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Sada Shankar Saxena*

The Uruguay Round: Expectations of Developing Countries

The recovery of world trade in the last few years has not led to an improvement in the situation of the developing countries. Many commodity prices are currently at their lowest level since the 1930s, and protectionism is on the increase. Are the Uruguay Round negotiations likely to bring positive results for the developing countries?

Never before has the world trading community been as concerned about the international trading environment and the rules of the game as now, during the current round of multilateral trade negotiations (MTNs), the Uruguay Round.

The countries which participated in the building of a new international order at the Bretton Woods Conference did so on the basis of a consensus that the market mechanism should be restored in all countries and in the international economy. Trade should be open and free, and the same should apply to international capital and monetary flows. However, in the 1970s the Bretton Woods system broke down due to a lack of economic and monetary discipline in both the USA and Western Europe. The breaking point was the unilateral American decision to suspend the free and mutual exchange between gold and the dollar, the main link in the monetary system. Apart from this monetary crisis, a sizeable increase in oil prices also took place, which shocked the world economy and led to an awareness that the old system did not work any more and that a new one had to be found.

Interestingly enough, this somewhat belated recognition of the interplay between economic and political forces and the concept of implicit "interdependence" is, in a way, a far cry from the perceptions of the "beggar my neighbour" policy era. Talking of interdependence, it has been felt by some to be rather surprising that such international interdependences are seldom topics of economic and

political research, and that this deficiency can be traced back to a lack of conceptualisation.¹

As for the international trading environment, analysts observe that by the mid 1980s a substantial erosion of the will of the international community to address itself to the needs of the economic development of the developing countries had taken place.²

Many thinkers from the developed world express the opinion that from 1985 onwards there has been a turning-point in the world economy. They state that the worst of the economic crisis seems to be over and economic recovery is spreading, leading to an expansion in the volume, as well as the value, of international trade.

However, analysed from the developing countries' point of view, it cannot be considered to be a real recovery for the global economy, since the economic recovery starting with the United States spread only to countries like Japan and Western Europe and a few countries in Asia. In other words, the recovery has not at all been world-wide nor is it likely to become. It has, in fact, led to increasing difficulties for the developing countries. For the first time since the 1930s, economic recovery is paralleled not by an increase but by a decrease in commodity prices. Many commodity prices are currently at their lowest level since the 1930s. Further, the developing countries are increasingly facing the challenges of protectionism, reducing their access

¹ Cf. W. Bärtschi: Dependencies and Inter-dependencies: A Theoretical Comment, in: INTERECONOMICS, No. 9-10, 1978, pp. 246-250.

² UN Expert Group: Development in Siege, New York 1987.

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to the most prosperous markets in the world. Despite the trend for progressive tariff-dismantling by the developed countries, the proliferation of non-tariff barriers has further intensified their difficulties.

It is against this background that the new round of GATT negotiations must be assessed by the developing countries. It is ironic that under the new GATT round the trade negotiations are, for the first time, demanding the opening up of the markets of the developing countries for the products of export interest to developed countries. In other words, the Western World is demanding access to markets in the South rather than the other way around. Although developing countries were the greatest victims of protectionism in the 1980s, they are likely to be pressurised to open up their markets for new products in new sectors – service sectors and high technology – which developed countries consider to have maximum potential. The new round thus threatens to establish the international trade and economic system more on the terms of the richer and more powerful countries without any real perspective for the developing countries.

Launching of the Round

The Uruguay Round, the eighth in the series of multilateral trade negotiations under the auspices of GATT, has assumed unprecedented importance owing to its extensive objectives, wide coverage and elaborate general principles, evolved to govern the modalities of negotiations in a host of areas, traditional as well as entirely new ones. The subjects of negotiation under this Round are listed in the Ministerial Declaration of September 20, 1986, which comprises two parts: Part I relates to trade in goods including trade-related aspects of intellectual property rights and trade-related investment measures and Part II specifies negotiations for trade in services. Pressure from the United States, backed by a few other developed countries, opposing the emphasis laid by the developing countries on the implementation of the Ministerial Work Programme of 1982 and the completion of unfinished tasks of the Tokyo Round before taking up an altogether new area for negotiations, attracted world-wide attention at the preliminary stages long before the preparatory work was formally taken up and the Uruguay Round officially launched.

Its major objectives – liberalisation of world trade, strengthening of the GATT and the multilateral trading system – are being pursued under the most unpropitious circumstances. The continuing upsurge of neo-protectionism and the proliferation of discriminatory trading practices have largely disrupted multilateral

trading. The utter disregard for GATT rules shown by some of the developed countries and the imposition of various trade-restrictive or distortive measures – either unilaterally or, as in many cases, negotiated bilaterally outside the multilateral framework of GATT norms, rules and procedures – glaringly manifest the increasing loss of GATT control over the trade policies and practices of its member countries. The world trading environment has been continuously deteriorating on account of yawning trade deficits and persisting balance of payments disequilibria in many developed and developing countries. Widely fluctuating exchange rates, varying inflationary spirals, concomitant with unemployment problems, have been affecting adversely the scope for free multilateral trading. Furthermore, increasing disharmony among the monetary, fiscal and trade policies of different countries has had a worsening impact on the harmonious flow of resources between them. Before such a backdrop, the efforts for the revival of free multilateral trading, which the new round has been striving for, have justifiably accorded unprecedented eminence to this set of MTNs.

Main Planks

The main planks of the Uruguay Round from the point of view of the developing countries are: the problems faced in accelerated implementation of the Tokyo Round results, in the areas of tariff, para-tariff and non-tariff measures; the unfinished tasks of the Tokyo Round such as the proper formulation of codes on “safeguards” and “dispute settlement procedures”; the effective tackling of problems of trade in sectors of export interest to developing countries; problems of trade in agricultural products; and, most significantly, the objectives specified and the areas delineated in the Work Programme by the Ministerial Declaration in 1982.

The main elements of the preamble to Part I of the Uruguay Round Declaration relating to Negotiations on Trade in Goods are:

- halting and reversing protectionism,
- removing distortions to trade,
- preserving basic principles and furthering objectives of the GATT,
- developing more open, viable and durable multilateral trading systems and
- recognising the linkage between trade, money, finance and development, especially in the context of prolonged financial and monetary instability in the world economy.

Most of these elements can be traced to the introductory part of the Ministerial Declaration of 1982 and to the recommendations of the Group of Seven Experts invited by the Director General of GATT in 1983. The four objectives of the Uruguay Round as specified under category "A" of Part I concretise in precise terms the decisions regarding action points as detailed out in the Declaration of 1982 and also the recommendations of the Expert Group.

General Principles

Of the seven General Principles which govern negotiations in different areas under the Uruguay Round the first three specify the guidelines regarding negotiations in general, emphasising

- the transparency of the modalities of negotiations and their consistency with the objectives and commitments agreed in the Declaration as well as the principles of the General Agreements;
- early implementation of agreements reached in the course of negotiations and
- balanced concessions to be sought within broad trading areas and subjects to avoid unwarranted cross-sectoral demands.

The remaining four principles relate to differential and more favourable treatment to be accorded to the

developing countries in terms of the provision of the Development Chapter of GATT (Part IV) and the Decisions of the Contracting Parties of 28 November 1979 on Differential and More Favourable Treatment, Reciprocity and Fuller Participation of Developing Countries (popularly known as the Enabling Clause).

As was specified in the Tokyo Round Declaration of September 1973, it has been clearly stated in the Uruguay Round Declaration also that the developed countries are not to expect reciprocity for commitments made by them in trade negotiations to reduce or remove tariffs and other barriers to the trade of developing countries, i.e. the developed countries should not expect the developing countries to make concessions which are inconsistent with their individual development, financial and trade needs. In addition, it has been emphasised that the less developed contracting parties would improve their capacity to make contributions or negotiated concessions or other mutually agreed action under the provisions and procedures of the General Agreement, if their economies progressively developed and their trade situation improved. Following such an improvement, these countries would accordingly expect to participate more fully in the framework of rights and obligations under the General Agreement. This aspect of the application of differential and more favourable treatment to less developed contracting parties of GATT

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has been highlighted for the first time in the Uruguay Round Declaration. As regards special treatment to be accorded to least developed countries, the position specified in the Tokyo Round Declaration as well as the 1982 Ministerial Declaration has been specifically incorporated in this round also.

Trade Restrictions

Part C of the Uruguay Round Declaration specifies prominently the undertaking by the contracting parties to observe a "standstill" regarding trade restrictive or distortive measures which are inconsistent with the provisions of the General Agreement. This undertaking also covers the trade restrictive or distortive measures which may be taken in the legitimate exercise of GATT rights. The roll back commitment on the part of the contracting parties specifies that action will be taken by them to phase out the trade restrictive or distortive measures in accordance with the agreed time-frame and not later than by the date of the formal completion of the negotiations under this round. This commitment is to be progressively implemented on an equitable basis in consultation among the participants concerned, including all affected participants.

In order to ensure the implementation of these commitments on "standstill" and "roll back" a surveillance system including periodic reviews and evaluation has been envisaged. The Trade Negotiations Committee was entrusted with the task of forming a suitable mechanism for this surveillance.

The surveillance system for individual member countries' trade policy measures has provided an opportunity to GATT to reinforce its control over the trade policies and practices of individual contracting parties. It has also raised the visibility of all measures which have trade restricting/distorting effects. It also tends to help promote a proper understanding of individual policy measures by those parties which are likely to be affected by them. The efficacy of international surveillance will, however, depend more on greater openness and transparency in trade policy formulation at national level. The domestic transparency of trade and trade-related policies may also cover all aspects of trade policy, including the provision of emergency protection and imposition of anti-dumping and countervailing duties.³

The main subjects for negotiations as incorporated in Part I of the Uruguay Round Declaration are:

- tariffs, non-tariff measures,
- trade in tropical products,
- trade in natural resource-based products,
- trade in textiles and clothing,
- trade in agricultural products,
- review of GATT articles,
- safeguards,
- MTN Agreements and Arrangements,
- subsidies and countervailing measures,
- dispute settlement,
- trade related aspects of intellectual property rights including trade in counterfeit goods,
- trade related investment measures and
- functioning of the GATT system.

Most of these areas, it may be emphasised, were included in the Work Programme under the Ministerial Declaration of 1982. The main exclusions have been the problems in relation to exports of domestically prohibited goods, structural adjustment and trade policies, export credits for capital goods, exchange rate fluctuations and their effect on trade, dual pricing and rules of origin. Important additions to the Work Programme items are trade-related aspects of intellectual property rights along with problems in trade and counterfeit goods, and trade-related investment measures.

Negotiations on trade in services as covered by Part II of the Uruguay Round Declaration aim to establish a multilateral framework of principles and rules for trade in services including elaboration of possible regulations for individual sectors with a view to the expansion of such trade under conditions of transparency and progressive liberalisation and as a means of promoting the economic growth of all trading partners and the development of developing countries. Such a framework has to attach due respect to the policy objectives of national laws and regulations applying to services as well as to take into account the work of relevant international organisations.

Progress of Negotiations

In the fourteen negotiating groups the overall pace of negotiations since their launching has been satisfactory. During the period from Feb./March 1987 to June/July 1988 more than 100 formal meetings were held by these negotiating groups and 500 working papers were

³ Nam Duck Woo: Need for Early Results in the Uruguay Round, Trade Policy Research Centre, London 1988.

presented to them. From the point of view of the developing countries the progress of work in respect to tropical products, safeguards, agriculture, textiles and clothing as well as other market access groups has been rather disappointing. The industrial countries however feel that, in general, remarkable progress has been made in the Uruguay Round negotiations, especially in comparison to the progress of negotiations under the previous round.

In the negotiating group on subsidies and countervailing measures the fundamental objectives and concepts of Article VI on Anti-Dumping and Countervailing Measures and Article XVI on Subsidies have been discussed in the context of the proposals submitted by Switzerland and the United States and the preliminary ideas put across by Canada for a framework for subsidies regulations, parameters for the scope and application of countervailing remedies and dispute settlement. The main aspects of the Swiss proposal were

- the redefining of existing categories and the classifying of subsidies on the basis of the legal effects attached to each;
- the need to make constant amendments to take account of new subsidy practices and the dangers associated therewith.

Suggestions were made in the course of discussions to expand the proposal to give equal weight to regulations regarding countervailing measures. As regards the US proposal, the participants expressed concern that the suggestions regarding strengthening subsidies regulations and the application of countervailing were too far reaching to be considered within the mandate of the group. The suggestions regarding the prohibition of all export subsidies regardless of the product or the level of development of the exporting country were regarded by developing country participants as unjustifiable. The absence of issues relating to countervailing measures was considered to be a major deficit of the proposal, whereas its emphasis on a clear, effective and precise set of rules on subsidies was considered positive.

Tropical Products

The progress of negotiations on tropical products has been slow and unsatisfactory, especially in view of the importance attached to it in the Uruguay Round. So far two rounds of multilateral consultations have been held and a number of new lists of tropical products have been submitted. Only Japan has so far submitted a proposal

specifying negotiating guidelines aimed at the fullest liberalisation of trade in this field, which would be of direct benefit to the developing contracting parties. Its main aspects are:

- reduction/elimination of tariff and non-tariff barriers on the widest possible range of tropical products;
- implementation of tariff/non-tariff reduction/elimination in 1989;
- negotiation on tropical products which are direct substitutes for, or competitors of, temperate products such as rice, vegetable oils, tea and tobacco.

The two basic limitations of the Japanese proposal are the exclusion of some major tropical products and the lack of some important details.

Intellectual Property Rights

It has been widely felt that for the sake of reducing distortions and impediments to international trade there is need to promote effective and adequate protection of intellectual property rights. In this context it is however to be ensured that measures and procedures to enforce intellectual property rights do not themselves become a barrier to legitimate trade. During the Uruguay Round, therefore, negotiations were launched to clarify GATT provisions in this context and to elaborate appropriate new rules and disciplines regarding trade-related aspects of intellectual property rights including international trade in counterfeit goods.

The work group has received proposals from Switzerland and the EEC and also a study in two parts by the World Intellectual Property Organisation (WIPO) on the existence, scope and form of the generally internationally accepted and applied standards for the protection of intellectual property. In the Swiss proposal the main suggestion discussed has been indicative lists for defining the principles of avoiding trade distortion, granting national treatment and enforcement of the observance of intellectual property rights. The other important point discussed has been the suggestion for the establishment of a committee within GATT to cooperate with WIPO to develop an international ban relating to intellectual property and as such the delimitation of activities between WIPO and GATT. The main suggestions of the EEC proposal were the formulation of an agreement in GATT to cover patents, trade marks, copyrights etc. and that parties to the agreement should adhere to the Paris, Berne and other conventions affording protection to intellectual property and should also participate in the elaboration and implementation of new substantive standards in other

international organisations. The developing countries' delegates reaffirmed their interpretation of the Uruguay Round objectives in this area and claimed that these objectives do not provide for negotiation on substantive standards for the protection of intellectual property.

Safeguards

Attempts were already made during the Tokyo Round to evolve a comprehensive code on safeguards, to facilitate emergency protection under Article XII of GATT. However, due to lack of consensus no such code could be evolved. In view of the work done in this segment and the identification of all the important elements of relevance in this context, it is hoped that during the present round a comprehensive agreement on safeguards will be arrived at. This would go a long way to strengthen the GATT system and also facilitate checks on discriminatory action against supplies from specified sources. All the contracting parties including the developing ones would benefit from such a comprehensive agreement.

The group on safeguards discussed proposals submitted by various delegates, the most important being the latest paper by Switzerland, which emphasized that the safeguard rules must deal effectively with situations of structural difficulty in order to cover circumstances in which "grey area" measures are currently employed. The group discussed three individual specific elements which could be components of a safeguards agreement: firstly, the domestic adjustment assistance measures; secondly, the question of compensation or retaliation for safeguards action; and thirdly the notification and consultation requirements.

Dispute Settlements

The group on dispute settlements discussed two background papers: one on multi-complainants procedures and intervention by third parties in GATT dispute settlement proceedings; the other on differential and more favourable treatment of developing countries in the GATT dispute settlement system. Views differed on the need to formalise procedures in the light of the increasing number of third parties expressing strong interest in bilateral disputes between two other contracting parties. There was general agreement that some increased level of regulation, possibly through feasible guidelines, would be beneficial. Views also diverged on differential and more favourable treatment of developing countries in the GATT dispute settlement system. Many delegates maintained that current dispute settlement procedure was not adequate in

meeting the needs of developing countries and proposed that special services such as training and legal assistance should be made available.

Agriculture

Since the launching of negotiations in the first quarter of 1987 the group on agriculture has discussed four important proposals: one each by the EEC, USA, Cairns Group (comprising Argentina, Australia, Brazil, Canada, Chile, Colombia, Hungary, Indonesia, Malaysia, New Zealand, Philippines, Thailand and Uruguay) and Jamaica. The US proposal regarding food security was discussed and some countries felt that it did not suffice to ensure real food security. The short-term measures were the main aspect of the EEC proposal discussed by the group. The suggestions in the Cairns Group proposal which have been deliberated are:

- a framework approach for initiating liberalisation of international trade in agriculture to be agreed upon during the mid-term review in December '88;
- a commitment to introduce an immediate freeze on support and subsidisation which distort trade and to reduce aggregate monetary level of support by 10 per cent in each of the years 1989 and 1990;
- the first phases of long-term reform should focus on increasing import access opportunities, lowering of administered prices, maintaining existing production control and acreage reduction programme and on stock disposal regulations;
- ministers should undertake to negotiate in 1989 an annual reduction in support and protection and to elaborate transitional rules aimed at progressive reform of GATT rules and disciplines;
- a framework for negotiations on sanitary and phytosanitary measures;
- developing countries should be exempted from contributing to the first steps towards long-term reform of agriculture.

Although the Cairns Group proposal was more detailed in regard to short-term measures than long-term ones, it was recognised that the proposal had progressive character and as such was a positive contribution to the negotiations in the agriculture sector.

Jamaica presented a proposal highlighting elements from the viewpoint of developing countries. Its four main segments were: issues considered important regarding trade in agriculture by developing countries; basic principles that should apply to trade in agriculture; understanding and urgent measures to be reached or

taken in 1988 in order to reduce uncertainty, imbalance and instability in world agricultural markets; specific multilateral commitments including short-term or emergency measures, transitional arrangements to be implemented in 1988 and 1989 – exchange of concessions as appropriate covering tariffs, non-tariff measures (including quantitative restrictions), subsidies, sanitary and phyto-sanitary regulations. This proposal was considered to be going to the roots of the problems relating to trade in agriculture. Developing country participants welcomed and supported it.

Non-tariff Measures

A group of 15 participants, comprising both industrialised and developing countries, put forward a general framework for negotiations on non-tariff measures with a view to expediting them. Proposals by Japan, the USA and the EEC suggested multilateral approaches to be adopted for preshipment inspection, rules of origin, customs and consular formalities, fees and other import charges, import deposit systems and port taxes. The US and the EEC proposals also contained specific lists of measures maintained by individual participants which could be taken up in the negotiations.

Textiles and Clothing

The participants in the group on textiles and clothing have been examining the techniques and modalities which would permit eventual integration of the textile and clothing sector into GATT. A statement by Indonesia on behalf of nineteen members of the International Textiles and Clothing Bureau (ITCB) was deliberated by the participants, particularly the main suggestions:

- reversal of the restrictive measures under the MFA;
- elimination of concepts and practices under MFA which are incompatible with the GATT;
- effective application of GATT principles relating to developing countries' trade in textiles and clothing;
- termination of the MFA and all associated bilateral agreements.

The participants examined the suggestion made in the proposal by the Nordic countries that the GATT Secretariat should carry out an analysis of the possible global economic and trade consequences of dismantling the MFA and other trade restrictions in this field. It was felt by some participants that the group should focus on examining the modalities for possible integration of the textile sector into GATT, as available statistical information is more than adequate. Progress

by the group has been very slow. It was emphasized that priority attention should be given to the textiles and clothing sector in view of the fact that for many participants it has been one of the most important segments in the Uruguay Round.

Trade in Services

In the Uruguay Round Declaration the negotiations on trade in services were put on the second track, outside the normal GATT negotiations. The developing countries' opposition to the inclusion of trade in services in the normal GATT round of negotiations was mainly because of their concern about protecting their underdeveloped and internationally uncompetitive services sectors against the highly developed and sophisticated services sectors of industrially advanced countries with vast competitive capabilities, not only sustained but also continuously improved by their large scale R&D inputs. The intricacies involved in international trade in services, the sophisticated role of TNCs, problems such as right of establishment, disembodied and embodied services, were the main fears of developing contracting parties regarding negotiations on trade in services. The developing contracting parties took part in the detailed discussion at the preliminary stages on:

- the general characteristics of services,
- the conceptual framework, statistical framework and methodologies involved in the context,
- national and international regulations governing individual services sectors and problems identified in relation to international transactions in services; and
- issues raised in connection with possible multilateral action on services. There were also discussions on the service-related activities of many international organisations like UNCTAD, ITU and UNCTC. A number of elements already identified in the course of the initial phase of negotiations on services have benefitted the developing contracting parties⁴ by exposing them to the definitional and statistical issues involved; to the broad concepts on which principles and rules for trade in services including possible disciplines for individual sectors might be based; to coverage of a multilateral framework for trade in services; to existing international disciplines and arrangements regarding trade in services; and to measures and practices contributing or limiting the expansion of trade in services including any

⁴ There is, however, no consensus in theoretical discussions on the contribution of services to economic development specifically in the context of developing countries. For a discussion of this cf. IIFT: Services in 21st Century in Indian Economy, New Delhi 1987.

barriers pursued by individual participants to which the conditions of transparency and progressive liberalisation might be applicable. The growth and developmental aspects of international trade in services are also likely to be thrashed out in greater detail in the course of subsequent negotiations in this sector, which would be of direct interest to the developing contracting parties.

A number of proposals on trade in services were made by various participating countries, including one by Mexico highlighting the developing countries' viewpoint, with the emphasis on economic development as part of the framework agreement. It also specified a number of general objectives such as the expansion of production, productivity, employment and exports related to services sectors of developing countries and delineated the specific measures to be considered: relative reciprocity, inclusion in the negotiation of labour-intensive services and labour flows, preferential arrangements for developing countries and measures to speed up the transfer of technology to those countries.

The Swiss delegation submitted a proposal covering the use of an optional most-favoured-nation arrangement under which bilateral and plurilateral service agreements could be extended to third parties on request. The practical utility of this suggestion has been questioned by many participants.

The Australian proposal has been termed an illustrative outline for a framework agreement by some participants. The main suggestions are the creation of a number of strong rules of general application alongside a balance of rights and obligations and market access benefits, and initial listing by each individual member country of national regulations to be excluded from the coverage of the agreement and market access undertaking. It is hoped that through an "open season" procedure the schedules of exclusion would be shortened and market access undertakings expanded through regular rounds of plurilateral negotiations.

Treatment of Developing Countries

The developing countries constitute the majority of participants in the Uruguay Round of MTNs. Out of 96 fully fledged contracting parties, 24 are developed market economy countries, 4 centrally planned economy countries and all the rest developing countries.

The provision of differential and more favourable treatment to developing countries as specified in the general principles governing negotiations will hopefully enable them to receive concessions regarding tariff and

other barriers to their exports without expectations of concessions being offered in exchange, especially when such concessions are inconsistent with the development, finance and trade needs of the developing countries. Indeed, those developing contracting parties, which have the capacity to make a contribution in exchange for the concessions they receive in the course of negotiations are supposed to offer such concessions and participate more fully in the framework of rights and obligations under the General Agreement. With the progressive development of developing countries' economies and improvements in their trade situation more of them are likely to follow various gradations of limited reciprocity.

The least developed contracting parties, in view of their particular situation and problems, will receive special attention, and positive measures are supposed to be undertaken by all other contracting parties to facilitate the expansion of their trading opportunities. The relevant provisions of the 1982 Ministerial Declaration concerning further improvement of GSP (General System of Preferences) or MFN treatment for products of particular export interest to the least developed countries, more flexible requirements for rules of origin, the elimination or reduction of non-tariff measures affecting their exports, facilitating their participation in MTN agreements and arrangements, are to be implemented expeditiously.

The surveillance system, including the periodic review and evaluation of "standstill" and "roll back" action regarding various import restrictive measures adopted by the developed market economy countries under protectionist pressure, is likely to improve market access for exports from developing countries. Such a system will also ensure that the anti-dumping and countervailing duty action taken by any individual country is in strict adherence to the discipline specified under the anti-dumping and countervailing duty code. In view of the fact that action regarding "standstill" and "roll back" is to be expedited, the process of improvement in marketing opportunities is accordingly likely to be accelerated.

Tariff Structure

The average tariff structure in most of the developed market economy countries has in fact already been considerably reduced – the average rate is said to have come down to around 4 per cent. However, in respect of a variety of textile, leather, wood and paper products which are of export interest to developing countries, the rates are disproportionately high in relation to the degree of processing and value added. Such an

escalated tariff structure prejudicial to the export interests of developing countries is likely to be tackled effectively in the course of the Uruguay Round to the benefit of developing contracting parties.

Streamlining

It has been widely felt by the developing contracting parties that owing to the intricate technicalities involved in the working of various agreements and arrangements evolved during the Tokyo Round of MTNs, the developing countries have not been able to take much advantage from them. During the Uruguay Round these agreements and arrangements are to be discussed and streamlined in the light of suggestions made by various participants. If properly acted upon, these will indeed make these arrangements and agreements more beneficial to the developing contracting parties.

Trade-related Investment Measures

Like trade-related aspects of intellectual property rights including trade in counterfeit goods, trade-related investment measures have been a new area for the Uruguay Round of MTNs. They have been taken up for negotiation especially in recognition of the trade restricting and distorting effects of various investment measures. The negotiating process is expected to yield proper provisions in GATT to avoid these effects. As

such these negotiations could contribute to further opening up of the multilateral trading system, which would be beneficial to all contracting parties, developed and developing.

Functioning of the GATT System

It has been widely felt that the GATT system has been losing its importance mainly because the trade practices followed by individual countries are getting out of its control. Many of the developing countries have also contributed to this phenomenon. It has therefore been felt necessary that the Uruguay Round negotiations should try to develop proper understanding and effective arrangements to enhance the surveillance in GATT, to enable regular monitoring of trade policies and practices and to improve the overall effectiveness and decision-making of GATT as an institution. It has also been felt that through strengthening the relationship of GATT with other international organisations responsible for monetary and financial matters the contribution of GATT to achieving greater coherence in global economic policy-making can be considerably enhanced. It need not be emphasized that such an improvement will effectively contribute to the proper functioning of the multilateral trading system. This would be to the benefit of all contracting parties, developed and developing ones.

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