THE IMPACT OF THE URUGUAY
AGREEMENTS ON ESCWA COUNTRIES'
MANUFACTURED EXPORTS

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The Impact of the Uruguay Round Agreements on ESCWA Countries' Manufactured Exports

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Abstract

The paper assesses the impact of the Uruguay Round Agreements on ESCWA countries' exports of manufactured products. The assessment is made with reference to the liberalization achievements in industrial countries, and explores the issue of whether the Round will provide exporters of manufactured products in the ESCWA region with more markets in industrial countries. The paper also reviews the main elements of the Uruguay Round Agreements that may have an impact on trade in manufactured products. A quantitative as well as qualitative assessment is provided.

ملخص

تقيّم الورقة تأثير اتفاقيات جولة أوروجواي على صادرات دول الاسكوا من المنتجـات المصنعة، وذلك بالاشـارة إلى انجازات الدول الصناعية في مجال التحرير. وتبحث الورقة ما إذا كـانت الجولـة ستوفر مزيـداً من الأسـواق في الدول الصناعية لمصدري المنتجات المصنعة من منطقة الاسكوا. كما تستعرض الورقـة عنـاصر اتفاقيـات جولـة أوروجواي الرئيسية التي ربما تؤثر على تجارة المنتجات المصنعة، وتقدم الورقة تقييماً كمياً ونوعياً.

The paper assesses the impact of the Uruguay Round Agreements on ESCWA countries' exports of manufactured products. The assessment is made with reference to the liberalisation achievements in industrial countries, and explores the issue of whether the Round will provide exporters of manufactured products in the ESCWA region with more markets in industrial countries. Section I of the paper lays the baseline scenario by identifying and analysing the trends that have underlined ESCWA countries' total as well as manufactured exports. Section II reviews the principal elements of the Uruguay Round that may have an impact on trade in manufactured products. The analysis will then focus in Section III on a quantitative assessment of the potential benefits of the Round for ESCWA region exporters of manufactured goods. Section VI provides a more complete analysis of the effects of the Uruguay Round by considering the other elements that will have an impact on international trade in goods. Section V concludes.

Calculations made for this paper have sought to reflect a comprehensive package of cuts in tariffs on trade in manufactured products in OECD markets. The results suggest that the implementation of the Uruguay Round Agreements will lead to a net increase in the manufactured exports of ESCWA countries to the main OECD markets of US$ 178 million, which represents 4 per cent expansion over the 1993 exports. The technical limitations inherent in all exercises of this type are such as to lead, almost certainly, to the net benefits being under-estimated.

Indeed, there are good reasons to think that the benefits to ESCWA countries from the Uruguay Round will go well beyond what is quantifiable. In particular, quantitative studies do not take into account the effects of strengthening and extending GATT rules and disciplines across new areas -- thereby making competition fairer and more transparent, and the effects of easing bilateral trade tensions and associated political conflict. It does not also reflect the positive aspects associated with the fuller integration of developing countries (LDCs) and former state trading economies into the multilateral system. In addition, the results do not reflect the benefits from enhanced efficiency originating from ESCWA countries' own liberalisation commitments (whether on a unilateral, regional or multilateral basis). Finally, the results are reported in respect of gains in OECD markets and to the exclusion of those in developing countries where reliable data are hard to come by, and where ESCWA exported some 42 per cent of its 1992 total.

I. TRENDS IN THE LEVEL AND STRUCTURE OF ESCWA'S EXPORTS

Table 1 presents the trend in ESCWA countries' total exports from 1950 onward. As is evident, GCC countries make up the bulk of the region's exports as petroleum and its products dominate all other commodities. Moreover, the table reveals that the participation of ESCWA countries in world trade has not changed much between the years 1950 and 1992. In 1950, ESCWA countries had a share of 2.3 per cent in total world exports. That share has remained flat throughout the period, except for periods characterised by oil price booms. However, the share of ESCWA countries' exports in the total of developing countries has been rising during the period 1950-1992. This indicates that the exports of ESCWA countries have been more dynamic than those of LDCs taken together, and less so in comparison with industrial countries'. A clear indication of the underlying trends is revealed through Table 2 that reports for the years 1980 and 1990 the number of commodities exported by selected ESCWA countries,[1] the commodity diversification index, as well as the concentration index (where 1 represents maximum concentration in both cases).

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[1] Number of product exported at the 3-digit SITC, Revision 2 level; the figures include only those products which are greater than $50,000 in 1980 or $100,000 in 1991 or more than 0.3 per cent of the country's total exports.

The diversification index discriminates more finely between countries which are relatively more diversified. It is evident that between 1980 and 1990, all the ESCWA countries for which data were available experienced a deterioration in their commodity diversification, despite the general increase in the absolute number of products exported. Thus, the commodity structure of ESCWA countries has in fact diverged from the trend underlying the structure of world exports. On the other hand, the "concentration index" discriminates more finely between countries which are relatively more concentrated in their export structure. With the exception of Syria, all the other countries which are reported in the table had experienced a moderate improvement in their export concentration. This means that the countries concerned are moving away from over-dependence on a few commodities. This is to be expected considering the fact that, unlike the diversification index, the concentration index takes into account the number of commodities exported by any one country in addition to the share of that product in total world exports.

Table 3 presents the 1922 destination of ESCWA countries' exports by major country groups. The figures show the importance of OECD markets as a destination of ESCWA countries' exports. Nonetheless, several other observations are worth noting. First, 55 per cent of GCC's exports find their way to OECD markets, as opposed to 42 per cent for the other ESCWA countries. Second, within the OECD markets, Japan buys the lion's share of GCC exports (29 per cent of OECD), while the EU takes care of the bulk of the non-GCC ESCWA countries' exports (31 per cent). Third, the bulk of the exports of Bahrain (82%), Lebanon (63%), Jordan (62%), Yemen (62%) and Oman (51%) find their way to other developing countries, most of which are in the region or in Asia. The export interests of Qatar, the UAE and Oman are highest in the Japanese market, while Saudi Arabia's export interests are evenly distributed among the major OECD partner (16% in the EU, 14% in North America, and 20% in Japan).

In 1993, OECD markets were the destination of some US$ 61.6 billion worth of ESCWA's exports (Table 4-A). Japan led OECD countries with a total of US$ 24.1 billion. The EU and the US followed with US$ 20.4 billion and US$ 12.7 billions, respectively. Saudi Arabia contributed more than a half (US$ 31.8 billion), followed by the UAE (US$ 11.8 billions) and Kuwait (US$ 6.0 billions) (Table 4-B). Thus, it is very evident that the export interests of ESCWA countries are very much dependent on developments in the OECD markets, and mainly in Japan, the EU and the US. Therefore, the conclusion of the Uruguay Round, the signing of NAFTA, the EU enlargement as well as its enhancement through association agreements, all together have direct implications for the export potential of ESCWA countries.

Of the total US$ 61.6 billion worth of ESCWA's 1993 exports to OECD countries, only US$ 5.1 billions or 8 per cent were manufactured goods. Of these, 68 per cent were destined to the EU market. The US market came a distant second with 18 per cent of OECD's share (Table 5-A). Once again, Saudi Arabia had the lion's share, with 34 per cent of OECD's total (Table 5-B). Egypt came second with 20 per cent, and the rest, with the notable exception of Yemen, was more or less equally divided among the rest of ESCWA countries.

The small share of ESCWA countries' manufactured exports in their total exports to the world as well as to OECD countries is a reflection of the fact that mineral fuels are by far the largest product group accounting for approximately 74 per cent of the region's total. This is roughly three times higher than energy products' share in the exports of all developing countries combined. The export profiles of the largest exporters in the ESCWA region reveals the continuing over-reliance on mineral fuels for export earnings, so much so that in very rare occasions one would find a non-mineral fuel product making it in the list of the top twenty export products (see Appendix Tables).

Such a concentration not only limits the regions' opportunities to grab larger benefits from the Uruguay Round Agreements, but equally importantly, it reduces substantially the scope for developing mutually beneficial intra-regional trade.

II. THE URUGUAY ROUND AGREEMENTS

The Uruguay Round was the most comprehensive and hence complex Round of GATT negotiations ever undertaken. It was entrusted with a big agenda which aimed, among other things, to deal with shortcomings of the GATT which were undermining the institution's systemic integrity. Moreover, the venues for launching and signing the Final Act had more than a symbolic meaning. More than ever developing countries (LDCs) engaged actively in the Round as their interests in its outcome heightened. At stake were issues that concerned: (i) the extension of trade liberalisation in traditional areas as well as in areas not yet covered by the GATT; (ii) bringing trade that has moved outside the multilateral framework back into the GATT; (iii) bringing discipline to the trade-related aspects of intellectual property; (iv) enhancing the provisions concerning trade-related investment measures; (v) providing a framework of principles, rules and disciplines on trade in services; (vi) improving the rules and dispute settlement system of the GATT; and (vii) the creation of a World Trade Organisation (WTO) and doing so as a single undertaking.

In addition to being the most comprehensive Round of multilateral trade negotiations ever undertaken, the Uruguay Round was a unique one from the view point of ESCWA countries. More than ever, GATT-member countries from the ESCWA region engaged actively in the Round as their interests in its outcome heightened.[2] Aside from the important issues that the UR sought to tackle, the heightened interests also reflected ESCWA countries' increasing emphasis on openness and market-based policy reform programmes (Egypt, Jordan), and their increasing involvement in world trade and investment. Since the launching of the Uruguay Round in 1986, Egypt has unilaterally lowered its barriers to imports, mainly in conjunction with a reorientation of domestic policies.[3] Bahrain, the UAE and Qatar have since joined the GATT, Jordan and Saudi Arabia are now in the process of acceding, while other countries in the region have expressed interest in GATT membership (Syria and Lebanon).

The successful conclusion of the Uruguay Round is expected to bring about increases in trade, investment, income and welfare to most ESCWA countries. Direct benefits will result from both increased market access to developed countries' markets, and from enhanced efficiency originating from ESCWA countries' own liberalisation commitments. Potentially more important benefits will accrue to these countries from improved rules for trade and investment coupled with stronger institutional enforcement of these rules, and greater exposure to global competition within a more predictable, secure and credible international trading environment.

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[2] The countries in the ESCWA region which are members of the GATT are (date of accession in parenthesis): Kuwait (May 1963), Egypt (May 1970), Bahrain (December 1993), UAE (March 1994) and Qatar (April 1994). Other ESCWA countries are either in the process of accession or have declared an interest in acceding. As of end October 1995, membership in the WTO included 110 countries, and another 28 are currently seeking membership in the Organisation.

[3] It is worth noting that since the launching of the Uruguay Round in 1986, over sixty developing nations have unilaterally lowered their barriers to imports, mainly in conjunction with a reorientation of domestic policies. Twenty-six have since joined the GATT, while over twenty are now in the process of acceding.

The distribution of these benefits among individual ESCWA countries will, however, be uneven. ESCWA countries with open domestic markets will be favoured, especially since their openness implies a relatively better capacity to adjust and adapt to new and emerging market opportunities. In the sphere of trade in manufactured products, some ESCWA countries may lose market share as a result of an erosion in their trade preferences. However, even if such effects do exist, they must be weighed against the increased efficiency implied by the overall Uruguay Round Agreements. Moreover, since the reforms agreed during the Uruguay Round will be gradually implemented, these countries should seize the opportunity in the interim to implement reform programmes designed to make their domestic economy more open and more flexible.

A. Market Access

Ever since its inception, the GATT system has sought to establish non-discriminatory tariffs as the principal means of trade protection. The Uruguay Round marks the eighth time that GATT members have negotiated reductions of trade barriers in a multilateral framework. The success of these multilateral trade negotiations (MTNs) has been remarkable. Prior to the Uruguay Round, seven Rounds of MTNs had succeeded in lowering the average (trade-weighted) most-favoured-nation (MFN) tariff rates on industrial goods from a high of 40 per cent at the end of World War II to around 6 per cent at the end of the Tokyo Round (1974-79).[4] In addition, these Rounds had managed to dismantle most import quotas on non-agricultural products in developed countries.

Nevertheless, market access still represents perhaps the single most important trading issue between the developing and developed countries. The developing countries' strongest demands are not only for continued access to industrial countries' markets, but also for increased access. On the other hand, developed countries demand that LDCs participate more effectively in the negotiations, and for some of them to contribute more and to assume more GATT obligations. In other words, some developing countries should "graduate". For both groups of countries, market access has been hindered by many barriers: tariffs and non-tariffs barriers, anti-dumping and countervailing duties, safeguards, and indeterminate measures such as voluntary export restraints (VERs).

A.1 Elements of the Uruguay Round negotiations on trade in manufactured products

Although the decline in the average nominal tariffs that was achieved prior to the launching of the Uruguay Round was remarkable, it nevertheless masked important variations which in general tended to hurt the trade interests of developing countries most. The most important variations included tariff peaks and tariff escalation. Thus, in the sphere of tariffs on manufactured goods, the Uruguay Round aimed to achieve three basic objectives: (a) reductions of average tariff levels by one third; (b) reductions of tariff peaks and escalation, and (c) increases in tariff bindings.

a) Tariff levels

The objective of achieving a one-third tariff cut has been exceeded as the average trade-weighted tariff rate on all industrial products from all sources was reduced by 38 per cent. However, the average trade-weighted tariffs in industrial countries facing developing countries' exporters has been reduced by 34 per cent only, 4 percentage points below the overall cuts by industrial countries. Moreover, the average tariff masks lower commitments with respect to some sensitive

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[4] The MFN principle is the cornerstone of the GATT system, since it is the basic provision that guarantees non-discrimination.

product categories (in the manufacturing sector): transport equipment where the reductions will average 23 per cent; textiles and clothing (22 per cent), and leather, rubber, footwear and travel goods (18 per cent). Together, trade in these three product groups accounts for 24 per cent of total developed countries' imports by value in 1993. As will be described later, these low cuts will, however, be supplemented by the removal of non-tariff barriers (NTBs) resulting from the phase-out of the Multifiber Agreement (MFA), and the elimination of VERs, especially on footwear, electronics and travel goods. Eight other industrial goods with an import share in 1993 equal to the remaining 77 per cent will experience reductions in their tariff levels that will exceed the target. For example, wood, pulp, paper and furniture products will experience on average 69 per cent reduction in their tariff rates. The corresponding reduction affecting metal products is 59 per cent. Thus, tariff cuts affecting all tropical and resource-based products in developed countries from all sources will exceed the overall target; on a trade-weighted average, the cuts will be 45 per cent and 34 per cent, respectively. The corresponding cuts affecting developing countries' exports to developed countries will be higher: 57 per cent and 35 per cent, respectively. The lowering of tariff rates will be phased in five equal annual reductions beginning at the time of entry into force of the World Trade Organisation (January 1st 1995).

Zero-for-zero agreements in seven major industrial sectors will increase the share of developed countries' duty-free imports from 20 to 43 per cent . It is interesting to note that the same products that will experience above average tariff reductions are also those that will experience a substantial rise in the level of duty-free trade; in contrast, those sensitive products with tariff reductions below the average are also the same products that will experience moderate changes in the distribution of tariffs. For example, the share of high duties or tariff peaks imposed by developed countries' on imports of textiles and clothing will be reduced from 38 per cent to 28 per cent only.

b) Tariff peaks and escalation

One method for increasing the proportion of developing countries' trade in fabricated goods is to increase the processing of natural resource-based products now exported in primary form. However, a factor often cited as working against efforts to increase domestic processing is the structure of tariffs and other trade barriers in major import markets. Specifically, zero or low tariffs are generally applied to industrial countries' imports of primary (unprocessed) commodities with the duties increasing, or "escalating", as the product experiences increased fabrication. Tariff escalation produces a trade bias against processed goods due to the higher import duties imposed on these items.[5] The result is increased protection of value added, "which twists the worldwide distribution of value added along processing chains in favour of the industrial countries".[6]

The importance that developing countries attach to tariff escalation is reflected in the extensive policy debates on this subject that have occurred in major international fora. For example, developing countries were instrumental in having a plank inserted in the 1982 GATT Ministerial Declaration --the forerunner of the Uruguay Round of MTNs stating that "prompt attention should be given to the problem of escalation of tariffs on products with a view to effective action toward the elimination or reduction of such escalation where it inhibits international trade, taking into account the concerns relating to exports of developing countries." The Punta del Este Declaration also stated that "negotiations shall aim to achieve the fullest liberalisation of trade in natural

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[5] Representative studies that document the existence and impact of tariff escalation in developed countries include UNCTAD (1980), Yeats (1979), and Safadi and Yeats (1993). Analysis here is based on Safadi and Yeats.

[6] Abreu (1989).

resource-based products, including those in processed and semi-processed forms. The negotiations shall aim to reduce or eliminate tariff and non-tariff measures, including tariff escalation."

One way to identify the change in tariff escalation is to calculate the absolute change in tariffs, since what matters is the decline in the tariff-inclusive price in the importing country. For example, a 50 per cent cut in a 2 per cent tariff will lead, in principle, to a 1 per cent decline in the tariff-inclusive price. A 25 per cent reduction in a 36 per cent tariff would result in a 6.6 per cent reduction in its tariff-inclusive price. Therefore, it is instructive to conduct analysis of tariff escalation with reference to absolute change in tariff. Table 6 shows the pre and post-Uruguay Round tariff levels by product and by processing stage as well as the absolute differences in tariffs which were achieved during the Uruguay Round. It is evident that tariffs increase significantly from raw to finished products: the average post-Uruguay Round tariff for all industrial products goes from 0.8 per cent on raw materials to 4.8 per cent on the finished product. However, a product-by-product examination of the absolute *difference* between tariffs on different stages of processing reveals that de-escalation has occurred in practically all the commodities analysed; jute and cocoa being the two exceptions where reductions of tariffs applied on intermediate products were larger than those on the final stages.

c) Tariff bindings

Prior to the successful conclusion of the Uruguay Round, MFN tariffs in many sectors were not legally bound, and as such could be raised easily. This created a lack of security in market access, and may have produced detrimental trade effects. A major goal of the Round has been to increase the proportion of industrial tariffs that are bound, thus providing added protection to trade liberalisation commitments. This goal has been successfully met: the percentage of developed countries' imports of industrial goods under bound rates rose from 94 per cent to 99 per cent, leaving only one per cent (which correspond to 1 per cent of tariff lines) not bound; the corresponding figures for developing economies are 14 and 59 per cent, respectively; those for transition economies are respectively 74 and 96 per cent. On a regional basis, North America and Latin America were the greatest achievers, as all of their industrial imports as well as their corresponding tariff lines became bound. Asia remains the region least committed to binding its tariffs on industrial goods: only 67 per cent of its tariff lines which cover 70 per cent of industrial imports are now bound.

In addition to the increased security of market access through increases in tariff binding, bound tariff rates have also been reduced. 17 per cent of developed countries' tariff lines affecting imports of industrial goods are now bound at a duty-free rate. The remaining 83 per cent of tariff lines are affected as follows: 67 per cent have been bound with reductions; another 10 per cent have been bound without any reduction in their tariff levels (i.e., they remain at their current levels), and the last 7 per cent of currently dutiable industrial items have remained without any offer. Developing countries, where no item has been granted duty-free access, have bound with reductions 44 per cent of their tariff lines and a further 25 per cent without any reduction. This leaves 31 per cent of their tariff lines in the category of "no offer".

d) Non-tariff measures

Aside from the phasing-out of the MFA, the most important achievements of the Uruguay Round with respect to trade in industrial goods has been the almost complete elimination of voluntary export restraints (VERs) --or any similar measure affecting imports or exports such as orderly

marketing arrangements, discriminatory import systems, consulting arrangements...-- whose unchecked proliferation would have meant the complete erosion of the non-discrimination principle.[7] The economic effects of VERs, as well as the reasons behind their proliferation have been well documented. Their arrangements have been described as "first-order" protectionism due to their unequivocal protectionist design and discriminatory nature.[8] According to the World Bank-SMART Database, VERs covered some 400 tariff lines in each the US and the EU in the pre-Uruguay Round trading environment. They affected such sectors as metals, transport equipment, footwear and domestic utensils.

The total elimination of VERs implies a significant relaxation of NTBs. Table 7 presents the incidence of all non-tariff barriers (NTBs) affecting developing countries' exports to industrial countries' markets during the pre-Uruguay Round, by type of NTB. The table shows that VERs were amongst the most used form of quantitative restrictions. They account for more than half of all quantitative measures affecting imports of developing countries. Aside from textiles and clothing, LDCs exports of iron and steel products to industrial countries were the products most affected by NTBs. The footwear sector was the second largest sector affected by high coverage of NTBs.

The regional incidence of non-tariff measures during the pre-Uruguay Round trading environment is presented in Table 8. Eastern Europe appears to have been the most affected region with a coverage ratio exceeding 67 per cent. The memo items in Table 8 point to a major scaling down in the use of NTBs following the conclusion of the Round. Trade coverage ratios affecting all regions with the exception of Eastern Europe will fall dramatically in the post-Uruguay Round trading environment. Ferrous metals are the products that give rise to a relatively high coverage ratio for Eastern Europe (11 per cent) . As is evident from Table 8, products originating from the Middle East area experienced relatively lower incidence of NTBs than all other regions, with the notable exception of East Asia. As we will see later, such low NTB coverage ratio will also put a limit on the extent of benefits ESCWA countries hope to obtain as a result of the successful completion of the Uruguay Round.

The accomplishments of the Uruguay Round in the field of NTBs are significant not only in terms of their overall importance, but also in terms of the remaining types of measures as well as the sectors that will be affected. Table 9 provides a summary of these achievements. Quantitative restrictions are the only remaining important non-tariff measures. They are highest on coal and coke products where the trade coverage ratio is 81 per cent, followed by rubber manufactures (10 per cent).

A.2 Elements of the Uruguay Round negotiations on trade in textiles and clothing

Successive arrangements in the GATT have *de facto* legitimised textiles and clothing protection under the rubric of the MFA. The essence of the MFA has been its capacity to select targets on a discriminatory basis. This is a far cry from GATT's most basic tenet, the MFN rule. Contrary to any other sector, such as steel, fair trade rhetoric has hardly been employed to justify protection of the textiles and clothing sector.

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[7] Only one VER arrangement remains in operation. This relates to the wish of the EU to continue to restrict Japanese auto imports. However, this single exception, which is permitted to each party, will run only until 31 December, 1999.

[8] See for example Low (1993), and Wolf (1984 especially the tabulated summary in Wolf.

The Uruguay Round Agreement in this sector provides for the phase-out of the MFA and the gradual integration of the textiles and clothing sector into the WTO.[9] This will be effected over a 10 year period under the supervision of a Textiles Monitoring Body. A minimum of 16 per cent of total 1990 volume of imports covered by the MFA will be integrated into GATT 1994 upon entry into force of the WTO. A further 17 per cent (minimum) of 1990 imports will be integrated following the third year of the phase-out period. An additional minimum of 18 per cent will follow after the seventh year, while the remainder 41 per cent will wait until the very end of the phase-out period to be brought under GATT. Furthermore, each phase-out must include products from four different groups: tops and yarn, fabrics, made-up textiles, and clothing.

The Agreement also provides for the expansion of outstanding quota restrictions by the prevailing quota growth rates plus 16 per cent annually and for the first three years. A further expansion of 25 per cent will take place in the subsequent four years, and an additional 27 per cent in the final three years. This arrangement will tend to favour countries with high existing quota growth rates. The Dispute Settlement body of the GATT may authorise adjustment to these annual growth of quotas in case it finds member countries not complying with their obligations.

Transitional safeguards, which may be applied selectively to particular exporters, are also provided for on products not yet integrated into the GATT at any stage. These safeguards will be governed by a demonstrated injury or a threat thereof in the importing country. They can only be maintained for a maximum period of three years, and phased out over their duration. Finally, the Agreement provides for anti-circumvention measures to deal with trans-shipment, re-routing, false declaration of origin and falsification.

There has been a considerable amount of empirical work on the impact of the MFA, and the resulting benefits from its removal. Trela and Whalley (1990) put the benefits in terms of net world welfare gain arising from liberalisation of both quotas and tariffs at $23.4 billion, with about one-third of the total estimated gain accruing to developing countries as a group.[10] For several developing economies, the welfare gain would exceed $1 billion: China ($1.8 billion), Korea ($1.6 billion), Taiwan ($1.2 billion), and Brazil ($1.1 billion). If, on the other hand, the liberalisation scenario were restricted to MFA quotas only, total welfare gains would be in the order of $22 billions, of which only $3 billions would accrue to developing countries as a group. Under this scenario, some developing countries stand to lose due to loss of quota rents. Among the major losers will be: Hong Kong, Macao, Pakistan, Singapore and Thailand.

Another study by Kirmani, et. al. (1984) estimated that, if all trade barriers were removed, developing countries exports of textiles to major industrial countries' markets would expand by 82 per cent, and those of clothing by 93 per cent under the assumption of infinitely elastic supply. UNCTAD (1986) estimated that complete liberalisation could raise developing countries exports of clothing and textiles by 135 per cent and 78 per cent, respectively. It should be noted that all these estimates can be considered at the low end given their inability to capture the existence of a significant degree of quota under-utilisation by many suppliers, including in ESCWA countries. Suppliers facing uncertainty about future quota levels may be reluctant to invest to increase their

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[9] Integration means that trade in these products will be governed by general GATT rules.

[10] The model is a general equilibrium whose results are based on 1986 data. It covers quotas negotiated between the US, Canada and the EU, and 34 supplying developing countries under the provisions of MFA-III. For results, see especially Tables 3 and 4. Unfortunately, the analysis did not examine the interests of ESCWA countries in this sector.

production capacity, especially in view of the fact that a significant amount of investment may be required to fill the remaining 15 to 20 per cent of unfilled quotas.

Although the liberalisation of trade in textiles and clothing products will take some time to be phased in, it will, nevertheless, go a long way in levelling the playing field for ESCWA countries. This is especially relevant given the fact that many ESCWA countries have a comparative advantage in the production of labour-intensive textiles and clothing. Furthermore, ESCWA countries will experience large cost savings as a result of the removal of the discriminatory application of the MFA.

III. PROJECTING THE URUGUAY ROUND'S TRADE CREATION EFFECTS ON ESCWA COUNTRIES

Many countries in the ESCWA region did not show a lot of enthusiasm for the Uruguay Round. On the face of it, such an attitude is to expected; after all, the exports of many countries, especially the non-oil exporters, in the region enjoy special preferential treatment in the three major OECD markets (see Table 10). Any reductions in MFN tariffs will necessarily cut the margin of preferences for preference-receiving countries. For the oil exporters in the region, border barriers do not present serious market access problems into OECD: fuels, ores and non-ferrous metals generally are imported duty free, or face relatively low OECD tariffs and non-tariff barriers.[11] Given the importance many countries in the region attach to preferences, it is instructive to review below the economic rationale of such discriminatory schemes.

At the theoretical level, trade preferences and regional agreements can be analysed in the first instance within the same analytical setting. This is because both kinds of arrangement share discriminatory properties, in that they involve geographically selective trade liberalisation. The static trade and welfare effects of regional agreements and trade preferences have to be examined in a "second-best" context, in which the final judgement as to any economic benefits that might accrue is an empirical question. The Vinerian concepts of trade creation and trade diversion (Viner, 1950) provide a comparative static, partial equilibrium framework within which to consider the consequences of the removal of trade barriers on a preferential basis. Trade creation occurs when a preference involves trade liberalisation that displaces less competitive production in the preference-giving country. Trade diversion occurs when a preference-giving country switches its imports to a preference-receiving country, thereby displacing imports from a producer that does not benefit from the preference. In this case, the preference margin is sufficient to divert trade from a more efficient to a less efficient producer. While this raises income in the preference-receiving country, it does so at the expense both of the preference-giving country and the third country outside the preferential arrangement. One might argue that trade diversion is itself a worthy goal of preferential trade schemes, as this would allow the preference-giving countries to channel the benefits of trade in directions that are deemed desirable for reasons of foreign policy. Whatever the merits of such a view may be from a political perspective, they are not consistent

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[11] As an illustration, Kuwait, Qatar, the UAE and Saudi Arabia have preferential treatment in the EU and Japan, although petroleum is excluded from Japan's preferences scheme. Kuwait has in addition preferential treatment in the US. Crude oil and refined petroleum products enter the EU duty free. In Japan, crude oil is charged a specific tariff of 315 yen per kiloliter, while refined products are taxed at 3750 y/kl. The corresponding rates in the US market are 0.0525 $/barrel and 0.84$/barrel (notice the practice of tariff escalation). Saudi petrochemical exports enter the EU duty free unless (a) the product is classified as "sensitive", or (b) the exporting country has more than 20 per cent market share. In addition, value limitations apply. UAE crude oil and refined petroleum products enter the EU duty free.

with the economic precepts of an open trading system. Deliberate efforts to manipulate the composition and direction of trade flows for non-economic reasons, however well-intentioned they may be, can quickly take the members of the trading community down a slippery slope towards managed trade.

In order for the economic benefits of a preferential arrangement to be judged positive under this type of analysis, trade creation must exceed trade diversion. However, the picture becomes more clouded when possible dynamic effects are introduced. The argument is that trade liberalisation, whether discriminatory or not, may unleash positive dynamic effects, leading to a virtuous circle of growth and development. Preferences may open up new market opportunities, attracting resources into export industries. Particularly where such investment comes from foreign sources, it may bring additional advantages such as new technologies and skills, and contribute to productivity growth. Economies of scale may come into play, neutralising the constraints of market size and further enhancing productivity growth.

These kinds of arguments are closely related to the infant industry case for protection. The infant industry case rests on the existence of dynamic external economies, or learning-by-doing effects. According to this argument, the inability of investors to capture the full gains from the learning-by-doing that takes place in the initial stages of production means that there will be under-investment in the activity concerned. Strictly, this is not an argument for tariff protection, but rather for addressing capital market imperfections or for directly subsidising labour.[12] Awarding tariff preferences that provide a competitive margin to nascent industries in export markets may be regarded as an alternative means of protecting infant industries, assuming that such arrangements do not allocate resources to industries which have no hope of being competitive once they face international competition in the absence of a preference margin.

Another argument, which does not rely on dynamic effects, is that preferences serve to diversify the economy and support industrialisation. According to this line of reasoning, diversification is intrinsically desirable, principally because it helps countries move away from reliance on the production of primary goods, which face a low long-term income elasticity of demand. Countries relying on primary product output thus face a secular decline in their terms of trade. It is further argued that primary products experience a high level of price volatility against which it is difficult to hedge adequately. For various reasons, all these arguments are the subject of some contention in the literature, and the case for industrialisation is easier to defend on theoretical grounds if it is presented as a dynamic learning-by-doing or infant industry argument.

What are the economic arguments against preferences? One that has already been discussed is the possibility of trade diversion as a consequence of geographically selective trade liberalisation. In general terms, trade diversion is more likely to outweigh trade creation the greater the substitutability of production between a preference-receiving and a MFN country. The reverse is true where there is close substitutability in production between the preference-receiving and the preference-giving country.

A closely related reason for being cautious about the economic benefits of preferences is that unless preference margins benefit industries or sectors in respect of which a preference-receiving country enjoys comparative advantage, then any additional investment attributable to the

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[12] This proposition derives from optimal intervention theory, which holds that distortions (or market failures) should be addressed as nearly as possible at the source of the problem. The use of tariffs for infant industry protection introduces an additional consumption distortion.

preferences may prove to be suboptimal. This may seem unimportant to the beneficiary country while preferences are in place, but their eventual erosion or removal could give rise to adjustment costs. Finally, it has sometimes been argued that rather than inducing diversification, preferences may encourage specialisation, leading beneficiary countries to maintain and even expand uncompetitive sectors that would otherwise have atrophied and died. The examples of sugar and banana production in certain beneficiary countries under the Lomé Convention are sometimes cited as cases where costly and inappropriate specialisation has occurred.

Available evidence as to which countries have benefited from preferences all point to the difficulty associated with estimating their costs and benefits. Even the simplest calculations of trade diversion and trade creation require uncertain assumptions about supply, demand and substitution elasticities, and can only be relied upon to indicate broad orders of magnitude. Dynamic estimates of gains and losses are even more fraught with difficulty. In looking at the relationship between investment and preferences, for example, it is exceedingly difficult to distinguish the effect of preferences from the wide range of other factors that influence investment decisions. In some instances, the presence of preferences may simply be irrelevant, yet the existence of preferences and increased investment may, on the face of it, appear to be linked.

In the case of preferences, matters are further complicated by the need to identify who actually gains from preferences -- importers or exporters. The answer to this question depends on the distribution of the scarcity rent associated with the preference margin, which in turn is influenced by institutional arrangements and the degree of monopoly and monopsony power underlying particular transactions. If exporters receive little or none of the scarcity rent, the beneficial effects of preferences are likely to be correspondingly modest. Similarly, a careful analysis of the economic effects of preferences would need to take fully into account the array of product-specific exclusions and limitations often associated with preference schemes, as well as the low level of utilisation of preferences sometimes encountered under schemes such as the Generalised System of Preferences.

In summary, economic arguments for and against preferences can be readily made, and the calculus of actual costs and benefits is specific to particular preferential arrangements, countries, and products. Both potential dynamic and static effects need to be taken into account, as well as the specific limitations of the arrangements. Even the best empirical estimates of the effects of preferential arrangements will be somewhat tentative. A review of the literature that has investigated the benefits for preference-receiving countries suggests that on the whole, benefits have been rather modest and significantly constrained by exclusions and different kinds of conditionality. The evidence also suggests that the absence of a significant trade response to preferences in some beneficiary countries reflects a limited capacity to attract investment and increase production.

With the above arguments in mind, we attempt to quantify the likely magnitude of the manufactures' export gains of ESCWA countries following the successful implementation of the Uruguay Round Agreements. Towards that end, we employ the above-described partial equilibrium analysis (i.e., Viner's analysis) to simulate the impact of the reduction in tariffs and NTBs. The model is similar to that used by Cline (1978) for evaluating the Tokyo Round. In particular, two reduced form equations are estimated to calculate trade creation and trade diversion separately for

each market at the most detailed tariff-line level.[13] In a most-favored-nation (MFN) based liberalisation, exporters which previously enjoyed preferences suffer an erosion in tariff margins, while other exporters enjoy improved market access. The trade creation effect is the increased demand in country j for commodity i from exporting country k resulting from the price decrease associated with the assumed full transmission of price changes when tariffs or NTB distortions are reduced or eliminated all together. The formula used is given by:

Equation 1

$$TC_{ijk} = M_{ijk}\varepsilon_m * \frac{dt_{ijk}}{1+t_{ijk}} * \frac{1}{1-\dfrac{\varepsilon_m}{\varepsilon_x}}$$

where

M_{ijk} = imports of country j of commodity i from exporter k

ε_m = elasticity of import demand with respect to domestic price

t_{ijk} = ad valorem tariff rate imposed by country j on the imports of commodity i from country k

ε_x = elasticity of export supply with respect to export price

On the other hand, the trade diversion effect is used to account for the tendency of importers to substitute goods from one source to another in response to a change in the import price of goods from one source but nor from the alternative source. It is given by

Equation 2

$$TD_{ijk} = \frac{M_{ijk}}{\sum M_{ijk}} * \frac{\varepsilon_s * \sum M_{ijk} * \sum M_{ijk} * \dfrac{d(P_{ijk}/P_{ijk})}{P_{ijk}/P_{ijk}}}{\sum M_{ijk} + \sum M_{ijk} + \varepsilon_s * \sum M_{ijk}} * \frac{d(P_{ijk}/P_{ijk})}{P_{ijk}/P_{ijk}}$$

where

M_{ijk} = imports from non-preference receiving country k

ε_s = elasticity of substitution between preference-receiving and other goods

P_{ijk} = prices of goods in the preference receiving country

P_{ijK} = prices of goods in the non-preference receiving countries

a) Elasticities

As is evident from equations 1 and 2 above, the key inputs to the model--besides trade flows, tariffs, and non-tariff barriers (NTBs)--are three sets of elasticities: (i) import (price) demand elasticities, (ii) elasticities of supply, and (iii) the cross (price) elasticities of substitution.

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[13] See also IMF (1984) and Sapir and Baldwin (1983) for similar model applications. In these specifications, trade creation is the increase in total trade due to lower prices from reduced protection. Trade diversion is the substitution among suppliers as a result of changes in prices. The summation of trade creation and trade diversion gives the net trade effect for each market.

For import demand elasticities, we used what we judged to be the best estimates available.[14] These are not a consistent set in terms of estimation methods, and the markets and specific years they pertain to. Despite these shortcomings, the elasticities broadly reflect the differences across products. Nevertheless, we tested the sensitivity of our results by modifying the vector of elasticities to reflect low and high case assumptions.

The scenario uses an infinite elasticity of supply across the board. As long as increases in exports are incremental, this may be a reasonable assumption. For large increases, especially in the case of small countries, obviously this is not realistic. In the absence of any reasonable estimate for these cases, our check of this assumption was to do sensitivity analysis with a unitary and a finite elasticity within generally accepted ranges.

A critical input is the cross elasticity of substitution, which determines the scope of trade diversion. This elasticity was assumed to be 1.5 for all products. Estimates of this elasticity are extremely sparse, and in any case, as any estimate is specific to the product and the pairs of countries (or groups of countries) in question, there are an immense number of possible combinations. In adopting a value for our scenario, we based our judgment on our survey of the literature and in particular the work by Cline (1978).

b) The Treatment of NTBs

For the Uruguay Round liberalisation scenario, we incorporated estimates of the *ad valorem* equivalents of NTBs directly in our data base. The primary source of data on NTB *ad valorem* equivalents was the survey by Laird and Yeats (1990) supplemented by information drawn from several US International Trade Commission studies.

c) Time Horizon

A static model measures the impact of an exogenous change--in this case MFN liberalisation--in terms of short-term adjustments. These adjustments typically exclude installment of new capacity and efficiency gains in existing production activities as well as the development of new exports. It is customary to assume that the time horizon for these shorter-term adjustments is not much longer than a year.

d) Shortcomings of the Model

It is useful to keep in mind the following shortcomings of the partial equilibrium model used while interpreting the results:
-    it is a partial equilibrium model, it omits economy-wide and international interactions through production activities.
-    It is a static framework, excluding investment, technological changes, and new product lines.
-    Because of the static nature of the model, it is relevant only to the short term.
-    The crucial elasticities used are rough estimates.
-    It essentially deals only with tariff cuts; the impact of changes in NTBs are incorporated only in a rudimentary fashion.

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[14] See Cline (1978), Laird and Yeats (1986), and Stern (1975).

Given these limitations, one might ask what is the usefulness of the exercise? While the computation is basically an accounting--or summing up--exercise, it does provide orders of magnitude of the short-term impact of the Uruguay Round on ESCWA countries exports of manufactures. This is of value, given the large number of products involved and the diversity of tariff rates and preference margins.

Table 11 presents the estimates of the model by country and by the three most important OECD markets (the EU, Japan and the US). It is estimated that the combined manufactured exports of ESCWA countries will expand by US$ 180 million as a result of tariff and NTB reductions. This represents a mere 4 per cent increase over the 1993 manufactured exports to the three largest OECD markets. The largest potential gain in manufactured exports is estimated to go to the UAE, and especially in Japan's market. Next in line are the manufactures exports of Egypt that are estimated to increase by US$ 43 million. The increase for Egypt is highest in the US market (US$ 25 million) which reflects the fact that Egyptian manufactured exports are anticipated to become more competitive due to reductions in tariffs and NTBs, and despite the fact that the preference margins accorded to Egypt's exports in the US are to be eroded. The reason for such an apparent anomaly is simple: on the one hand, Egypt will experience a loss in manufactures exports as a result of erosion of its preference; on the other hand, such a loss is more than compensated by exports gains Egypt will pick up as a result of erosion of preferences of other countries that enjoyed relatively larger preferences in OECD markets than Egypt (such as countries that benefit from the CBI initiative). Next in line comes Saudi Arabia with a potential net benefit in the order of US$ 36 million; however, Saudi Arabia seems positioned to experience the largest loss in any one single market (the EU) due to erosion of preference in that market.

The above estimations notwithstanding, perhaps the most important impact on ESCWA countries of the Uruguay Round Agreements on market access will be generated by these countries' own liberalisation drives and commitments. Should countries in the region commit themselves to lower and bind the majority of their tariff lines, in addition to effecting some significant scaling down of NTBs, their economies will go a long way in supporting the shift of incentives towards tradeables, especially exportables, and will thus lead to a more efficient allocation of resources.

VI. THE WIDER PICTURE

Under the Uruguay Round, all the Agreements reached were approved as a single block. As discussed earlier, quantitative estimates presented in the previous section understate the full potential effects from the Round. The Round covers far more than cuts in tariffs and NTBs; it aims to produce a fairer, more transparent multilateral trading system. It is accordingly necessary to take into account intangibles, such as greater competition, a much more predictable trading system and environment, and more exposure to scrutiny of less transparent NTBs. Of major importance are the liberalisation achievements in the new areas, which for technical reasons could not be included in the calculations, and extending GATT disciplines to these areas. In what follows, an attempt is made to explain the achievements relevant to the manufacturing sector, and to analyse separately the likely impact of such achievements.

A. Rules

A.1 Safeguards

Under the old rules, the applications of measures against imports, including quantitative restrictions, were based on the GATT's safeguard provision (Article XIX). Safeguards were permitted when unexpectedly rapid import growth caused or threatened serious injury to a domestic industry as the consequence of obligations assumed under the GATT. However, import-restricting measures under the safeguard provisions were temporary in nature and should have been compensated for through additional trade liberalisation commitments. Although there was no clear statement on the matter, it was generally accepted that Article XIX should be applied on a non-discriminatory basis.

The compensation principle, as well as the implicit non-discriminatory application of import-restricting measures, may have been among the most important elements which drove governments away from using the safeguard provisions. The availability of other less burdensome and more popular means of protection may also have contributed to their less frequent use. These included, for example, VERs, which offered exporters the opportunity to avoid the inferior outcome of import restrictions and to extract economic rents from the restrictions, as well as anti-dumping and countervailing duties. The unwillingness of countries to observe the safeguard rules constituted a major breach of GATT disciplines.

The Uruguay Round negotiations on safeguards aimed to strengthen and clarify the rules designed to protect industries in difficulty through temporary import restrictions (which may include tariffs or NTBs). It also aimed to deter countries from using other "grey area" measures to restrict imports.[15]

The Agreement reached provides for a more flexible use of safeguards under tighter disciplines. It eliminates the use of all VERs, and similar "grey area" measures that may restrict imports or exports within 4 years. All existing safeguard measures are to be eliminated in 5 to 8 years. Prior to the application of new safeguard measures, countries must demonstrate serious injury or threat thereof, and must notify immediately such measures to the GATT Committee on Safeguards.

Overall, the Agreement on Safeguards is a mixed blessing. On the one hand, safeguards may discriminate among suppliers but only in exceptional circumstances where imports from a member country increase disproportionately. Under such circumstances, the country applying the restrictions may either seek agreement with respect to the allocation of the quota among members with substantial interest in the affected product, or, alternatively, the restricting country may allot to the members concerned shares which reflect the latter's historical performances. Furthermore, no compensation or retaliation is foreseen during the first three years that a measure is applied.

On the positive side, the duration of safeguard measures is limited and cannot be renewed during the same amount of time for which they were originally applied, and in any event not until two

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[15] Aside from VERs, grey area measures include: orderly marketing arrangements, export moderation, export-price or import-price monitoring systems, export or import surveillance, compulsory import cartels and discretionary export or import licensing schemes.

years after the previous application of the measure.[16] In addition, safeguard measures must be progressively liberalised during their life, and are subject to surveillance and review if they last for more than three years.

The Agreement contains three special provisions that provide developing countries with flexibility. First, LDCs may maintain safeguard measures for a period of 10 years, instead of 8. Second, they may re-impose safeguard measures after half the time of a previous application in case the minimum two-year period of non-application has elapsed. Third, LDC exporters which account for less than 3 per cent of a country's imports of a specific product are exempted from safeguard action, provided that all LDC members with less than 3 per cent share account for less than 9 per cent share overall.

The Agreement tightens procedures in significant ways, adding greater accountability and discipline in the use of safeguard measures. Its commitment to eliminate all VERs is perhaps one of its most important achievements. However, on the less positive side, the Agreement weakens the obligation to provide compensatory liberalisation remedies if a safeguard measure is taken. Also of concern is the fact that the Agreement relaxes both the non-discrimination and retaliation rule. The combinations of these factors could lead to a proliferation in the use of safeguard measures. (One should note, however, that a primary goal of the revised rules on safeguards has been to push countries away from using discretionary, non-transparent and largely uncontrolled measures of contingency protection).

Allowing quota allocations to be discriminatory under certain circumstances deprives the GATT of one of its most important pillars: the MFN rule. Perhaps equally seriously is the issue of allowing quota allocations to be agreed between the importing and exporting countries. Thus, a risk remains that concealed VER-type measures could re-emerge.

The net impact of the these contrasting factors on ESCWA countries is hard to predict at this stage. Indeed, much will depend on the extent to which governments will take advantage of their new rights under the Agreement to apply quantitative restrictions rather than price-based measures when they take safeguard actions. Furthermore, the impact on ESCWA countries will also depend on whether the new disciplines on anti-dumping and countervailing duties are strong enough to prevent the *de facto* substitution of VERs and other safeguard measures with unfair trade remedies. Further research on this topic as events unfold will be warranted.

A.2. Anti-dumping

The anti-dumping code which was formally called the Agreement on Implementation of Article VI (hereafter "the code"), allows for the imposition of anti-dumping duties following proof that dumping has taken place and a domestic industry has been injured, and the dumped imports are the cause of injury. Under the old rules, anti-dumping duties against unfair trade practices have increasingly lent themselves to protectionist ends. The code's detailed and complex procedures have left many issues lacking in clarity. Thus, national statutes have increasingly developed beyond the grasp of the code, and may have conveniently served as surrogates for selective safeguards.

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[16] The duration of safeguard measures is limited to four years initially, but can be extended for a further maximum period of four years, provided conditions warrant this and there is evidence that the concerned industry is adjusting. Developing countries can maintain safeguard measures for a maximum of ten years.

The Uruguay Round Agreement on Implementation of Article VI of the GATT (1994) (hereafter "the Agreement") seeks to strengthen the rules on anti-dumping. The results of the Agreement point to some improved provisions in respect of dumping margin calculations, injury determination, the definition of domestic industry, investigation procedures, and standards of evidence. It further imposes disciplines with regard to transparency of the anti-dumping procedures.

Furthermore, the Agreement contains a specification of *de minimis* provisions related to the margin of dumping and volume for terminating proceedings: anti-dumping cases are to be terminated if the margin of dumping is less than 2 per cent, or if the share of the volume from particular countries in the importing market are below 3 per cent (or cumulatively 7 per cent among exporters supplying less than a 3 per cent share). Under such provisions, cumulation of imports from more than one country in an injury investigation is not permitted. Otherwise, the Agreement allows for "cumulation", *i.e.*, the assessment of injury by aggregating imports across several exporting countries

The Agreement also requires that anti-dumping duties remain in place for no longer than 5 years unless a review demonstrates that the removal of duty would likely lead to continuation of dumping and injury. Moreover, it limits the freedom of GATT dispute settlement panels to examine the merits of a dispute concerning anti-dumping action. The panels are limited to a consideration of "whether the authorities' assessment of the facts was proper and whether their evaluation of those facts was unbiased and objective" (Article 17.6 of the Agreement). If these standards were satisfied, a decision by a national authority could not be overturned, even in case where the panel might have reached a different conclusion. Furthermore, the Agreement did not include any provisions for anti-circumvention measures designed to penalise exporters who shift the location of production in order to avoid anti-dumping duties. However, a Ministerial Declaration on Anti-Circumvention recognised the problem and the need to develop appropriate rules as soon as possible.

Finally, the Agreement stipulates that developing countries are to be given special consideration, and the possibility of constructive remedies should be explored prior to initiating anti-dumping action against their exports.

Although the Agreement provides clearer and firmer rules in many instances, it remains to be seen whether these rules will continue to be subject to discretionary interpretations by national authorities. This is an especially relevant point in view of the limited extent to which multilateral authority can challenge national anti-dumping laws through the dispute settlement procedures.

The number of anti-dumping cases against ESCWA countries' exports has grown lately; and so has the tendency for these countries to resort to anti-dumping actions of their own. These trends may undermine gains from trade liberalisation. This issue merits further exploration once new anti-dumping actions are initiated.

A.3 Subsidies and countervailing measures

The code on subsidies and countervailing duties is formally known as the Agreement on Interpretation and Application of Articles VI, XVI, and XXIII. The code provides rules that are intended to protect access commitments with respect to the domestic market and to control intrusions into foreign markets via government assistance through subsidy payments.

During the pre-Uruguay Round trading environment, the code outlawed export subsidies on manufactured products, and indicated that subsidies on primary products should be avoided. In cases where primary products were being subsidised, this should not have lead a country to acquire more than a fair share of trade in the subsidised product. The rules and disciplines for production subsidies were regarded as being weak. All that was required was that production subsidies should not be used in a way that adversely affected the industry of another country, or nullified or impaired in any way benefits that would otherwise accrue under the GATT.

The Uruguay Round negotiations aimed to restrain the use of all subsidies and to improve the rules on countervailing duties. These negotiations resulted in the Agreement on Subsidies and Countervailing Measures clarifying rules on subsidies which are now classified under three different categories: prohibited, actionable, and non-actionable subsidies.

Prohibited subsidies include all non-agricultural subsidies and subsidies contingent upon domestic content requirements. They will be subject to new dispute settlement procedures whose main feature include an expedited timetable for action by the Dispute Settlement body. Actionable subsidies are those that cause injury, nullification or impairment of benefits, or serious prejudice.[17] Matters related to this kind of subsidies may be referred to the Dispute Settlement body of the GATT. Finally, non-actionable subsidies include specific subsidies or non-specific ones that involve assistance to industrial research and pre-competitive development activity, assistance to disadvantaged regions, and subsidies for environmental adaptation. Subsidies on agriculture are not covered by the provisions of this Agreement.

The Agreement also sets out disciplines on the initiation of countervailing cases, investigations by national authorities and rules of evidence. In addition there are disciplines for the calculation of subsidy as well as the basis for the determination of injury to domestic industry. Countervailing investigations will be withdrawn in cases where the amount of subsidy is less than 1 per cent on an *ad valorem* basis. In general, all countervailing investigations will be concluded within 1 year, and in no case can their proceeding stretch beyond 18 months. Finally, all countervailing duties are to be terminated within 5 years of their imposition, unless such act can lead to the continuation or recurrence of subsidisation and injury.

Several provisions in the Agreement introduce greater flexibility for developing countries. Any LDC with an annual per capita income of less than $1,000 is allowed to maintain export subsidies. Furthermore, non-recurring subsidies in LDCs which are linked to privatisation programmes are not actionable under this Agreement. Once a developing country graduates (i.e., its per capita income exceeds $1,000), then that country is given a maximum of 8 years to phase out export subsidies (there is however some provision for extension). Economies in transition are given a maximum of 7 years to do the same. The prohibition of subsidies linked to domestic content requirements will not apply to LDCs for 5 years, and to least-developed countries for 8 years. Finally, *de minimis* provisions exempt LDCs from countervailing duties when their subsidy levels do not exceed 2 per cent (or 3 per cent in case a country accelerates the timetable for eliminating export subsidies), or import shares are less than 4 per cent, and cumulatively among countries benefiting from this provision, less than 9 per cent of total imports.

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[17] Serious prejudice occurs in cases where the amount of the total *ad valorem* subsidy exceeds 5 per cent, or when subsidies are used to cover operating losses, or when there is direct debt forgiveness.

Table 9 presents some evidence with respect to the sectors that remain subject to post-Uruguay Round measures affecting exports of LDCs into developed countries markets. In this respect, anti-dumping duties and countervailing actions have become the single most important type of measure. Their trade-coverage ratios (based on 1992 trade flows) are as high as 16.5 per cent for iron and steel products. Next in line are travel goods with a trade-coverage ratio of 12.8 per cent. A similar coverage ratio affects plastic materials. However, it must be recalled that, unlike safeguards that carry with them an implicit admission of the inability of a domestic industry to compete, anti-dumping duties and countervailing actions can be justified on the grounds of unfair behaviour on the part of foreign suppliers. The Agreement contains incentives for developing countries to curtail the practice of offsetting domestic protection with export subsidies, and as such, its goes a long way in curbing their open-ended use. Furthermore, the possibilities of abusing the use of countervailing duties for protectionist purposes in some industrial markets have been curtailed. The combination of these factors will do much to relieve friction in this area.

B. New areas

Aside from dealing with traditional and contentious issues affecting the multilateral trading system, the Uruguay Round took on added challenges. It sought to bring under the auspices of the GATT "new issues" encompassing trade-related intellectual property rights, trade-related investment measures, and trade in services. Bringing these issues under the GATT was regarded as necessary to keep the system relevant in the face of widespread changes in international economic relations. Globalisation trends in the world economy have made it imperative to search for international rules and regulations to meet the new realities. Their introduction has extended the purview of the trading system beyond goods markets to factor and services markets as well. No discussion of the GATS agreement is included here.

B.1 Trade-related intellectual property rights (TRIPs)

The Agreement reached can be described as far reaching given that it covers substantive intellectual property rights and measures for their enforcement. It develops rules designed to extend the protection of intellectual property rights to all participating countries. The Agreement establishes that national treatment and MFN treatment are to apply in respect of all intellectual rights covered by the Agreement. It also establishes minimum standards for the protection of intellectual property rights, provisions for their enforcement, and provisions for dispute prevention and settlement, as well as transitional arrangements. The minimum standards of protection cover 7 areas: copyright, trademarks, geographical indications, industrial design, patents, lay-out designs of integrated circuits, and protection of undisclosed information.

The enforcement provisions are designed to ensure that intellectual property rights established under the Agreement can be effectively enforced by foreign rights holders as well as by a country's own nationals. The dispute settlement provisions exclude non-violation complaints for a period of five years, and would be governed by the integrated WTO dispute settlement procedures.

Developed countries will be given 1 year following the establishment of the WTO to implement the Agreement. LDCs and economies in transition will be given a 5 year transition period (except for the national treatment and MFN commitments), while least-developed economies will be afforded up to 11 years to follow suit, with the possibility of further extensions. However, no action will be taken during the transition periods that may result in lessening the consistency of existing intellectual property protection regimes with the Agreement. Moreover, all inventions concerning

pharmaceuticals and agricultural chemical products which will be patented after entry into force of the WTO will be protected regardless of any transitional commitment, except for least developed countries whose transition period may be extended upon request, though they will still be required to provide exclusive marketing rights.

Finally, the Agreement addresses matters relating to anti-competitive practices in contractual licenses. It calls for consultations among governments while stressing that remedies against such abuses must be consistent with other provisions of the Agreement.

Benefits from the Agreement will accrue to those ESCWA countries that have already started to develop and export technology-intensive products and services. Benefits may accrue to ESCWA countries that may experience a rise in foreign direct investment in high-technology industries resulting from their adoption of the Agreement, especially since this may be regarded as a pre-condition for the transfer of technology. The potential benefits to ESCWA countries will also depend on the extent to which the absence of intellectual property protection affects the supply of research and development (R&D) in their own countries. Moreover, to the extent that any one country was being penalised for property rights infringements, the Agreement will further serve to reduce tensions.

The impact may be different for those ESCWA countries that have less scope for attracting technology-intensive investments or exporting technology-intensive products and services, or whose market size precludes benefits from protection of intellectual property. Empirical research in this area is of paramount importance. It would be useful to concentrate on an industry-by-industry analysis, and match each industry with particular patterns of consumption in ESCWA countries, and their respective market sizes.

B.2 Trade-related investment measures (TRIMs)

The Agreement acknowledges explicitly that certain measures governing the treatment of investment have restrictive or distortive effects on trade. The Agreement, which applies only to investment measures related to trade in goods, provides that no signatories shall apply any TRIM inconsistent with Articles III (National Treatment) and XI (General Elimination of Quantitative Restrictions) of the GATT 1994. To this end, an Illustrative List of TRIMs deemed to be inconsistent with the above articles has been appended to the Agreement. It covers the following types of prohibited TRIMs: (i) those that require particular levels of local sourcing by an enterprise (i.e., local content requirements); (ii) those which restrict the volume or value of imports which an enterprise can buy or use to the volume or value of products it exports (i.e., trade balancing requirements); (iii) those that restrict the volume of imports to the amount of foreign exchange inflows attributable to an enterprise; and (iv) measures which restrict the export by an enterprise of products, whether specified in terms of the particular type, volume or value of products or of a proportion of volume or value of local production. Prohibited practices under the Agreement include both those that are mandatory in nature and those "with which compliance is necessary to obtain an advantage".

The Agreement requires the mandatory notification of all non-confirming TRIMs covered by the Illustrative List and maintained at the national and sub-national levels and calls for their elimination over transition periods of 2 years from entry into force of the WTO for developed countries, 5 years for developing countries, and 7 years for least developed countries. It establishes a Committee on TRIMs whose mandate includes monitoring the implementation of commitments

under the Agreement. Consultation and settlement of disputes under the Agreement are to be governed by the WTO's integrated dispute settlement system. No later than 5 years following its entry into force, the Agreement is to be reviewed with a view to proposing , as appropriate amendments to its text (including a broadening of the Illustrative List) and considering the scope for complementary provisions on investment and competition policy.

The Agreement provides LDCs with the possibility of temporarily applying TRIMs figuring in the Illustrative List, but only in accordance with Article XVIII:C (protection of infant industries), and GATT rules on balance of payments safeguard measures (Article XVIII:B).

Limiting the use of both local content and trade balancing requirements will serve the interests of those ESCWA countries which are most committed to create a neutral trading and investment environment. This is especially relevant since performance requirements, aside from their trade-distorting results, create dis-incentives for foreign firms as they act as an implicit tax. In attempting to counterbalance these disincentives, countries more often than not grant investment incentives. However, these distort the pattern of investment from that under free trade in the same way tariffs do. In most cases, the overall impact of such practices has been welfare-reducing. Curtailing their use will, therefore, save ESCWA countries lost income and opportunities. Further research on the nature and sectoral incidence of remaining TRIMs in ESCWA countries is warranted, as well as on the broad typology of investment barriers which would likely be the object of more comprehensive rule-making in the future.

C. Institutional

C.1 Integrated dispute settlement

The Understanding on Rules and Procedures Governing the Settlement of Disputes brings the dispute settlement system of the GATT up to date by building on existing GATT practices, and extending them in significant ways. This has been achieved through the introduction of greater speed and automaticity into the dispute settlement procedures that eliminate competing fora within the system. The integrated system seeks to ensure procedural and interpretative consistency in dispute settlement practices across all issues. It provides for greater automaticity in: (i) the establishment of a dispute settlement panel if bilateral consultations fail, (ii) the adoption of reports by dispute settlement panels and, (iii) the right of retaliation in the event of no compliance with adopted panel recommendations. Adoption of panel reports has been changed from "consensus to accept" to "consensus to reject", in other words, the arrangements virtually guarantee the adoption of panel findings which can only be blocked by a consensus decision. Furthermore, the Understanding establishes an appellate review body whose adopted rulings are binding, as are the findings of adopted panel reports. The Understanding also provides for a system of ex post surveillance and follow-up of the implementation of dispute settlement decisions.

The Understanding also allows, under prescribed conditions, the possibility of cross-sectoral retaliation in the areas of goods, services and property rights. All of these steps are governed by strict timetables so that an entire proceeding will be completed within 18 months from the first request for consultation. Moreover, the Understanding also limits unilateral actions by requiring that multilateral dispute settlement procedures must be followed, and unilateral determinations must not be made in violation of obligations or nullification or impairment of benefits under the WTO. Finally, the Understanding establishes that central governments are responsible for the

actions of local authorities and must pay compensation or face retaliation in the event that the latter violate any WTO provision.

The automatic panel adoption provisions which make it hard to block procedurally findings, as well as the limitations imposed on unilateral actions will serve the interests of ESCWA countries. Both will go a long way in reducing trade frictions, and hence contribute to a more stable trading environment. Moreover, more demanding rules will leave less room for manoeuvre and intensify pressure on countries to comply with rulings.

C.2 The World Trade Organisation (WTO)

The Agreement Establishing the WTO is one of the most important achievements of the Uruguay Round. It enhances GATT surveillance mechanisms (through regular reviews of members' trade policies, and annual reviews of international trade), while improving the overall effectiveness of the institution (through regular ministerial meetings), as well as increasing its contribution to coherence in policy making (through collaboration between the WTO, the World Bank and the International Monetary Fund).

The WTO will bring under one umbrella all the Uruguay Round Agreements, the GATT 1994 and the remaining four plurilateral agreements.[18] The WTO will replace the provisional accession instruments through which countries joined GATT from 1947 onward. This implies the elimination of the grandfather clause contained in the provisional accession protocols, under which countries could avoid any GATT discipline that contradicted pre-existing mandatory legislation.

The WTO establishes the legal basis for the new multilateral trading system as a single, indivisible undertaking, where membership is conditional on countries having schedules of concessions and commitments on market access in industrial and agricultural products, as well as in the service sector. Membership in the WTO also implies acceptance of GATT 1994 (which includes GATT 1947 and all amendments and protocols to it) as well as all of the Uruguay Round Agreements. This concept of a single undertaking underlying the WTO means that LDCs are assuming more extensive and higher levels of obligations than ever before, although tightly controlled waivers from obligations are provided for under the WTO.

Transforming the system into a single undertaking will reduce its splintering into different layers, and as such would require fuller participation of ESCWA countries that are members of the WTO in the rights and obligations of the multilateral trading system. This will confer major benefits to these countries to the extent that they will effectively use their new rights and obligations.

V. CONCLUDING REMARKS AND SUGGESTIONS FOR FURTHER WORK

The paper assessed the impact of the Uruguay Round Agreements on ESCWA countries' exports of manufactured products. The assessment was made with reference to the liberalisation achievements with respect to reductions in tariffs and NTBs in the three main OECD markets. The assessment was also made with respect to the "intangibles" that may affect trade in manufactures.

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[18] These include: Agreement on Trade in Civil Aircraft, Agreement on Government Procurement, International Dairy Arrangement, and Arrangement Regarding Bovine Meat.

The empirical results suggest that the implementation of the Uruguay Round Agreements will lead to a net increase in the manufactured exports of ESCWA countries to the main OECD markets of US$ 178 million, which represents 4 per cent expansion over the 1993 exports. The technical limitations inherent in all exercises of this type are such as to lead, almost certainly, to the net benefits being under-estimated.

Indeed, there are good reasons to think that the benefits to ESCWA countries from the Uruguay Round will go well beyond what is quantifiable. In particular, quantitative studies do not take into account the effects of strengthening and extending GATT rules and disciplines across new areas -- thereby making competition fairer and more transparent, and the effects of easing bilateral trade tensions and associated political conflict. It does not also reflect the positive aspects associated with the fuller integration of developing countries and former state trading economies into the multilateral system. In addition, the results do not reflect the benefits from enhanced efficiency originating from ESCWA countries' own liberalisation commitments (whether on a unilateral, regional or multilateral basis). Finally, the results are reported in respect of gains in OECD markets and to the exclusion of those in other developing countries where reliable data are hard to come by, and where ESCWA exported some 42 per cent of its 1992 total. Finally, various sections of the paper called for further research as events unfold. These topics merit further detailed analysis with the aim of developing appropriate sets of policies designed to take full advantage of the achievements of the Round, especially since many of the Agreements will take some time to be phased-in, thus giving ample time for ESCWA countries to adjust in an optimal manner.

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Table 1: Trend in total exports of individual ESCWA countries and major 1992 destinations.
(US dollar millions and percentages).

Country/Year	1950	1960	1970	1975	1980	1985	1990	1991	1992
GCC	670	2,220	5,590	50,200	162,700	62,490	84,880	80,070	82,360
Bahrain	110	190	274	1,147	3,598	2,897	3,761	3,513	3,368
Kuwait	195	1,000	1,901	9,184	19,854	10,479	6,956	875	6,690
Oman	2	2	206	1,416	3,748	4,972	5,215	4,874	5,428
Qatar	21	126	236	1,809	5,711	3,541	3,529	3,107	3,600
Saudi Arabia	340	900	2,424	29,676	109,111	27,480	44,417	47,979	42,769
UAE	3	2	550	6,970	20,678	13,124	21,000	19,900	20,500
Other ESCWA	715	907	1,335	3,789	7,398	5,339	9,237	9,342	8,874
Egypt	513	568	762	1,402	3,046	1,838	2,582	3,618	3,071
Jordan	4	11	34	153	574	790	1,063	1,131	1,220
Lebanon	15	40	198	1,121	868	482	850	800	840
Syria	70	110	203	930	2,108	1,637	4,062	3,143	3,093
Yemen	113	178	138	183	802	592	680	650	650
Total (a)	1,385	3,127	6,925	53,989	170,098	67,829	94,117	89,412	91,234
Memo Items									
All LDCs (b)	18,900	28,300	57,900	214,800	573,500	456,500	743,000	777,500	830,200
World (c)	60,700	129,100	315,100	875,500	1,998,200	1,935,600	3,447,200	3,433,600	3,662,400
a/b (%)	7.3	11.0	12.0	25.1	29.7	14.9	12.7	11.5	11.0
a/c (%)	2.3	2.4	2.2	6.2	8.5	3.5	2.7	2.6	2.5

Source: UN COMTRADE Database.

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Table 2: Export concentration and diversification indices for selected ESCWA countries (1980, 1990).

Country	1980			1990		
	a	b	c	a	b	c
Bahrain	58	0.77	0.79	110	0.87	0.75
Kuwait	189	0.70	0.73	79	0.71	0.51
Qatar	3	0.79	0.93	34	0.87	0.71
Saudi Arabia	183	0.76	0.94	169	0.85	0.79
UAE	197	0.73	0.87	202	0.80	0.73
Egypt	80	0.67	0.58	154	0.70	0.44
Syria	114	0.67	0.62	116	0.83	0.67

(a) number of commodities exported

(b) "Diversification index" calculates the absolute deviation of the country commodity shares from world structure as follows:

$$S_j = \frac{\sum_i |h_{ij} - h_i|}{2}$$

where h_{ij} = share of commodity i in total export of country j, and h_i = share of commodity i in total world exports.

(c) "Concentration index" is Herschmann index normalised to make values ranging from 0 to 1 (maximum concentration), according to the following formula:

$$H_j = \frac{\sqrt{\sum_{i=1}^{239} (\frac{x_i}{X})^2} - \sqrt{\frac{1}{239}}}{1 - \sqrt{\frac{1}{239}}}$$

where j = country index; x_i = value of exports of commodity i and X represents the sum over i = 239 number of products at the three-digit SITC, rev2 level.

Table 3: Destination of ESCWA's exports, 1992, by major country groups

Country	OECD (%)	EU	North America	Japan	Other OECD	LDCs	Others
GCC	55	13	10	29	3	43	2
Bahrain	17	3	3	11	1	82	1
Kuwait	51	24	7	19	1	42	7
Oman	40	2	3	35	0	51	10
Qatar	62	3	2	57	0	31	7
Saudi Arabia	55	16	14	20	4	44	1
UAE	64	9	6	46	3	35	1
Other ESCWA	42	31	5	2	6	36	21
Egypt	63	39	10	2	11	27	10
Jordan	13	5	2	2	5	62	26
Lebanon	32	10	8	0	13	63	5
Syria	43	42	1	0	1	23	34
Yemen	38	23	8	7	0	62	23
Total	53	15	9	26	3	42	4

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Table 4: OECD's total imports from ESCWA countries, (thousands US$).

A- By OECD partner

OECD partner/year	1980	1985	1990	1991	1992	1993
JAPAN	35,366,575	26,456,897	25,922,425	25,552,192	25,705,573	24,079,386
UNITED STATES	17,117,579	3,228,333	13,732,824	13,637,485	13,425,637	12,662,151
FRANCE	12,420,684	3,067,953	4,270,812	4,822,513	4,287,794	3,890,057
ITALY	10,482,383	5,004,032	4,587,348	4,223,736	3,980,128	3,514,027
NETHERLANDS	7,190,478	2,078,446	2,880,498	3,062,958	2,934,051	3,447,736
UNITED KINGDOM	7,440,958	1,565,844	2,323,058	2,490,395	2,881,426	3,261,288
GERMANY	8,057,258	1,927,054	2,913,434	2,514,133	2,541,485	2,349,553
TURKEY	320,511	371,409	1,140,667	2,370,268	2,244,190	2,114,853
SPAIN	4,939,652	923,333	1,096,823	1,676,174	1,748,320	1,669,733
AUSTRALIA	1,556,006	895,584	1,138,668	983,865	1,014,090	1,119,271
GREECE	1,534,575	1,058,561	349,518	426,563	644,102	795,598
CANADA	2,299,884	42,852	691,282	545,658	529,713	540,538
SWEDEN	1,982,625	93,550	290,046	122,359	345,837	498,789
NEW ZEALAND	547,905	184,992	488,347	428,927	385,969	373,071
PORTUGAL	673,746	539,421	575,652	472,851	480,005	327,383
SWITZERLAND	664,157	210,558	374,478	372,026	271,003	301,793
BLX	4,934,339	613,281	679,684	1,117,442	1,187,828	287,833
AUSTRIA	529,022	210,740	287,501	218,260	316,919	275,090
DENMARK	364,178	338,117	359,839	46,535	34,123	29,145
FINLAND	781,055	219,121	225,943	252,662	173,665	24,161
NORWAY	471,000	41,268	37,599	82,828	15,509	16,707
IRELAND	319,635	8,131	13,833	30,600	17,516	15,486
ICELAND	18	24	41	111	111	108
EU sub-total	61,650,606	17,647,608	20,854,030	21,477,292	21,573,310	20,385,987
Total	119,994,223	49,079,501	64,380,320	65,450,541	65,164,994	61,593,757

B- By ESCWA country origin

Origin/Year	1980	1985	1990	1991	1992	1993
UAE	18,361,032	11,327,435	12,886,590	14,332,531	13,424,728	11,747,826
EGYPT	4,427,184	4,051,568	3,632,028	3,146,395	3,890,631	3,806,293
SYRIA	1,439,335	907,883	1,803,736	1,823,689	2,099,522	2,309,715
LEBANON	164,275	113,709	220,399	238,542	204,067	236,307
JORDAN	85,872	268,060	189,131	150,646	153,931	163,555
SAUDI ARABIA	77,531,015	20,256,258	33,842,143	39,339,007	37,274,887	31,772,436
YEMEN	10,784	37,326	1,344,146	457,246	352,351	495,465
KUWAIT	9,870,270	5,357,314	4,722,663	363,919	2,506,709	6,035,878
BAHRAIN	770,328	595,599	675,828	766,259	637,972	727,100
QATAR	4,545,741	2,867,497	2,310,219	2,320,219	2,333,446	2,305,595
OMAN	2,788,387	3,296,852	2,753,437	2,512,088	2,286,750	1,993,587
Total	119,994,223	49,079,501	64,380,320	65,450,541	65,164,994	61,593,757

Table 5: OECD's imports of manufactures from ESCWA countries, (thousands US$).

A- By OECD partner

OECD partner/year	1980	1985	1990	1991	1992	1993
CANADA	11,537	4,320	35,501	18,908	19,426	20,016
UNITED STATES	60,619	162,249	474,814	506,919	771,679	928,926
JAPAN	1,482	124,999	329,271	337,616	265,141	355,513
AUSTRALIA	252	6,885	13,922	15,023	17,496	18,294
NEW ZEALAND	31	4,382	9,576	6,966	10,405	13,745
AUSTRIA	6,887	18,555	35,886	32,961	27,872	26,533
BELGIUM & LUXEMBOURG	51,034	102,724	194,628	181,601	186,147	199,708
DENMARK	6,820	12,669	32,082	14,904	14,672	15,364
FINLAND	1,545	5,020	30,126	19,057	15,023	10,050
FRANCE	39,735	83,419	218,350	230,339	240,517	269,690
FED.REP. OF GERMANY	106,364	149,535	360,256	372,995	336,389	396,764
GREECE	4,989	3,053	42,510	64,787	61,649	42,086
ICELAND	2	4	26	91	97	83
IRELAND	2,012	2,829	8,960	26,789	9,949	12,469
ITALY	40,707	154,478	335,864	383,823	503,905	892,275
NETHERLANDS	22,129	55,131	93,568	94,992	121,015	206,229
NORWAY	2,293	5,746	34,976	18,945	9,717	14,948
PORTUGAL	4,960	3,013	5,978	9,334	8,525	13,891
SPAIN	4,082	24,139	109,058	125,003	120,114	111,409
SWEDEN	5,351	9,488	42,830	38,795	36,543	33,837
SWITZERLAND	60,945	126,679	309,304	316,008	222,708	241,446
TURKEY	14,090	14,861	64,891	64,926	58,095	56,880
UNITED KINGDOM	411,903	507,448	810,458	824,211	1,141,435	1,228,177
EU sub-total	708,520	1,131,505	2,320,580	2,419,682	2,823,852	3,458,565
Total	859,769	1,581,626	3,592,835	3,704,993	4,198,519	5,108,333

B- By ESCWA country origin

ESCWA Partner/Year	1980	1985	1990	1991	1992	1993
UAE	51,000	138,036	561,718	572,621	819,300	876,875
EGYPT	230,114	241,227	774,039	804,788	1,016,007	1,031,719
SYRIA	22,746	12,212	46,395	58,476	78,621	87,703
LEBANON	78,736	52,595	144,414	166,900	150,668	206,441
JORDAN	24,841	146,890	96,295	64,125	75,949	344,909
SAUDI ARABIA	302,966	688,884	1,484,614	1,494,398	1,458,394	1,761,358
YEMEN	1,819	5,726	8,865	12,933	24,538	20,681
KUWAIT	48,106	86,095	69,837	107,789	77,028	235,648
BAHRAIN	34,979	77,564	166,270	176,544	217,283	235,387
QATAR	16,571	45,314	84,641	121,134	104,189	121,206
OMAN	47,891	87,083	155,747	125,285	176,542	186,406
Total	859,769	1,581,626	3,592,835	3,704,993	4,198,519	5,108,333

Table 6. The effects of Uruguay Round concessions on tariff escalation in industrial countries

Processing stage	Description	Tariff rate			Change in escalation indicator	
		Pre-Uruguay	Post-Uruguay	Absolute	Stage comparison	Absolute difference
	Hides, skins and leather	5.2	4.2	1.0		
1	Raw hides	0.1	0.1	0.0		
2	Semi-manufactures	4.5	3.5	1.1	2 with 1	Decreased
3	Finished products	8.7	7.3	1.5	3 with 2	Increased
	Rubber	3.3	2.2	1.1		
1	Crude rubber	0.0	0.0	0.0		
2	Semi-manufactures	5.5	3.2	2.3	2 with 1	Decreased
3	Finished products	5.1	3.5	1.6	3 with 2	Decreased
	Wood	2.0	0.9	1.1		
1	Wood in the rough	0.0	0.0	0.0		
2	Wood Based Panels	9.4	5.4	4.0	2 with 1	Decreased
3	Semi-manufactures	0.9	0.4	0.4	3 with 2	-
4	Wood articles	4.7	0.5	4.3	4 with 3	Decreased
	Paper	3.5	1.5	2.0		
1	Pulp and Waste	0.0	0.0	0.0		
2	Paper and paperboard	5.3	2.6	2.7	2 with 1	Decreased
3	Printed matter	1.7	0.3	1.4	3 with 2	-
4	Paper articles	7.3	1.9	5.4	4 with 3	Decreased
	Jute	5.1	1.8	3.2		
1	Jute fibres	0.0	0.0	0.0		
2	Yarns of jute	5.4	0.1	5.2	2 with 1	Decreased
3	Jute fabrics	5.7	3.2	2.5	3 with 2	Increased
	Cocoa	4.4	2.5	1.9		
1	Cocoa beans	2.1	0.0	2.1		
2	Paste, powder and butter	4.6	2.8	1.8	2 with 1	Increased
3	Chocolate	8.8	7.2	1.6	3 with 2	Increased

Table 6 (contd.) The effects of Uruguay Round concessions on tariff escalation in industrial countries

Processing stage	Description	Tariff rate			Change in escalation indicator	
		Pre-Uruguay	Post-Uruguay	Absolute	Stage comparison	Absolute difference
	Tobacco	17.3	11.2	6.1		
1	Unmanufactured	14.7	11.5	3.2		
2	Manufactured	22.1	10.7	11.4	2 with 1	Decreased
	Copper	1.7	0.8	0.9		
1	Unwrought	0.9	0.5	0.4		
2	Semi-manufactures	4.3	2.0	2.3	2 with 1	Decreased
	Nickel	0.7	0.3	0.4		
1	Unwrought	0.5	0.3	0.2		
2	Semi-manufactures	2.6	0.4	2.2	2 with 1	Decreased
	Aluminum	3.0	2.0	1.1		
1	Unwrought	2.1	1.6	0.5		
2	Semi-manufactures	5.9	3.1	2.8	2 with 1	Decreased
	Lead	2.4	0.9	1.6		
1	Unwrought	2.4	0.9	1.5		
2	Semi-manufactures	4.5	1.8	2.7	2 with 1	Decreased
	Zinc	2.2	0.4	1.8		
1	Unwrought	2.1	0.3	1.8		
2	Semi-manufactures	4.7	2.3	2.4	2 with 1	Decreased
	Tin	0.1	0.0	0.1		
1	Unwrought	0.1	0.0	0.0		
2	Semi-manufactures	3.9	0.2	2.7	2 with 1	Decreased
	All industrial products	6.4	4.6	2.4		
1	Raw materials	1.8	0.8	1.0		
2	Semi-manufactures	5.3	2.8	2.5	2 with 1	Decreased
3	Finished Products	7.4	4.8	2.6	3 with 2	Decreased

Source: Yeats (1994). Pre-Uruguay Round data were drawn from The World Bank-UNCTAD SMART Database.

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Table 7: Pre-Uruguay Round Trade coverage ratios of industrial countries' non-tariff measures on imports from developing countries, by type of NTB

Product Group (STC)	Trade coverage ratios1					
	All non-tariff measures2	Variable levies and surcharges	Quantitative restrictions	Voluntary export restraints	Price control measures	Other entry control measures
Ores and metals (27+28+67+68)	10.0	0.1	0.5	5.5	6.5	0.0
Ferrous metals (67)	35.6	0.0	1.0	20.2	23.6	0.0
Non-ferrous metals (68)	0.0	0.0	0.0	0.0	0.0	0.0
Mineral fuels (3)	16.5	2.4	14.1	0.0	0.0	0.0
Chemicals (5)	3.4	1.1	2.2	0.1	0.0	0.0
Other manufactures (6 to 8-67 68)	21.6	0.4	1.7	18.3	0.5	2.1
Leather (61)	56.5	0.8	0.3	0.2	0.0	55.2
Textile yarn and fabric (65)	52.1	1.7	6.2	49.0	0.0	0.0
Clothing (84)	64.3	0.8	3.4	59.3	0.0	3.3
Footwear (85)	34.0	1.2	1.0	29.9	0.0	3.3
All items (0 to 9)	18.0	2.0	5.0	9.5	1.2	1.8

Source: The World Bank-UNCTAD SMART Database.

1. NTM groups are defined as follows. Variable levies and surcharges include all variable import levies (including variable components), product specific surcharges, minimum, reference, or basic import price regulations, price surveillance and voluntary export price restraints. Quantitative restrictions include prohibitions, quotas (global or country specific), state monopolies and non-automatic licensing requirements. "Voluntary" export restraints include measures under the MFA and similar textile quotas as well as other VERs (on quantity) that were negotiated outside the textile and clothing sectors. Other entry control measures include a variety of restrictions like local content regulations.

2. The coverage shares for the individual types of NTMs may sum to more than the "all NTM" coverage ratio due to "stacking" or the multiple application of NTMs on a specific product. Industrial countries included are: Australia, Austria, Canada, EU, Finland, New Zealand, Norway, Sweden, Switzerland and the US.

Table 8: Pre-Uruguay Round Trade coverage ratios of industrial countries' NTBs on imports from LDCs, by region

Product Group (SITC)	East Asia	Eastern Europe	Latin America	Middle East/North Africa	Middle Income Europe	South Asia	Sub-Saharan Africa	All countries
Ores and metals (27+28+67-28)	19.5	25.1	11.4	24.1	9.1	2.2	7.9	12.4
Iron and steel (67)	45.2	67.3	55.1	54.9	59.0	20.8	61.1	59.2
Non-ferrous metals (68)	2.2	1.5	3.2	1.6	1.8	0.0	0.1	1.7
Manufactures (5+6+7+8-68)	33.2	31.1	18.2	9.6	30.1	44.9	18.2	29.1
Chemicals (5)	11.5	9.5	8.4	11.0	5.0	6.7	0.5	6.7
Leather (61)	28.1	32.1	18.7	9.9	16.1	8.9	0.1	17.9
Textiles (65)	69.9	81.4	77.5	19.6	50.0	58.5	1.8	58.3
Clothing (84)	71.1	81.2	68.3	24.9	48.0	78.7	9.5	63.7
Footwear (85)	16.7	81.9	9.7	22.4	10.2	62.9	68.4	33.4
Memo item: NTM ratios after Uruguay Round								
All goods	5.9	10.6	3.9	6.5	4.1	2.0	3.5	4.3
All non-fuel goods	6.2	10.8	4.9	6.3	4.3	2.2	3.0	5.2

The country composition of the regional groups is as follows:

East Asia – includes China, Cambodia, Indonesia, Laos, Vietnam, North Korea, Malaysia, Papau New Guinea, Philippines, Thailand, South Korea, Macao and Pacific trusts and islands. Not included – Hong Kong, Singapore and Taiwan, China.
Eastern Europe – Albania, Bulgaria, Poland, Romania, Czechoslovakia, Hungary, former USSR, ex-Yugoslavia.
Latin America – All western hemisphere countries except Canada and the United States.
Middle East/North Africa – Afghanistan, Iran, Jordan, Lebanon, Syria, Yemen, Bahrain, Iraq, Oman, Saudi Arabia, Egypt, Algeria, Morocco, Tunisia, Libya.
Other Europe – Turkey, Gibraltar, Greece, Isle of Man, Portugal.
South Asia – India, Bangladesh, Bhutan, Maldives, Myanmar, Nepal, Pakistan, Sri Lanka.
Sub-Saharan Africa – All African countries except those in North Africa (see above) and the Republic of South Africa.

Source: The World Bank-UNCTAD SMART Database.

Table 9: Sectors which remain affected by post Uruguay Round non-tariff measures.

Product group (SITC)	1992 Imports from developing countries ($ million)	Trade coverage ratio by type of intervention of measure (per cent)						
		Tariff quotas	Product specific charges	Anti-dumping and countervailing actions	Reference prices	Minimum import prices	Non-automatic authorisations	Quantitative restrictions
Crude fertilizers and minerals (27)	3 258.1	0.0	0.0	7.9	0.0	0.0	0.1	5.0
Metalliferous ore and scrap (28)	12 188.9	0.3	0.0	0.7	0.0	0.0	0.0	5.1
Crude materials, n.e.s. (29)	3 879.6	0.0	0.1	0.1	0.0	0.0	8.6	4.9
Coal and Coke (32)	4 902.6	0.0	0.0	0.0	0.0	0.0	2.5	81.3
Chemical elements and compounds (51)	11 243.4	0.0	1.2	1.4	0.0	0.0	1.4	4.1
Mineral tars and crude compounds (52)	496.0	0.0	0.0	0.0	0.0	0.0	0.0	5.0
Dying and tanning material (33)	866.0	0.0	0.0	0.3	0.0	0.0	0.0.	2.2
Medicinal & pharmaceutica products (54)	1 442.2	0.0	0.0	0.0	0.0	0.0	5.4	2.5
Manufactured fertilisers (56)	1 723.4	0.8	0.0	1.1	0.0	0.0	11.7	5.6
Plastic materials (58)	3 193.7	0.0	0.0	12.8	0.0	0.0	1.0	7.6
Chemicals, n.e.s. (59)	1 644.4	19.6	0.0	0.0	0.0	0.1	2.3	9.6
Leather and manufactures (61)	3 740.6	0.4	0.0	0.0	0.0	0.0	0.0	5.6
Rubber manufactures (62)	2 921.9	0.0	0.0	9.5	0.0	0.0	0.8	10.3
Wood manufactures (63)	6 336.7	18.7	0.0	0.0	0.0	0.0	0.0	0.8
Paper and manufactures (64)	2 297.5	3.6	0.0	5.5	0.0	0.0	0.0	3.6
Non-metallic mineral manufactures (66)	16 578.6	0.0	0.0	1.2	0.0	0.0	0.6	0.7
Iron and steel (67)	11 063.9	0.0	0.2	16.5	4.7	0.0	0.2	2.1
Metal manufactures (69)	10 921.8	0.0	0.0	2.6	0.0	0.0	0.9	0.7
Non-electrical machinery (71)	47 809.6	0.0	2.6	0.3	0.0	0.0	0.4	3.4
Electrical machinery (72)	64 094.9	0.0	0.0	4.8	0.0	0.0	0.0	1.6
Transport equipment (73)	20 611.5	0.3	0.4	2.5	0.0	0.0	0.3	2.1
Sanitary fixtures (81)	2 362.7	0.0	0.0	6.4	0.0	0.0	0.0	0.5
Travel goods (83)	6 095.2	0.0	0.0	12.8	0.0	0.0	0.0	0.2
Footwear (85)	15 844.3	0.0	0.0	0.1	0.0	0.0	0.0	4.3
Scientific Instruments (86)	10 778.6	0.0	0.0	0.0	0.0	0.0	0.0	1.7
Miscellaneous manufactures (89)	42 280.1	0.0	0.0	0.7	0.0	0.0	0.0	0.8

Source: The World Bank-UNCTAD SMART Database.

Table 10: ESCWA countries that are beneficiary of preference schemes of major OECD countries

	EU	USA	Japan
Bahrain	X		X
Kuwait	X		X
Oman	X	X	X
Qatar	X		X
Saudi Arabia	X		X
UAE	X		X
Egypt	X	X	X
Jordan	X	X	X
Lebanon	X	X	X
Syria	X		X

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Table 11: Estimated effects of Uruguay Round Tariff cuts on ESCWA countries manufactured exports.

(US$ 000's)

Country	Actual Exports	Projected increase to			Total Increase
		European Union	North America	Japan	
GCC	3,416,880	(1,802)	42,179	72,154	112,532
Bahrain	235,387	2,636	17,466	989	21,091
Kuwait	235,648	(330)	(377)	(1,909)	(2,616)
Oman	186,406	1,640	1,734	5,667	9,041
Qatar	121,206	12	1,576	3,563	5,151
Saudi Arabia	1,761,358	(14,091)	8,102	42,273	36,284
UAE	876,875	8,330	13,679	21,571	43,581
Other ESCWA	1,670,772	17,373	27,445	22,461	67,279
Egypt	1,031,719	3,095	24,864	14,650	42,610
Jordan	344,909	(1,897)	2,621	7,933	8,657
Lebanon	206,441	16,350	(330)	(227)	15,793
Syria	87,703	(175)	289	105	219
Total	5,087,652	15,571	69,624	94,615	179,811

Appendix Tables: Export profiles of some ESCWA countries

Bahrain	1990-91 value	% of cntry	% of LDC	% of world
All commodities	3,635,401	100.00	0.53	0.11
Petroleum products, refined	2,808,082	77.24	7.72	3.03
Aluminum	436,534	12.01	9.12	1.51
Inorganic elements	60,794	1.67	2.75	0.48
Alcohols, phenol etc	50,466	1.39	3.43	0.63
Pearls, precious, semi-precious	37,362	1.03	0.69	0.14
Gas, natural & manufactured	35,861	0.99	0.26	0.10
Crude petroleum	23,986	0.66	0.02	0.01
Hydrocarbons	18,341	0.50	1.05	0.12
Electric distibuting equipment	15,042	0.41	0.64	0.11
Aircraft etc	14,574	0.40	0.75	0.02
Measuring, controlling instruments	12,364	0.34	0.82	0.03
Fish	9,585	0.26	0.24	0.06
Rubber tires	9,219	0.25	0.40	0.06
Gold, silver ware	8,629	0.24	0.23	0.06
Women outerwear nonknit	8,383	0.23	0.08	0.03
Structures & parts nes	7596	0.21	0.92	0.08
Remainder	78593	2.17		

Egypt	1990-91 value	% of cntry	% of LDC	% of world
All commodities	3,137,292.00	100.00	0.45	0.09
Crude petroleum	1,088,458.00	34.69	0.75	0.56
Textile yarn	350,956.00	11.19	5.00	1.49
Petrolwum products, refined	200,227.00	6.38	0.55	0.22
Aluminum	183,617.00	5.85	3.84	0.64
Cotton	134,815.00	4.30	3.53	1.49
Cotton fabrics, woven	96,127.00	3.06	2.07	0.63
Vegetable, fresh, simply preserved	74,827.00	2.39	1.74	0.41
Gas, natural & manuf	66,108.00	2.11	0.48	0.19
Fruits, nuts, fresh, dried	60,021.00	1.91	0.82	0.30
Mens outerwear not knit	58,276.00	1.86	0.76	0.32
Outerwear knit nonelastic	51,069.00	1.63	0.45	0.19
Furniture, parts thereof	49,942.00	1.59	1.25	0.16
Pefumery, cosmetics	37,410.00	1.19	3.72	0.36
Textiles articles nes	36,064.00	1.15	1.28	0.42
Rice	29,553.00	0.94	1.44	0.72
Floor coverings, etc	27,887.00	0.89	1.41	0.33
Remainder	591,963.00	18.87		

Jordan	1990-91 value	% of cntry	% of LDC	% of world
All commodities	900,325	100.00	0.13	0.03
Fertilisers, crude	332,417	36.92	27.29	20.44
Fertilisers, manufactured	123,209	13.68	5.23	0.84
Vegetable, fresh, simply preserved	59,262	6.58	1.38	0.33
Medicinal, pharm products	55,714	6.19	2.39	0.14
lime, cement, bldg products	38,557	4.28	2.53	0.51
Polymerisation etc prods	22,805	2.53	0.38	0.05
Soap, cleansing etc	20,091	2.23	2.49	0.29
Other inorganic chemicals etc	19,259	2.14	2.42	0.24
Fruit, nuts, fresh, dried	13,546	1.50	0.19	0.07
Textile yarn	13,403	1.49	0.19	0.06
Eggs, birds, fresh, preserved	11,290	1.25	12.24	0.87
Gold, silver ware, jewelery	9,230	1.03	0.25	0.07
Paper, etc, precut, arts	8,251	0.92	0.59	0.06
live animals for food	7,695	0.85	0.51	0.09
Articles of plastic nes	7,294	0.81	0.14	0.02
Pesticides, disinfectants	6,890	0.77	1.29	0.10
Remainder	151,412	16.82		

Kuwait	1990-91 value	% of cntry	% of LDC	% of world
All commodities	3,914,837	100.00	0.57	0.12
Fertilisers, crude	1,940,453	49.57	1.34	1.00
Fertilisers, manufactured	1,422,640	36.34	3.91	1.53
Vegetable, fresh, simply preserved	140,111	3.58	1.01	0.41
Medicinal, pharm products	35,197	0.90	1.81	0.05
lime, cement, bldg products	32,678	0.83	4.45	0.64
Polymerisation etc prods	25,781	0.66	1.09	0.18
Soap, cleansing etc	24,850	0.63	0.39	0.01
Other inorganic chemicals etc	21,963	0.56	1.40	0.12
Fruit, nuts, fresh, dried	18,727	0.48	2.40	0.08
Textile yarn	17,075	0.44	0.35	0.03
Eggs, birds, fresh, preserved	15,002	0.38	3.93	1.00
Gold, silver ware, jewelery	12,928	0.33	0.55	0.09
Paper, etc, precut, arts	12,407	0.32	1.55	0.11
live animals for food	12,169	0.31	0.55	0.10
Articles of plastic nes	11,979	0.31	0.85	0.09
Pesticides, disinfectants	10,891	0.28	1.32	0.11
Remainder	159,985	4.09		

Oman	1990-91 value	% of cntry	% of LDC	% of world
All commodities	5,044,498	100.00	0.73	0.15
Crude petroleum	4,497,794	89.16	3.10	2.33
Pass motor vehicles excluding buses	116,411	2.31	1.81	0.07
Aircraft etc	40,400	0.80	2.08	0.06
Motor veh parts. access nes	36,748	0.73	1.13	0.04
Copper exc cement copper	30,812	0.61	0.43	0.14
Fish, fresh, chilled, frosen	29,051	0.58	0.72	0.19
Civil engineering equipment	19,197	0.38	1.86	0.11
Tobacco, manufactured	18,859	0.37	1.22	0.16
Petroleum products, refined	16,603	0.33	0.05	0.02
Zoo animals, pets etc	14,926	0.30	19.83	5.30
Special transactions	12,865	0.26	0.26	0.02
Watches & clocks	11,397	0.23	0.31	0.08
Aluminum	10,903	0.22	0.23	0.04
Under garments not knit	10,245	0.20	0.24	0.14
Outerwear knit nonelastic	10,177	0.20	0.09	0.04
Shell fish fresh, frozen	9,394	0.19	0.14	0.08
Remainder	158,715	3.15		

Qatar	1990-91 value	% of cntry	% of LDC	% of world
All commodities	3,317,968	100.00	0.48	0.10
Crude petroleum	2,508,940	75.62	1.73	1.30
Petroleum products, refined	186,820	5.63	0.51	0.20
Iron, steel shapes etc	158,074	4.76	5.34	0.84
Polumerisation etc products	142,391	4.29	2.37	0.29
Gas, natural & manuf	111,677	3.37	0.81	0.33
Fertilisers, manufactured	97,054	2.93	4.12	0.67
Hydrocarbons nes, derivatives	37,634	1.13	2.16	0.24
Inorg elements, oxides, etc	26,098	0.79	1.18	0.21
Prod of condensation etc	18,824	0.57	1.41	0.12
Mens outerwear not knit	7,736	0.23	0.10	0.04
Soap, cleansing etc preps	3,730	0.11	0.46	0.05
Sulphur, unrst irn pyrte	3,655	0.11	0.96	0.24
Meat fresh, chilled, frosen	2,386	0.07	0.07	0.01
Hides, skins, exc furs	2,151	0.06	0.45	0.04
Gold, silver ware, jewelry	1,617	0.05	0.04	0.01
Structures & parts nes	1,428	0.04	0.17	0.02
Remainder	7,753	0.23		

Saudi Arabia	1990-91 value	% of cntry	% of LDC	% of world
All commodities	45,784,351	100.00	6.63	1.36
Crude petroleum	34,497,894	75.35	23.76	17.85
Petroleum products, refined	4,539,971	9.92	12.49	4.89
Gas, natural & manufactured	1,946,642	4.25	14.04	5.70
Polumerisation etc products	794,932	1.74	13.21	1.64
Alcohol, phenols etc	410,914	0.90	27.97	5.13
Hydrocarbons nes, derivatives	293,422	0.64	16.86	1.91
Inorg elements, oxides, etc	187,105	0.41	8.46	1.49
Wheat etc unmilled	154,329	0.34	14.58	1.05
Other organic Chemicals	106,035	0.23	20.58	1.50
Sulphur, unrst irn pyrte	105,416	0.23	27.61	7.03
Fertilisers, manufactured	89,217	0.19	3.79	0.61
Gold, silver ware, jewelry	81,036	0.18	2.20	0.60
Engines and motors nes	72,265	0.16	9.27	0.32
Residual petroleum prod nes	71,111	0.16	9.69	1.39
Iron, steel shapes etc	70,667	0.15	2.39	0.38
Lime, cement, bldg prods	60,745	0.13	3.99	0.80
Remainder	2,302,650	5.03		

Syria	1990-91 value	% of cntry	% of LDC	% of world
All commodities	3,822,020	100.00	0.55	0.11
Crude petroleum	1,902,339	49.77	1.31	0.98
Petroleum products, refined	342,816	8.97	0.94	0.37
Perfumery, cosmetics, etc	249,080	6.52	24.80	2.39
Cotton	194,648	5.09	5.10	2.16
Live animals for food	190,407	4.98	12.69	2.16
Woven, man-made fib fabric	173,874	4.55	2.13	0.77
Outerwear knit nonelas	92,672	2.42	0.81	0.35
Veg etc frsh, smply prsvd	85,318	2.23	1.99	0.47
Knitted, etc fabrics	73,609	1.93	2.75	1.14
Fertilisers, crude	48,751	1.28	4.00	3.00
Under garments knitted	39,547	1.03	0.64	0.30
Womens outerwear nonknit	33,345	0.87	0.30	0.12
Fruit, nuts, fresh, dried	32,589	0.85	0.45	0.16
Mens outerwear not knit	28,616	0.75	0.37	0.16
Fruit preserved, prepared	22,677	0.59	0.69	0.25
Cereal etc preparations	18,008	0.47	2.18	0.18
Remainder	293,724	7.69		

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UAE	1990-91 value	% of cntry	% of LDC	% of world
All commodities	16,014,141	100.00	2.32	0.48
Crude petroleum	11,909,687	74.37	8.20	6.16
Gas, natural and manufactured	1,053,371	6.58	7.60	3.08
Petroleum products, refined	1,015,536	6.34	2.79	1.09
Aluminum	248,797	1.55	5.20	0.86
Residual petroleum products nes	106,973	0.67	14.57	2.09
Gold, non-monetary nes	81,486	0.51	4.40	0.54
Gold, silver ware, jewelry	66,814	0.42	1.82	0.49
Under garments, knitted	58,234	0.36	0.95	0.44
Special transactions	56,293	0.35	1.15	0.09
Fruit, nuts, fresh, dried	54,352	0.34	0.74	0.27
Womens outerwear nonknit	53,606	0.33	0.49	0.20
Under garments not knit	51,930	0.32	1.21	0.70
Lime, cement, bldg products	50,463	0.32	3.31	0.66
Fertilisers, manufactured	43,455	0.27	1.84	0.30
Engines and motors nes	42,136	0.26	5.41	0.18
Nonferr metal scrap nes	41,812	0.26	6.10	0.69
Remainder	1,079,014	6.74		

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