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DEALING WITH THE NORTH: DEVELOPING COUNTRIES AND GLOBAL TRADE NEGOTIATIONS

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Department of Economics Library
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University of Western Ontario

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I Introduction and Summary

In this paper we discuss some of the options available to developing countries as they contemplate their participation in a future round of GATT trade negotiations. In these, developed countries will likely actively negotiate with one another on a range of trade issues, focussing mainly on new and/or difficult areas not fully covered in previous rounds (services, agriculture, intellectual property, and counterfeit goods, trade related investment issues, high technology trade), but also issues previously discussed, such as contingent protection. The decision developing countries have to weigh is whether they should participate in these negotiations on a reciprocal basis, and if so, how should they proceed.

Because of the complexity of institutional and other detail underlying the subject matter we discuss, we have divided our paper into a textual discussion and a series of detailed appendices which provide background information and relevant data.[1]

The main points made in the text of the paper are as follows.

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[1]Further details can be found in Hudec (1986) who discusses the way the treatment of developing countries under GATT has evolved; Riedel (1986) who presents data similar to that in our Appendices on the changing trade patterns of developing countries; and Langhammer and Sapir (1984) who analyze developing country performance under the Generalized System of Preferences. Many of the issues we discuss are also touched on in a series of papers in a recent Overseas Development Council volume (Preeg (1985)).

1. We characterize the developing countries' negotiating stance in previous GATT negotiating rounds as "passive". By this we mean that developing countries have not negotiated on a reciprocal basis which allows for a mutual exchange of concessions whereby participating countries each seek to bind the use of trade restricting measures by their trade partners. Developing countries have instead claimed that they have unique trade problems (balance of payments difficulties, deteriorating terms of trade, and special needs for export growth) that prevent their participation in negotiations on a fully reciprocal basis and rationalize their being granted special and differential status under the GATT.[1] In effect, they have asked that improved access to markets abroad be granted to them unilaterally and selectively by developed countries while claiming there is little or no scope for them to make concessions on access to their own markets.

2. Several factors account for this approach by the developing countries in previous GATT rounds. They include: (a) a strong belief that balance of payments difficulties are endemic in developing countries which makes liberalization by them difficult at best and frequently impossible; (b) an equally

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[1]The discussion of these points in the 1958 GATT Haberler Report and the 1964 UN Prebisch Report was central to the establishment of this view, which came to dominate thinking on this issue in the 1960's and 1970's. These are summarized in Appendices B and C along with other developments underlying both the way developing countries have been treated in the GATT, and the evolution of UNCTAD.

strong belief among developing countries in import substitution as a desirable strategy for growth (and hence the paramount need to maintain their own protection); (c) the MFN approach within the GATT which has allowed developing countries to share in the benefits of developed country trade liberalization without making concessions on access to their own market; (d) the belief in developing countries that in the post-colonial era they could appeal to the benevolence of the developed world to deal unilaterally with any trade problems they might have involving access to markets abroad; (e) the relatively small volume of developing country exports which limited their negotiating leverage; and (f) the relatively small manufacturing content of their exports which meant that barriers against their exports in developed country markets have been less important in the past than they are today.

3. Over the last 10-15 years a series of changes has occurred in the global trading system which affect this line of argument. Although it depends to a significant degree upon the particular developing country being discussed, the importance of several of these factors has been severely weakened. The approach of some developing countries (most notably South Korea), to the idea of reciprocal negotiations has already changed, and in the longer run a number of other developing countries may well increasingly see their interest as being also to change their approach.

4. A pivotal change has been the growth of exports of manufactures by a small number of key developing countries. Manufactured exports from such countries as South Korea, Taiwan, Singapore, Hong Kong, and Brazil, are now significant, and their potential continues to grow. Export growth reduces the severity of balance of payments problems, and makes domestic liberalization easier to contemplate. It also makes issues of access abroad paramount.

5. A further important change has taken place in the protective barriers in the developed world. Voluntary restraint agreements, and other selective safeguard measures now permeate the global trading system, vivid evidence of the difficulties protection in developed countries presents. Also, since the Kennedy and Tokyo Rounds there has been both an internationalization of U.S. trade remedy legislation, and an elevation in its use through contingency protection (countervail, anti-dumping, and safeguards). These developments have resulted in an increased awareness of the necessity to obtain improved and more secure access for current exporters of manufactures (such as South Korea) and potentially significant future exporters (such as China).

6. Despite the increased importance of access issues for manufactured exports, the product categories in which developing countries currently have access problems differ sharply among them, as do the ways in which they would be affected by differing types of liberalization. Access issues for countries in the

Pacific are quite different from those in the Indian sub-continent; which in turn, differ from those of Latin America. Africa remains commodity-based in its trade, and has wholly different problems. And within these broad continental groups differences again occur from country to country. What exactly any given developing country might gain from participation in a series of negotiations on trading rules depends on the size and commodity comparison of its trade and how important access problems are for it.

7. If developing countries were to adopt a reciprocal negotiating approach to their participation in a future GATT round, a natural strategy for them would be to explore coalition formation. But because of the heterogeneity among them, the types of coalitions that might form will most likely differ from issue to issue. Any coalitions will also tend to be dominated by the larger developing countries. This is some distance from the idea of a single coalition of all developing countries that underlies UNCTAD or G77. Moreover, some developing countries will find that their trading interests overlap with those of similarly affected developed countries. This will tend further to blur the distinction between developed and developing countries as far as trade issues are concerned.

8. Under a reciprocal negotiating approach, developing countries will also have to decide how much protection they are willing to remove from their own markets. Development economists from the North have long stressed the virtues of unilateral trade

liberalization by developing countries. However, once developing countries consider liberalizing as a group rather than individually, they have negotiating leverage and can use their actions to induce concessions on access to developed country markets. Their joint actions can also influence their individual terms of trade. The threat of more actively pursuing discriminatory South-South trade liberalization outside the framework of the GATT could also offer developing countries leverage in a negotiation, even though the record thus far on this score has not been that encouraging.

9. At the same time the developing countries weigh the importance of access issues for manufactures, they also need to evaluate carefully the costs and benefits of more active participation in the GATT before joining a reciprocal negotiating process. Not only is the GATT system itself in some disarray, but the negotiating approach adopted by developed countries in the GATT may not be in the best interests of developing countries. The developed countries generally adopt a mercantilist view and treat liberalization as a concession by an importing country and a benefit to an exporting country. Active involvement in a GATT negotiating process can therefore result in slower domestic liberalization while waiting for negotiations on improved access abroad to proceed.[1] On the other hand, being

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[1]One claim (attributable to a conversation with Martin Wolf) is that this is the reason why Australian protection is among the highest of all OECD countries. They have been waiting, in vain, for other developed countries to liberalize their agricultural policies so they could negotiate away their protection on

able to justify domestic liberalization as necessitated by international agreements may speed domestic liberalization and more quickly yield the benefits that accompany the dismantling of harmful domestic policies.

10. There are clearly domestic adjustment and income redistribution considerations for developing countries in liberalizing their trade, either unilaterally or as part of a multilateral negotiation. There are also domestic adjustment issues for developed countries in moving towards a trading system more open to developing country imports. These issues and the perceptions that underlie them are also obviously key both to the negotiating stance of developing countries in the GATT, and to the prospects for achieving a more open and liberal global trading system through multilateral negotiations.

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manufactures.

II Factors Underlying the Developing Countries' Negotiating Stance During Previous Rounds

The main objective that countries seek through trade negotiations under the GATT is to obtain improved and more secure access to markets abroad through jointly-agreed limitations on, and/or reductions in, trade protection measures in countries party to the negotiations. The GATT itself can be considered an outgrowth of U.S. bilateral trade policy negotiations in the 1930's under which the benefits were extended more widely under MFN. As it emerged in 1947 the GATT enshrined a number of basic principles; non-discrimination in trade restrictions (MFN), transparency of trade measures, and reciprocal negotiations as the vehicle through which to achieve trade liberalization. Since then seven negotiating rounds have taken place which have significantly reduced tariff barriers to trade among developed countries, especially on manufactured products. The GATT is widely acknowledged to be a principal source of the opening of industrial economies towards each other in the post war years.[1]

However, as noted above, the view of trade policy embodied in the reciprocal negotiations approach to trade liberalization underlying the GATT is essentially mercantilist. Imports are undesirable from the importing country's point of view, exports are a benefit to exporting countries, and "concessions" are exchanged. This approach clashes with the traditional analysis

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[1] See Appendix A which describes the GATT in more detail, and summarizes the outcome of these negotiating rounds.

of the gains from trade stressed by academic economists. As far as developing countries are concerned, since developing countries are small relative to the wider global economy, the commonly held view is that the largest gains will accrue to them from unilateral measures that liberalize their trade. The implication is that developing countries should not focus their efforts on an exchange of concessions through multilateral GATT negotiations, but should instead aim to eliminate unilaterally any trade restrictions they have.

Despite these arguments, in the past few developing countries have sought either multilateral or unilateral trade liberalization. They have retained high protective barriers and sought special and differential status in GATT. They have long argued both that they are unable to liberalize their trade significantly due to balance of payments constraints, and that their own developmental needs for a secure domestic market for import substitutes justify their protection. In 1965 they were able to obtain agreement from developed countries to add a series of articles to the GATT (known as Part IV) which acknowledge their "special and differential" status.

Indeed, having attained Part IV of the GATT (and subsequently trade preferences under the Generalized System of Preferences (GSP)), special and differential status is now viewed as something to be defended. Some developing countries fear that a new trade round may, in part, be a mechanism for developed countries to erode the trade preferences that developing countries now enjoy. Special and differential status thus makes a new negotiating round that much more difficult since a reciprocal negotiating approach by developing countries is seen by some of them as indicating a willingness to put what they have gained earlier on the negotiating table.

Thus while we characterize the stance of developing countries in previous GATT negotiating rounds as "passive", we do not intend to suggest that developing countries have been disinterested in the form that global trade arrangements take. Nor do we imply that they have not articulated their concerns and demands for change. The term "passive" simply indicates a lack of participation in reciprocal negotiations under the GATT based on a mutual exchange of concessions.

There is a long and complex history to all this which the interested reader can see in Appendices B and C, which describe the treatment of developing countries under GATT, and the evolution of a developing country trade position under UNCTAD. In Appendix B the debates in the 1950's and 1960's on how the developing countries should be treated in the GATT system are summarized. Appendix C details the thinking underlying the creation of UNCTAD, and outlines how subsequent UNCTAD conferences have approached trade issues. These developments are traced through the crucial Haberler (1958) and Prebisch (1964) reports which eventually led to the acknowledgement by developed countries that the trading problems of developing countries are different from their own, and, in part, are due to the trade policies pursued by developed countries. Part IV of the GATT in 1965 which enshrined the concept of special and differential status, and the Generalized System of Preferences (GSP) in 1971 are the main results of this series of developments.[1]

However, a wider range of factors needs to be kept in mind to understand how this demand for special and differential status, so central to the developing countries' approach to GATT negotiations, has arisen.

1. Import Substitution. Since the 1930's import substitution has been widely seen in the developing world both as a desirable and necessary developmental strategy. This view is based on the premise that industrialization is central to growth. Industrialization, in turn, requires either rapid growth of manufactured exports, or if export markets are not available, a secure domestic market to allow industrialization to proceed. For many years import substitution has therefore been thought of as synonymous with a need for protective barriers, behind which developing countries can industrialize and grow.

To the extent that import substitution is viewed in this way, there are few concessions on access to their own markets that developing countries can make as part of a trade negotiating process. In addition, export markets take on added significance since they are central to a growth strategy based on industrialization, especially if the domestic market is small.

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[1]See also Dam (1970), Jackson (1969) and Hudec (1986).

Seeking unilateral actions from trading partners that allow for improved market access abroad; based on an acknowledgement of special and differential status, seems the logical option consistent with this strategy.

2. Balance of Payments Constraints. The demand for special and differential status also has its roots in the widely held belief that balance of payments problems in developing countries make trade liberalization by them extremely difficult. Foreign exchange shortages are frequently viewed by developing countries as endemic, and an inevitable feature of their stage of development.

In fact, these balance of payment constraints largely reflect the exchange rate regime which many developing countries follow, and claims that they represent constraints on trade liberalization in any absolute sense are deceptive. When most developing countries became independent in the 1960's, they adopted the developed country fixed exchange rate regime common at that time. Domestic monetary and other policies were generally non-accommodative to the fixed exchange rates chosen, with foreign exchange shortages the result. Over time these shortages became more acute as domestic policies increasingly diverged from those necessary to achieve the fixed parities under convertibility and free trade flows and exchange markets. The situation was made worse in that, following 1971 and the abandonment of Bretton Woods, developing countries generally kept to this regime (unlike the developed countries) with exchange rate adjustments occurring infrequently and usually discretely. Domestic inflation rates have typically run ahead of exchange rate changes, excess demand for foreign currency persists, which, in turn, has come to be viewed as inevitably being in shortage.

Indeed, tightened trade restrictions in the developing world can be seen, in part, as a response to these balance of payments problems, generated in most countries by the combination of fixed exchange rate regimes and domestic monetary policies. Because of their unwillingness to move away from this monetary policy/exchange rate regime, many developing countries have come to view a passive negotiating stance in the GATT as their only option until such time as their balance of payments situation improves and permits a more liberal approach to trade policy to be considered.

In part, however, it is domestic political pressures that also account for the maintenance of these fixed exchange rate regimes. Following a devaluation, price increases for imported energy, foodstuffs, and other products purchased more heavily by the poor, can provoke strong reactions and (on occasion) can topple governments. But shortages of foreign exchange and the associated rationing make trade liberalization difficult, since without either a devaluation, a managed downward float, or a restrictive domestic monetary policy, these shortages slowly become more acute and reductions in trade barriers can simply exacerbate foreign exchange shortages.

3. <u>The Size and the Pattern of North-South Trade</u>. Import

substitution and the exchange rate regime have not, however, been the only factors underlying a passive negotiating approach to the GATT on the part of the developing countries; both the small size and the commodity composition of developing countries' trade have also had their influence.

In the 1950's, North-South trade was dominated by an exchange of Northern manufactures (developing country imports) for Southern raw materials and commodities (developing country exports).[1] Developed country barriers against developing country exports were not seen as the issue they are today, since trade barriers in the North were largely against manufactures (plus some further barriers on temperate zone agricultural products which developed countries applied largely against each other).

The focus was both on the effects of tariff escalation against processed products in preventing higher degrees of processing of raw materials in developing countries, and on the perceived deterioration in developing countries' terms of trade.[2] Actions on the trade front were seen as needed to slow or reverse this trend, further motivating the claims for special and differential status. These concerns subsequently led to

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[1]Tables 1, 2 in Appendix D indicate that over 50 percent of developing country exports in 1955 were accounted for by agricultural products and raw materials; while these same items accounted for only 23 percent of their imports.

[2]See Singer (1950) and Prebisch (1962). See also Sproas (1980) and Michaely (1980) for more recent analysis of the data underlying this strongly held perception.

UNCTAD and the Integrated Programme for Commodities (IPC). Achieving improved and more secure access through reciprocal negotiations was not seen as a desirable strategy, in part because of the patterns of barriers and trade flows.

4. MFN under GATT. A further factor accounting for the developing countries' passive approach to previous GATT negotiations was the way in which earlier negotiations among the developed countries took place. Under the MFN principle in the GATT, any reductions in trade barriers that countries agree among themselves are automatically extended to other countries. Hence, while smaller countries generally benefit proportionally more than large countries from GATT trade liberalization, they have less incentive to participate since they can free ride when larger countries mutually agree on reductions in trade barriers. Seeing this process occurring, developing countries naturally came to feel that they had little incentive to participate in reciprocal negotiations[1], when larger developed countries were negotiating with each other and reducing their barriers not only to each other but also to developing countries.[2]

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[1]In part this was also due to the nature of earlier negotiations based on the "principal supplier" rule, in which developing countries had a very limited role to play. In the subsequent Kennedy Round, with across the board tariff cuts, they were more concerned with obtaining special or differential treatment.

[2]However, it should be noted that in the Tokyo Round there was some movement towards "conditional" MFN with the benefits of negotiated codes only to be received by those contracting parties who signed them. As a result, many developing countries were effectively excluded from the benefits of the negotiations.

5. <u>Other Factors</u>. A range of further factors also lay behind the negotiating stance of the developing countries. In the 1950's North-South trade was small compared to North-North trade, giving developing countries little negotiating leverage and further reducing their willingness to participate. This also served to weaken the interests of developed countries in engaging developing countries in a reciprocal negotiating approach. The developing countries also believed that in the post-colonial era they could rely on the benevolence of the developed world to look after their trade interests unilaterally, adding further pressures towards a passive negotiating approach.

All these factors helped to foster a widespread belief in the 1950's and 1960's that developing countries had unique problems which prevented them from liberalizing their trade, and that the appropriate strategy for them to pursue in global trade negotiations was forcefully to argue their case for special and differential status. Indeed, this was thought by most developing countries to be the only way to proceed, in large part because their paramount concerns were to increase export earnings and alleviate both their balance of payments problems and the perceived decline in their terms of trade. This implied seeking unilateral and selective trade measures from the developed world in favour of developing countries, i.e., special and differential status. Many in the developed world also accepted the validity of such an approach.

III Changes in Trade Patterns, Protection and Thinking on Development Strategies: Their Influence on A Developing Country Negotiating Stance

While many in the developing world still believe that their paramount objective in any GATT negotiations should be to maintain special and differential status under the GATT[1], and obtain further preferential access to developed country markets, this view is now neither so uniformly nor so strongly held. This can be attributed to a series of developments which have affected the trade of some of the more successful developing countries in the 1970's and 1980's, as well as the sense that special and differential status has not yielded the hoped-for major benefits to developing countries.

1. Changes in Developing Countries' Trade Volume and Commodity Composition

Both the volume and commodity-country pattern of developing countries' trade has changed since the 1950's. The tables reported in Appendix D summarize much of the relevant data.

Table 1 indicates sharp growth in the volume of exports of manufactures by developing countries to developed countries since the 1950's. In 1955 developing countries' manufacturing exports were around 6 percent of their total exports, whereas in 1980 they were around 10 percent. Because the base was so small, the size of these exports is still not what one might suppose from

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[1]For example,, in a June 1985 statement to the other Contracting Parties, 25 developing countries stressed the need to retain special and more favourable treatment in the next round.

the concerns now so frequently expressed over access for manufactured exports, but the growth rate has been high. In contrast, the relative importance of imports of manufactures by developing countries has been largely unchanged since the 1950's. There have also been dramatic changes in the importance of oil in developing countries' trade relative to the 1950's.[1]

However, these data mask other changes which have taken place among the countries which make up the developing world. There has been rapid growth both in the economies of the Pacific Rim and their trade (particularly in South Korea, Taiwan, Hong Kong, and Singapore), with most of their trade concentrated in manufactures. In contrast, sub-Saharan Africa has experienced absolute declines in non-oil exports since the 1950's, which remain almost exclusively commodity based. Latin America represents a more complex situation, with growth in trade through the 1960's and 1970's, and a sharp decline with the onset of debt problems in the early 1980's (although in the last two years there has been substantial export growth in Brazil, and at rates above those of the Asian NIC's). The Indian sub-continent is again a different case, with slower but steady growth in trade since the 1950's, but without the sharp decline in growth rates in the early 1980's (see Table 8 in Appendix D).

These changes have served to elevate the importance of trade

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[1]This is in part dependent on the choice of year for which data are recorded. The tables in Appendix D are based on 1980, which relative to today exaggerates the importance of oil.

barriers against manufactured imports in the developed world for a small number of key developing countries, led by South Korea. Also, income growth in the faster growing developing countries has increased the negotiating leverage of developing countries, because issues of access to these markets have become correspondingly more important to developed countries.

2. Changes in Protection in Developed Countries

In addition to changes in trade volumes and patterns, there have also been marked changes in the protective barriers developed countries apply against developing countries. The seven GATT negotiating rounds since 1947 have sharply reduced tariff levels administered by the developed countries, not only against each other but also against developing countries. These reductions have, however, been largely limited to manufactures and developed country agricultural trade has not been significantly liberalized.[1]

There have, however, been other changes in the global trading system which have profoundly affected developing countries. Central has been the spread of managed trade arrangements, through voluntary export restraints covering textiles, consumer electronics, steel, and autos.

The growth of these is summarized in Appendix E. Beginning with the short-term agreement on cotton textiles in 1962, trade restrictions on both garments and fabrics have grown and spread

[1] See Trela, Whalley, and Wigle (1986).

through five subsequent renegotiations of these arrangements, now enshrined in the Multifibre Arrangement (renegotiated this year). In steel, voluntary restraint agreements are now being negotiated by the U.S. with a series of both developed and developing countries. And in other product areas the spread of managed trade is now a major issue.

The conclusion that many developing countries draw from this experience is that when they penetrate developed country markets, especially in manufactures, they risk trade restricting measures being used against them under the threat of safeguard actions. Even the risk of these measures being used serves sharply to restrict their market access.

In fact, as the tables which document the evolution of these arrangements in Appendix E make clear, most of these trade restrictions have been initiated by trade interpenetration involving developed countries. Even with textiles, the initial impetus was trade frictions between the U.S. and Japan. But the evolution of these arrangements through time clearly seems to indicate a subsequent tightening, along with a growing breadth of coverage of affected countries, including (and eventually targetting on) developing countries. Further increases in country and product specificity in these trade measures then seem to follow.

A more recent difficulty for developing countries has been a sharp increase in the use of contingent protection, particularly in the U.S., but also to some extent in Europe.[1] Some smaller developed countries, such as Canada, have been similarly affected.

A detailed discussion of the origins of this contingent protection system lies outside this paper, but to a large extent this system reflects the internationalization of U.S. trade remedy laws (covering countervail, anti-dumping duties, and safeguards) which occurred under the Kennedy and Tokyo Rounds. The threshold above which contingency protection measures are applied in the larger developed countries seems clearly to have fallen, and now provides producers in these countries with an arsenal of procedures through which they can harass foreign competitors. Denials of market access, or threats of denials, have consequently become a major concern for developing countries. Export growth in South Korea, for instance, decreased significantly in 1985. The claim is that contingent protection measures along with restrictions from tightened managed trade arrangements account for this.[2]

3. Import Substitution and Growth Performance

Another factor which has increased the receptivity of developing countries to a reciprocal negotiating approach has been an increased willingness to liberalize their own trade

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[1]See Grey (1982).

[2]See also the discussion of the Mexican-U.S. situation in Nogues (1986).

policies, either unilaterally or multilaterally. The key factor here has been the difference in growth experience between those developing countries that have adopted outward looking trade strategies and those that have remained inward looking.

By all accounts, those countries which have strongly followed import substitution policies have not achieved the growth performance that was hoped for in the 1950's or 1960's. In contrast, countries in the Pacific and elsewhere that have followed more liberal trade policies (prompted in large part by initial successes with export promotion) have performed significantly better, and in some cases spectacularly well. As a result, many in the developing world now equate strong growth not with import substitution but with trade liberalization.

4. Developing Countries' Experience Under Special and Differential Status and GSP

A final factor which has made some developing countries more willing to contemplate a reciprocal approach to GATT negotiations has been a growing realization that neither Special and Differential status nor GSP has yielded significant concrete benefits to developing countries. While it is true there has been some benefit from GSP, the margin of preference remains modest. Larger benefits to developing countries have come from the tariff reductions themselves under the GATT, rather than from the preferences under GSP.[1]

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[1]See Langhammer and Sapir (1984) for the most recent evaluation of this issue. Baldwin and Murray (1977) also evaluate the value of preferences to developing countries.

Indeed, at the present time, some developed countries (such as New Zealand) are in the process of limiting their application of GSP. GSP is a discretionary measure on the part of developed countries, unlike negotiated multilateral arrangements under the GATT. Developed countries can redefine their application of GSP at any time, and even withdraw it if they so please. Thus, in addition to the small benefits from current preferences, their continuity is far from assured. The conclusion that some developing countries have drawn is that more gains will be achieved by participating in a reciprocal negotiating process where each side benefits and concessions are bound through rights to withdraw concessions, than through continued requests for unilateral and selective trade measures.

These are all factors which underlie initiatives in certain circles in the developing world to move closer to a reciprocal negotiating approach to trade policy. This reflects a concern to negotiate improved and more secure access to developed country markets, recognizing the potential leverage which developing countries may be able to use in such negotiations through offers to modify their own trade restricting measures in return for

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Results from Whalley's (1985b) global trade model are, however, relevant here since they clearly show that trade liberalization among developed countries and concentrated on manufactures, as has occurred under the GATT, has increased North-North manufactures trade at the expense of North-South commodity-manufactures trade and has worsened the position of developing countries through a deterioration in their terms of trade.

improved access abroad.[1]

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[1]See also Shafaeddin (1984).

IV. How Should Developing Countries Approach The GATT And What Might a More Active Trade Negotiation Stance Entail?

The developing countries have long regarded the GATT as a "rich man's club". Most have been cautious in approaching previous multilateral negotiations, and remain so for the upcoming round. Some argue that their strategy in a new round should be defensive, to preserve and enhance the special status they now enjoy[1]. The converse position is that despite Part IV of the GATT and GSP, the developing countries have gained little of substance through their focus on special and differential status, and a more activist reciprocal negotiating approach is called for.

In practice, even if a significant number of developing countries move towards a reciprocal trade negotiating stance, formulating a concrete strategy is a complex matter. Individual developing countries will have to decide their own positions, rather than rely on a broad group-wide approach, and many issues on the current agenda[2] cut across the interests of individual countries. Thus, to the extent it occurs, coalition formation will reflect pragmatic calculations of gain or loss by individual countries, and crossovers among countries on an issue-by-issue

[1]As stated earlier, to a large degree this attitude is reflected in the official statement of the LDC position on the upcoming round released in June 1985 which repeated their call for special and differential treatment.

[2]The likely list of items on the agenda for a new round is summarized in Appendix G.

basis would clearly be expected. Also, for coalitions to be workable, they will have to be led by a relatively small number of countries, typically the larger developing countries which have more leverage through offers to liberalize their own markets.

Understanding the full range of factors that will come into play is one of the objectives of the project for which this background paper has been prepared, but some of the more obvious considerations can be noted at this stage.

1. <u>The Heterogeneity of Trade Interests in the Developing World</u>.

As already emphasized, the trade interests of individual developing countries differ markedly one from another. For the countries of the Pacific, the main issues they face involve sustaining and improving access for exports of manufactures. These countries have been significantly affected by voluntary restraint agreements negotiated under the threat of safeguard measures and contingent protection measures. They see it as in their interest to obtain firmer discipline over the use of protectionist measures by developed countries, in large part to allow for continued growth in their manufactured exports. These are also significantly affected (both beneficially and adversely) by restraint agreements involving textiles, and so the issues involved with the Multifibre Arrangement are crucial to them. Countries in Southeast Asia are in a somewhat different situation, being more commodity dependent, and with many heavily debt burdened.

In Africa the situation is different since, excluding oil, export volumes have fallen since independence, and the trade that occurs remains commodity based.[1] Issues of access for exports of manufactures are currently not a major issue.

In Latin America, access issues for manufactures are of vital interest to Brazil, but the export activity of most other Latin American countries remains commodity based. Even for Brazil, linking improved access for exports of manufactures to firmer arrangements on payment of interest and principal on their debt is perhaps the central question. The heterogeneity within continental groupings is well illustrated in the Latin American case by Argentina, whose major concern is access for exports of temperate zone agricultural products.[2]

In the Indian sub-continent issues of access again arise, but in a different context. India, for instance, has had to deal with some complex anti-dumping cases involving alleged effects of tax rebate schemes, which are quite different cases from those of the countries of the Pacific, and these have more in common with

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[1]See Appendix F for a summary of current trade arrangements in commodities.

[2]Cereals provides an interesting example of how trade issues cut across the interests of individual developing countries. Agricultural supports in Europe and the U.S. generate surpluses from which net importer developing countries gain, but also involve restrictions on access from which exporters such as Argentina lose. See also Nogues (1985) and Valdez and Zeitz (1986).

U.S. anti-dumping cases in the late 1970's against Japanese colour T.V. producers. In turn, the interests of these countries in the Multifibre Arrangement are quite different from those of Pacific countries, because they tend to be lower cost producers that are newer entrants to textile markets.[1]

However, this commonly used regional grouping of developing countries masks the heterogeneity of trade issues across countries within regions. Grouping countries on a functional rather than a geographical basis is in some ways more revealing.

One could begin[2] with a group of developing countries which have proved that they can be successful in their international trade. Included in this group would be South Korea, Hong Kong, Taiwan, and Singapore. These are all countries which face either actual or potential problems with their market access for manufacturing exports. Following these are countries such as Brazil and the Philippines, which have been reasonably successful in exporting, but whose debt situation has come to dominate their trade. The links between debt and trade are central in such

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[1]Indeed, one of the many paradoxes of the Multifibre Arrangement is why lower income developing countries (such as Bangladesh, Sri Lanka, and India) agree to an arrangement which gives higher income (and higher cost) developing country suppliers in the Pacific protected market niches against them. One argument commonly made is that it is the producer interests within these countries which receive the benefits of quota and which determine national policy, even though an end to the MFA might be in the national interest.

[2]This classification follows a suggestion made in discussion by Hollis Chenery.

circumstances.

Next come successful primary exporters such as the Ivory Coast and Malaysia, whose concerns over trade issues tend to focus less on manufacturing exports than on improved terms of trade for commodity exports. Finally come the African primary producers whose trade performance has been poor (with even negative growth rates of exports). These countries tend to have large degrees of domestic regulation which prevent the adjustments needed for successful export performance. Using aid financed increases in imports to relieve bottlenecks in these countries may be more important as a vehicle for GNP growth than attempting to promote export growth by addressing problems of market access abroad.

However, whichever way one cuts it, the heterogeneity among developing countries is marked, and formulating a developing country negotiating stance in such circumstances is clearly difficult.

2. <u>Overlap and Conflicts of Interest on the Likely Agenda for the Next Round</u>.

A further complication in formulating a developing country negotiating approach to reciprocal negotiations is that the interests of individual developing countries in those items likely to be on the agenda for a future trade negotiation both overlap and conflict with each other.[1] Indeed, in a number of

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[1]Appendix H contains our initial efforts to identify the trade interests of the 11 developing countries participating in the Foundation project.

cases the interests of particular developing countries seem to have more in common with similarly affected developed countries than with other developing countries.

For instance, Argentina is a major supporter of including agriculture in a trade negotiation, along with Canada, Australia, and the United States. But other developing countries that import grain stand to lose if a reduction in trade barriers to grains increases world prices.

On the issues of safeguards and countervail, the Pacific Rim countries plus those in the sub-continent would presumably support a further attempt to obtain firmer discipline over the use of these measures, along with some of the middle-level developed countries such as Canada and Scandanavia. But Africa and much of Latin America, outside of Brazil, may not be especially interested.

In the services area, it is well known that India, Brazil, Egypt, and Argentina, along with Yugoslavia, have opposed its inclusion in a new round in discussions in the GATT, but some of the smaller developing countries, such as Zaire, have openly supported a negotiation on services. This seems, in part, to reflect their concern that unless there is an agreed upon code allowing for wider market access in the services area for developed country suppliers, their service industries could be dominated by producers from relatively inefficient countries in the developing world.

What this all suggests is that, if it occurs, coalition formation among developing countries in any future GATT negotiations would likely be issue specific, reflect the leverage individual countries can bring to bear on any given issue, and would have to be led by small numbers of countries to be workable. It seems likely that any coalitions will be dominated by major developing countries, much as happens with developed countries in GATT negotiations. In the services area, Brazil and India, as two of the larger developing countries, have already played a major role. And with the negotiations both on Mexico's protocol of accession to the GATT and restoration of China's GATT membership, two additional large developing countries that could influence coalition formation seem likely to enter the negotiations.[1]

Also, significant "crossovers" between developing countries and developed countries on particular issues may well occur since their interests overlap in many places. An example is the coalition that has formed among the 13 "Fair Traders in Agriculture" comprising Australia, Argentina, Brazil, Canada, Chile, Colombia, Fiji, Hungary, Indonesia, Malaysia, the

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[1]However, the degree to which coalition formation has actually occured in previous GATT rounds is not a well researched topic. Early GATT rounds were U.S. dominated, the Dillon and Kennedy Rounds were bilateral U.S.-EEC negotiations, and the Tokyo Round was largely a U.S.-EEC negotiation with some Japanese involvement. To the extent that this view is correct, one can argue that there has been only limited concrete coalition formation in previous GATT rounds, suggesting that either a new round will be different, or could again be similarly dominated by major power concerns.

Philippines, Thailand and Uruguay. These are countries that have had to bear the brunt of the U.S.-EEC agricultural subsidy war during 1986 and have formed a coalition in an attempt to develop a common position and to encourage the inclusion of meaningful negotiations on agriculture in the next round. A further example may in the future be provided by contingent protection issues, where the concerns of middle powers such as Canada over threats to their access to U.S. markets are not dissimilar to those of some of the manufacturing exporting developing countries. A further feature of the negotiations may thus be that it will be in the interest of such developed countries to support some of the positions taken by particular developing countries.

3. Including Trade Measures Unique to Developing Countries in Negotiations.

Formulating a reciprocal negotiating approach for the developing countries is further complicated by the fact that to a large degree the GATT is "culture bound". The GATT was designed principally to deal with tariffs, and envisaged the eventual conversion of all other trade restrictions into transparent tariff barriers which could then be negotiated down. Difficulties will undoubtedly arise in significant negotiations involving developing countries, because the trade restrictions at issue are not common to developed and developing countries alike. Developed countries are unaccustomed to dealing with trade regimes that are structurally dissimilar to their own in a negotiation type format.

A good example of these difficulties is the commonly used financial regime in developing countries, where rationing of foreign exchange occurs along with a fixed exchange rate. It can be argued that this regime is one of the major impediments to significant import penetration of developing country markets, but how limits on its use can be negotiated remains unclear. Further issues include complex quantitative restriction systems, compounded by the use of both open general licensing and categorical licensing systems; the widespread involvement of state enterprises in the trading process; and the links between controls on international trade and domestic controls such as investment licensing and price controls.[1]

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[1]See Mohammed (1985) for a detailed description of the import control regime in India, suggestive of the difficulties which developed (and developing) country negotiators would have in bargaining concessions.

V How Far Can Negotiations on Trade Liberalization Go, and What Would the Benefits and Costs Be?

Trying to evaluate how far a process of reciprocal multilateral negotiation might go towards liberalizing trade between developed and developing countries is clearly difficult.

First, there are broad-ranging perceptions to be dealt with. Do developing countries see themselves as having gained from special and differential status under the GATT, and thus this is something to be protected? Or do they believe that special and differential status has yielded them only small direct benefits, and changes in trade patterns and protection in the developed world now dictate a new approach? In the developed world, one also has to judge the degree of political support for unilateral measures designed to help developing countries. These would be motivated (in part) by a sense of compassion, but the protectionist pressures generated by affected producer and labour groups that face adjustment costs as a result of import surges from the developing world have to be considered.

Second, one also needs to evaluate both the costs and benefits involved with multilateral liberalization for both groups of countries. It is fair to say that most development economists now claim that the long run benefits to individual developing countries from significant trade liberalization are large, but the majority of the benefits are seen as accruing from unilateral rather than bilateral or multilateral liberalization. This is not only because of traditional welfare analysis of trade restrictions in small open economies which stresses the gains from a move towards free trade, but also the sense that the protective trade policy regime in most developing countries increases the costs of other distorting domestic policies. These include such features as rent-seeking activity accompanying the allocation of import licenses, over-investment in protected or declining industries, and relatively inefficient urban-rural migration induced behind a protective trade barrier for manufacturing industries.[1]

In contrast, those global equilibrium models which have analyzed scenarios in which all developing countries simultaneously remove or reduce their trade barriers show different effects.[2] To the degree they are based on assumptions of constant returns to scale and ignore most of the domestic complications stressed above, these results need to be qualified, but they show global gains from complete trade liberalization by both the developed and the developing world as being relatively modest; perhaps no more than 1 percent of global income per year. However, these models also suggest that a significant terms of trade deterioration may occur if all developing countries liberalize together, reflecting their relatively higher

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[1]See Clarete and Whalley (1985) for a discussion of the interactions of these features with traditional trade policies in the Philippine case.

[2]See Whalley (1985b).

levels of protection compared to those of the developed world. Trade liberalization by a small number of developing countries where other larger developing countries do not liberalize is thus quite a different matter compared to a situation where all developing countries liberalize together.

Models that analyze trade policy changes in single countries and incorporate increasing returns to scale and market structure features show much larger gains from unilateral trade liberalization (perhaps 10 percent of income per year)[1]. While these models have thus far been built only for developed countries, there seems no reason to suggest that the model features that yield larger gains are not equally applicable to developing countries.

As far as adjustment costs are concerned, studies of trade liberalization in developed countries[2] suggest that the ratio of short-term adjustment costs to long-run benefits from trade liberalization is small, perhaps as small as 1:80. However, many factors are missing from these studies, and there are conceptual issues with adjustment cost calculations that remain unresolved. Most analyses of the main sources of adjustment pressure in developed countries tend to place non-trade factors (such as technical change and macroeconomic disturbances) substantially

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[1]See Harris (1984).

[2]See Baldwin, Mutti, and Richardson (1981) and Cline et al. (1978).

ahead of trade factors.[1] And among the trade disturbances component (except for such cases as textiles and colour T.V.s) the main adjustment pressures in developed countries come from trade with other developed countries rather than with developing countries.

These considerations seem to suggest that concerns over adjustment costs in the developed countries as sources of resistance to liberalization largely reflect the political pressures exerted by adversely affected groups, rather than large social costs which outweigh long run benefits and make liberalization unacceptable. Indeed, the expectation would be that developing countries would tend to bear a disproportionately larger burden of any adjustment costs involved with multilateral liberalization since their barriers are higher. Equally, the long-term benefits from the unilateral component of such a trade policy change would be that much larger.

Viewing mutual trade liberalization solely in terms of tradeoffs between long-run benefits and short-term adjustment costs also misses the point that any joint liberalization would be driven in part by a desire to reduce adjustment costs. One aim suggested for negotiations would be to reduce the adjustment costs which follow from exchange rate volatility because of the links between exchange rates and trade. In turn, gaining further discipline over contingent protection covering manufactured

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[1]See Frank (1977), Krueger (1980), and Pearson and Salembrier (1983).

imports by developed countries aims to reduce potential adjustment costs borne by exporters denied access by trading partners.

In the final analysis, however, it is the present asymmetry in levels of protection in developed and developing countries which suggests that progress towards liberalization may depend heavily on the degree to which developing countries are willing to liberalize their own markets. A number of restrictive measures, including tariffs, quantitative restrictions, fixed exchange rates and foreign exchange rationing, and priority allocation schemes would all have to be modified, emphasizing the difficulties involved.

A small number of developing countries have shown their willingness to move in the direction of a reciprocal negotiating approach, and to the extent that this process continues it may induce the developed world to view negotiations with developing countries as more feasible than they have in the past. The hope would be that indications of flexibility from one side would induce flexibility the other. On the other hand, current moves by developed countries to expand selective restraint agreements with developing countries, such as is now happening in steel, could induce developing countries to back away from a formalized multilateral negotiating approach. In the final analysis, however, both because of the position they now have under the GATT and their relatively small economic size, it is perhaps the developing countries which can more powerfully influence the seriousness of any movement towards joint trade liberalization, and in the long run may have the most to gain.

VI Concluding Remarks

This paper discusses options for developing countries in future global trade negotiations under GATT. It characterizes their negotiating stance in previous rounds as "passive", in the sense of not engaging in a reciprocal negotiating approach based on a mutual exchange of concessions. Rather, their focus has been on achieving special and differential status under GATT, and arguing the case that developed countries take unilateral actions to improve developing country access to their markets.

This paper suggests that the world has changed in a number of important ways relative to the days when special and differential status was the dominant issue. The developing world exports more manufactures than previously, and these are now being affected by impaired market access. Also, the form that trade protection takes in developed countries has changed with the growth of voluntary restraint agreements and other measures implemented outside of the GATT framework and often directed specifically at developing country exports. When combined with the weakening of commitment to import substitution in many developing countries, the arguments for their considering a more activist reciprocal negotiating approach to the GATT in an effort to secure improved and assumed access to developed country markets become stronger. On the other hand, it is still the case that many developing countries remain exporters of commodities rather than manufactures, and the concern that a reciprocal negotiating approach may undermine the special and differential status of developing countries enjoyed in GATT remains a major factor.

If a reciprocal negotiating stance is pursued, defining more concretely what one means by this is clearly crucial. A single coalition covering all developing countries and all trade questions is clearly unworkable. The trade interests of individual developing countries are often in conflict one with another, and frequently overlap more with those of similarly affected developed countries. This suggests issue specific and flexible coalition formation as the way to proceed, combined with a willingness on the part of individual countries to cross the developed/developing country divide where appropriate.

We conclude the paper with a discussion of what the gains to developing countries could be from reciprocal negotiations on trade liberalization. In recent years development economists have tended to stress the benefits to developing countries from unilateral liberalization, and have focussed less on issues of access abroad. This raises the question of whether unilateral or negotiated multilateral liberalization is the appropriate route for developing countries to follow.

This issue of the relative merits for developing countries of unilateral trade liberalization versus participating in multilateral negotiations is key to their strategy. Though trade restricting measures may be harmful to the country imposing them, they do nonetheless inflict a penalty on the exporting country. They can therefore be used as a method to deter partner countries from giving in to narrow domestic interest group pressures to use protectionist measures against trade partners. This perception is based on the premise that a demonstration of both the willingness and ability to restrict partner access through protection may deter its use abroad, much as mutual deterence underlies contemporary military strategy. Viewed in this way domestic protection, coupled with a willingness to negotiate jointly agreed upon limits on its use, can be an appropriate price to pay for improved access abroad.

In contrast, unilateral trade liberalization seeks to obtain the maximum benefits from trade, while not attempting to influence the external environment in which countries must participate. Unilateral liberalization clearly makes sense for small countries that, realistically, have little chance of influencing the use of trade measures abroad. It does, however, have serious domestic political implications, in that many countries feel they are giving away their markets to increased foreign competition and getting little in return. But for larger countries choosing the appropriate balance between these approaches is more difficult. Currently there is substantial asymmetry between the severity of trade restricting barriers across developed and developing countries, and the sizes of economies. This perhaps suggests both that more important gains will occur in the developing world from the reduction of its own barriers, and that negotiating improved access may be difficult. However, with the growth that has taken place in developing country markets in recent years the negotiating leverage of developing countries has correspondingly increased, and with continued higher rates of growth in parts of the developing world, this leverage will grow further.

If and how developing countries choose to use their negotiating leverage lies at the heart of the project which is to follow. Can coalitions be formed; on what issues, and involving which countries? What success are they likely to have; and how do other options such as unilateral liberalization or expanded South-South trade compare? In the more detailed studies to follow we hope to clarify some of these issues.

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Appendix A

The Evolution of the GATT[1]

The present day GATT is an outgrowth of the attempt in 1947 to establish the International Trade Organization (ITO) under the UN embodying much wider agreements on trade arrangements than now represented by the GATT. The GATT stresses a small number of basic principles: world trade should take place on the basis of non-discrimination (the most-favoured-nation (MFN) principle); all goods traded should receive national treatment; trade liberalization should result in gains for all; tariffs should be used as the only means of protection for domestic industries (except under carefully defined and controlled circumstances); and consultation and conciliation should be used to produce negotiations on tariff reductions on the basis of mutual advantage.

Both the GATT and the ITO reflect the post-war attempt by the U.S. to widen its bilateral trade agreements with Canada, the U.K. and other countries concluded before the war on a multilateral basis. These, in turn, were a response to the strongly held perception in the U.S. that the severity of the Great Depression was, in part, due to the retaliatory wave of trade restricting measures used by the major powers against each other's exports in the late 1920's and early 1930's.

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[1]The material in this appendix draws on Whalley (1985a), and Hamilton and Whalley (1985).

Table A.1 summarizes some of the main events in the 40-year history of the GATT. Its initial purpose was to record the results of a tariff-reducing conference held by members of the Preparatory Committee of the ITO appointed by the Economic and Social Council of the United Nations. At the time, the GATT was considered an interim agreement that would only last until the Havana Charter for the ITO was ratified. The first round of GATT negotiations was held in Geneva in April 1947, with 23 countries participating. The negotiations were held in two parts. From April until August, the ITO Charter was drafted, and in August began the negotiations on concessions. It was considered significant at the time in that 45,000 tariff rates were either lowered or bound (and thus the possibility of subsequent increases limited). When the Truman Administration failed to ratify the ITO charter in 1950, due to lack of Congressional support, the GATT was left as the vehicle through which international trade policy was subsequently regulated.

The initial members had always intended that the GATT should only provide guidelines under which international trade would be regulated. Thus disciplinary measures were not to be instituted automatically if a member country violated a GATT code; instead, the idea was that the injured country would have the right to withdraw equivalent concessions, or take actions recommended by a panel of contracting parties convened at the injured party's request. A process of consultation and conciliation in the event of a dispute was thus strongly emphasized from day one.

The GATT Drafting Committee also decided that three types of articles would be omitted from the Treaty: those dealing with domestic policy; articles that would depend on subsequent ratification of the ITO; and articles that would not be implemented immediately. This was because it was intended that the GATT would only provide one specific trade agreement within the broader coverage of the ITO. Some of the wider provisions in the ITO Charter, such as those covering employment, international investment, restrictive business practices, international commodity agreements, and a more well-developed institutional framework to regulate trade are not in the GATT.

Since the first GATT negotiating round in 1947, six subsequent rounds have been held; in Annecy, France, in 1949; in Torquay, England in 1951; in Geneva in 1956; the Dillon Round in 1960; the Kennedy Round in 1964-67, and the Tokyo Round in 1973-79. Through these rounds the GATT has grown and changed and today consists of 38 articles and four parts. Part IV, comprising Articles XXXVI-XXXVIII, was added in 1965 to deal explicitly with the special trade problems of the developing countries.

As of August 1986, there were 92 member countries in the GATT and 30 countries maintaining a de facto application of GATT rules. Among the most significant non-participants at the present time are the Soviet Union, China, Mexico, Venezuela, and most OPEC countries; although Mexico is in the process of negotiating a protocol of accession to the Agreement, and China is in the discussion phase of restoration of GATT membership.

Of the various negotiating rounds, it has been the Kennedy (1964-67) and Tokyo (1973-79) rounds that have been the most important because of their wide coverage and broad impact on global trade.

In contrast to the sector by sector and product by product approaches which had been used in earlier negotiations, in the Kennedy round the concept of a general linear tariff reduction was introduced. And negotiations on certain non-tariff measures were included for the first time. These concentrated on anti-dumping codes and customs valuation (particularly the American Selling Price). Developing countries were permitted to participate in the negotiations on a less than fully reciprocal basis. And the United States argued that negotiations should guarantee acceptable conditions of access for agricultural products to world markets; as it turned out without any major success.

The main result of the round was a reduction in tariffs by an average of 35 percent on around 60,000 manufactured products. Major industrial countries lowered duties on about 70 percent of the 1964 value of their dutiable imports, and tariffs on almost two-thirds of these imports were cut by 50 percent or more. Sectoral negotiations were initiated in aluminum, chemicals, pulp and paper, steel, textiles and agriculture; and the earlier Long-Term Arrangement on International Trade in Cotton Textiles was extended.

In the Tokyo round, 99 member and non-member countries participated in negotiations on an across-the-board basis. The stated aims of the Tokyo Round were to expand and liberalize world trade; secure additional benefits from international trade for developing countries; and reduce or eliminate non-tariff measures or at least reduce or eliminate their trade-distorting effects and bring them under more effective international discipline. Agriculture was again to be specially treated in the negotiations.

At the end of the negotiating round, tariffs on manufactured products had been reduced an average of 34 percent by industrialized countries, with these cuts implemented over an eight-year period ending in 1987. For developed countries the average level of these tariffs will be in the range of 5 to 6 percent by 1987. Agreements were also reached on an improved legal framework for the conduct of world trade and on various non-tariff codes, including codes on subsidies and countervailing duties, technical barriers to trade, government procurement, customs valuation, import licensing procedures, and a revision of the 1967 GATT Anti-Dumping Code.

The aim of the Agreement on Subsidies and Countervailing Duties was to ensure uniform application of GATT rules on subsidies and countervailing duties by all signatories. Before applying countervailing duties, signatories are required to demonstrate that a domestic industry is suffering material injury caused by subsidized imports from another signatory country. The agreement covers subsidies for both industrial and primary products (agricultural, fisheries and forestry), and also provides for the notification of subsidies and for more effective consultation procedures.

Discussions also took place during the Tokyo Round on ways of improving the legal framework for the conduct of world trade. The resulting Framework Group agreed to a future work program which has subsequently become important in partially shaping the agenda for a future round.

Besides these, a series of further agreements and codes was negotiated. In the government procurement area, an agreement was worked out under which signatories agreed not to discriminate between foreign and domestic suppliers. Importantly, the agreement only covers civilian purchases, and does not apply to regional or local entities. Under the agreement, developing countries are not required to grant reciprocity on either products or entities covered, and are permitted to grant preferential treatment in regional or international arrangements. A further arrangement reached was that regarding bovine meat. This agreement is of a consultative nature aimed at liberalizing trade involving bovine animals.

Under the Customs Valuation Agreement the aim is to establish a uniform system for valuing imports, and to stop the use of arbitrary or fictitious values. An agreement on Technical Barriers to Trade urges signatories to administer their regulations according to international standards, including testing and certification requirements, and to minimize unnecessarily restrictive effects on imported goods. This agreement applies only to national, not subnational governments.

An Agreement on Import Licensing Procedures stipulates that licensing rules must be published and forms and procedures are to be as simple as possible. An applicant who is refused permission to import will have the right to explanation and appeal. An International Dairy Agreement was also concluded which aims to expand and liberalize trade in dairy products without causing undue fluctuations in supply and prices. The products discussed include milk, cream, butter, cheese, curd and casein. Under a separate Agreement on Civil Aircraft, signatories agreed to eliminate all tariffs and equivalent charges applied to the import and repair of these products by January 1, 1980.

Finally, in an agreement on Article VI of the GATT (anti-dumping), changes were made to bring it into line with the new code on subsidies and countervailing duties. A determination of material injury must be made and must involve an objective examination of both the volume of dumped goods and their effect on domestic prices and producers.

Despite the successful conclusion of the Tokyo Round, it is widely agreed that many trade policy problems still persist which are not covered by existing GATT arrangements. The GATT was originally intended as a temporary framework through which to record the results of tariff-reducing conferences until the implementation of the broader International Trade Organization.

One of the basic principles of the Havana Charter was that protection of domestic producers against foreign competition should be exclusively through visible tariff barriers which would become open to negotiation. But since the GATT was signed, many restrictive trade actions, such as the voluntary export restraints and orderly marketing arrangements, have been taken outside the GATT framework. The lack of coverage of these actions by GATT codes and articles is a widely shared concern.

Dispute settlement procedures under the GATT are another concern. Under Article XXII, GATT members are committed to consult bilaterally in the event of a dispute, and under Article XXIII (Nullification and Impairment), in the event bilateral consultations are unsuccessful, the parties concerned can request that an objective panel of fellow contracting parties consider the issue and offer a ruling. If the injured party chooses not to adopt these recommendations, the panel may authorize a retaliatory measure.

Several criticisms have been directed at these procedures, including the absence of sound monitoring, compliance, and enforcement methods; the increased use of protective methods not covered in GATT rules; and non-adherence by contracting parties to the panel's recommendations. A contributing factor to this problem has been the growth in membership in the GATT. The Tokyo Round, for instance, had 99 participating countries, in contrast to the early negotiating rounds in which fewer than 30 countries participated.

A further important issue for the GATT, and central to this project, is to define fully its role with respect to the developing countries. The inability of the contracting parties to deal satisfactorily with the problems of the developing world is reflected in the fact that GATT negotiations deal mostly with manufactured products, whereas developing countries historically have principally exported primary products. Their exports of textiles and footwear face strict import restrictions by industrialized countries attempting to protect domestic industries.

Only 68 developing countries participated in the Tokyo Round, and of these, only 38 are contracting parties to the GATT. Although of interest to such countries as Korea, Singapore, and Brazil, further negotiations on trade barriers affecting manufactures are of limited significance to many other developing countries, such as those in Africa, even though concessions are given to them when agreements are implemented on an MFN basis and developing countries are not expected to reciprocate fully. They have to accept the results of negotiations between the developed countries and then apply them to their specific needs, which are often entirely different from those of the more industrialized countries.

As a result, the developing countries made many objections to the outcome of the Tokyo Round. They argued that no liberalization of existing quantitative import restrictions or import quotas was achieved, nor were any limitations placed on such measures as voluntary export restraints and orderly marketing arrangements. Although it was claimed that the gains from the lower MFN duties obtained in the Tokyo Round more than offset the loss of margins of preference under the Generalized System of Preferences, many developing countries remain doubtful. And with respect to the Framework Agreement, the introduction of the principle of graduation was seen as the leading edge in a process of arbitrarily discriminating among developing countries and depriving them of preferential market access they now enjoy.

A further problem area for the GATT is dealing with state trading countries, an issue which could receive much attention should the Soviet Union formally apply to join the GATT. Participating state-trading countries include Poland, Czechoslovakia, Yugoslavia, Cuba, and Romania. The major difficulties arise when trying to integrate countries with centrally planned economies into the framework of an institution based on the principle of free trade. Problems include the pricing and valuation of exports, potential dumping, MFN status, and reciprocity. Article XVII requires state-trading enterprises not to discriminate in foreign trade, a rule which also applies to state monopolies, such as those maintained by a number of countries for tobacco products.

Table A.1

Key Events in the Evolution of the GATT

Year	Event
1947	General Agreement drawn up in Geneva in October 1947. This is seen as a trade agreement designed to record the results of a tariff conference the first of many to be conducted under the International Trade Organization (ITO), which itself is seen as an extension of the U.S. initiatives in the Atlantic Charter and Mutual Aid Agreements. The main influences on this process were the earlier views of Roosevelt and Cordell Hull on the need for international cooperation to reduce trade barriers. U.S. position is that non-tariff barriers should be abolished and that all tariffs should be reduced through international negotiations. First round of negotiations is held in Geneva in April. These proceed on a product-by-product basis with all members of the Preparatory Committee (except the U.S.S.R.). The 23 GATT signatories (Australia, Belgium, Brazil, Burma, Canada, Ceylon, Chile, China, Cuba, Czechoslovakia, France, India, Lebanon, Luxembourg, Netherlands, New Zealand, Norway, Pakistan, South Africa, Southern Rhodesia, United Kingdom, and the United States) make commitments to lower or bind approximately 45,000 tariffs.
1948	Drafting of Havana Charter for establishment of the ITO to succeed GATT completed in March.
1949	Second GATT Round held at Annecy, France. Eleven countries participate, and further tariff bindings result.
1950	Truman administration abandons efforts to seek Congressional approval of the ITO Charter due to many Congressional objections. Charter considered a complicated document that allows too many trade restrictions as exceptions to stated free trade principles.
1951	Third GATT Round held in Torquay, England. Germany, Austria, Korea, Peru and Turkey all join the round. Agreement to "rebind" concessions agreed to at Geneva and Annecy. When added to the new concessions negotiated at Torquay, more than 55,000 tariff rates covering a large part of world trade are stabilized until 1954. Rules adopted by the Contracting Parties for future negotiations stipulate that the binding of a low duty or of duty-free treatment is to be recognized

as a concession equivalent in value to the substantial reduction of high tariffs, or the elimination of tariff preferences.

1956 Fourth GATT Round held in Geneva. Japan joins. First time that all major non-communist developed countries participate.

1960-61 Fifth GATT Round (Dillon Round) held in Geneva. First part of round devoted to tariff adjustments brought about by the formation of the European Community. The remainder was devoted to normal negotiations.

Short-term Arrangement Regarding Trade in Cotton Textiles introduced--initially to last 12 months.

1962 U.S. Trade Expansion Act initiates Kennedy Round. President given authority to reduce tariffs by a maximum of 50 percent from rates existing on July 1, 1962. Proposed reductions are to be spread over a period of 5 years. Administration declares its intent to offer linear cuts on existing duties.

Long Term Arrangement on Cotton Textiles to last 5 years--later extended until 1973.

1964 Sixth GATT Round (the Kennedy Round) begins in Geneva. Four major changes occur relative to earlier rounds: (1) Negotiations take place on a multilateral basis, with concept of general linear tariff reductions introduced. (2) Negotiations on certain non-tariff measures are included--principally anti-dumping codes and customs valuation procedures, particularly the American Selling Price. (3) Less developed countries are permitted to participate in negotiations on a less than fully reciprocal basis. (4) United States insists that negotiations guarantee acceptable conditions of access to world markets for agricultural products.

1967 Results of conclusion of Kennedy Round: (1) Duties reduced an average of 35 percent on 60,000 traded industrial products. (2) Major industrial countries lower duties on about 70 percent of the value of their dutiable imports in 1964; tariffs on almost two-thirds of these dutiable imports cut 50 percent or more. (3) Sectoral negotiations initiated in aluminum, chemicals, pulp and paper, steel, textiles and agriculture. (4) American Selling Price system was to be eliminated in return for concessions on other non-tariff measures, especially the European automobile taxes based on horsepower but due to Congressional slowness was not eliminated until 1979. (5) New anti-dumping code introduced which required that a determination of injury be made only when authorities are satisfied that dumped imports are clearly the main cause of injury.

1970 Final agreement reached in UNCTAD for a Generalized System of Preferences (initiated in 1968) allowing developed countries to extend preferential tariff rates to developing countries.

1973 Britain, Denmark and Ireland become full members of the European Community. The Seventh GATT Round (the Tokyo Round) is initiated with the following objectives: (1) Negotiations open to non-GATT member countries as well as GATT members. (2) Tariff negotiations based on linear, across-the-board reductions. (3) Non-tariff measures to receive particular attention. (4) Negotiations on trade in agricultural and tropical products to recognize problems particular to these sectors. (5) Developing countries to be accorded "special and more favourable treatment". (6) Some possibility of sectoral negotiations as a complementary technique.

Multifibre Arrangement includes synthetics and woolens.

1978 Multifibre Arrangement II negotiated to last 5 years.

1979 Conclusion of the Tokyo Round. (1) Industrialized countries agree to reduce their duties on many thousands of products over an eight-year period beginning January 1, 1980. (2) Tariff concessions agreed to by Austria, Canada, the EC, Finland, Japan, New Zealand, Norway, Sweden, Switzerland and the United States reduce the level of all industrial tariffs by about one-third of their pre-Tokyo round levels. (3) Agreements reached on a range of non-tariff codes covering government procurement, standards, customs valuation and administration and other items.

1981 Multifibre Arrangement III negotiated to last 5 years.

1982 GATT ministerial meeting in Geneva discusses trade issues. A new Round is considered but defeated. United States raises the issue of agricultural protection in European Community through Common Agricultural Policy. U.S. calls for negotiations in services (defeated). GATT Work Program initiated.

1983 Possible content of a future multilateral trade negotiation raised at Williamsburg summit. No concrete proposals made. Concern over congressional aggressive reciprocity proposals to improve U.S. access to markets abroad.

1984 U.S. State of the Union Message mentions the

	possibility of new GATT Round. Major issues likely to be service trade, agriculture, a new safeguards code and graduation proposals for less developed countries.
1985	Developing countries led by Brazil and India oppose inclusion of services in a new round. Japan agrees to a new round. EEC also agrees, but France and Italy oppose inclusion of agriculture. Major trade tensions between U.S. and Japan caused by size of bilateral U.S.-Japan trade deficit.
1986	MFA IV renegotiation completed, with agreement among developed countries at initial meeting in China. Preparatory GATT committee for new round meets, with round launched in fall in Uruguay.

Source: Whalley (1985a), Table 1.11, pp. 40-42.

Appendix B

Developing Countries and the GATT

Year	Event
1957	GATT appoints a Group of Experts to report on trends in international trade with special reference to "the failure of the trade of the less developed countries to develop as rapidly as that of the industrialized countries, excessive short-term fluctuations in prices of primary products, and widespread resorts to agricultural protection".
1958	The Haberler Report on Trends in International Trade argues that underdeveloped countries require growing foreign exchange earnings to implement their development plans, but their export earnings are increasing very slowly and their relative share in world exports is declining. The Report concludes that prospects for exports of developing countries are sensitive to domestic policies pursued by the developed countries, and that on balance their future growth will probably fall short of any increase in world trade. In reaction to the Haberler Report, GATT creates a Programme for Trade Expansion. This establishes three committees: Committee I to deal with further multilateral trade negotiations; Committee II to deal with problems arising in trade in agriculture; and Committee III dealing with measures restricting exports of less developed countries.
1960-61	Committee III carries out a detailed study of barriers to exports of developing countries. It finds that developing country exports face high tariffs over a wide range of products, particularly vegetable oils, coffee, tea, cocoa products, jute, cotton products, sporting goods and leather goods, in addition to some more sophisticated manufactured products. It concludes that developing countries have experienced particular difficulties in negotiating reductions of these duties under the GATT, because they were not principal suppliers and had little or nothing to offer in tariff negotiations. Out of 4400 tariff concessions made in the Dillon Round, only 160 concessions were considered to be on items of export interest to developing countries. Even more serious was the discrimination against developing country exports on the basis of origin and degree of processing. As well, quantitative restrictions; internal taxes; state trading and

monopolies; other restrictions, such as mixing regulations, price support programmes were identified as trade impediments faced by developing countries in developed country markets.

1963 A group of 21 developing countries puts forward a resolution calling for what becomes known as the "Action Programme". This consists of: (1) A call for standstill provisions to prevent new tariffs and other barriers against exports by the developing countries. (2) Elimination of remaining quantitative restrictions by industrialized countries within one year, or not later than December 31, 1965. (3) Duty-free entry for tropical products to be achieved by December 31, 1963. (4) Elimination of tariffs on primary products. (5) Reduction and elimination of tariffs on exports of semi-processed and processed products from developing countries by at least 50 percent over three years. (6) A progressive reduction of internal taxes and duties on products wholly or mainly produced in developing countries. (7) An annual reporting to ensure implementation of Action Programme.

Progress achieved on trade in tropical products. Despite difficulties, all but a few quantitative restrictions eliminated, and duties on tea and tropical timber eliminated or firm commitments for elimination given by the end of 1963.

At GATT Ministerial meeting, Ministers recognize "need for adequate legal and institutional framework to enable the Contracting Parties to discharge their responsibilities in connection with work of expanding trade of LDCs". This was in part a reaction to the preparations underway for the 1964 UNCTAD, but this led to Part IV of the GATT, and this statement thus considered of great symbolic importance. However, full implementation of 1963 Action Programme would have given LDCs more in concrete terms. Development Committee of GATT made responsible for providing guidelines, initiating action and making recommendations on matters concerning trade and development. Committee subsequently examines various matters relating to trade and aid; expansion of trade among developing countries; preferences toward developing countries; adjustment assistance; international commodity problems; tariff reclassification; and special tariff problems.

At the same Ministerial Meeting, Ministers also conclude that a special study on tariff preferences towards developing countries should be undertaken.

Working party formed and examines proposals by India and United Arab Republic made during the drafting of Part IV for automatic, unconditional, across-the-board preferences in favour of all developing countries, but could not arrive at a decision.

1965 Part IV of the GATT instituted.

1966 GATT staff study published critical of tariff preferences towards developing countries on the grounds they are discriminatory, and would be selective in terms of countries and commodities.

1967 Developing countries negotiate among themselves during the Kennedy Round to remove barriers on their joint trade. Thirty-three developing countries take part (including non-members); negotiations cover tariff and non-tariff barriers

India, United Arab Republic and Yugoslavia sign a Trade Expansion and Economic Cooperation Agreement.

1969 "Pearson Report" of Commission on International Development published. Emphasizes significance of negotiations in GATT among developing countries, and recommends conclusion of wide ranging agreement extending to all developing countries. The report stresses developing countries should devote as much effort to facilitating their mutual trade, as to securing better access for their products to developed country markets.

1970 Negotiations among developing countries move into a final phase, with the effective participation of 16 developing countries.

300 consultations take place under the framework of GATT leading to the conclusion of more than 50 bilateral agreements among developing countries, based on principles of mutual benefit. These agreements are then made multilateral among the 16[1] participating countries, but not extended to the developed countries. The arrangement (known as the Protocol Relating to Trade Negotiations Among Developing Countries) is open to participation by other developing countries.

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[1]These 16 countries are: Brazil, Chile, Egypt, Greece, India, Israel, Korea, Mexico, Pakistan, Peru, Philippines, Spain, Tunisia, Turkey, Uruguay, Yugoslavia.

1971 U.S. does not support decision to grant waiver to implement concessions exchanged between developing countries.

GATT Group of Three established, consisting of Chairman of Contracting Parties, Chairman of the Council, and Chairman of the Committee on Trade and Development. Purpose is to identify and encourage concrete action that might be taken to deal with the trade problems of developing countries.

1972 U.S., Japan, and the EEC call for new round of negotiations to start in 1973. Developing countries hesitant; want to know what they'd be expected to contribute, and whether negotiations would deal effectively with their problems.

1973 Ministerial meeting. All participants agreed that upcoming negotiations "should aim to secure additional benefits for the international trade of the developing countries so as to achieve a substantial increase in their foreign exchange earnings, diversification of their exports and an acceleration of the rate of growth of their trade, taking into account their development needs". Tokyo Declaration explicitly states that developing countries are to be given special and preferential treatment where feasible and appropriate, and the developed countries should not expect reciprocal concessions from them. It states further that benefits to developing countries should be obtained through a substantial improvement in their export access covering products of interest to them, and wherever appropriate, through measures designed to attain stable, equitable prices for primary products.

The number of participating developing countries since the previous round increases threefold. Sixty developing countries (20 non-members) are members of Trade Negotiations Committee. Developing countries participate in all stages of the work and in all areas of the negotiations with periodic review of progress achieved. GATT Secretariat assists developing countries with technical details where necessary.

1974 Preparations for Tokyo Round continue.

1975 (March). GATT informed by the EEC that Lome Convention has been signed between the EEC and 46 developing countries in Africa, the Caribbean and the Pacific to last until 1980. Convention to replace the Yaounde Convention and Arusha Agreement. This agreement introduces a stabilization scheme (STABEX) for export earnings of ACP countries, and relieves these countries of obligation to extend preferential treatment to imports from the communities.

(October). Bangkok Agreement signed by 7 countries: Bangladesh, India, Korea, Laos, Philippines, Sri Lanka, and Thailand.

Consideration given to new negotiations between developing countries, based on 1970 experience. Would aim to enlarge the depth and type of concessions and extend product coverage. Tariffs and other trade measures would be included.

1976 Bangkok Agreement enters into force and provides for the exchange of tariff and non-tariff concessions, industrial co-operation and special treatment for the least-developed of the 7 member states.

1977 Agreement on ASEAN Preferential Trading Arrangements. ASEAN (Association of South East Asian Nations) includes Indonesia, Malaysia, Philippines, Singapore, Thailand. Agreement covers (among other things) long-term quantity contracts, preference in procurement by ASEAN government entities, extension of tariff preferences, and the liberalization of NTM's on a preferential basis. Preferential arrangements to apply particularly to basic commodities such as rice, and crude oil, to products of ASEAN industrial projects and to other products for the expansion of intra-ASEAN trade.

1978 Cable Report commissioned by GATT notes disillusionment of developing countries with negotiations, and fears they would come away from Geneva with "a negative balance sheet". Among the many recommendations, Cable notes the importance of exchange rates, tax and foreign investment regulations in LDCs which hamper manufactures export growth. Also argues that middle income and industrialized LDCs should look at reducing protection of their own markets in return for improved access. Notes the need for LDCs to look at ways of diversifying manufactured exports.

(July). Industrialized countries table an agreed "framework of understanding" covering all the main issues in the Tokyo Round. Represents an agreement reached by the EEC, the U.S., Japan, Switzerland, New Zealand, Canada, Nordic Countries, and Austria, and sets out principal elements they consider necessary for a balanced package at the end of the Tokyo Round.

Developing countries express displeasure at the way in which they had been left on 'periphery' of negotiations. They issue a statement saying they had not been consulted on the "framework of understanding".

1980 Sub-committee on trade of least-developed countries establishes terms of reference: "to give special attention to the particular situation and trade problems of the least-developed among the developing countries in GATT's Work Programme, including the results of the MTN, and to keep under review the special treatment which would be accorded these countries in the context of any general or specific measures taken in favour of developing countries".

1981 Developing countries had made up three-quarters of 99 countries participating in Tokyo Round. At beginning of 1981, 21 developing countries had signed or accepted one or more of various codes.

Lome II between the EEC and 61 countries from ACP enters into force. New convention embodies provisions of earlier Convention, and includes certain new areas such as agricultural and rural co-operation, a system to deal with ACP mineral exports, and certain improvements in favour of the ACP states with respect to areas such as safeguards.

1982 Ministerial Meeting in October. See Table A.1in Appendix A for details.

1984 Noted at special GATT meeting that although developing country exports of such products as steel, textiles and clothing, shoes and consumer electronics to the high income economies had continued to rise, they had increasingly been faced with new anti-dumping and countervailing actions and new trade regulations. In its major review of the MFA, the Trade Surveillance Board draws attention to the more extensive and more restrictive application of the current MFA.

<u>Sources</u>:	GATT Activities in	1969/70	- Geneva 1971
	______________________	1970/71	- Geneva 1972
	______________________	1972	- Geneva 1973
	______________________	1973	- Geneva 1974
	______________________	1974	- Geneva 1975
	______________________	1975	- Geneva 1976
	______________________	1977	- Geneva 1978
	______________________	1978	- Geneva 1979
	______________________	1980	- Geneva 1981
	______________________	1981	- Geneva 1982
	______________________	1982	- Geneva 1983
	______________________	1984	- Geneva 1985

Dam (1970), Gupta (1976), and Cable (1978).

Appendix C

Developing Countries and UNCTAD

Year	Event
1961	General Assembly initiates first UN Development Decade. Goals: that developing countries should attain a minimum annual growth rate in aggregate national income of 5 percent or more during the 1960's. Annual flow of international assistance and capital to developing countries should increase to 1 percent of the combined national incomes of the economically advanced nations. Recognition that international trade had a key role to play in effecting changes in the economic structures of developing countries.
1964	UNCTAD I. Signatories express determination to "seek a better and more effective system of international economic cooperation, whereby the division of the world into areas of poverty and plenty may be banished and prosperity achieved by all; to find ways by which the human and material resources of the world may be harnessed for the abolition of poverty everywhere". Recommendations made on: international commodity problems; trade in manufactures and semi-manufactures; financing the expansion of international trade and improvement of the invisible trade account of developing countries; institutional arrangements.
1964	The Prebisch Report "Towards a New Trade Policy for Development".[1] Main focus is the trade gap of the LDCs. Asserts this gap results from high demand in LDCs for essential imports of machinery and industrial inputs, combined with low demand for their traditional exports of primary products, which together create persistent trade deficits in the LDCs. Prebisch contends that, in the long run, the terms of trade of primary commodities relative to manufactured goods tend to decline. Consequently, since LDCs are largely exporters of primary products and importers of manufactures, it is alleged their terms of trade tend to be chronically depressed. Report argues that: (a) GATT system of reciprocal bargaining has been used mainly to reduce barriers to exports of interest to developed countries; (b) apparent symmetry of non-discriminatory

[1]This section draws heavily on Cutajar and Franks (1967) pp. 155-160.

and reciprocal trade policies does not correspond with the actual asymmetry of the world economy, in which the LDCs tend to run persistent deficits and therefore have a greater need for protection than the developed countries; (c) GATT rules have inhibited the formation of regional economic groupings among LDCs, which would make import substitution more efficient and provide a sound base for exports.

1968 UNCTAD II. Developed countries finally agree to the Generalized System of Preferences (GSP), mainly as the result of growing pressure from Latin American countries for preferential access to industrialized countries.

1970 Second UN Development Decade announced (1971-1980). International Development Strategy sets specific growth rates for GNP, income per capita, agricultural and manufacturing output, average annual expansion of gross domestic savings, and exports and imports. Strategy aims at devising rules for international trade and targets for financial resources for development and for research and technology. Target of 1 percent of GNP set for private and official financial flows from developed countries to LDCs. Goal set for ODA from developing countries to LDCs of minimum net amount of 0.7 percent of GNP by 1975. U.S. and other major developing countries state varying reservations on acceptance of these targets.

1974 May. Sixth Special Session of General Assembly adopts Declaration and Programme of Action on Establishment of a New International Economic Order (NIEO). Declaration notes that "developing countries which constitute 70 percent of the world's population account for only 30 percent of world's income". Calls for a new order "based on equity, sovereign equality, interdependence, common interest and cooperation among all States...which shall correct inequalities and redress existing injustices". Calls for increased access to markets of the developed countries for manufactured goods of the LDCs, the negotiation of commodity agreements to stabilize prices of raw materials, establishment of a link between the prices of exports and imports of LDCs (indexation), rationalization of the international monetary system, improvement of the industrial capacity of the LDCs, facilitation of the conditions for the transfer of technology and regulation of the activities of trans-national corporations. Resolution calls for urgent establishment of a special programme for those LDCs most seriously affected by economic crisis, including establishment of a Special Fund. NIEO resolutions finally adopted by consensus. Many industrialized countries, particularly U.S., enter numerous reservations about more controversial provisions.

December. LDCs force a vote on Charter of Economic Rights and Duties of States (CERDS) which supplements NIEO resolutions. Most developed countries (including U.S.) vote against or abstain. Some provisions of CERDS not accepted by developed countries, including full permanent sovereignty over natural resources, compensation according to national law in case of nationalization, and expropriation and the formation of producer associations for raw materials.

1975 Second general conference of UN Industrial Development Organization (UNIDO) in Lima, Peru. Declaration and Plan of Action on Industrial Development Cooperation adopted. Calls for increasing the LDCs' share of world's industrial output from 7 percent to 25 percent by year 2000, including plans for the redeployment of industries from developed countries to LDCs on a systematic basis.

September. Seventh Special Session on Development and International Economic Cooperation. Six-part resolution covers international trade, transfer of real resources, science and technology, industrialization, food and agriculture, and cooperation among developing countries.

December. First Ministerial Meeting of Conference on International Economic Cooperation (CIEC). Initially conceived by the developed countries as a place to discuss world energy problems. LDCs insist that energy not be treated alone, but only jointly with commodity, finance and development issues. These four elements become agenda of conference. Twenty-seven members: 8 developed and 19 developing countries (including 7 members of OPEC). CIEC supposed to complete its work December 1976, but extended until June 1977. LDCs view the CIEC as not meeting their expectations, while the developed countries express general satisfaction.

1976 As a backlash to CIEC experiment, 33rd General Assembly resolves that all global negotiations relating to the establishment of the NIEO should take place within the UN. Resolution calls for the establishment of a Committee of the Whole which would be responsible for setting up such global negotiations.

UNCTAD IV. Elaborate timetable laid down for the negotiation of individual commodity agreements under the International Programme for Commodities (IPC), and for the establishment of a $6 billion Common Fund for the financing of Buffer Stocks scheme (covering 18 individual commodity agreements) and transfer of technology. Overall, results inconclusive.

1979 UNCTAD V. OPEC refuses inclusion of energy on agenda; source of contention among participants. Consensus resolution calls for an annual review of the patterns of production and trade in the world economy. UNCTAD V unable to reach any consensus on a resolution of debt problems. Draft resolution of Group of 77 would have established International Debt Commission. Resolution on international monetary reform adopted.

ECDC - Issue of Economic Cooperation Among Developing Countries. ECDC figures prominently in action programme of Fourth Ministerial Meeting of Group of 77 held in Arusha, Tanzania, to prepare for UNCTAD V. Meeting produces Arusha Programme for Collective Self-Reliance and Framework for Negotiations. Programme lays out recommendations for the establishment of a global system of trade preferences among LDCs, cooperation among LDC state-trading organizations, the establishment of multinational marketing and production enterprises, and a multilateral payments and credit arrangement among LDCs. At UNCTAD V, Programme on ECDC adopted in consensus resolution which urges developed countries and international organizations to continue to intensify their contributions to promote increased economic cooperation among LDCs at the sub-regional, regional, and interregional levels.

Committee of the Whole (COW) asked to prepare the way for a new round of Global Negotiations on international economic issues. Hoped these talks would clear the way for a breakthrough on the NIEO. General Assembly sets five substantial areas for discussions: raw materials, energy, trade, development, money and finance. Despite intensive negotiations, the COW unable to complete agenda, or agree on procedures for Global Negotiations.

Establishment of Preparatory Committee for the New International Development Strategy scheduled for 1980. Objectives of new strategy: bringing about major changes in the structure of world production; increasing LDC agricultural production and exports; promoting LDC industrialization and progress toward the "Lima Target" of a 25 percent LDC share of world industrial production by end of century; substantially increasing financial flows from North to South; making the international monetary system more responsive to LDC needs and interests; and promoting the transfer of technology from North to South.

1980 June. Developed countries finally agree to severely watered-down IPC. $750 million rather than $6 billion made available to consist of $400 million for buffer stock financing and $350 million for R&D, local processing and marketing within developing countries.

Brandt Commission Report. Recommendations include: an increase in bilateral aid to $30 billion a year by 1985; a five-year $50-60 billion expansion of lending by multilateral institutions, coupled with "co-financing" with commercial banks; a link between SDRs and development finance; a revision of decision-making procedures in the IMF and in the World Bank; a global "concordat" on oil production whereby oil prices and supplies would be stabilized and the earnings of oil producers would be guaranteed; an economic summit meeting of world leaders; and the establishment of a New World Development Fund. Fund proposal includes scheme through which revenues would be raised from a tax on deep sea-bed mining and world trade in armaments.

1981 Global Negotiations scheduled to begin January, but do not take place. Disagreement between North and South over site for negotiations. North position: central body should assign particular issues to various specialized arenas that would then make substantive decisions. Proposed Special Committee to be established to deal with energy. GATT would deal with trade issues. IMF to deal with monetary questions. South position: thought ultimate decision-making power of global negotiations should be vested in a body like the General Assembly where all countries would be represented and where each would have one vote.

September. General Assembly decides to convene United Nations Conference on the Least Developed Countries to be held in Paris. Hoped that a consensus would be achieved on the broad dimensions of international support and assistance to some 30 designated least developed countries.

1982 Common Fund faces renewed resistance from developed and developing countries. Failed to meet 1983 ratification; deadline extended until September 1983.

1983 Second Report of the Brandt Commission on International Development. Recommendations include: major new allocation of Special Drawing Rights (SDRs) at IMF to increase world liquidity, increased lending by World Bank on "soft" terms, a greater role for the BIS in the provision of financing for countries experiencing debt-servicing problems, and a strengthening by all GATT members of their commitments to free trade. Common Fund still not ratified by enough countries to set up operation as of July.

1983 UNCTAD VI. Planned focus on commodities, protectionism, and structural adjustment, financial and monetary issues, and the least developed countries. Results: U.S. disassociates itself from final statement. Session ultimately termed a failure by UN General Assembly President. Resolutions passed at UNCTAD VI contain no fresh commitments, and no immediate measures to help developing countries.

1984 Many of the programmes outlined in International Development Strategy of 3rd Development Decade have not been enacted. Common Fund still non-operational and January 1984 starting date passes. No progress made on Global Negotiations. Still disagreement over how substantive issues to be discussed.

Group of 77 proposes international conference on money and finance along the lines of a "new Bretton Woods". Receives only modest encouragement from industrialized countries. U.S. signals dissatisfaction with UNCTAD by consulting with West European governments and Japan about downgrading UNCTAD's activities.

1985 As of July, 87 nations and neither U.S. nor USSR have ratified Common Fund; 90 needed.

Sources: Cutajar and Franks (1967).

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UN. UNCTAD Proceedings of UNCTAD Vol. I. Final Act and Report, 1964, p. 3.

Appendix D

Data on Developing Countries' Trade

Table D.1

Commodity Composition of Developing Country Exports; 1955 and 1980-81

	ASIA		AFRICA		LATIN AMERICA		ALL DEVELOPING COUNTRIES			DEVELOPING COUNTRIES LESS OPEC		
PERCENTAGE OF EXPORTS IN:	1955	1980	1955	1980	1955	1980	1955	1980	1981	1955	1980	1981
Food, Beverages, and Tobacco SITC (0+1+22+4)	30.9	12.5	48.5	10.9	48.4	28.7	36.5	11.3	11.2		23.5	21.9
Agricultural Raw Materials SITC 2 - (22+27+28)	37.3	8.8	23.3	3.5	12.7	3.0	20.5	3.6	3.0		6.5	5.4
Crude Fertilizers, Crude Minerals, Metalic Ferrous Ores, and Metal Scrap SITC (27+28)	3.6	2.2	8.2	2.9	5.3	5.4	4.8	2.3	2.4		4.7	4.4
Mineral Fuels, Lubricants, and Related Minerals SITC 3	8.0	20.7	.8	75.6	23.8	42.7	25.2	62.0	60.5		22.2	24.1
Chemical Products SITC 5	1.5	2.7	.9	1.2	1.1	3.1	1.0	1.8	1.9		3.3	3.3
Iron and Steel SITC 67	.1	1.9	.1	.1	.1	1.3	.2	.8	.9		1.7	1.8
Non-Ferrous Metals SITC 68	2.2	2.2	12.7	2.4	6.5	4.2	5.1	1.9	1.4		3.7	2.4
Manufactured Goods (excluding iron and steel and non-ferrous metals) SITC (6+8) - (67+68)	14.4	32.9	4.3	2.4	1.7	6.0	6.0	10.5	12.1		22.4	24.1
Machinery and Transport Equipment SITC 7	1.1	14.0	.6	.4	.2	4.7	.5	4.9	5.6		10.2	11.0
Miscellaneous	.9	2.1	.6	.6	.2	.9	.2	.9	1.0		1.8	1.6
TOTAL:	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: UNCTAD 1969 Handbook of International Trade and Development Statistics, Tables: 3.1, 3.2, 3.3, 3.4, 3.5, 3.6, 3.7, A.3, A.6.

UNCTAD 1984 Handbook of International Trade and Development Statistics, Tables A.1-A.10.

Table D.2

Commodity Composition of Developing Country Imports; 1955 and 1980-81

PERCENTAGE OF IMPORTS IN:	ASIA 1955	ASIA 1980	AFRICA 1955	AFRICA 1980	LATIN AMERICA 1955	LATIN AMERICA 1980	ALL DEVELOPING COUNTRIES 1955	ALL DEVELOPING COUNTRIES 1980	ALL DEVELOPING COUNTRIES 1981	DEVELOPING COUNTRIES LESS OPEC 1955	DEVELOPING COUNTRIES LESS OPEC 1980	DEVELOPING COUNTRIES LESS OPEC 1981
Food, Beverages, and Tobacco SITC (0+1+22+4)	18.7	10.5	16.7	15.9	13.9	10.7	16.6	12.0	11.8		11.4	11.2
Agricultural Raw Materials SITC 2 - (22+27+28)	11.1	5.1	2.6	2.2	5.8	1.9	6.2	2.9	2.6		3.4	3.0
Crude Fertilizers, Crude Minerals, Metalliferous Ores, and Metal Scrap SITC 27+28	.8	1.4	.3	.6	.8	.9	.6	.9	.9		1.1	1.1
Mineral Fuels, Lubricants, and Related Materials SITC 3	7.9	23.6	7.8	9.5	9.1	24.9	11.8	18.4	17.6		23.6	23.5
Chemical Products SITC 5	7.2	9.3	6.4	8.0	8.8	9.1	7.0	8.3	7.6		8.7	8.1
Iron and Steel SITC 67	2.1	4.9	4.7	4.9	7.2	4.0	5.5	4.8	4.6		4.1	4.0
Non-Ferrous Metals SITC 68	1.1	1.8	.7	.8	1.4	1.6	1.0	1.4	1.0		1.5	1.1
Manufactured Goods (excluding iron and steel and non-ferrous metals) SITC (6+8) - (67+68)	23.4	15.5	29.7	19.1	18.3	13.3	22.5	17.0	18.2		14.8	15.9
Machinery and Transport Equipment SITC 7	17.5	26.8	25.3	37.3	31.4	32.1	23.3	31.9	33.1		28.7	29.2
Miscellaneous	10.1	1.1	5.8	1.7	3.3	1.5	5.5	2.4	2.6		2.7	2.9
TOTAL:	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: UNCTAD 1969 Handbook of International Trade and Development Statistics, Tables: 3.1, 3.2, 3.3, 3.4, 3.5, 3.6, 3.7, A.3, A.6.

UNCTAD 1984 Handbook of International Trade and Development Statistics, Tables A.1-A.10.

Table D.3

Regional Composition of Developing Country Imports; 1955 and 1980

	ASIA		AFRICA		LATIN AMERICA		ALL DEVELOPING COUNTRIES	
PERCENTAGES OF IMPORTS FROM:	1955	1980	1955	1980	1955	1980	1955	1980
U.S.	20.6	15.1	7.2	7.3	46.7	30.1	24.9	16.5
EEC	26.6	12.4	62.5	50.5	21.7	16.0	34.1	25.0
Japan	10.0	20.6	3.3	7.1	2.6	6.8	5.0	12.7
Other Developed Countries	6.1	6.9	9.9	13.0	1.4	7.9	8.3	9.1
Other Developing Countries	36.7	45.0	17.1	22.1	19.6	39.2	27.7	36.7
TOTAL:	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: UNCTAD 1969 Handbook of International Trade and Development Statistics, Tables: 3.1, 3.2, 3.3, 3.4, 3.5, 3.6, 3.7, A.3, A.6.

UNCTAD 1984 Handbook of International Trade and Development Statistics, Tables A.1-A.10.

Table D.4

Regional Composition of Developing Country Exports; 1955 and 1980

	ASIA		AFRICA		LATIN AMERICA		ALL DEVELOPING COUNTRIES	
PERCENTAGES OF EXPORTS TO:	1955	1980	1955	1980	1955	1980	1955	1980
U.S.	15.6	21.0	10.1	31.6	44.0	33.6	23.4	20.9
EEC	26.7	15.3	64.6	41.3	22.6	17.9	35.2	26.2
Japan	8.3	20.0	.8	2.0	2.9	4.0	4.1	13.9
Other Developed Countries	8.2	6.7	8.4	8.9	7.9	9.2	9.4	9.3
Other Developing Countries	41.2	37.0	16.1	16.2	22.6	35.3	27.9	29.7
TOTAL:	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: UNCTAD 1969 Handbook of International Trade and Development Statistics, Tables : 3.1, 3.2, 3.3, 3.4, 3.5, 3.6, 3.7, A.3, A.6.

UNCTAD 1984 Handbook of International Trade and Development Statistics, Tables A.1 - A.10.

Table D.5

United States Trade with Developing Countries; 1956 and 1982

UNITED STATES IMPORTS FROM: (%)	1956	1980	1982	UNITED STATES EXPORTS TO: (%)	1956	1980	1982
LATIN AMERICA	28.8	11.8	12.8	LATIN AMERICA	19.7	15.5	13.1
Brazil	5.8	1.6	1.8	Brazil	1.6	2.0	1.6
Mexico	3.3	5.1	6.2	Mexico	4.5	6.9	5.3
ASIA (including Indian Subcontinent)	8.9	12.6	14.0	ASIA (including Indian subcontinent)	7.7	10.8	11.5
Hong Kong	.2	2.0	2.3	Hong Kong	.4	1.2	1.1
South Korea	.08	1.8	2.4	South Korea	1.0	2.2	2.6
China	.002	.5	1.0	China	---	1.7	1.4
Taiwan	.06	2.9	3.8	Taiwan	.6	2.0	2.0
Indian Subcontinent				Indian Subcontinent			
India	1.6	.5	.6	India	1.4	.8	.8
Pakistan	.3	.1	.1	Pakistan	.7	.3	.3
AFRICA	4.3	13.3	7.3	AFRICA	2.9	4.1	4.3
OIL PRODUCERS	2.8	6.9	4.5	OIL PRODUCERS	2.7	4.7	6.0
OTHER DEVELOPED COUNTRIES	50.8	55.4	61.4	OTHER DEVELOPED COUNTRIES	62.2	64.9	65.1
TOTAL:	100.0	100.0	100.0	TOTAL:	100.0	100.0	100.0

Sources: United Nations Direction of International Trade Annual Issue Statistical Papers Series T Vol. XI No. 9, New York, 1960.

United Nations Commodity Trade Statistics 1980 Series D Vol. XXX, No. 1-17, New York, 1982.

United Nations Commodity Trade Statistics 1982 Series D Vol. XXXII, No. 105, New York, 1984.

Table D.6

United Kingdom Trade with Developing Countries; 1956 and 1982

UNITED KINGDOM IMPORTS FROM: (%)	1956	1980	1982	UNITED KINGDOM EXPORTS TO: (%)	1956	1980	1982
LATIN AMERICA	7.0	2.0	1.9	LATIN AMERICA	4.1	2.0	1.4
Brazil	.7	.6	.8	Brazil	.5	.5	.3
Mexico	.2	.2	.2	Mexico	.3	.4	.3
ASIA (including Indian Subcontinent)	8.7	4.7	5.0	ASIA (including Indian Subcontinent)	12.8	5.1	5.9
Hong Kong	.5	1.5	1.5	Hong Kong	1.0	1.1	1.3
South Korea	.02	.5	.6	South Korea	.1	.2	.3
China	.3	.3	.3	China	.3	.4	.2
Taiwan	.04	.5	.6	Taiwan	.03	.2	.2
Indian Subcontinent				Indian Subcontinent			
India	3.6	.6	.7	India	5.1	1.1	1.5
Pakistan	.6	.1	.1	Pakistan	1.0	.3	.4
AFRICA	11.0	4.8	5.1	AFRICA	13.6	8.7	7.9
OIL PRODUCERS	7.0	7.8	4.6	OIL PRODUCERS	6.0	7.1	9.0
OTHER DEVELOPED COUNTRIES	65.3	80.7	83.4	OTHER DEVELOPED COUNTRIES	62.8	77.1	75.8
TOTAL:	100.0	100.0	100.0	TOTAL:	100.0	100.0	100.0

Sources: United Nations Direction of International Trade Annual Issue Statistical Papers Series T Vol. XI, No. 9, New York, 1960.

United Nations Commodity Trade Statistics 1980 Series D, Vol. XXX, No. 1-25, New York, 1983.

United Nations Commodity Trade Statistics 1982 Series D, Vol. XXXII, No. 1-6, New York, 1984.

Table D.7

Japan's Trade with Developing Countries; 1956 and 1980

JAPAN IMPORTS FROM: (%)	1956	1980	JAPAN EXPORTS TO: (%)	1956	1980
LATIN AMERICA	10.8	3.7	LATIN AMERICA	6.6	4.9
Brazil	1.6	1.1	Brazil	1.8	.9
Mexico	4.0	.7	Mexico	.3	.9
ASIA (including Indian Subcontinent)	25.6	22.6	ASIA (including Indian Subcontinent)	37.4	23.8
Hong Kong	.6	.4	Hong Kong	5.4	3.7
South Korea	.3	2.1	South Korea	2.5	4.1
China	2.6	3.1	China	2.7	3.9
Taiwan	1.4	1.6	Taiwan	3.1	4.0
Indian Subcontinent			Indian Subcontinent		
India	3.2	.7	India	4.2	.7
Pakistan	1.6	.2	Pakistan	.7	.5
AFRICA	1.6	3.2	AFRICA	14.9	6.0
OIL PRODUCERS	8.4	31.1	OIL PRODUCERS	4.0	10.1
OTHER DEVELOPED COUNTRIES	53.6	39.4	OTHER DEVELOPED COUNTRIES	37.1	55.2
TOTAL:	100.0	100.0	TOTAL:	100.0	100.0

Sources: United Nations Direction of International Trade Annual Issue Statistical Papers Series T, Vol. XI, No. 9, New York, 1960.

Trade with Other Developed Calculated by Residual.

Table D.8

Changes in Growth Rates of Developing Countries' Trade by Region

	South & South-East Asia				Africa				Latin America (ALADI)[1]				Latin America (CACM)[1]				Indian Subcontinent Countries				All Developing Countries			
	1950-1960	1960-1970	1970-1980	1981-1982	1950-1960	1960-1970	1970-1980	1981-1982	1950-1960	1960-1970	1970-1980	1981-1982	1950-1960	1960-1970	1970-1980	1981-1982	1950-1960	1960-1970	1970-1980	1981-1982	1950-1960	1960-1970	1970-1980	1981-1982
nnual verage rowth ate of xports %)	0.3	6.8	25.9	-2.2	3.9	9.3	21.6	-11.2	2.3	5.0	20.5	-10.1	4.0	10.4	17.5	-12.1	0.1	5.6	24.7	5.3	3.0	7.2	26.1	-12.8
nnual verage rowth ate of nports %)	3.5	6.9	23.6	-0.6	5.3	4.9	22.3	-6.2	2.5	5.3	21.1	-23.3	8.1	10.0	18.9	-20.2	5.5	5.3	24.1	-2.7	4.2	6.4	24.1	- 3.6

ource: UNCTAD 1984 Handbook of International Trade and Development Statistics, Tables 1.5, 1.6

ALADI - Asociación Latinoamericana Integracion (formerly LAFTA) Argentina, Brazil, Chile, Mexico, Paraguay, Uruguay.

CACM - Central American Common Market Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua.

Bankok Agreement Countries - Bangladesh, India, South Korea, Lao People's Democratic Republic.

Table D.9

Trade Shares For Countries Included in Foundation Project

Country	Exports as % of GDP		Imports as % of GDP	
	1970	1981	1970	1981
Brazil	7	9	7	9
Mexico	8	12	10	14
Costa Rica	28	44	35	47
Nigeria	17	22(1982)	17	24(1982)
Kenya	30	25(1982)	31	30(1982)
Philippines	19	19	19	24
India	4	7	5	10
Korea	14	39(1982)	24	40(1982)
China	n/a		n/a	
Argentina	9	7(1980)	9	9(1980)
Tanzania	24	9(1982)	28	18(1982)

Source: UNCTAD 1984. Handbook of International Trade and Development Statistics. Table 6.4.

Appendix E

The Evolution of Managed Trade Arrangements Affecting Developing Countries' Manufactures Trade

A central issue for those developing countries with significant exports of manufactures is restraint agreements which cover products that have traditionally been the preserve of the developed world, but where growing import volumes from developing countries have caused major adjustment difficulties and pressures for protection. This widening system of negotiated voluntary restraint agreements is often referred to as "managed trade", and concerns the developing countries since, quite outside of issues arising within GATT, these limit their ability to penetrate developed country markets. The perception in the developing world is that their experience has been one of restricted access once market penetration has been achieved.

The main product areas that are currently affected are textiles, steel, autos, and consumer electronics. In fact, as the tables enclosed indicate, in most cases (including textiles) voluntary restraint agreements are to a large degree a response to interpenetration by developed countries of each others' markets and the associated adjustment difficulties. Serious problems occur for developing countries as these systems of protection are subsequently widened and made more country and product specific.

Table E.1

Managed Trade in Textiles and Clothing

Year	Event
1931-32	U.K. and France protect their domestic producers of cotton and rayon textiles and clothing from Japanese competition.
1936	U.S. establishes "voluntary" export restraint with Japan. Had previously established relatively high tariff protection.
1955	Japan unilaterally imposes internal restrictions on cotton textile exports to U.S.
1956	U.S. concerns about rising imports of cotton textile products result in passage of bill granting statutory powers to regulate imports unilaterally. U.S. avoids using such powers, and instead presses the Japanese to reintroduce voluntary export restraints.
1957-61	Japan provides the U.S. with details of five-year "voluntary" export controls which cover the period 1957-1961. These are the result of U.S. pressure. Japan's share of cotton textile imports into the U.S. declines swiftly from 62.7 percent in 1958 to 25.9 percent in 1960, with Hong Kong the chief beneficiary whose share rises from 13.8 percent to 27.5 percent. Portugal, Spain, Egypt, India also benefit. The U.S. is unsuccessful in attempts to negotiate similar "voluntary" restraint agreements with Hong Kong in late 1950s.
1959	Britain introduces "voluntary" restrictions on exports of cotton textiles from Hong Kong.
1960	India and Pakistan also agree to "voluntary" export restraints to U.K. The six countries of the EEC are already protected by import restrictions.
1961	In order to gain the support of textile groups for the 1962 Trade Act, Kennedy promises help for the U.S. textile industry with "market disruption" caused by sudden surges of imports from low wage countries. This results in the Short Term Arrangement in cotton textiles negotiated in July, allowing interim restrictions in face of market disruption.

1962 Long Term Arrangement Regarding International Trade in Cotton Textiles concluded, with terms that imports should grow at 5 percent per annum and that unilaterally imposed quotas should not reduce imports below existing levels. It was accepted that under the bilateral agreements, in exceptional cases zero import growth might occur. The duration of the agreement is to be five years, and only covers cotton products.

1967 LTA renegotiated for three-year period.

1970 LTA again extended for three years.

1964-72 U.S. imports of cotton clothing increase by 25 percent but man-made fibre clothing imports experience a 16-fold increase.

1971-72 U.S. negotiates further agreements with Japan (man-made fibre yarns and fabrics) Hong Kong, Korea and Taiwan (man-made fibre clothing).

1973 Developing countries' share of world exports of textiles only 18 percent. All of eight leading exporters are developed countries, including six members of the European Community.

U.S. administration needs support of textile lobby to pass 1974 Trade Act to launch participation in Tokyo Round. In order to persuade NIC exporters to agree to an MFA, the U.S. offers more liberal conditions than the LTA. Acceptable to U.S. industry because of low import penetration. MFA considered "anticipatory protectionism".

1974 Multifibre Arrangement (MFA) comes into force January 1 with restriction of a general 6 percent growth in imports.
Article 1: emphasizes "expansion of trade, reduction of barriers to such trade and progressive liberalization of world trade in textile products".
Article 3: allows importing countries to impose temporary restraints when market disruption occurs. Restraints could be imposed unilaterally by importing country if no mutually satisfactory agreement can be reached.
Article 4: allows each importing country to negotiate separate bilateral agreements with exporting countries when there is a risk of market disruption.
Textiles Surveillance Body (TSB) created to supervise implementation of the MFA under a GATT Textiles Committee consisting of all parties to the arrangement. TSB to review measures taken under MFA, make

recommendations concerning any measure that any participating country considers detrimental to its interests and make recommendations at the request of either party when unable to reach agreement.

1977 MFA II negotiated. EEC insists on additional protocol whereby future bilateral agreements would include a provision for "jointly agreed reasonable departures" from MFA rules under special circumstances. This protocol allows importing countries to reduce quota levels, ignore 6 percent growth provision and reduce flexibility. Other developed countries soon join the EEC in resorting to "reasonable departures" clause even though developing countries maintain it applies only to the EC. U.S. and several other nations negotiate five-year agreements based on stricter terms. Developing country share of world exports in both textiles and clothing falls following a long period of uninterrupted growth.

1979 U.S. government determined to help "beleaguered textile and apparel industry" through U.S. Administration Textile Program. Objective to assure that 1979 imports will not exceed 1978 trade levels or 1979 base levels (whichever lower) and that import growth will be evaluated in years 1979-82 and adjusted according to estimated rate of growth in the domestic market, category by category. Textiles and clothing in U.S. excluded from new GATT code on liberalization of public procurement. U.S. government committed to nullifying MTN tariff reductions if MFA not renewed or suitable replacement negotiated. Legislation proposed to allow the President authority unilaterally to control imports of textile and clothing products.

1980 U.S. enters fresh negotiations with its major exporters to reduce degree of flexibility in quotas negotiated only a few years earlier.

1982 MFA III negotiated. Increased pressure put on exporting countries to return to some of original terms of arrangement. "Reasonable departures" clause dropped and importing countries agree to accommodate newer suppliers and provide them with more favourable access. Larger exporters agree to address problems created by large quota allotments in major export markets. Subcommittee of GATT Textiles Committee established to monitor efforts of importing countries to adjust to international competition. Importing countries secure "anti-surge" provision protecting their markets from rapid increases of sensitive products in previously under-utilized quotas.

1985 GATT Textiles Committee launches discussions on the future of the MFA. Exporting countries call for an end to the arrangement. Importing countries want it extended. Developing country exporters in MFA establish International Textile and Clothing Bureau to coordinate strategy for upcoming negotiations. Bureau to promote elimination of MFA, and eventual return of control over textiles and clothing trade to GATT. Also aims to help protect members' rights under MFA, and supply background information and technical assistance for discussions.

Reflecting protectionist sentiment in U.S., restrictive legislation considered by Congress that would have both removed U.S. from MFA and violated U.S. obligations under GATT. Textile and Apparel Enforcement Act of 1985 (Jenkins Bill) not passed, but would have severely restricted textile and clothing imports (Indonesian exports to U.S. would have fallen 89 percent; Thailand's by 70 percent; and China's by 58 percent).

1986 MFA extended another 5 years from August 1, 1986 until July 31, 1991 and product coverage slightly expanded. No changes were made to the Arrangement's text. Currently there are 43 MFA signatories representing 54 countries.

Sources: GATT. (1986) Press Release August 5, 1986. GATT/1390. Geneva. p. 1.

Keesing and Wolf (1980) Textile Quotas against Developing Countries. TPRC London.

North-South Institute (1985) The Multi Fibre Arrangement: Unravelling the costs. Ottawa.

Woolcock (1982) in The Newly Industrialized Countries: Trade and Adjustment. Turner & McMullen (eds.) Royal Institute of International Affairs. George Allen and Unwin Publishers.

Table E.2

Evolution of U.S. Import Restraints on Steel

Year	Event
1959	U.S. becomes a net importer of steel.
1967-68	Increased import penetration by Japan in the U.S. Call for import restrictions prompted by sharp drop in domestic demand, caused partly by cyclical market forces, partly by threat of a steel workers' strike which drives major steel consumers to foreign suppliers.
	Firms in U.S. seek protection down two routes: (i) by lobbying in Congress for quantitative restrictions on steel imports. Bill introduced proposing comprehensive five-year bilateral import quotas on all supplying countries; (ii) by filing complaints with the Treasury Department (by U.S. Steel) against France, Federal Republic of Germany, Italy, the Netherlands, Belgium and Luxembourg, alleging subsidization of steel exports and calling for countervailing duties. Complaints focus on the EEC's practice of remitting the value added tax on export sales.
	U.S. executive branch opposes trade restrictions on various grounds: fear of foreign retaliation; would jeopardize credibility of U.S. commitments to international trade agreements. Quota proposal in direct violation of Article XI of GATT and subsidy complaints in apparent violation of Article VI (4).
1968	Japan, concerned its status as "disrupter" would lead to severe bilateral restrictions under proposed quota bill, proposes "voluntary export restraint" (VER) to satisfy protectionist sentiment in the U.S. Steel exporters in the European Community also agree to this approach, and discussions over the size and distribution of the restraint begin March 1968. Quota bill shelved. Voluntary Restraint Agreements (VRAs) consist of a simple promise not to exceed given export levels of total steel mill products (by weight) to the U.S. from 1969-71. VRAs have some restraining effect on American steel imports as long as a credible protectionist threat maintained. Weaknesses of these VRAs as protective devices include: (i) lack of enforcement system; (ii) failure to include all potential exporters in the agreement; (iii) absence of specific coverage by detailed product groupings.

1971 Apparent success of U.S. VRAs prompts several EEC steel firms to attempt direct "voluntary" restraint negotiations. In early 1971, talks on a marketing arrangement between Community (and British) steelmakers and Japanese steel exporters cut short by threatened anti-trust prosecution by the West German Anti-trust Office.

Subsequent discussions between officials of ECSC lead to announcement by Japanese Iron and Steel Federation "voluntarily" to limit steel exports to EC and UK in 1972. (1973 and 1974 quotas to be arranged).

1972 Second round of VRAs covering exports to the U.S. from 1972-1974 concluded in May. New VRAs succeed in including measures to prevent market disruption, and tighten product coverage not included in first agreements. 1972 VRAs include the United Kingdom - largest exporter to the U.S. (not covered in first VRAs).

May. Consumers' Union files suit against State Department officials, and firms participating in 1972 VRAs alleging: (1) that the VRAs violate the Sherman Anti-Trust Act; (2) that the conclusion of the VRAs represents an unlawful action by State Department Officials to restrict trade without following the procedural requirements of the Trade Expansion Act of 1962. Final court decision sustains the defendants.

1974 Boom market in steel allows U.S. VRAs to expire quietly without further renewal. Agreements in EC allowed to lapse.

1975 Worldwide downturn in demand for steel. EC introduces a voluntary "forward programme" calling for self-discipline and planning of investment and production decisions.

December. Commission announces "voluntary" minimum reference prices on certain steel products. Imports not subject to additional direct restraints but only to monitoring. Voluntary restraint agreement reached with Japan to limit exports in 1976. Japanese steel deliveries to Community drop by 25 percent from previous year. EC steel output increasingly geared towards export markets to recapture market shares in U.S. lost to Japanese producers.

1976 EC organizes a community-wide steel producers' cartel - Eurofer.

1977 Nine bills introduced in U.S. congress seeking quotas against steel imports. American steel producers increase anti-dumping complaints (mainly against Japan). Anti-dumping campaign considered successful. As investigations proceed during 1977, Japanese deliveries to the U.S. of these products subject to dumping complaints drop considerably.

May. EC introduces Davignon Plan. Terms include: minimum (mandatory) price for concrete reinforcing bars, and reference prices for six other steel products. Prohibits EC producers from aligning their prices with import prices. Introduces an intensified system of import monitoring, including mandatory licensing. Suggests implementation of uniform anti-dumping measures. Long range objective of Plan to make the EC more competitive on world markets.

December. U.S. announces trigger price mechanism (TPM) to be implemented in March 1978. TPM created "voluntary" restraint on the part of exporters by establishing a system of dumping reference prices, sales below which result in an anti-dumping investigation. Implementation of TPM system conditional upon American firms withdrawing anti-dumping complaints. TPM covers all steel categories, with a comprehensive set of reference prices, ensuring product-by-product compliance. TPM legal under GATT and anti-trust standards since it operates through existing anti-dumping laws.

Flexibility of TPM allows U.S. trade officials to tilt the policy towards European Community interests. Largest low-cost producers in Japan prevented from selling at below their calculated average production cost (on which trigger prices were based), while higher-priced producers in the Community given a free dumping margin with which to compete in the U.S.

December. EC announces implementation of basic price system (shortly after U.S. announced TPM). Basic price system establishes "fair value" import prices; calculated on Japanese production cost data for all carbon steel products. Sales at below the basic price result in an immediate anti-dumping investigation. Preliminary determination of dumping declared within a few weeks of a violation, and provisional anti-dumping duties assessed immediately thereafter. Offer to withdraw the basic price system and the anti-dumping investigation for those steel suppliers who form "voluntary" restraint agreements with the Community. Under the VER, suppliers allowed to sell to the Community at below the reference prices, with producers operating in the Community prohibited from aligning their prices with import prices.

November-December. Trilateral discussions take place between the U.S., EC, and Japan. Understanding that anti-crisis measures should not disrupt traditional trade patterns, that excessively low export prices should be vigorously controlled, and that national policies in steel should not result in adjustment costs being shifted on to other countries.

1978 Large number of anti-dumping complaints filed by the European Commission upon implementation of basic price system January 1. Community's principal steel suppliers negotiate detailed product-by-product VERs. VERs include quantity limits by weight on each individual category of imported steel. Generally set below 1976 import levels, and the respective margins by which suppliers allowed to undersell reference prices introduced in the EC in 1977.

October. France completes a takeover of the steel industry through its nationalized banks.

November. Belgium announces the nationalization of its two major steel firms.

October. U.S. treasury department initiates anti-dumping investigations against carbon steel plate imported from Taiwan, Poland, and Spain. Investigation against Spain quickly terminated because of small volume of imports. Investigation against Poland terminated after the ITC declares imports involve no threat of injury to American producers. ITC finding in the case of Taiwan positive and results in anti-dumping duties.

Invitation extended to four leading NIC producers to participate in the OECD steel committee: South Korea, Mexico, Brazil, and India. South Korea's response favourable and Mexico's position is that it might be interested in considering observer status. India comes out firmly against the proposal. "Developing countries should not allow themselves to be influenced by the industrialized countries' concern with excess capacity." (UNCTAD, 1979).

1980 Japanese producers begin to exercise informal export restraint, limiting total deliveries to the U.S. to 6 million tons annually.

March. U.S. Steel Corporation breaks its moratorium on independent dumping complaints and files suit against several European Community producers. Action in violation of TPM arrangement which is immediately suspended. European Community threatens trade war if the government pursues the investigation. Resolved by withdrawal of U.S. steel anti-dumping suit and reinstatement of trigger price mechanism in revised form in October 1980. New TPM result of a compromise between U.S. and EC producers' interests.

October. Package to run five years includes 15 point import penetration limit. When passed, Commerce Department or steel producers allowed to start anti-dumping actions without suspending the TPM.

1981 Subtle forms of non-compliance with TPM begin to appear. These include: hidden rebates, false price statements on customs declarations, establishment of importing firms by foreign suppliers to resell steel at prices below the trigger levels. Final demise of TPM results from apparently open defiance of the trigger prices by larger numbers of disgruntled and angry Community exporters.

1982 January. Efforts of U.S. government to negotiate settlement fail and U.S. steel makers formally file suits alleging dumping and subsidization, most of which are directed against producers in the European Community. Commerce Department again suspends trigger prices and halts its own export subsidy investigations.

June. Commerce Department issues a preliminary finding of subsidization on imports from seven countries in the European Community, Brazil, and South Africa. American importers required to post cash bonds equivalent to the estimated subsidy. Many U.S. importers refuse to post bonds on steel arriving from countries alleged to have high subsidy margins, unless supplying mills pay the duties. Effect of preliminary subsidization finding equivalent to unilateral and discriminatory increase in tariff rates on products in question.

Fearing consequences of definitive imposition of countervailing duties against the Community (from above cases) negotiations on an "out-of-court" settlement held until October 1982 (when countervailing duties to be imposed).

October. Agreement on Community steel export limits to the U.S. announced. In exchange for withdrawal of 45 charges of unfair trade practices made by eight U.S. steel producers, the European Community pledges to limit exports of 10 product categories of steel to market share allowances based on projected apparent consumption in the U.S. Agreement to be in effect November 1, 1982- December 31, 1985 (to coincide with EC official deadline for ending state subsidies).

1983 July. Extra import duties and quotas imposed on European special and stainless steels (not covered by October 1982 agreement) for a four-year period. Canada, Japan and EEC subsequently reject overtures to establish an Orderly Marketing Agreement on Special Steels (OMAS).

1984 March. EEC retaliates against U.S. specialty steel restrictions after talks first on withdrawal and then on compensation break down. Retaliatory quotas imposed on chemicals and other non-steel products to last for four years.

South Africa announces voluntary restraints on a range of steel exports to U.S. Exports to be reduced by 22 percent.

April. Brazil announces voluntary restraints on steel exports to the U.S. for three years. Agreement cuts Brazil's steel exports to U.S. from 814,000 tonnes in 1983 back to 430,000 tonnes in the year ending April 1985. Decision followed acrimonious eight month long legal trade dispute with the U.S. over alleged dumping and subsidies.

June. U.S. International Trade Commission finds U.S. steel industry has suffered serious injury in a range of five steel products accounting for 70 percent of U.S. steel imports. Import injury occurred despite the existence of formal and informal export restraints by foreign producers.

July. Following hearings, International Trade Commission recommends five year import quotas covering 70 percent of steel products.

August. U.S. Commerce Department recommends formal division of U.S. steel imports among traditional and new exporting nations as follows: Japan 25 percent; EC 24 percent; Canada 14 percent; South Korea 11 percent; Brazil 7 percent; Mexico 4 percent; Africa 3 percent.

	September. U.S. President rejects ITC recommendations on quotas in favour of formal and informal voluntary restraint covering a wider range of countries, to be negotiated within 90 days.
	November. U.S. Commerce Department suspends all steel pipe and tube imports from EC after Community proposals to cut shipments from 14.9 percent to 7.6 percent share of the U.S. market rejected. ITC earlier failed to find case for injury to U.S. domestic producers from Community pipe and tube exports.
1985	January. U.S. and EC finalize an accord limiting Community pipe and tube sales to U.S. market to 7.6 percent of demand for these products. Import ban lifted.
	U.S. trade negotiators conclude voluntary restraint agreements with EC and a range of small producers (Finland, Australia, South Africa and Spain) but agreement still to be finalized with Japan, South Korea, Brazil, Mexico and Argentina.

Source: This table is based on information in Jones (1983) and Table 5.2 from Costs and Benefits of Protection, OECD, 1985, pp. 93-94.

Table E.3

Import Restrictions on Automobiles: U.S., Canada, the EEC, and Japan

Year	Event
1969	Italian and Japanese Governments negotiate a bilateral agreement in which each country can accept up to 1,000 of the other's assembled automobiles per year beginning in 1970.
1975	British Government reaches a "gentleman's agreement" with Japan in which the Japanese agree to limit exports of automobiles to approximately 11 percent of the United Kingdom's auto market.
1976	Restraint agreement entered into between Italy and Japan is continued, but the limit on exports is increased to 2,200 units.
1977	France imposes a 3 percent market-share limit on Japanese automobile imports.
1980	French Government decides to delay customs clearance procedures on Japanese automobiles amid concerns that the 3 percent limit might be exceeded.
1981	On May 1, the Japanese Government announces a voluntary agreement to restrain auto exports to the United States, beginning April, to 1.68 million cars per year.
	West Germany negotiates an "informal promise" from the Japanese automobile manufacturers that they will limit the rate of increase in the number of Japanese automobiles exported to West Germany and keep the Japanese share of the West German market at about 10 percent.
	Belgian Government announces that the Japanese have agreed to keep automobile exports to Belgium in 1981 at approximately the same level as in 1980 and to review the restraint level at the end of March 1981 to see if it should continue for another year.
	Japanese announce that exports to the Netherlands will remain at the 1980 level.

In June, the Canadian and Japanese Governments agree that approximately 174,000 automobiles will be exported from Japan to Canada April 1, 1981 through March 31, 1982.

1982 Voluntary restraint agreement between Japan and the United States extended for period April 1, 1982 to March 31, 1983, with no modification.

1983 European Community (EC) reaches an agreement with the Japanese Government that Japanese auto exports to the EC market as a whole will be "moderate in relation to past export and market performance and future market developments".

Voluntary restraint agreement between Japan and the United States extended for period April 1, 1983 to March 31, 1984, with no modification.

1984 Voluntary restraint agreement between Japan and the United States extended for period April 1, 1984 to March 31, 1985, but the export limit is increased from 1.68 million to 1.85 million automobiles.

Canada and Japan reach an understanding that the Japanese will export no more than 166,000 automobiles to Canada from April 1, 1984 to March 31, 1985; approximately equal to 18 percent of the Canadian automobile market.

1985 Japanese Government announces that voluntary export restraints of autos to the United States will be allowed to lapse, beginning April 1, 1985.

<u>Source</u>: United States International Trade Commission. <u>A Review of Recent Developments in the U.S. Automobile Industry Including an Assessment of the Japanese Voluntary Restraint Agreements</u>. USITC Publication 1648. Washington, D.C. February 1985; Alan Altshuler. <u>The Future of the Automobile</u>. Cambridge, Massachusetts: MIT Press, 1984.

Table E.4

Import Restrictions on Colour T.V.s in the United States

1948-62	U.S. has no imports of T.V.s.
1962	First Japanese imports (black and white).
1975-76	Japanese exports of colour television receivers to the United States increase rapidly in the second half of 1975 and throughout 1976. By the end of 1976, imports from Japan account for 90 percent of United States imports of colour T.V.s and over 35 percent of United States sales.
1976	United States industry begins to appeal to the International Trade Commission (ITC) for temporary protection from Japanese imports. Following an investigation under Section 201 of the Trade Act of 1974, the ITC finds that Japanese competition is causing serious injury to the domestic industry. ITC recommends that tariffs on colour television receivers be increased, but this is rejected by the United States Government.
1977	As an alternative to higher tariffs, the United States Government seeks to negotiate directly with the Japanese government a voluntary export restraint agreement. The result of the negotiations is an "Orderly Marketing Agreement" (OMA), reached in May. Under the Agreement, Japan's exports of colour television receivers are to be limited to 1.75 million units for each of the three years from July 1, 1977. This is 750,000 units fewer than Japan had exported to the United States in 1976, which implies a fall in import penetration from over 35 percent to around 20 percent.
1978	In December, restrictions on imports through OMAs are extended to Korea and Taiwan due to mounting imports from these countries. Agreements are to run from February 1, 1979 to June 30, 1980.
1980	Restrictions on colour television receiver imports into the United States lifted.

Source: Organization For Economic Cooperation and Development, Costs and Benefits of Protection, 1985.

Appendix F

Trade Arrangements in Commodities

Tin

Brief History

International controls on tin fall into two phases. Those introduced before WW II were essentially agreements among producing countries only, and supported by cartel-style joint actions. During and after WW II, they have also involved the participation of consumers (or consuming countries) and operated in a more open, consultative manner. First UN conference on tin negotiated between 1980-1982 was to last until 1987.

Mechanisms Used to Implement Agreement

Buffer stocks and export controls, with main focus on short-term pricing arrangements.

Major Producing Countries

Malaysia, Indonesia, Bolivia, United Kingdom, Australia, Singapore, Brazil, China, Federal Republic of Germany.

Current Status

The London Metal Exchange (LME) halted trading October 24, 1985 after the Tin council announced it had run out of money to support prices. Crisis resolved late February 1986 when LME announced trading would open at U.S. $6500/ton (approximately half the price prior to October 1985). No negotiated solution was possible, as Indonesia and Thailand refused the package offered.

Sugar

Brief History

1953 and 1958 mark first International Sugar Agreements (ISAs). Quota mechanism supported by limits on maximum stocks, a minimum stock provision, and limits on imports from non-member countries to encourage wider export membership. Considered successful in stabilizing prices, especially in early years. U.S. did not join 1968 ISA and operated own Sugar Act. 1968 agreement same form as the 1953, 1958 ISAs, and lasted until end 1973 when the average price was higher than commitment price. In 1974 U.S. suspended the Sugar Act. During 1974-75 prices were at all-time highs. During 1975-77 production was stimulated by price increases and continued to expand, but consumption dropped. 1977 saw a new ISA. U.S. participated actively, but EEC not interested in participating, just getting production expansion underway. Agreement differed in three ways from 1968 ISA: (i) partly financed stocking provisions; (ii) global quota; (iii) fall-back provisions for third and later years.

Mechanisms Used to Implement Agreement

Export quotas, and stock controls.

Major Producing Countries

Cuba, France, Australia, Brazil, Federal Republic of Germany, Philippines, U.S., Dominican Republic, Thailand, Belgium.

Current Status

ISA no longer exists since renegotiation efforts failed in 1984. Market promotion agreement in 1985.

Cocoa

Brief History

1920s and 1930s - over-expansion of production followed by dramatic fall in prices, but no formal international commodity agreement. During WW II most cocoa marketed by UK under Combined Food Board. Discussions on international agreement not initiated until 1960s. No agreement until 1972.
1975 - Cocoa Agreement. Abrogated in March 1980 due to lack of support; International Cocoa Organization dissolved.
1980 - November - New International Cocoa Agreement negotiated. U.S. (major consumer) failed to accede, thought price range too high. Ivory Coast (major producer) refused to join in; thought price range too low. Agreement not ratified.
1981 - August - following further UN discussion, sufficient support obtained from the EEC, but not the U.S. or Ivory Coast.
1982 - Cocoa pact stopped supporting price through buffer stock. Agreement was to last until 1986.

Mechanisms Used to Implement Agreement

Buffer stock.

Major Producing Countries

Ivory Coast, Ghana, Brazil, Nigeria, Cameroon, Malaysia, Papua New Guinea, Dominican Republic, Ecuador.

Current Status

Does not function. Agreement under negotiation in UNCTAD, but much dissent among countries involved. U.S. observer only. Chances for agreement limited.

Rubber

Brief History

1909-21 - various producing countries attempt to restrict output and improve competitiveness of rubber.
1921 - Stevenson Plan - export quotas based on historical production levels.
1931-32 - British and Dutch governments unsuccessfully attempt to negotiate international scheme to regulate production and export of rubber.
1934 - Governments agree to control scheme drafted by Rubber Growers' Association.
1944 - Agreement ended. Rubber Study Group formed.
1976 - International Rubber Agreement on price stabilization. Producer agreement.
1977 - Meetings held by UNCTAD between producing and consuming countries.
1979 - International Natural Rubber Agreement begins operating; extended every two years.
1982 - Malaysia, Indonesia and Thailand agree to producer-administered stock withdrawal scheme.

Mechanisms Used to Implement Agreement

Both buffer stock and price stabilization agreement.

Major Producing Countries

Malaysia, Indonesia, Thailand, Sri Lanka, Liberia, U.S., Nigeria, Zaire, Vietnam, Ivory Coast.

Current Status

1980 agreement functioning at present. Price range lowered August 1985 by 3 percent. Negotiations for renewal expected to begin April 1986. Consumers content, but producers dissatisfied.

Coffee

Brief History

1962 - first post-war International Coffee Agreement.
1979 - Eight Latin American producers form Bogota Group in order to intervene in London and New York markets to keep prices from falling.
1980 - Break in relations between producers and consumers. Producers formalize cartel in company called Pancafe. Unsuccessful in bid to keep prices from falling.
September 1980 - 1976 Coffee Agreement; quota provisions activated, lasting until 1982.
1983 - negotiations successfully completed for replacement agreement.

Mechanisms Used to Implement Agreement

Export quotas, stock withdrawals.

Major Producing Countries

Brazil, Colombia, El Salvador, Ivory Coast, Indonesia, Kenya, Mexico, Guatemala, Costa Rica, Uganda, U.S.

Current Status

Functioning at present. Negotiations currently underway in London to extend it, but are difficult. U.S. reviewing its position on the pact. Early 1986 - prices leap to eight-year highs due to expected halving of Brazilian crop due to drought.

Tea

Brief History

Tea was the object of cartelization in the 1920s, of regular international commodity agreements between 1935 and 1955, and an informal arrangement under UNCTAD in 1969.
1979 - formation of International Tea Promotion Association.

Mechanisms Used to Implement Agreement

Tea acreage monitored. Export restrictions (traded on open market). Up to individual governments to restrict supply.

Major Producing Countries

India, Sri Lanka, China, Kenya, Indonesia, Bangladesh, Malawi, Argentina.

Current Status

Meetings in 1985 tried to resolve pricing and quantity provisions of existing agreement; stalled.

Jute

Brief History

1983 Jute Agreement. Does not attempt to influence prices, mainly targeted at product improvement, and aims to increase research and development.

Mechanisms Used to Implement Agreement

None. Traded on open market.

Major Producing Countries

Bangladesh, India, Thailand, China, Nepal.

Current Status

Discussion under FAO Group on fibres, but no consensus on price or quantity provisions of any agreement.

Copper

Brief History

Copper cartels before 1931 reflected dominant position of U.S. producers.
1931 - production outside of U.S. expanded.
1935 - International Cartel excluded U.S. production. Ended with outbreak of war.
1953 - Copper resumed trading on LME. U.S (now net importer of copper) included in strategic stockpile.
1967 - Developing country copper producers establish CIPEC.
1976-80 - Copper commodity agreement discussed in UNCTAD. Little progress.

Mechanisms Used to Implement Agreement

None. Traded on open market.

Major Producing Countries

Chile, Zambia, Canada, Zaire, Belgium, Peru, Philippines, Papua New Guinea, U.S., Poland.

Current Status

Formation of study group under consideration. Developing countries not interested, mainly due to cost of buffer stock.

Wheat

Brief History

Low proportion of production enters world trade; about 22 percent in 1980. Wheat the object of regular international commodity agreements since the 1930s. Before WW II, developing countries as a whole were net exporters of cereals; since the war, only Argentina has been an important exporter on a regular basis.
1962 - Wheat Agreement coincided with negotiations in GATT on a more comprehensive agreement for grains. Agreement extended in 1965 and 1966.
1967 - International Grains Arrangement (IGA) drawn up by group of contracting parties in GATT cereals group. Consisted of Wheat Trade Convention and Food Aid Convention.
1970s - unstable wheat conditions. Trade characterized by bilateral agreements. Wheat negotiations held under UNCTAD auspices in 1970, 1978-79.
1980s - shift in attitudes on international wheat trade. Clashes between U.S. and EEC due to mounting surpluses and EEC subsidy policy under CAP.
1982 - U.S. and EEC fail to resolve trade issues at GATT ministerial.

Mechanisms Used to Implement Agreement

Bilateral agreements between governments.

Major Producing Countries

Market dominated by Canada, U.S., Australia, and the EEC.

Current Status

No meaningful pricing or quantity provisions in the International Wheat Agreement since 1973. Market share of EEC and U.S. divisive issue. Food aid convention still in effect.

Bauxite

Brief History

Major bauxite deposits located in developing countries. Desire of these countries to exercise more control over processing underlies formation of International Bauxite Association (IBA) in 1974.

Mechanisms Used to Implement Agreement

None. Traded on open market.

Major Producing Countries

Guinea, Jamaica, Guyana, Brazil, Australia, Surinam, Greece, Haiti, Yugoslavia, Dominican Republic.

Current Status

Some discussion of cooperation but no substantive agreement.

Iron Ore

Brief History

1968 - faced with declining export receipts, group of developing countries meets to consider forming a producers' association.
1969 - Subsequent meeting brought no agreement.
1970 - UNCTAD calls meeting with prices still low. No agreement.
1973 and 1974 - More meetings lead to formation of Association of Iron Ore Exporting Countries (AIEC) in 1975. Discussions on including iron ore under UNCTAD's Integrated Programme fail.
1977 - AIEC reject scheme to stabilize prices through buffer stock action.
International Agreement for iron ore shelved due to inability of consumers and producers to establish that such an agreement would bring tangible benefits.

Mechanisms Used to Implement Agreement

None. Traded on open market.

Top Ten Producing Countries

Brazil, Australia, Canada, USSR, India, Venezuela, Liberia, Sweden, U.S., South Africa.

Current Status

Some discussion of cooperation but no substantive agreement.

Sources: Gordon-Ashworth (1984) International Commodity Control. A Contemporary History and Appraisal. London.

UN FAO Economic and Social Development Paper 50, Sugar: Major trade and stabilization issues in the eighties. 1985. Rome pp. 8-22.

UNCTAD. Yearbook of International Commodity Statistics 1984. New York, p. 70.

UNCTAD Trade and Development Report, 1985. UN New York, pp. 25-29.

Phone conversation with Official at Department of External Affairs, Agriculture and Commodity Division.

Appendix G

The Agenda for a Future GATT Round[1]

Upon conclusion of the November 1982 GATT Ministerial meeting, it was agreed to undertake a work program to evaluate the options for the GATT in the 1980s. Both the contents of this work program and unfinished business from the Tokyo Round are generally expected to make up the agenda of a possible future GATT round. Such a round is expected to be launched in September 1986 in Uruguay.

Services. An issue of growing importance, almost certain to be discussed in a future round, is trade in services, the issue that the U.S. has clearly labelled as being near the top of its agenda. At present, no framework of rules exists providing international discipline on trade in services on a basis similar to the discipline covering trade in goods provided by GATT. The U.S. is known to favour a standstill on new restrictions on service trade, the extension of the principle of national treatment from goods to services, and limits on restrictions over rights of establishment.[2] Work is now underway in the OECD and the GATT both to improve understanding of this issue, and eventually to develop a series of negotiating options. An active

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[1]Material in this appendix draws on Hamilton and Whalley (1985).

[2]See Stalson (1985) and Whalley (1986).

negotiation on trade in services has thus far been vigorously opposed by some key developing countries (notably India, Brazil, Egypt, and Argentina).

Agriculture. A Committee on Trade in Agriculture was also established as part of the GATT Work Program, since which time agriculture has become a divisive trade issue between the U.S. and the EEC. To date, participants have examined country notifications of measures affecting trade in agricultural products, and have begun discussions on the question of subsidies. The close relationship between domestic agricultural policies and border measures has meant that relatively less progress has been made in liberalizing trade in agricultural than in industrial products over the years, particularly with respect to non-tariff barriers. The U.S. is, however, pushing for progress in this area, joined by Canada, Australia and other agricultural exporters hurt by a growing agricultural subsidy war between the U.S. and the EEC. At the present time, the interest in a possible negotiation in this area is beginning to centre on the two issues of export subsidies and competition among the larger agricultural producers (U.S. and the EEC) for third country markets, including those in the developing world; and the establishment of minimum access commitments to speed the opening of domestic agricultural markets in the developed world (particularly in Japan and the EEC, and to a lesser extent in the U.S.) to international trade.[1]

Safeguards. The issue of safeguards, left over from the last round of negotiations, is also one of the primary issues for a new round. For some of the manufacturing exporter developing countries, improving present arrangements for dealing with safeguard measures and the links to voluntary restraint agreements is the single most important trade policy issue confronting the GATT. However, despite broad acknowledgment of the need for such an agreement and the shared conviction that any new arrangement should clarify the provisions of Article XIX and place all measures with a safeguards effect under international discipline, it is not clear that a new agreement is readily negotiable. Previous negotiations under the Tokyo Round became deadlocked on the twin issues of selectivity (whether safeguard measures can be applied selectively against some countries but not others) and degressivity (the specification of clearly agreed on rules which dictate the time period for which measures apply, and financial penalties for non-compliance). The U.S. has supported degressivity and opposed selectivity, and the EEC has taken the opposite position on both issues.

Government procurement. This issue is likely to be on the agenda for a future round both because the code concluded in the

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[1]More details on agriculture and both the difficulties of and options for negotiation are given in Trela, Whalley and Wigle (1986).

Tokyo Round only applied to national governments, and because there are a number of sectors where procurement practices by either sub-national governments or government agencies still effectively close markets to out-of-country suppliers. Telecommunications, power generation and transmission, and surface transportation equipment are all examples.

Subsidies and countervailing duties.

The Subsidies and Countervailing Duties Code is also a matter for future possible negotiation. Of particular concern is the more widespread use of countervail in the U.S. and the EEC. Proposals for change include firmer definition of export subsidies, injury, legal redress where petitions for countervail fail, and possibilities for internationally agreed upon rules to deal with protectionism as represented by subsidies. Conflicting with these concerns is the recognition that subsidies are important tools for achieving social and economic objectives.

Natural resource products. The GATT Work Program also provides for studies and recommendations on tariff escalation and market access provided for exports of resource-based products. Sectors being studied include fisheries, non-ferrous metals, and forest products, some of which are extremely important for developing countries.

Quantitative restrictions and non-tariff measures. Quantitative restrictions and other non-tariff measures continue to be a source of contention. The GATT 1982 ministerial declaration established a group with the mandate to review these two areas to achieve the elimination of quantitative restrictions that do not conform to GATT rules, and to achieve the liberalization of other quantitative restrictions and non-tariff measures. Of particular concern are arrangements in textiles, and the wider issues involving the growth of the system of managed trade..

High technology. The issue of trade in high technology products has also received considerable attention, especially from the United States. Even though this issue was not included in the 1982 GATT ministerial declaration, the United States has been trying to initiate a work program on trade in high technology products. The subject remains on the agenda for future GATT discussions.

Counterfeit goods and investment measures. Two further areas that especially the United States has indicated an interest in and that have the potential of being on the future agenda include trade in counterfeit goods and trade-related investment measures. The United States has developed a draft code on commercial counterfeiting. Despite the rejection of the U.S. proposal for work at the ministerial meeting on investigating the impact of trade-related investment measures, this issue continues to be of interest to the United States and is thus a further potential topic in a future negotiating round.

Dispute settlement. The GATT dispute settlement procedure has also been the object of much criticism and is expected to be an important topic of discussion in a future round. Despite the limited strengthening of procedures during the Tokyo Round, considerable concern remains about their effectiveness. Concerns include the composition of GATT panels, the provision of advice by the Secretariat, the emphasis on conciliation as opposed to adjudication, the handling of poor or disputed panel findings, and strengthening the commitment of contracting parties to take action in response to unfavourable findings and recommendations.

Appendix H

Trade Issues Faced by Countries Participating in The Ford Foundation Project

This appendix draws together some preliminary information on the trade patterns and barriers faced by the 11 countries participating in the Ford Foundation project. It mainly draws on information included in Economist Intelligence Unit reports, and is inevitably incomplete and somewhat dated. It is hoped that through the country participants and subsequent developments on the project, a more updated information set will eventually be produced.

ARGENTINA

Major Export Issues

Developed countries' agricultural policies that highly subsidize their agricultural production, especially in grains and beef. Restrictions on steel exports to the U.S. market, VER currently being negotiated. Domestic export restrictions which include export taxes on wheat and other items. Deposits are also required for the export of certain products.

Domestic Protection

Foreign exchange rationing scheme, and tariffs in auto industry, manufacturers obliged to export (either finished vehicles or parts) in order to earn foreign exchange for imports.

Major Problems

Loss of expert markets. Debt service. Inflation brought down slowly in 1985 and dramatically in 1986. Increasing unemployment. Reliance on basic agricultural products for export earnings (agricultural products and by-products and fisheries represented 71% of total exports in 1985).

Recent Changes

Refinancing package covering private and public sector foreign debt signed end August 1985. Included new loan of $4.2 billion from commercial banks. Argentina and Brazil signed extensive co-operation pact in July, 1986, designed to bolster their economies. The two countries agreed not to impose tariffs or duties on $2 billion (U.S.) in capital goods, to promote private binational companies and to give preference to each others' products in international bidding.[1]

Principal Exports 1983

	% of total	$ U.S. million
Wheat	18.8	1,474
Maize	10.3	804
Meat & meat products	7.5	591
Hides & skins	3.3	261
Wool	2.3	177
Total incl others		7,836

Main Destination of Exports 1983

	% of total
U.S.S.R.	20.3
U.S.A.	9.3
Netherlands	8.3
Brazil	4.2

Source: Cirio, F. (1986).

The Economist Intelligence Unit. Quarterly Economic Review of Argentina. No. 4., 1985, p. 2.

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[1]Globe and Mail. Toronto, Thursday, July 31, 1986, p. B15.

BRAZIL

Major Export Issues

Restrictions on footwear, textiles, and steel. Anti-dumping cases in the U.S. on steel, plus VERs.

Domestic Protection

Strong import substitution policy through quotas and tariffs. Domestic regulation of informatics sector. Countertrade plays increasing role. Brazil increasing oil imports from countries with which it has countertrade arrangements, such as China, Nigeria, and Iraq.

Major Problems

Inflation, but new anti-inflation plan successful. Unemployment, shortages of imports, high interest rates. Drought severely affected coffee and sugar production.

Recent Changes

Negotiations underway late 1985 to devise method for internal adjustments which would satisfy IMF criteria for standby loan. Brazil's position is that the IMF's role be restricted to "enhanced surveillance". Talks broke down late November. Brazil signs extensive cooperation pact July 1986 with Argentina to bolster economy. See notes on Argentina for details.

Principal Exports 1984

	% of total	$ U.S. million
Coffee	9.6	2,582
Soybeans	7.1	1,918
Iron ore	5.9	1,590
Steel products	5.7	1,544
Orange juice	5.3	1,425
Machinery	5.2	1,401
Transport & equipment	5.0	1,341
Total incl others		27,005

Main Destination of Exports 1984

	% of total
U.S.A.	28.1
Japan	5.6
Netherlands	5.0
West Germany	4.7
France	3.1
UK	2.6
[EC	26.0]

Source: The Economist Intelligence Unit, Quarterly Economic Review of Brazil, No. 4., 1985, p. 2.

Abreu, M. and Fritsch (1985).

CHINA

Major Export Issues

Domestic restrictions on exports: 152 commodities representing 54 percent of exports require export licences. MFA; quantitative restrictions in textiles and clothing in developed markets.

Domestic Protection

Quantitative restrictions on imports. As of first quarter, 1986, 43 categories of imports (value in 1985 accounted for one third of total) were under licence control. Foreign exchange rationing.

Major Problems

Due to low demand, low prices for oil and coal, and protectionism against textiles, prospects for sizeable increase in export revenues look poor. Second year of current account deficit looks unavoidable.

Recent Changes

China eager to join international trade negotiations in GATT in September 1986. Particularly want to see abolition of MFA. Membership in GATT may mean China has to curb export subsidies, limit domestic protectionism and comply with anti-dumping regulations.

Principal Exports 1984

	% of total	$ U.S. billion
Textiles, clothing & yarn	27.6	6.9
Petroleum & related products	21.6	5.4
Vegetables, fruit & oilseeds	5.2	1.3
Manufactures	4.8	1.2
Metals manufactures	2.0	0.5
Cereals	1.6	0.4
Total		25.0

Main Destination of Exports 1984

	% of total
Hong Kong	26.5
Japan	20.5
U.S.A.	9.3
Jordan	5.2
Singapore	5.0
West Germany	3.1

Source: The Economist Intelligence Unit, Quarterly Economic Review of China, North Korea. No. 1., 1986, p.2.

Guo Chongdao, (1986).

COSTA RICA

Major Export Issues

Principally commodity-based exports. Access problems for textiles.

Domestic Protection

Import restrictions, import surcharges, tariffs, foreign exchange rationing.

Major Problems

Debt service.

Recent Changes

Export access to U.S. improved under Caribbean Basin Initiative. December 1984 - Costa Rica signed an agreement on a common tariff and customs regime with El Salvador, Guatemala and Nicaragua - common tariff rates to be applied January 1986 - Costa Rica requested joining GATT end 1985, means two years of provisional membership.

Principal Exports 1984

	% of total	$ U.S. million
Coffee	27.0	264
Bananas	25.6	250
Meat	5.0	49
Sugar	3.3	32
Total		976

Main Destinations of Exports, 1984

	% of total
U.S.A.	47.0
CACM	18.0
West Germany	9.0
Italy	5.0
UK	4.0
Honduras	3.0

Source: The Economist Intelligence Unit. Quarterly Review of Nicaragua, Costa Rica, Panama. No. 4, 1985, p. 2.

Knight (1986).

INDIA

Major Export Issues

Textile restrictions under MFA, countervailing cases in U.S. Anti-trade bias in domestic policies.

Domestic Protection

Annual import licensing for a wide array of products; foreign exchange licensing, high tariffs.

Major Problems

Cuts in concessional flows by major aid donors causing concern. Ability of India to carry through major projects in capital-intensive sectors such as power, will depend critically on success in acquiring additional funding at cheap rates. Large balance of payments deficit.

Recent Changes

Licensing reduced by abolishing category of automatic licences and shifting these items to open general licence. Relaxation of import restrictions on wide array of goods. Export restrictions relaxed. Emphasis being put on high technology sectors.

Principal Exports 1983[a]

	% of total	$ U.S. million
Crude oil	12.5	1,187
Gems & jewellery	12.3	1,170
Engineering goods	7.0	663
Cotton clothing	6.2	585
Tea	5.1	483
Total		9,513

Main Destination of Exports 1983[a]

	% of total
OPEC	8.9
EC	17.2
of which:	
UK	5.6
U.S.A.	14.1
U.S.S.R.	13.2
Japan	8.4

a Fiscal year beginning April 1.

<u>Source</u>: The Economist Intelligence Unit. Quarterly Economic Review of India, Nepal. No. 3, 1985, p. 2.

Agarwal (1986).

KENYA

Major Export Issues

Coffee quotas imposed by International Coffee Organization. Protectionism in developed countries against developing country manufactures.

Domestic Protection

In the past, strong emphasis on import substitution supported by quantitative restrictions. Recent movement towards replacing quantitative restrictions with tariffs. Import licences according to priority schedules. Foreign exchange regulations.

Major Problems

Unpredictable export earnings due to fluctuating global prices on main exports of coffee and tea. Falling commodity prices and shrinking export markets compounded by rising oil prices led to serious balance of payments problems in early 1980's, some improvement since 1983. Heavy reliance on imported inputs for manufacturing sector.

Recent Changes

Some attempts at diversifying Kenyan economy. Recent emphasis on increasing regional trade. Joined Preferential Trade Area (PTA) for Eastern and Southern Africa states July 1, 1984, which should result in reduced tariff and non-tariff barriers among members.

Principal Exports 1984

	% of total	$ U.S. million
Tea	26.2	283
Coffee	24.2	263
Petroleum products	18.4	198
Total incl others		1,079

Main Destination of Exports 1983

	% of total
UK	14.8
West Germany	13.1
Uganda	10.6
U.S.A.	6.0
Netherlands	5.0
Italy	2.3
[EC	39.2]

Source: The Economist Intelligence Unit. Quarterly Economic Review of Kenya. No. 3, 1985, p. 2.

Ikiara, G.K. (1986).

SOUTH KOREA

Major Export Issues

VERs on steel; anti-dumping duties on T.V. sets; restrictions faced in textiles, consumer electronics; difficulty penetrating Japanese import restrictions, especially NTBs. Developed countries' market access restrictions against manufactures. Surge in contingency protection measures, especially in U.S.

Domestic Protection

Quantitative restrictions, import licences, restrictions on bank loans. Protection of agricultural and service sectors. Various laws offering technical protection.

Major Problems

Unwillingness of U.S., Japan, and European Companies to sell advanced technology. Political unrest. Increased protectionism in developed countries, especially U.S.

Recent Changes

Aim to increase R&D expenditure to 1.7 percent of GNP in 1985 and 2 percent of GNP in 1986. Implies a growth of R&D expenditure of 120 percent in real terms in three years. Lowering oil prices can only help as South Korea imports all its oil. However, oil price drop offset by decrease in Middle Eastern demand for construction services. Import licensing liberalization program implemented in 1984 - by 1988 all "main stream" industrial products to be free of quantitative restrictions. Tariff reduction program expected to follow. Some relaxation of restrictions in some manufacturing and service industries.

Principal Exports 1983

	% of total	$ U.S. million
Textile goods	23.9	5,838.0
Ships	15.3	3,735.0
Iron & steel	13.3	3,254.7
Electronic goods	10.0	2,442.3
Footwear	5.0	1,231.5
Total, incl others		24,445.1

<u>Main Destination of Exports, 1983</u>

	% of total
U.S.A.	33.7
Japan	13.9
Saudi Arabia	5.9
UK	4.1
Hong Kong	3.3

<u>Source</u>: The Economist Intelligence Unit. Quarterly Review of South Korea. No. 4, 1984, p. 2.

Young, S. (1986).

MEXICO

Major Export Issues

Countervailing duty and anti-dumping cases in the U.S. World oil prices. Seasonal restrictions on fruit and vegetables in the U.S. and Canada.

Domestic Protection

High tariffs, foreign exchange restrictions, import controls.

Major Problems

Weakening oil price means that debt repayments are in jeopardy. Increasing inflation, increasing unemployment.

Recent Changes

Joined GATT August 1986. Talks proceeding to secure new IMF loan. Profiex announced April 1985 to promote exports through gradual reduction of controlled imports, extension of programs that need imports of inputs, government support in commercialization and financing of exports, and tax return on imported inputs used in exports. DIMEX announced June 1985. Exporters could import 30% of their export value free of any quantitative restrictions, as long as exports had 30% domestic content.

Principal Exports 1984

	% of total	$ U.S. million
Oil, gas & products	69.0	16,600
Agricultural products & food	10.0	2,400
Mining	5.0	1,200
Transport equipment	5.8	1,400
Total, incl others		24,054

Main Destination of Exports 1984

	% of total
U.S.A.	60.0
Western Europe	19.4
Latin America	5.4
Japan	7.9

Source: The Economist Intelligence Unit. Quarterly Reivew of Mexico. No. 1, 1986, p. 2.

Bucay and Motta (1986).

NIGERIA

Major Export Issues

World oil prices. Domestic policies that lead to significant anti-export bias. Export licensing and export restrictions.

Domestic Protection

Quantitative restrictions. Strict import licensing/foreign exchange allocation scheme enacted 1984. Transfer of import licences banned August 1985. In 1986 budget 30 percent levy on all imports.

Major Problems

Dropping oil prices major problem. Large debt of major concern. Foreign exchange shortages.

Recent Changes

August 31, 1985 - bloodless coup.
December 31, 1985 - new government's first budget announced withdrawal of 80 percent of subsidy on all petroleum products. Debt servicing to be limited to 30 percent of available foreign exchange. Export incentives announced. Negotiations underway for structural adjustment agreement with World Bank.

Principal Exports 1984

	% of total	$ U.S. million
Petroleum	96.8	11,572
Total, incl others		11,952

Main Destination of Exports 1983

	% of total
U.S.A.	30.0
France	15.0
West Germany	14.0
Netherlands	6.0

Source: The Economist Intelligence Unit. Quarterly Economic Review of Nigeria. No. 4, 1985, p. 2.

Oyejide, A. (1986).

PHILIPPINES

Major Export Issues

Textile quotas, domestic taxes on exports of primary products (coconut oil, copra, sugar).

Domestic Protection

Tariffs, quotas, foreign exchange rationing, import controls.

Major Problems

Debt service. Degree of uncertainty after change in government in early 1986. Outlook rather poor. Growth this year hoped to be around 1%. Exports expected to recover little from 1985's depressed level. Price outlook poor for some major export commodities. Imports likely to vary little from 1985. Deficit on current account to be somewhat above 1985 level.

Recent Changes

Newly instituted government attempting major changes. Recent request for $1.1 billion resulted in a loan of $600 - 700 million, although the rest will be forthcoming after acceptable recovery programs are agreed on with the IMF.

Principal Exports 1983

	% of total	$ U.S. million
Electrical & electronic equipment & components	21.4	1,053
of which:		
semi-conductors	15.2	747
Garments	11.1	545
Coconut oil	10.5	516
Sugar	6.1	299
Copper concentrates	5.1	249
Total, incl others		4,917

Main Destination of Exports, 1983

	% of total
U.S.A.	35.7
Japan	19.5
UK	4.7
Netherlands	4.4
West Germany	4.0

<u>Source</u>: The Economist Intelligence Unit. Quarterly Economic Review of the Philippines. No. 1, 1986, p. 2.

Presentation by Raul Fabella at Oaxaca Conference. July 7, 1986.

TANZANIA

Major Export Issues

World commodity prices; international arrangements in coffee; anti-export bias in domestic policies.

Domestic Protection

High tariffs, quotas, foreign exchange restrictions

Major Problems

Heavy reliance on commodity exports for foreign exchange, low growth performance, market share of hard coffees, sisal, cotton and cashew nuts have clearly declined in the last decade, high unemployment, persistent balance of payments deficit and acute shortage of foreign exchange.

Recent Changes

New government (elected November 1985) to continue negotiations with IMF over the provision of balance of payments support.

Principal Exports 1984

	% of total	$ U.S. million
Coffee	39.1	144.9
Cotton	12.6	46.6
Cloves	11.5	42.6[b]
Cashewnuts	7.2	26.6[b]
Tea	5.8	21.6[a]
Sisal	2.7	9.8
Diamonds	3.5	12.9[a]
Tobacco	3.0	11.1[a]
Total, incl others		371.0

Main Destination of Exports

	% of total
West Germany	17.0
UK	13.9
Netherlands	7.9
Switzerland	6.3
Italy	5.5

a 1982. b 1983.

<u>Source</u>: The Economist Intelligence Unit. Quarterly Economic Review of Tanzania, Mozambique. No. 1, 1986, p. 2.

Lipumba (1986).

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