providing for certain 'standards' for IP rights, it moves in the direction of specifying minimum conditions, rather than national treatment, as the required behaviour. This is a precedent that could encourage those who want to take agreements on services beyond simple national treatment.

Trade-related investment measures (TRIMs) have receded greatly in the discussion during the Round. There was always a question of whether they fell more within the competence of the IMF (because of the capital-control and exchange-regulation implications). It is possible that the growing drive to regulate the behaviour of foreign investors in developed countries, including what they may own, particularly in the US, and with regard to local input, the EC car industry, has made all countries more hesitant to accept international regulation. It is unlikely that major restrictions on developing country behaviour will emerge. A possible outcome would be to establish at least the framework for defining 'red', 'amber' and 'green' forms of intervention as in agriculture.

The fading of TRIMs and the likelihood that there will be no significant innovations on labour movement in the services negotiations mean that there are unlikely to be large direct effects on investment and labour mobility. Any reduction in the possibility of arbitrary intervention against the exports of developing countries, for example in textiles and clothing, as well as the increased opportunities identified in various sectors (and any positive effects from TRIPs) could increase total investment and probably developing countries' share in it. But if their benefits from the Round are relatively small, they may gain less than proportionately on investment as well. The NICs and other Asian countries would be likely to remain the major investment destinations. The long, end-loaded transition periods suggest that the trade effects may be delayed. Investment may, however, be anticipatory. Particularly for countries with serious balance-of-payments or debt problems as well as deficient savings, it could become an important contribution to feasible rates of growth and to development. The effects are not unambiguously favourable, however, because the major gains come in agriculture and the most traditional form of manufactures. These may not be the directions in which they want to develop.

14. Conclusion

The precise effects of the Uruguay Round depend on individual countries' circumstances and also on their own development strategies. Even if the outcome of the Round were clearer, it would be impossible to identify its effects on 'developing countries' in general terms. Section 2 of this study suggested that the European Community expect to have to concede much of what is demanded of it on agriculture in any case. The future of the GSP and the MFA will not be the same as their past. Some observers see a risk of regression, of retreats into regional trade or 'fortresses'. Although the benefits from the existing state of trade liberalisation make such reactions seem unreasonable, they are not impossible. The lack of mutually consistent or realistic potential regional groupings, however, make them unlikely. Ignoring these possibilities, this study has taken the status quo as the base for comparison.

Tables 12 and 13 summarise the effects discussed in the study. The quantifiable ones exclude what we identified as probably the main effect, and certainly the main objective of the Uruguay Round: the increase in income and in growth rates from the efficiency and income effects of trade liberalisation. But even the effects stemming from changes in individual sectors, which are given in Table 12, are potentially large. The macro effects could be significant. (Their neglect by most macro-forecasters remains puzzling.)

Taken together, all developing countries show a positive result, even under the most pessimistic assumptions, but this is entirely because of the gains from abolishing the MFA (Table 12). If this is likely to occur even in the absence of a general settlement, or alternatively if the delays envisaged in the staging process mean that the 'temporary transition' once again becomes a permanent regime, most areas show little effect from the Round. Africa gains least, and on the assumptions made for the ACP countries, these actually lose. (They may be more affected by the MFA than these assumptions allow, and may lose less from loss of preferences.) In both cases this is partly because the goods which they produce do not benefit from the major concessions, and in any case face low elasticities; partly because they lose market share since they lose preferences; and partly because they are assumed to have low supply potential. The results reflect the normal observation that trade concessions cannot be the principal means of assisting the development of countries that do not yet have the product-mix or infrastructure to take advantage of them.

The Asian countries gain most. There the normal hierarchy among stages of development is altered because of the large gains on textiles for South Asia. Even with the assumption of the added cost of lowering their own tariffs, the NICs do slightly better than ASEAN because of their high MFA exports (except on the 25% estimate for these). The different pattern of Latin American trade and therefore advantages is clearly seen. It is reform of temperate agriculture that would give Latin American countries the most important gains, with some also from tropical products. As this is likely to come only in the context of a successful

Uruguay Round, its interests in the Round are the strongest. (Not surprisingly it was Latin American countries which led the opposition to a weak agricultural settlement in December 1990.) The results for individual African countries, however, show how risky it is to generalise. Some lose from the loss of preferences on tropical products, while Mauritius gains from the MFA changes (it has been *de facto*, if not legally, restrained by it in EC markets).

The results for the sectors included in Table 13 show a similar distribution. The overall outcome is clearly favourable, with only TRIPs and (potentially) the restriction on future use of trade policy offering possible disadvantages. But the advantages tend to be clearest for the most advanced countries, which have services to offer and greater possibilities of attracting increased investment. Establishing new regimes for services and anti-dumping will, however, offer gains to the least developed in the future, as they become able to export the former or become vulnerable to the latter. The more worrying negative outcomes are on subsidies and TRIPs, where any disadvantages are likely to be greatest for countries which are starting to develop. It is they who are most likely at some future point to want greater freedom to choose policies that may now become restricted.

The Round's positive overall impact on developing countries should not be surprising. The GATT outcome is not like effects from the Single European Market where any gains for outsiders come only as second-round effects from intra-EC efficiency, distribution, or income effects. Many of the new sectors included in the Round are those in which barriers against developing countries' trade have been much higher than those against industrial countries and in which the developing countries are relatively important suppliers. Many of the gains from opening markets which were available to the industrial countries have already been achieved after 40 years of negotiations, which have liberalised the goods of most interest to them. It was fortunate, if somewhat surprising, for developing countries in 1986 that one advanced country, the United States, still saw enough to gain in two sectors, agriculture and services, to inaugurate a new Round and to press for its success. Developed countries are only likely to want a Round in the future in order to make progress in the new areas like services, or if the developing countries increase their import demand enough to be 'worth' a bargain. Developing countries may therefore need to take the next initiative. Traditionally it is the newest economic power who would do this, i.e. Japan should take over the role after 45 years of the US, but it has so far shown little sign of doing so. This does not imply that the GATT system as it stands is not useful to the developed countries, or that it would be at risk if this Round fails. It is because previous GATT Rounds have achieved and secured, through binding treaties, many gains from trade creation for industrial countries that they have less to gain now from extending or strengthening the GATT system.

Table 12 shows that it is principally the middle- and higher-income developing countries which benefit from trade liberalisation. This is also consistent with what might be expected. Many of the reasons given in section 1 of this study for increased developing country interest and participation in this Round stem from higher levels of development, and therefore do not yet apply to the least developed countries. Most of the countries in the table do not gain by the opening up of temperate agriculture (although the discussion of the Cairns Group in section 6 shows that there are major gains for some developing countries). Because of the reform of the MFA, there is also an Asian bias to the benefits (or, more precisely, a removal of a bias against the exports in which that area has a traditional advantage).

Table 12: Summary of quantifiable effects of the Uruguay Round

(% of total exports)

Source	Section 5 Tropical products	Section 6 Temperate agricultural[a] Preferred	Highest	Lowest	Section 7 Textiles & clothing 25%	50%	100%	Section 8 Tariffs	NIC tariffs	Total Quantifiable Pref/50%[b] a	High/100%[c] b	Low/25%[d] c
Total	0.0	0.0	0.2	-0.0	1.4	2.9	5.7	0.1	-0.2	2.8	5.8	1.3
Africa	-0.1	-0.2	0.0	-0.3	0.8	1.5	3.1	-0.7	0	0.5	2.3	-0.3
America	0.2	0.3	0.8	0.1	0.5	0.9	1.8	0.1	0	1.5	2.9	0.9
Tot.Asia,incl.Oceania	0.0	-0.0	0.1	-0.1	1.8	3.6	7.1	0.2	-0.3	3.5	7.1	1.6
South Asia	0.2	-0.3	0.3	-0.5	2.3	4.7	9.3	0.9	0	5.5	10.7	2.8
ASEAN	0.0	0.0	0.2	-0.0	0.4	0.8	1.6	0.2	1	2.1	3.0	1.6
NICS	0.0	-0.0	0.0	-0.0	1.3	2.5	5.0	0.2	-0.7	2.0	4.5	0.8
ACP	-0.2	-0.0	0.4	-0.2	0.0	0.0	0.0	-1.1	0	-1.3	-0.9	-1.5
Countries												
Côte d'Ivoire	-0.5	-0.2	-0.2	-0.2	0.3	0.7	1.3	-0.5	0	-0.5	0.2	-0.9
Ghana	0.4	-0.2	-0.2	-0.2	0.0	0.0	0.0	-1.0	0	-0.8	-0.8	-0.8
Kenya	-0.7	-0.1	0.0	-0.1	0.1	0.3	0.6	-0.3	0	-0.8	-0.4	-1.0
Nigeria	-0.0	-0.1	-0.1	-0.1	0.0	0.0	0.0	-0.1	0	-0.2	-0.2	-0.2
Tanzania	-1.3	-0.1	0.4	-0.3	1.4	2.7	5.5	-0.8	0	0.5	3.7	-1.1
Zimbabwe	0.0	0.4	1.2	0.1	1.1	2.2	4.5	-0.9	0	1.7	4.7	0.3
Mauritius	0.0	0.3	3.5	-1.1	4.4	8.7	17.5	-0.4	0	8.6	20.6	2.9
Bangladesh	0.0	-0.0	0.1	-0.1	6.5	13.0	25.9	1.0	0	14.0	27.0	7.4
India	0.0	-0.0	0.1	-0.1	2.1	4.1	8.2	0.1	0	4.2	8.5	2.2
Pakistan	0.0	-0.0	0.2	-0.1	6.4	12.8	25.5	0.0	0	12.7	25.7	6.3
Philippines	0.0	-0.0	0.1	-0.1	2.7	5.4	10.8	0.3	0	5.7	11.2	3.0
Sri Lanka	0.0	-0.2	-0.2	-0.2	0.6	1.2	2.4	0.1	0	1.1	2.3	0.5

Notes: See relevant sections for explanations of calculations.

a) For explanation of 'preferred', 'high' and 'low' see text, and section 6.
b) 'Preferred temperate', 50% textiles and clothing
c) 'High' temperate; 100% textiles and clothing
d) 'Low' temperate, 25% textiles and clothing

The low-income countries will gain from some of the effects not quantified here, notably from overall increases in income, and therefore demand for their exports. This demand will come not only from the developed countries, where elasticities are low, but the more advanced developing countries and, in the medium term, Eastern Europe. These effects are, however, more likely to benefit the poorer countries of Asia than sub-Saharan Africa. In the immediate future, low-income countries lose more from the trade diversion which occurs because of the removal of preference margins.

The economic gains are likely to take some time to come through. All are subject to transition periods. These are expected to be about 10 years, more than twice as long as after previous GATT Rounds, with the largest changes concentrated in the last few years. Clearly there are risks that another recession or pressures from economic interests in agriculture or textiles damaged by the settlement will lead to postponement or reversal of the later stages. At best the benefits will appear slowly, with the possible exception of anticipatory investment. As a result, the transition periods agreed in return for some of the disadvantageous systemic changes may not always be long enough to allow the benefits to precede the costs.

These estimates are all, it must be remembered, minima in the sense that they ignore long-term structural changes. Some of the changes may come from a more open or more rule-based international trade regime. More may come in the sectors, agriculture and textiles, which will become open to trade and to the operation of 'normal' price and demand incentives for the first time in recent history. For this reason, examining only the effects on present exporters is particularly inadequate as countries which would be able to export under a different regime are given no weight. There will also be changes in the approach of countries to international and domestic policy from the extension of what is considered 'trade-related' and the growing assumption by at least some industrial countries that a much wider range of policy tools, or even national characteristics which affect competitiveness, need to be, and may be, examined in an international negotiation. Examples among the negotiating areas considered here include subsidies (in agriculture and other fields), TRIPs, TRIMs, and also some of the matters raised in negotiation on services: namely the insistence that some forms of cabotage (domestic transport) be at least open to negotiation (US coastal shipping), and that a legal freedom to trade in services must be given additional force by allowing particular means (right of establishment, and potentially mobility of certain types of labour).

Section 3 suggested another important result. The Uruguay Round negotiations and the increased use of the GATT system have shown the potential power of individual developing countries and groups in trade and trade bargaining, and innovations in data, analysis, and direct assistance have increased their practical ability to participate. This is in sharp contrast to their recent position in other international negotiations, both with the financial institutions and relative to unofficial groups like the G-7. Such a development can be encouraged directly by technical advice.

The new complexity of the subjects under discussion and the much greater number of active participants have also raised questions as to whether the 'Round' form of negotiation can continue. One consequence might be a new institutional structure for the GATT, able to deal with continuing issues between full-scale negotiating Rounds. Such an organisation will need to find a more satisfactory answer than GATT has yet supplied to the question raised at the beginning of this study: how is it possible to reconcile a belief in the benefits of liberalising trade, held by a growing number of countries, with a negotiating process that relies on estimating and balancing the costs of such liberalisation.

Table 13: Summary of unquantifiable effects of the Uruguay Round

Source:	*Section 2*	*Section 3*		*Section 4*	*Section 10*	*Section 11*	*Section 12*	*Section 13*	*Section 14*
	Any Settlement	*Information*	*Control on policy*	*Macro*	*Services*[(a)]	*Subsidies*	*Anti-dumping*	*TRIPs*	*Investment*
Developing countries	+	+	? -	+	+	?	+	-	+
Asia	+	+	?	+ L	+	?	+	-	+
ASEAN	+	+	?	+ L	+	?	+	-	+
NICs	+	+	?	+ L	+	?	+ L	-	+
America	+	+	? -	+	+	?	?	-	+
Africa	?	+	? -	+ S	+ S	?	?	-	+
ACP	?	+	? -	+ S	?	?	?	?	+

Notes: ? direction unknown; + positive; - negative; L larger than average for developing; S smaller than average for developing.

(a) If services exports rise by 10%, this would add 1.5 points to the total, giving Proposed 4.3
High 7.3
Low 2.8.

Appendix

The country classifications used in the tables are:

North Africa: Algeria, Egypt, Libya, Morocco, Tunisia.

Sub-Saharan Africa: all other Africa except South Africa.

South Asia: Bangladesh, India, Pakistan, Sri Lanka.

ASEAN: Brunei, Indonesia, Malaysia, Philippines, and Thailand. N.B. Singapore is not included here because it is included among the NICs.

NICS: Hong Kong, Singapore, South Korea and Taiwan.

Other Asia: Middle East (excluding Turkey and Israel), Afghanistan, Cambodia, China, Laos, Macau, Maldives, Mongolia, Myanmar, Nepal, North Korea, Vietnam.

ACP: for convenience in using UN and OECD data series the 'ACP' was defined to correspond to sub-Saharan Africa, the Caribbean and Oceania. It includes EC member states' overseas departments and territories (which enjoy ACP benefits). The following countries which should not be included were: Samoa, Cook Islands, Guam, Pacific Islands and Cuba, but in the case of sugar exports, the Cuban data were excluded from the analysis and tables.

Table A1: Exports, imports and balances in agricultural products, average 1987-88, (US$ m.)

	Coffee	*Cocoa*	*Tea*	*Spices*	*Fish*	*Tobacco*
Exports						
Ldcs total	9295	2671	1509	1284	13874	1471
Africa	2088	1670	310	137	1264	476
N. Africa	1	0	0	25	486	1
Sub-Saharan	2087	1670	310	112	778	475
America	5996	447	31	194	3451	635
Caribbean	276	81	0	16	441	50
Asia	1075	490	1161	949	9081	360
South Asia	230	1	946	272	694	77
ASEAN	634	479	140	494	2850	121
NICs	12	0	36	53	4026	90
Other Asia	199	10	40	130	1510	73
Oceania	137	65	6	4	78	0
ACP	2500	1815	316	131	1297	525
Countries						
Côte d'Ivoire	432	796	0	0	112	0
Ghana	1	406	0	0	28	0
Kenya	258	0	223	0	9	2
Mauritius	0	0	7	2	13	0
Nigeria	3	188	0	0	10	0
Tanzania	99	4	14	8	0	14
Zimbabwe	26	0	10	0	0	265
Bangladesh	0	0	36	0	153	1
India	226	0	540	224	404	74
Pakistan	0	0	0	14	116	0
Philippines	151	2	0	0	338	19
Sri Lanka	4	1	371	35	20	2
Imports						
Ldcs total	773	221	1111	622	4138	826
Africa	315	8	437	69	795	303
America	114	10	21	73	445	28
Asia	343	204	651	478	2824	490
Oceania	2	0	3	2	75	5
Balance						
Ldcs total	8522	2450	398	662	9737	645
Africa	1773	1662	-127	68	469	173
America	5882	437	11	121	3007	607
Asia	733	286	510	471	6257	-130
Oceania	135	65	3	2	3	-5

Table A1: Exports, imports and balances in agricultural products, average 1987-8, (US$ m.) (Continued)

	Wheat	*Coarse grains*	*Rice*	*Meat*	*Sugar*
Exports					
Ldcs total	672	1354	2117	5001	7145
Africa	1	171	27	533	720
N. Africa	1	12	24	19	1
Sub-Saharan	1	159	3	514	719
America	391	494	137	2142	1108
Caribbean	15	0	0	32	305
Asia	280	688	1953	2322	608
South Asia	29	0	458	87	9
ASEAN	23	186	750	349	451
NICs	6	1	33	769	97
Other Asia	223	501	713	1118	51
Oceania	0	0	0	4	145
ACP	16	159	3	550	1169
Countries					
Côte d'Ivoire	0	0	0	0	10
Ghana	0	0	0	0	0
Kenya	0	25	0	2	0
Mauritius	0	1	0	0	335
Nigeria	0	0	0	0	0
Tanzania	0	28	0	1	5
Zimbabwe	0	37	0	44	47
Bangladesh	0	0	0	14	0
India	29	0	129	65	8
Pakistan	0	0	329	9	0
Philippines	0	0	12	0	60
Sri Lanka	0	0	0	0	0
Imports					
Ldcs total	9295	4089	2674	6727	3254
Africa	3066	766	748	1544	923
America	1331	957	238	1189	184
Asia	4862	2361	1632	3798	2134
Oceania	37	6	56	196	14
Balance					
Ldcs total	-8623	-2735	-556	-1726	3891
Africa	-3064	-594	-721	-1011	-203
America	-940	-462	-101	953	5488
Asia	-4582	-1673	321	-1476	-1526
Oceania	-37	-6	-56	-192	131

Source: UNCTAD (1990) *Commodity Yearbook*, Geneva.

Table A2: Import demand elasticities with respect to prices, all countries

Price of:	*Wheat*	*Coarse grains*	*Rice*	*Meat*	*Dairy*	*Sugar*
Wheat	-0.42	0.30	0.01	0.07	-	-
Coarse grains	0.10	-0.73	-	0.23	-	-
Rice	0.80	0.10	-0.50	-	-	-
Meat	-	-	-	-0.42	-	-
Dairy	-	-	-	-	-0.40	-
Sugar	-	-	-	-	-	-0.40

	Fish	*Coffee*	*Cocoa*	*Tea*	*Spices*	*Oilseeds*
Fish	-0.58	-	-	-	-	-
Coffee	-	-0.31	-	0.14	-	-
Cocoa	-	-	-0.19	-	-	-
Tea	-	-	-	0.06	-	-
Spices	-	-	-	-	-0.58	-
Oilseeds	-	-	-	-	-	-0.5

	Tobacco	*Other*
Tobacco	-0.4	-
Other	-	-0.58

Unspecified off-diagonal terms are zero.

Table A3: Sensitivity to elasticity assumptions: tropical and tariff-affected products (US$m.)

	Coffee		*Cocoa*		*Plants and flowers*		*Spices*	
	(i)	*(ii)*	*(i)*	*(ii)*	*(i)*	*(ii)*	*(i)*	*(ii)*
Total	114.9	37.5	33.1	15.8	20.8	10.7	5.6	3.1
Africa	-65.7	-110.8	-4.0	-21.8	-1.7	-4.4	-0.6	-1.6
N. Africa	0.0	0.0	0.0	0.0	0.3	0.2	0.2	0.1
Sub-Saharan	-65.7	-110.8	-4.0	-21.8	-2.0	-4.6	-0.8	-1.8
America	160.5	134.2	20.6	21.2	12.5	8.3	0.6	0.2
Caribbean	1.5	-0.4	2.3	2.3	0.6	0.3	-0.3	-0.6
Asia	23.1	19.5	16.7	17.3	9.9	6.7	5.6	4.6
South Asia	4.1	3.5	0.0	0.0	0.3	0.2	1.5	1.3
Asean	14.9	12.6	13.4	13.8	2.6	1.8	3.3	2.7
NICs	0.2	0.2	0.0	0.0	0.9	0.6	0.3	0.2
Other Asia	3.9	3.3	3.3	3.4	6.1	4.1	0.4	0.3
Oceania	-2.9	-5.4	-0.2	-0.9	0.0	0.0	0.0	-0.0
ACP	-67.1	-116.6	-1.9	-20.4	-1.4	-4.3	-1.1	-2.4

	Tobacco		*Fish*		*Manufactures*	
	(i)	*(ii)*	*(i)*	*(ii)*	*(i)*	*(ii)*
Total	14.4	6.5	1,151.3	589.5	-741.6	-228.2
Africa	-0.0	-2.2	-9.7	-62.3	-348.8	-426.0
N. Africa	0.0	0.0	46.4	28.1	-0.1	13.9
Sub-Saharan	-0.0	-2.2	-56.1	-90.4	-348.7	-439.9
America	5.6	3.2	327.0	260.5	-196.2	-161.5
Caribbean	-0.0	-0.3	8.7	125.6	-66.2	-82.0
Asia	8.8	5.5	835.0	397.4	-185.8	372.4
South Asia	0.7	0.4	71.0	39.1	-39.3	-41.3
Asean	1.3	0.8	257.0	145.5	-61.5	40.1
NICs	0.8	0.5	355.9	143.1	49.2	492.6
Other Asia	6.1	3.8	151.1	69.7	-134.2	-119.0
Oceania	0.0	0.0	-1.0	-6.1	-10.7	-12.9
ACP	-0.1	-2.5	-48.4	29.1	-425.7	-534.9

(i) preferred estimates as discussed in text
(ii) effects with doubled supply elasticities and halved demand elasticities.

References

* indicates new data source.

ACP (African, Caribbean and Pacific Group of States) (1990a), *Natural Resource-based Products in the Uruguay Round*, Brussels, mimeo.

--- (1990b), *Tropical Products; Erosion of the Competitive Advantage of ACP Countries in the EC Market as a result of the Liberalisation of the Uruguay Round.* Brussels, mimeo.

Anderson, Kym and Tyers, Rodney (1992), 'Effects of Gradual Food Policy Reforms following the Uruguay Round', *European Review of Agricultural Economics*, 19(1), January (forthcoming).

--- (1990), 'How Developing Countries could gain from Agricultural Trade Liberalisation in the Uruguay Round' in Goldin and Knudsen.

Askari, H. and Cummings, J.T. (1977), 'Estimating Agricultural Supply Response with the Nerlove Model', *International Economic Review*, 18(2).

Bond, Marian E. (1983), 'An Econometric Study of Primary Commodity Exports from the Developing Country Regions to the World' *IMF Staff Papers*, Washington DC: International Monetary Fund.

Cable, Vincent (1987), 'Tropical Products' in Finger and Olechowski.

--- (1988c), Tropical Products and Natural Resource Products, paper given to the seminar on Protectionism and the Uruguay Round Negotiations, London, July.

Cairns Group (1991), *Communique*, 9 July.

Caspari, C., MacLaren, D. and Hobhouse, Georgina (1980), *Supply and Demand Elasticities for Farm Products in the Member States of the European Community*, Washington DC: USDA, International Economics Division; Econ., Stats. and Co-operative Service.

Cline, William R. (1990), *The Future of World Trade in Textiles and Apparel*, revised edition. Washington DC, Institute for International Economics, April.

Commission of the European Communities (1990), *Generalised System of Preferences: Guidelines for the 1990s.* Communication to the Council, July.

--- (1988), *Research on the 'Cost of Non-Europe'*, Brussels.

Davenport, Michael (1988), *European Community Barriers to Tropical Agricultural Products*, Working Paper 27. London: Overseas Development Institute.

Davenport, Michael with Page, Sheila (1991), *Europe: 1992 and the Developing World.* London: Overseas Development Institute.

Davenport, Michael and Stevens, Christopher (1990), 'The Outlook for Tropical Products', in Christopher Stevens and Doeke C. Faber, eds., *The Uruguay Round and Europe 1992: Implications for future ACP/EC Cooperation.* Maastricht: European Centre for Development Policy Management.

Duncan, R.C. (1990), 'Policy Implications for Models' in Goldin and Knudsen.

Erzan, Refiq, Goto, Junichi and Holmes, Paula (1990), 'Effects of the Multi-Fibre Arrangement on Developing Countries' Trade: An Empirical Investigation' in Carl B. Hamilton (ed.), *Textiles Trade and the Developing Countries.* Washington DC: World Bank.

Finger, J. Michael (1987), 'Antidumping and Antisubsidy Measures', in Finger and Olechowski.

Finger, J. Michael and Olechowski, Andrezj (1987), *The Uruguay Round: A Handbook on the Multilateral Trade Negotiations.* Washington DC: World Bank.

* GATT, *Trade Policy Review*:

Australia, 1989;
Morocco, 1989;
United States, 1989;
Colombia, 1990;
Sweden, 1990;
Japan, 1990;
Canada, 1990;
New Zealand, 1990;
Hong Kong, 1990;
Thailand, 1991;
Chile, 1991;
European Communities, 1991
Hungary, 1991
Indonesia, 1991
Switzerland, 1991
Nigeria, 1991

* --- (1991a), *Annual Report 1990*, vol. II.

--- (1991b), *News of the Uruguay Round*, 6 August.

* --- *Review of Developments in The World Trading System*, issued regularly in mid-1980s.

* --- (1990), *International Trade 88-89*, General Agreement on Tariffs and Trade, Vol.1.

Goldin, Ian and Odin Knudsen (eds.) (1990), *Agricultural Liberalisation: Implications for the Developing Countries*, Paris: OECD.

Goldstein, Morris and Khan, Mohsin S. (1985), 'Income and Price Effects in Foreign Trade', in Ronald Jones and Peter B. Kenen (eds.), *Handbook of International Economics*, Amsterdam: North Holland

Henderson, David (1991), Speech in Washington, in *IMF Survey*, 27 May.

Hewitt, A. (1991), The Beginning of the End for GSP or Just the End of the Beginning?' *Journal of International Development*, 3(5).

Hills, Carla A. (1991), *'Toward a New Era for World Trade'*, Speech in London, 6 June.

IMF (1991), *World Economic Outlook*, May.

International Textiles and Clothing Bureau (1991), *A decade of cooperation among developing countries, exporters of textiles and clothing*, January.

Islam, N. and Subramaniam, A. (1989), 'Agricultural Exports of Developing Countries: Estimates of Income and Price Elasticities of Demand and Supply', *Journal of Agricultural Economics*, May.

Laird, Samuel and Yeats, Alexander (1987), 'Tariff-Cutting Formulas - and Complications' in Finger and Olechowski.

Lilley, Peter (1991), 'Report on GATT', Speech in London, 2 August.

London Economic Summit (1991), *Economic Declaration*, July.

Majmudar, Madhavi (1990), 'Indian Garment Exports to the USA, 1980-8: Market Access or Supply-Side Response?', *Development Policy Review*, 8(2).

Matthews, Alan (1985), *The Common Agricultural Policy and the Less Developed Countries*, Dublin: Gill and MacMillan.

Messerlin, Patrick (1988), *Experiences of Developing Countries with Anti-dumping Laws*, Washington DC: World Bank (mimeo).

--- (1989), 'The E.C. Antidumping Regulations: A First Economic Appraisal, 1980-85', *Weltwirtschaftliches Archiv*, 125(3), 563-87.

Morredhu, C. Parris K. and Huff, B. (1990), 'Agricultural Policies in Developing Countries and Agricultural Trade' in Goldin and Knudsen.

OECD (1988), Ministerial Trade mandate: *Model Specification and Elasticities*. Paris.

Page, Sheila (1987), 'The Rise in Protection since 1974', *Oxford Review of Economic Policy*, 3(2).

Roberts, Christopher (1991), 'Keeping Markets Open', Speech in London, 10 October.

Rollet, Ph. (1983), 'The External Constraint and the Operation of the Price and Income Elasticities of External trade in the Community Countries, USA and Japan', *European Economy*, July.

Sadoulet, E. and de Janvry, A. (1990), 'Growth and Welfare Effects of a GATT Agreement in Agriculture on the Low Income Countries; an Integrated Multimarket General Equilibrium Analysis', in Goldin and Knudsen.

Stevens, Christopher and McQueen, Matthew (1990), *Lomé and the Rules of Origin* (mimeo).

Silberston, Z.A. (1989), *The Future of the Multi-Fibre Arrangement.* London: HMSO.

* UNCTAD, Database on Non-Tariff Measures.

--- (1991a), *Commodity Yearbook 1990*, Geneva: United Nations.

--- (1991b), *Review of the Implementation, Maintenance, Improvement and Utilisation of the Generalised System of Preferences.* Report by the UNCTAD Secretariat, TD/B/C.5/134. Geneva.

--- (1991c), *Trade and Development Report.* Geneva.

UNCTAD-WIDER (1990), *Agricultural Trade Liberalisation in the Uruguay Round: Implications for Developing Countries*, Geneva: United Nations.

United Nations (1991), *World Economic Survey, 1991.* New York: United Nations.

US Department of Agriculture, Trade data and model parameter diskettes. Washington DC: USDA.

US Information Service (1991), *US Economic Policy Objectives at the G-7 Summit*, 9 July.

* US Trade Office (1989), *Foreign Trade Barriers, 1989*, National Trade Estimate Report. Washington DC.

Valdés, Alberto and Zietz, Joachim (1980), *Agricultural Protection in OECD Countries: its Cost to Less-Developed Countries*, Research Report No,. 21, International Food Policy Research Institute, Washington DC.

World Bank (1991), *The Challenge of Development, World Development Report.* New York and Oxford: Oxford University Press for the World Bank.

Zietz, J. and Valdés, A. (1990), 'International Interactions in Food and Agricultural Policies: Effects of Alternative Policies' in Goldin and Knudsen.

£12.50 ISBN 0 85003 165 6

OVERSEAS DEVELOPMENT INSTITUTE