GATT and the Emergence of the World Trade Organisation

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I met Soumyen Mukherjee in Sydney in 1971 for the first time during the Vietnam Moratorium days. I was impressed by his radical humanism, his concern for oppressed people everywhere particularly in India, and his search for the correct way of understanding historical materialism. I was very pleased to have a fellow Bengali to teach history at the University of Sydney. I talked to him a lot during the days he was the Director for the Centre for Indian Studies. I am convinced that here is a scholar who stands for non-racism, non-alignment and anti-imperialism. Soumyen has become a trusted friend who will never let his friends down and who is truly international in outlook. Narrow domestic and sectarian approaches to history outrage him and he is prepared to denounce them in the strongest possible manner. He does not listen to fools easily and is prepared to fight against the Bharatiya Janata Party. I sincerely hope that this paper will stimulate his approach towards international trade and development issues.

The central purpose of this paper is to present an overview of the General Agreement for Tariff and Trade (GATT) and its role in developing countries (DCG) during the last four decades. The results of earlier GATT rounds of agreements will be analysed in Section 1. The Uruguay Round of multilateral trade negotiation (MTN) which began in 1986 and concluded on 15 December 1993 will be critically examined in Section 2. The key agreements in Safeguards, Textile and Clothing, Agriculture, Anti-Dumping, Subsidies and trade-related investment will also be examined in this Section 2. Section 3 will examine the main features of the World Trade Organisation (WTO) whose main functions are expected to facilitate the implementation, administration and operation of the Uruguay Round of Agreements

(URA). The WTO aims at revising the rules of trade liberalisation of international economic relations so as to provide more equal opportunities to all countries. My policy recommendations and conclusions are also explained in Section 3.

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Developing countries (DCG) have been arguing that the existing international order is an exploitative world order. It has resulted in the concentration of economic power in the hands of a few developed countries (DC), which lay down the rules of international trade, the monetary system, finance and decision-making arrangements. Consequently DCG are economically as dominated today as they were under direct colonial rule. It is not surprising, then, that the existing order of global capitalism has failed to solve the basic problems of developing countries—acute poverty, unemployment and underemployment, and low physical quality of life.

The first GATT MTN came from the meeting held in Geneva (1947), the second in Annecy (1949), the third in Torquay (1951), the fourth again in Geneva (1956), the Dillon Rounds of Agreement (1960–61), the Kennedy (1964–67) and the Tokyo Round in the 1970s. In each previous round of agreement, GATT was largely irrelevant to the problems of DGC in the 1990s and did not bring about any significant advantages to them.

DCG did not achieve much from the Tokyo round of trade negotiations. In the circumstances, most DGC have been continually suffering from their balance of payments crisis and hence they have not been able to achieve self-reliance. Self-reliance means that any country's requirements should be met from within to the maximum possible extent, since self-reliance and a persistent balance of payments gap cannot go together. From a favourable balance of trade position in 1950, the non-oil exporting (NOE) DCG now invariably suffer from deficits in the balance of payments on current account for all these countries during the years 1973–88. The aggregate current deficit of NOEDCG increased from $11.6 billion in 1973 to $109 billion in 1981 and to $45 billion in 1985, and to $15.3 billion in 1988. In the 1990s it has exploded again, increasing from $47.2 billion in 1994 to $65.7 billion in 1995 and finally projected to $72.6 billion in 1996 (*World*

Economic Outlook, May 1995, p.156). For example, DCG exported \$1231.2 billion in 1995 which is less than their import payment to the rest of the world, i.e \$1274.9 billion.

There is a marked asymmetry between the relative shares of the different groups of countries in the total trade flows of each of them. International trade is primarily a North-North affair. Even the DCG trade more with the DC than among themselves. It reflects the persistence of colonial trade and finance relationships even though most DCG have achieved political independence. The relative absence of significant horizontal trade links between DCG (although growing very slowly over the last three decades) cannot be explained purely in terms of any economic theory. The comparative advantage trade theory cannot explain the limited participation of the Transition (formerly the Soviet Union) and of DCG in the international division of labour. Neither is there much evidence of the factor-price equalisation even after four centuries of trading between the DCG and DC . Table 1 shows the share of major groups of countries in World Exports before the beginning of the Uruguay Round of trade negotiations.

Table 1: Share of Major Groups of Countries in World Exports (Percentage)

	1950	1960	1970	1975	1978	1979	1980	1985
North	61.1	66.8	71.3	66.0	67.0	65.2	63.1	65.5
South	30.8	21.7	18.0	24.2	23.3	25.6	28.1	24.0
Non-oil South	23.6	14.2	11.3	10.1	11.0	11.1	11.2	14.0
Transition States	8.1	11.7	10.6	9.7	9.2	8.9	10.5	

Sources: *IMF Survey*, July 16, 1984, p. 221, July 28, 1986, p.238 and UNCTAD *Handbook of International Trade and Development Statistics*, 1981, p.25. 1986. *Handbook* gives us the 1985 figures as reported in the UNCTAD *Bulletin*, No. 230, March 1987, p.9. The North refers to all DC and the South refers to all DGC. Figures are from *IMF Survey*, July 27, 1987 and they represent all DCG.

Myrdal[1] provided his theory of cumulative causation to argue that advantages are cumulative, so that any initial competitive edge results in further increases in efficiency and hence to a cumulatively greater advantage. On the other hand, if countries start from an initial disadvantageous position, they tend to suffer cumulatively. Consequently if countries start from a position of inequality due to unequal bargaining strength, one can explain the present trade imbalances between DGC and DC. The colonial past is mainly responsible for the current international division of labour and international exchange relations. DGC mainly export primary commodities, raw materials, and minerals, which are processed in DC. The former are also markets for manufactured products and also places for the capital investments of the latter. DGC (importing goods which have been processed from their own raw materials) have to pay not only for the cost of processing but also for the profits earned and costs of transportation both ways.

The consequences of balance of payments crisis for most NOEDGC would require significant restraint in monetary, fiscal and exchange rate adjustments in these countries. As World Economic Outlook[2] points out, the median rate of monetary expansion in these countries declined substantially in the 1980s. Most governments have also started reducing their expenditures, with continued emphasis on reducing social wage (reducing subsidies on essential items like food, medicine, education, health and other welfare services). Poor people in most indebted countries like Mexico, Brazil, Peru, Ghana, Zambia and the Philippines were suffering extra hardships because of these reduced subsidies. Moreover, any consequent reduction in government activities in NOEDGC invariably aggravate the already acute un- and under-employment problems in these countries.

In my *Political Economy of Development*,[3] it was shown that the purchasing power of DGC's traditional export products—coffee, cocoa, tea, soya beans, cotton, jute, natural rubber, and copper—is only a third or a fourth of goods and services imported from DC during the last four decades. With declining real prices of the principal primary commodities exported by DGC during the last four decades, these countries were compelled to export greater quantities of their commodities in order to be able to import essentially needed industrial machinery and intermediate goods. As Castro[4] points out, in 1960 it took 200 tons of sugar to buy a 180-hp bulldozer, while in 1984 it took 800 tons of sugar at the world market price to buy a similar bulldozer. Similarly, in 1960, 37.3 tons of fertilisers could be bought for a ton of coffee. In 1982 only 15.8 tons of fertilisers could be bought for a ton of coffee.

It is a great pity that no previous GATT negotiation called for agreements towards a link between the prices of DGC's commodity exports and the prices they have to pay for essential imports from DC if they were to diversify their economies. Such a link would have stabilised the amounts of foreign exchange earnings of the NOEDGC and would also overcome the fundamental problems of persistent deficits in their balance of payments.

When DGC do manage to produce manufactured goods like textiles or shoes, their exports are usually confronted by quotas, tariff barriers and other restrictions. The protectionist policies of DC, plus the dumping and unfair competition with subsidised products which those same countries habitually employ in international trade, are the major obstacles to expansion and diversification of DGC. The case for preferential trade treatment in the form of a system of Preferences (GSP) is presented by Nowzad.[5] The object was to bind the preferential GSP tariff rates and to establish a 'built-in-differentiator' so that DGC may get compensation for any erosion of the GSP from general tariff reductions under the MTN. Imports from DGC were supposed to be totally exempt from 'safeguard action' (i.e., DC's authority to improve import restrictions to protect their domestic producers from injury) or at the least, much more stringent criteria be applied before 'safeguard' measures could be taken against such imports. DGC should have been able to keep both the GSP and MFN tariff preferential treatment.

Average MFN tariff rates in Table 2 on clothing in Canada, Austria and the USA ranged from 20 to 50 per cent, but they averaged 93 per cent in New Zealand. Tariffs on footwear stood at about 14 per cent in Japan. The MFN tariffs for these products were 40 per cent or more during the 1980s in Australia and New Zealand. On average, DC now impose tariffs on industrial imports from DGC from 2.1 per cent on raw materials, 5.4 per cent on semi-manufactures and 9.1 per cent on finished products. As Balassa[6] correctly points out, the existing tariff structure in effect discriminates against higher levels of processing and production, thus encouraging DGC to produce and export only primary products. For example, the applied tariff rate in Australia on raw sugar is 0.1 per cent while it increases to 16.4 per cent if it was imported in the form of refined sugar.

A reduction in tariffs alone is unlikely to have any great effect on the exports of manufactures of DGC so long as NTB and other forms of quantitative restrictions to trade remain. NTB have been

Table 2: Post-Tokyo MFN, Applied, and GSP Tariffs in Selected Developed Countries

Product Group	Australia	Austria	Canada	EEC	Finland	Japan	Norway	New Zealand	Sweden	Switzer-land	United States	All Developed Countries
						Average MFN Tariff Rates						
All Food Items	4.9	8.0	6.2	3.7	8.9	9.7	2.8	9.7	1.6	10.0	4.1	6.4
Food and live animals	2.8	5.9	6.8	3.2	9.3	10.0	3.0	5.7	1.4	9.0	3.8	6.
Oilseeds and nuts	4.1	1.9	6.0	10.3	7.9	5.6	4.5	0.9	3.3	7.5	1.4	5.3
Animal and vegetable oils	2.0	0.8	0.0	0.1	0.8	0.3	0.0	0.0	0.0	0.2	0.9	0.1
Agricultural Raw Materials	5.1	2.3	0.6	3.4	1.1	0.7	0.6	1.0	1.7	1.9	0.3	0.8
Ores and Metals	10.2	5.6	2.1	2.8	1.9	2.5	1.5	6.0	2.5	1.4	1.9	2.3
Iron and steel	17.2	8.4	5.4	5.5	3.9	5.0	1.8	8.8	4.8	2.0	4.3	5.1
Nonferrous metals	3.9	6.1	2.2	3.2	1.2	5.5	1.9	4.0	1.0	1.2	0.7	2.3
Fuels	0.0	2.1	1.4	0.1	0.1	1.5	0.0	0.2	0.0	0.0	0.4	1.1
Chemicals	5.4	6.3	6.4	8.4	2.4	5.5	5.9	6.7	5.0	0.9	3.7	5.8
Manufactures excl. chemicals	17.7	14.1	7.0	8.1	8.2	5.7	6.1	22.6	5.4	3.3	5.6	7.0
Leather	17.8	5.3	3.8	10.2	11.8	11.9	4.7	20.9	4.1	1.8	4.2	5.1
Textile yarn and fabrics	15.3	18.2	9.4	17.3	22.7	8.6	12.8	16.2	10.6	6.0	10.6	11.7
Clothing	49.3	30.2	12.6	19.9	32.0	15.0	20.3	93.0	13.6	8.6	20.3	17.5
Footwear	43.9	25.9	11.9	22.5	16.0	14.2	11.2	40.3	14.3	9.6	11.7	13.4
Other Items			0.2	3.3	0.1	4.8	1.3	2.3	2.0	1.2	1.8	0.4

Table 2 cont'd:

Product Group	Australia	Austria	Canada	EEC	Finland	Japan	Norway	New Zealand	Sweden	Switzer-land	United States	All Developed Countries
					Average Applied Tariff Rates							
All Food Items items	3.1	6.8	3.0	4.4	5.2	9.4	1.4	7.8	0.8	9.1	3.5	5.3
Food and live animals	1.7	4.9	2.9	4.8	5.7	9.7	1.5	3.9	0.8	8.4	3.2	5.3
Oilseeds and nuts	2.0	1.5	4.6	4.9	5.5	4.8	4.3	0.7	2.2	7.4	1.0	4.0
Animals and vegetable oils	2.4	0.8	0.1	0.0	0.8	0.3	0.0	0.0	0.0	0.2	1.0	0.2
Agricultural Raw Materials	0.7	1.6	3.7	0.4	1.0	0.3	0.4	0.7	1.4	0.7	0.3	0.5
Ores and Metals	4.3	0.3	2.7	0.7	0.1	1.8	0.4	4.2	0.2	0.1	2.2	1.5
Iron and steel	7.3	0.5	5.6	2.3	0.1	2.9	0.7	6.4	0.4	0.1	5.0	3.4
Nonferrous metals	2.4	0.2	2.8	0.5	0.0	4.3	0.1	2.1	0.1	0.1	0.7	1.3
Fuels	0.0	1.5	0.2	0.3	0.0	1.2	0.0	0.0	0.0	0.0	0.4	0.6
Chemicals	4.0	0.5	3.0	3.4	0.1	4.8	0.4	4.9	0.4	0.1	3.9	3.1
Manufactures excl. chemicals	11.5	2.0	6.2	4.6	1.3	4.6	1.3	18.3	1.4	0.4	4.9	4.7
Leather	10.9	0.9	11.0	2.1	2.3	10.7	0.8	21.4	0.3	0.1	2.7	3.1
Textile yarn and fabric	11.3	2.0	18.3	5.3	1.0	7.1	1.6	10.9	1.7	0.6	12.1	7.9
Clothing	35.6	5.1	17.2	7.3	7.7	10.0	3.0	75.6	4.8	1.7	18.1	11.9
Footwear	27.9	1.2	23.4	6.5	3.8	12.5	2.4	28.4	2.8	0.6	9.5	9.0
Other Items	0.1	1.1	4.7	0.1	0.1	0.7	0.4	0.9	0.1	0.2	3.6	3.3
All Products	8.3	2.0	4.4	2.5	1.0	3.1	1.0	11.0	0.8	1.0	3.4	3.0

Table 2 cont'd:

Product Group	Australia	Austria	Canada	EEC	Finland	Japan	Norway	New Zealand	Sweden	Switzer-land	United States	All Developed Countries
Average Tariff for GSP Beneficiaries												
All Food Items items	1.3	9.0	1.5	5.0	7.0	11.1	0.3	6.2	0.4	6.3	3.6	5.5
Food and live animals	1.0	8.9	1.3	5.1	7.2	11.7	0.3	0.8	0.4	6.5	3.4	5.6
Oilseeds and nuts	0.7	0.1	5.6	6.2	8.8	5.0	3.2	0.0	1.7	9.0	0.3	4.5
Animals and vegetable oils	0.3	0.3	0.0	0.0	10.7	1.2	0.0	0.0	0.0	0.1	0.1	0.4
Agricultural Raw Materials	0.1	1.4	3.1	0.5	5.5	0.5	0.5	0.0	2.1	0.3	0.1	0.5
Ores and Metals	1.6	0.9	0.5	0.5	0.1	1.3	0.3	0.2	0.1	0.4	1.1	0.9
Iron and steel	4.9	2.9	4.0	3.3	0.4	2.0	0.4	2.3	1.0	0.4	3.5	3.0
Nonferrous metals	0.3	1.1	0.9	0.5	0.0	3.1	1.7	0.5	0.1	0.9	0.3	1.1
Fuels	0.0	1.5	0.0	0.2	0.0	1.3	0.0	0.0	0.0	0.0	0.3	0.6
Chemicals	4.2	4.0	6.1	4.1	0.1	5.1	0.2	1.1	0.6	0.4	1.0	3.7
Manufactures excl. chemicals	11.4	18.9	13.8	6.4	9.3	4.2	5.9	14.3	6.9	2.7	6.6	6.7
Leather	9.6	6.6	9.6	2.8	6.1	8.4	5.5	18.0	1.2	1.1	1.4	3.2
Textile yarn and fabric	6.3	17.5	19.8	7.6	6.0	6.1	11.0	8.5	6.8	2.7	9.0	8.4
Clothing	35.1	27.2	16.2	9.3	23.6	8.6	18.9	82.8	13.2	7.6	17.8	14.6
Footwear	25.6	24.4	23.3	9.1	14.8	7.9	11.6	22.1	13.4	4.4	9.4	10
Other Items	0.0	5.2	5.6	0.1	0.1	1.0	0.1	1.7	0.0	0.4	0.4	3.8
All Products	4.3	4.9	4.4	2.1	4.6	2.3	2.8	3.3	2.3	2.3	3.6	2.7

Source: Calculations on the basis of the GATT Tariff Study and UNCTAD Series D Trade Tapes. See Laird and Yeats (1987).

Table 3: Analysis of the Escalation in Post-Tokyo Round Applied Tariffs in Selected Developed Countries

Product Group	Australia	Austria	EEC	Finland	Japan	Norway	New Zealand	Sweden	Switzerland	United States
Meat products										
Fresh and frozen meat	0.0	0.2	6.6	0.0	10.1	8.3	4.3	0.0	4.2	1.6
Prepared meat	4.6	2.6	17.9	12.6	22.5	8.1	7.0	0.0	5.2	2.3
Fish										
Fresh and frozen fish	0.0	3.7	6.3	0.8	5.3	0.0	2.6	0.0	0.4	0.5
Fish preparations	0.9	7.2	12.4	1.2	10.7	1.6	1.2	0.1	1.4	1.1
Vegetables										
Fresh vegetables	3.4	2.1	6.7	14.0	9.0	3.4	0.1	5.1	4.9	7.6
Vegetable preparations	9.8	13.3	15.1	14.6	17.5	6.6	5.7	6.2	11.4	11.0
Fruit										
Fresh fruit	0.2	3.1	7.7	10.7	21.5	1.0	0.0	0.6	7.4	1.1
Prepared fruit	6.3	17.3	16.6	8.5	21.8	3.1	11.1	0.7	13.7	20.3
Coffee										
Green or roasted beans	0.0	14.3	3.8	3.5	0.0	0.1	0.0	0.0	8.5	0.0
Coffee extracts	0.5	3.5	13.8	0.0	17.4	0.2	31.1	0.0	6.0	0.0
Vegetable oils										
Vegetable oilseed	2.1	0.5	0.0	0.7	0.3	0.0	0.0	0.0	0.1	1.0
Vegetable oils	3.1	1.1	6.1	9.3	6.2	4.5	0.0	1.0	8.2	0.7

Table 3 cont'd:

Product Group	Australia	Austria	EEC	Finland	Japan	Norway	New Zealand	Sweden	Switzerland	United States
Sugar										
Raw sugar	0.1	0.0	0.0	0.0	3.3	3.6	0.0	0.0	42.3	0.6
Refined sugar	16.4	0.0	0.0	16.9	82.5	2.7	0.7	1.1	34.1	9.9
Chocolate										
Cocoa beans	0.0	5.0	1.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Powder and butter	0.0	5.6	9.0	0.0	2.9	0.0	7.6	0.3	0.3	0.1
Chocolate	9.3	0.6	0.1	0.1	24.3	0.1	27.1	0.2	14.3	0.1
Tobacco										
Raw tobacco	9.1	9.7	0.0	0.0	0.0	0.0	9.6	0.0	0.0	8.8
Tobacco products	16.6	211.3	61.8	2.1	82.1	5.1	31.6	1.9	17.6	9.1
Rubber										
Natural rubber	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Unvulcanized rubber	12.2	0.5	2.2	0.2	5.5	0.5	12.0	0.8	0.1	6.4
Rubber products	20.0	2.0	5.5	4.1	12.4	3.1	28.3	2.9	1.0	9.2
Wood										
Rough wood	0.0	3.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Shaped wood	1.5	1.1	0.1	0.0	1.1	0.0	0.0	0.0	0.1	0.1
Wood manufactured	14.5	1.2	4.2	0.1	1.2	0.2	11.2	0.6	0.4	4.7

Table 3 cont'd:

Product Group	Australia	Austria	EEC	Finland	Japan	Norway	New Zealand	Sweden	Switzerland	United States
Paper										
Pulpwood	0.0	1.4	0.0	0.0	0.0	0.0	10.5	0.0	0.8	00
Paper and board	5.7	1.8	2.3	0.2	5.7	0.0	5.3	0.2	0.3	0.3
Paper manufactures	11.6	5.1	6.0	0.6	3.6	0.1	25.3	0.3	0.3	3.8
Wool										
Not carded or combed	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	5.2
Carded or combed	0.0	0.0	2.4	0.0	0.0	0.0	0.0	0.0	0.0	11.1
Wool yarn	3.4	0.0	1.4	0.0	3.9	0.1	19.7	0.0	0.0	12.9
Wool fabrics	25.6	0.1	2.7	0.0	11.0	0.2	33.4	0.2	0.0	37.3
Cotton										
Not carded or combed	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.5
Carded or combed	30.3	0.2	0.2	0.3	0.0	0.0	0.0	0.2	0.0	5.0
Cotton yarn	13.9	2.6	2.3	0.8	3.8	2.3	1.3	2.6	1.2	8.7
Cotton fabrics	2.4	3.2	5.6	1.4	5.9	4.0	1.3	3.6	0.7	10.4
Jute										
Raw jute	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Jute yarn or cordage	8.9	0.8	2.0	0.7	5.5	0.0	0.0	0.0	1.4	1.3
Jute fabric	0.0	2.9	4.8	0.1	5.4	0.0	0.0	1.2	0.4	0.0
Jute bags	1.9	10.9	4.7	1.7	5.5	0.3	1.4	1.0	0.5	1.0

Table 3 cont'd:

Product Group	Australia	Austria	EEC	Finland	Japan	Norway	New Zealand	Sweden	Switzerland	United States
Sisal										
Sisal fibres	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.5	0.1
Cordage	8.3	1.0	4.3	2.1	3.4	0.9	17.4	0.8	0.2	0.3
Metal Ores	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1
Iron										
Iron bars and ingots	0.0	0.1	2.3	0.1	3.7	0.0	0.0	0.0	0.1	0.8
Iron plates and shapes	7.4	0.6	2.2	0.1	2.3	0.2	6.5	0.5	0.1	5.3
Copper										
Unwrought copper	0.0	0.0	0.0	0.0	1.5	0.0	0.0	0.0	0.0	0.8
Refined copper	5.2	0.1	1.8	0.1	5.9	0.0	2.2	0.2	0.1	1.8
Aluminium										
Unwrought aluminium	2.0	0.3	0.8	0.0	6.6	0.0	0.2	0.0	0.2	0.6
Refined aluminium	4.3	0.2	2.1	0.0	9.0	0.3	7.0	0.4	0.1	3.2
Lead										
Unwrought lead	0.1	0.2	0.6	0.0	3.0	0.0	0.3	0.0	0.1	3.5
Refined lead	0.4	0.0	5.8	0.0	6.8	0.0	6.4	0.0	0.0	1.6
Zinc										
Unwrought zinc	4.1	0.1	0.9	0.0	3.0	0.0	0.0	0.0	0.0	1.7
Refined zinc	2.8	0.6	4.1	0.0	6.6	0.0	0.8	0.0	0.0	2.3

Table 3 cont'd:

Product Group	Australia	Austria	EEC	Finland	Japan	Norway	New Zealand	Sweden	Switzerland	United States
Phosphate										
Natural phosphates	0.0	6.9	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0
Phosporic acid	19.0	0.0	6.1	0.0	5.2	0.0	0.0	0.2	0.1	1.7
Superphosphates	0.0	1.3	2.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Petroleum										
Crude petroleum	0.0	1.4	0.0	0.0	1.4	0.0	0.0	0.0	0.0	0.3
Refined petroleum	0.0	1.6	1.0	0.0	2.2	0.0	0.0	0.0	0.0	1.1
Memo items										
Percentage of chains in which escalation occurs	88.0	88.0	96.0	68.0	96.0	68.0	88.0	76.0	68.0	96.0
Average tariff differeence from primary to processed stage	6.9	9.5	6.7	1.9	12.5	1.0	9.7	0.7	1.8	4.7

Source: Computed from data produced in the GATT tariff study.

used by DC as the most-effective instrument for the prevention of industrialisation in DGC and they include an infinite number of protectionist practices—UNCTAD has documented some 700 of such practices—which range from government subsidies, quantitative restrictions, health standards and technical standards to deliberately complex procedures. Morton[7] has stated that in 1969 DC imposed NTB measures on 28 per cent of all imports from DGC, as compared with 11 per cent on imports from other DC. In 1984, 21 per cent of imports from DGC were subject to NTB in DC, as compared with only 11 per cent of imports from other DC. In addition, some 29 per cent of the agricultural exports of DGC were subject to NTB in DC. Agricultural products still suffer NTB measures for 33 per cent of value from DGC, textiles 62 per cent and steel 46 per cent. Further NTB are high on food and agricultural product, cotton textile, iron and steel, while they are relatively low on raw materials and fuels and hence once again discriminate against the levels of processing in DGC.

Table 4: Fifteen DC NTB on imports from DC and DGC, 1984

	Percentage covered by NTB			
	Value of Imports from		Number of Categories from	
Product Categories	**DC**	**DGC**	**DC**	**DGC**
All	17	19	11	21
Agricultural	44	33	42	35
Fuels and ores	8	10	13	11
Industrial	14	21	7	18
Textiles	25	62	20	58
Steel	50	46	21	21
Footwear	2	4	14	14
Electrical	10	7	5	8
Vehicles	30	3	6	10

Source: Finger and Olechowski.

The European Union, Japan and the USA imposed NTB measures in the following Table 5 between 1988 and 1993.

Table 5: NTB Measures 1988 and 1993 (Per cents of imports covered)

	1988	1993
Core NTB	14.6	14.0
Quantitative restrictions	12.1	9.8
Export restraints	8.0	6.6
Anti-dumping, countervailing	2.4	3.7
Other price measures	1.6	1.6

Source: *IMF International Trade Policies, The Uruguay Round and Beyond,* Vol.1 *Principal Issues,* 1994, p.8.

The potential for an expansion of DGC exports to DC exists, and discriminating barriers against the exports from these countries should be reduced if that potential is to be realised. If DC were completely to dismantle their trade barriers against the manufactured goods of DGC, the latter could earn many billion dollars per year. If the Uruguay Round of Trade Negotiations leads to a tariff reduction of 50 per cent, this would add many billion dollars to DGC manufactured exports by 1995. The non-tariff trade barriers of developed countries could be partially relaxed. This could add many billion dollars per year to those earnings. The IMF recently estimated annual real income gains globally ranging from $212 to $274 billion (or about 1 per cent of world GDP) upon full implementation of the Uruguay Round, of which some $80 billion would accrue to poor countries.

2

The URA began in Uruguay in 1986. This time DGC wanted to negotiate meaningfully for trade liberalisation. They wanted to get rid of protectionism sanctioned by earlier rounds of GATT. GATT's Article XIX allowed members to escape their normal GATT obligations and erect trade barriers to safeguard any of their producers seriously injured by the liberalisation of trade. However, most governments tend to ignore other important clauses of this Article which provides that foreign suppliers may retaliate or be compensated for losses from the denial of market access. Tables 5 and 5(a) show coverage of Article XIX Action between 1950 and 1993 (situation as of 15 April 1993).

Discrimination against cotton textiles was incorporated into the short term Arrangement Regarding International Trade in Cotton-Textile in the early 1960s. This became in 1974 a long term Multi-Fibre Arrangement (MFA) was followed by MFA II (1978–81). MFA III (1982–86), and MFA IV (1986–1994); the current MFA now covers almost all textile and clothing products and has subjected nearly 40 poor countries to export restraints in most DC. This discrimination principle has been regularly extended in its product and country coverage against DGC. These measures in the forms of selective restraint arrangements reflect when the exporting country, voluntarily or not, undertakes not to ship more than a certain amount of goods to the importing DC. These are usually known as Voluntary Export Restraints (VER) or Orderly Marketing Agreements (OME). Currently, there are over 200 such measures and the most frequent users are the USA and the European Economic Union.

DC have increasingly used agricultural subsidies in recent years. Such subsidy programmes, originally motivated either by a desire for food security or to assist farmers needing support from their governments, have in many cases led to structural overcapacity. Indeed, many rich European countries which were previously major importers have now not only become self-sufficient in agriculture but have even become large-scale exporters of a number of products which they previously used to import from poor DGC. This has been the outcome of the European Community's Common Agricultural Policy (CAP) which was launched in 1962. Subsidies to the agricultural sector in DC have acted as barriers to the agricultural exports from DGC. Further the availability of cheap subsidised imports from rich countries inhibited domestic production of DGCs because of the lack of necessary incentives to cover the domestic cost and hence prevented the emergence of self-sufficiency for many food importing DGC.

Table 6 shows agricultural producer subsidy equivalents for the period between 1979 and 1993.

Table 6: Agricultural Producer Subsidy Equivalents

	Annual Average (In Billions of US Dollars)			
	1979-86	**1990**	**1992**	**1993**
Australia	1.00	1.38	1.11	0.96
European Union	82.11	82.79	79.57	39.61
Japan	20.96	29.85	36.07	34.99
USA	22.73	27.70	25.41	28.35
Total OECD	167.44	168.29	163.12	97.88
	(In Per cent of Farm Gate Prices)			
	1979-86	**1990**	**1992**	**1993**
Australia	10	12	10	9
European Union	46	47	48	37
Japan	64	65	71	70
USA	21	23	21	23
Total OECD	34	42	41	42

Source: IMF, *ibid.* p.9.

It is necessary here to point out that the monopolisation of control over the international monetary system and financial arrangements is a feature of the continuation of external control over the South. The IMF and World Bank still reflect the politico-financial balance of the 1940s and 1950s and they have not kept up with the changes that have taken place in the world. One of the founders of these institutions, Keynes[8] made the following statement: 'I conceive of the management and the effective voting power as being permanently Anglo-American.'

Developed countries, led by the USA and the IMF have shown an inadequate appreciation of the problems of a deteriorating world environment causing underdevelopment in DGC. Only 5.2 per cent of the current account deficits of DGC during the period 1976–82 were assigned by the IMF for compensating for these deficits. The IMF has attached strings in many cases that entail a high social, economic and political price that go against the interests of DGC. As the Brandt Report[9] has correctly observed:

> The IMF's insistence on drastic measures, often within the time framework of only one year, has tended to impose unnecessary and unacceptable political burden on the poorest, on occasion leading to 'IMF riots' and even the downfall of governments.

All three institutions, World Bank, IMF and GATT really looked after the interests of DC during the previous rounds of GATT. DGC were marginal players and their interests were never the primary focus of such MTN.

Table 7 shows the sector-wise UR tariff reduction together with DGC high export interest. It also shows that the biggest reductions, ranging from 69 to 60 per cent measured in terms of bound rates will be made in sectors (wood, paper, pulp, and furniture, metals, and non-electric machinery) where tariff level is already low. For textile, clothing, leather, and rubber, the reductions range from 22 to 18 per cent.

Table 7: DC: Uruguay round Tariff Reductions by Sector (in per cent)

Sector	Reductions	DGC with High-Export Interest
Wood, pulp, furniture, paper	69	Cameroon, Congo, Ghana, Indonesia, Paraguay
Metal	62	Bolivia, Cameroon, Sierra Leone, Zaire, Zimbabwe
Non-electric Machinery	60.	Mali, Singapore
Mineral products	52	Congo, S.Leone, Zaire, Zimbabwe
Electric Machinery	47	Malaysia, Singapore
Chemicals, photographic supplies	45	Jamaica, Namibia, Niger
Fish products	26	Belize, Cuba, Ecuador, Honduras
Transport equipment	23	
Textiles and clothing	22	Bangladesh, Egypt, China, India, Morocco, Pakistan, Sri Lanka, Tunisia
Leather, rubber	18	Kenya, Nigeria, Paraguay, Uruguay, Cambodia

Source: GATT (1994).

The post-URA tariff structure will still compel DGC to specialise in raw materials and discriminate against the levels of processing.

Table 8 shows Tariff Escalation on DC Imports from DGC. The URA would reduce all these tariff rates if they are implemented, but the then tariff structure will still discriminate against the higher levels of processing and value-added activities, 0.8 per cent on raw materials, 2.8 per cent on semi-manufactures, and 6.2 per cent on finished products.

Table 8: Tariff Escalation on DC Imports from DGC (in per cent)

	Share of each stage	**Tariffs**		
		Pre-URA	Post-URA	Percentage Reduction
All Industrial Products (ex.Oil)				
Raw materials	22.0	2.1	0.8	62.0
Semi-manufactures	21.0	5.3	2.8	47.0
Finished products	57.0	9.1	6.2	32.0
Total	100.0	6.8	4.3	37.0
All tropical industrial products				
Raw materials	35.0	0.1	0.0	100.0
Semi-manufactures	30.0	6.3	3.5	44.0
Finished products	34.0	6.6	2.6	61.0
Natural resource-based products				
Raw materials	11.0	3.1	2.0	35.0
Semi-manufactures	40.0	3.5	2.0	43.0
Finished products	17.0	7.9	5.9	25.0
Total	100.0	4.0	2.7	33.0

Source: GATT (1994 b).

Hence it is clear from the above table that following the URA, tariff bindings will actually increase; it will increase from 13 to 61 per cent of imports by DGC and from 74 to 96 per cent by transition economies. The URA is not reducing tariffs universally in the near future. Moreover all DGC are likely to lose their GSP. There is no trade-off for DGC for their inability to preserve preferential tariff margins.[10]

Two areas of world trade—intellectual property and services—are now within the fields of continuous MTN within the WTO. In the short run the enforcement of TRIP might create additional problems for DGC, especially in the fields of life-saving medicines. The services agreement in the UR provides a multilateral framework on the principles of non-discrimination and transparency. Foreign service suppliers will get market access and treatment no less favourable than that which applies to domestic supplies. Table 9 shows the extent of global tariff bindings agreed in the URA.

Textiles and Clothing were going to be gradually integrated into the WTO/GATT in 1994 in a four-stage phase-out over ten years, under the supervision of a Textiles Monitoring Body. Products accounting for not less than 16 per cent of total volume of imports in terms of the stated Harmonised System lines or categories in 1990 were to be integrated into GATT 1994 upon entry into force of WTO. After the third year of the first phase out period, at least another 17 per cent of total 1990 import volumes of the listed products to be integrated, followed by at least 18 per cent after the seventh year, and the remainder 49 per cent at the end of the ten-year period. Each phase out must encompass products chosen by the restricting country from four groups—tops and yarns, fabrics, made-up textiles, and clothing. Outstanding quota restrictions will be expanded by the prevailing (bilaterally negotiated) quota growth rate plus 16 per cent annually in the first three years, by 25 per cent in the subsequent four years, and by 27 per cent in the final three years. Safeguards may be maintained for a maximum of three years phased out over their duration.

The Uruguay Round on the Agreement on Safeguards has tried to confront the discriminatory use of Article XIX of GATT. It emphasises the importance of structural adjustment and the need to enhance rather than limit competition in international markets in 14 articles and an annex. Articles 1, 2, 3, 5, 6 and 10 establish basic principles, rules, conditions and scope for the application of the safeguard measures provided for in Article XIX. Article 4 defines the criteria of serious injury. Article 7 uses time-limits (initially for 4 years and the total life should not exceed 8 years for developed and 10 years for DGC) for the application of safeguard measures. Article 8 relates to the waiver on compensation requirements. Article 9 allows for preferential treatment for DGC. Article 11 prohibits and phases out these measures. Finally Articles 12, 13, and 14 state the procedures for monitoring and review of the operation of the Agreement and the requirements for notification,

Table 9: The Extent of Gloabl Tariff Bindings

	<	**Industrial Products**	>	<		**Agricultural Products**		>
	Per cent of Pre-URA	Tariff Lines Post-URA	Per cent of Pre-URA	Imports Post-URA	Per cent of Pre-URA	Tariff Lines Post-URA	Per cent of Pre-URA	Imports Post-URA
By Major Country Group								
Industrial C	78	99	94	99	68	100	81	100
DGC	21	73	13	61	18	100	26	100
Asia	17	68	82	70	17	100	40	100
Central Europe	63	98	68	97	45	100	45	100
Western Europe	79	82	98	98	45	100	87	100
Latin America	38	100	57	100	36	100	74	100
North America	99	100	99	100	92	100	96	100
Transition Economy	73	98	74	96	51	100	54	100

Source: GATT (1994).

consultation and dispute settlement. Recently the USA has been championing the use of voluntary import expansions (VIE) as a form of export protectionism. Under VIE, countries like Japan are induced, by incentives or penalties, to import specific amounts from the USA. For semiconductor chips, the USA wanted the commitment from Japan that the USA would supply 20 per cent of the Japanese market by some target date. In April 1987 the USA imposed tariffs on $300 million worth of Japanese exports to punish Japan for nonfulfilment of its target. Further the USA has been pressing Japan to import more goods and services from the USA because of the latter's persistent surplus in balance of trade with Japan.

The following results of the Uruguay Round Agreements effectively place all member countries at broadly comparable levels of obligation:

(i) the strengthening of the existing rules to govern a variety of trade policy measures, particularly those areas which had consistently been sources of trade tensions and disputes;

(ii) the achievement of significant degree of tariff liberalisation;

(iii) the establishment of new rules to cover intellectual property and trade in services; and

(iv) the interlinkage of all these agreements within the institutional framework of the newly established World Trade Organisation (WTO), which aims to facilitate the implementation, administration and operation of the Uruguay Round agreements subject to an integrated dispute settlement mechanism.[11]

All TRIM inconsistent with Articles III and XI of GATT 1994 are to be notified within 90 days and eliminated within two years, five years, and seven years for DC, DGC and least DGC, respectively. There could be an extension of the transition period for both DGC and least DGC under certain circumstances.

Similarly TRIP demand that all patentable inventions on pharmaceuticals and agricultural chemical products made after entry into force of the WTO must be protected. DGC are permitted to delay implementation for a further four years, except for the national treatment and MFN commitments. Where patent protection is called for in areas of technology not currently protected in DGC, a grace period of an additional five years is provided in respect of the technologies in question.

3

The WTO Agreement consists of a preamble, 16 Articles and four Annexes. The preamble also recognises the 'need for positive efforts designed to ensure that DGC, and especially the least developed among them, secure a share in the growth in international trade commensurate with the needs of their economic development'.

DC do not expect reciprocity for commitments made by them in MTN to reduce or remove tariffs and other NTB to the trade of DGC. Developed contracting parties 'shall therefore not seek, neither shall less developed contracting parties be required to make, concessions that are inconsistent with the latters' development, financial and trade needs'. The Uruguay Declaration also stipulates that special attention shall be given to the particular situation, and problems of the least developed countries and to the need to encourage positive measures to facilitate the expansion of their trading opportunities.

At the Marrakesh Ministerial Meeting in 1994 a total of 111 countries out of 125 formal participants in the Uruguay Round signed the Final Act. The WTO was signed by 104 countries and seven countries (Australia, Botswana, Burundi, India, Japan, South Korea and the USA) are awaiting their respective national legislative procedures. The WTO organisational structure consists of a Ministerial Conference and a General Council, which will carry out the functions of a Dispute Settlement Body and a Trade Policy Review Body. A Committee on Budget, Finance and Administration, a Committee on Trade and Development, and a Committee on Balance-of-Payments Restrictions will be established by the Ministerial Conference. The Council for Trade in Goods, the Council for Trade in Services, and the Council for Trade Related Intellectual Property (TRIP) will establish their respective rules of procedure subject to the approval of the General Council. In general, decisions of the Ministerial Conference and the General Council that require a vote will be taken by the majority of the votes cast; however, in the case of an interpretation of the WTO Agreement or the MTA, the decision will be taken by a three fourths majority.

The Uruguay Round Agreements will address each country's trade, environment and sustainable development needs in a balanced and equitable way. The former Director-General of GATT, Sutherland, observes:

> All of these benefits are real and important. Every nation now needs an effective trading system, but especially so the small and poor. They have it. Everyone will also gain from the huge package of market access results even if they did not get every concession they were seeking from trading partners—it is the biggest market access deal ever negotiated.
>
> The importance of the Round can be seen in terms of the boost it gives to job creation; to development; to investment; to economic reform; to the rule of law.

On the other hand, Caldicott regards URA as the new global imperialism:

> The Uruguay Round was designed and planned by some of the world's most powerful transnational corporations (TNCs), 70 per cent of which are American based, in order to enhance their unimpeded access to global resources, cheap labour, and unrestricted markets. The TNCs have cleverly managed a new orchestration of the world economy, thus introducing a subtle and dangerous form of global imperialism. This new imperialism will provoke and legitimise rampant consumerism in developed and developing countries, and uncontrolled exploitation of the earth's natural resources. It will initiate destruction of trade unions, violate environmental laws, destabilise indigenous cultures and communities, increase the gap between the world's rich and poor, and possibly evoke national and international unrest in a world armed to the teeth with nuclear and conventional weapons.

The truth lies somewhere in between the fantastic optimism of Sutherland and emotional outbursts of Caldicott.

Serious injury was supposed to mean a significant overall impairment in the position of a domestic industry. Moreover the concept of 'market disruption' was introduced in GATT in 1960 as legitimising the use of discriminatory restrictions against imports from specific countries—DGC in particular. The acceptance of this concept opened the way for the establishment of a discriminatory regime of the MFA against DGC exports of textiles and clothing, which has never ceased to expand in product and country coverage since the 1960s. Hence the concept of 'market disruption', a denial of the growing competitiveness of DGC in international trade. Further, no compensation would be required for actions taken under this concept, unlike the concept of 'serious injury'. Article 4 of the Agreement on Safeguards now defines 'serious injury' to mean a significant overall impairment in the position of a domestic industry and the determination of the existence of a threat of serious injury shall be based on facts and not merely on allegation, conjecture or remote possibility. In considering questions of 'market disruption' account shall be taken of the interests of the exporting country, especially in regard to its stage of development.

My policy recommendations and conclusions are explained in this Section. The so-called 'free-market mechanism' of the existing world order of global capitalism does not reflect natural economic laws. These laws have been made, managed and manipulated by DC since the fifteenth century. Also they can be drastically changed without seriously affecting the development of global economic relations as a whole. The crucial accomplishment of the URA has been to tackle those areas where the absence of international consensus had frequently given rise to trade disputes and tensions. Hence the most important specifications are to be found in the Agreements, more honoured in the breach than in the observance, on Safeguards, Subsidies and Countervailing Measures, Anti-dumping, Agriculture, and Textiles and Clothing. Governments of the North felt no serious obligation to abide by the rules. Recent trends toward protectionism, discrimination, bilateral deals, regional arrangements, and cartel-like 'orderly marketing arrangements' were obvious and hence greatly damaged GATT's cornerstone, the most favoured nation (MFN) or non-discriminatory principle. This principle provided that each GATT member would grant automatically, unconditionally and without any compensation, any privileges or favour.

I am not going to argue about the rhetoric of these Agreements. But I still have significant doubts about the implementation of these Agreements. The most powerful North countries in North America and Western Europe will not choose to implement the proposed rules of URA in the interests of open, free and fair trade. From the historical experiences, even the benefit of the doubt cannot be given to these countries that they will abolish their protectionist regimes in the immediate future. Developing countries, on the other hand, did not want the MTN leading to rules and commitments that would inhibit the growth of their infant and still unborn service industries. They thought that most North countries would seek concessions and threaten retaliation on trade in goods to get their way on rules on trade in services or to force Japan to import more beef from the USA. The aggressive pursuit of Japanese markets in this fashion is causing damage to Australia; if trade had been liberalised under GATT, Australia would have outcompeted both Japan and the USA.

Ruggiero has been appointed as the Director-General of WTO. He secured the post by defeating two other candidates, South Korean trade minister, Chul Su Kim, supported by Asia and Australia, and the former Mexican president, Carlos Salinas de Gortari, supported by the USA and Canada and Latin America. But given the criticism the USA heaped on Ruggiero who was labelled as 'too protectionist' and 'too European', and given that good relations between the USA, the EU and Japan are important for the smooth functioning of WTO, the future does not look too promising. The global trade system could be facing more fragmentation if the major trading nations enter into bilateral or regional arrangements and hence fail subsequently to multilateralise the implementation of URA as required by the WTO's agreed norms. It will be interesting to follow the resolution of the disputation between the USA and Japan with respect to the unilateral sanctions imposed by the superpower by WTO in coming months.

The biggest losers of URA will be the least developed among the DGC, particularly in sub-Saharan Africa, who currently receive preferential treatment under schemes such as the Generalised System of Preferences (GSP). the Lome Convention, and the Mediterranean Agreements. They will have to pay more for their necessary (a) food imports which will be more expensive in the absence of subsidies to the agricultural sector, (b) medicines and services and (c) technology because of the proposed TRIP and TRIM. In the absence of substantial foreign aid to these countries, trade liberalisation may not be of much benefit to the least DGC. The erosion of preferential margins following the URA will reduce the standard of living of the least developed among the DGC. The abolition of all special and differential arrangement for DGC will not allow the necessary time for diversification of the export favours it granted to the products of any member country to like products from all other countries. Repeated violations of this principle by some North Countries lead many to believe that GATT cannot be depended on to do much good for DGC.

The URA will establish new MT rules in the fields of agriculture, intellectual property and trade in services. It will extend the scope of

MT rights and obligations to include such diverse aspects as professional qualifications and the movement of persons and electronic data across national frontiers, thus making them legitimate subject-matter for inclusion in MTA.

DGC must be prepared to tackle two issues which will be exploited by DC in the near future—first, better environment and second, labour standards—if they are to avoid future conflicts in trade negotiations. Although the GATT panel ruled that trade restrictions imposed by the USA against tuna imports from Mexico contravened GATT rules, the restrictions were defended on the ground that Mexican tuna fishing resulted in the killing of more dolphins than allowed under US domestic law. Last year trade ministers in Marrakesh agreed to establish a new Committee on Trade and the Environment under the WTO. Many supports of protectionism in North will keep on arguing that low environmental standards in DGC give an 'unfair' advantage in global trade—a case of eco-dumping. I am not sure whether the DGC replies, (a) that environmental standards could be achieved through raising income through more international trade liberalisation policies and (b) that if DC are really interested in maintaining their desired environmental standards, the rich countries must increase their aid to DGC to reduce the costs of implementing the accepted standards of proper environmentally sound policies. These replies are not necessarily accepted by DC.

Trade Unions in the North will be more convinced that low labour standards enable DGC to keep labour costs low, thereby conferring 'unfair' advantage on them in global trade. The GATT permitted trade restrictions on products made with prison labour, but WTO might extend these restrictions to cover the case of 'bonded and child labour' in the case of the carpet industry. Following the URA there is at present no agreement on the inclusion of labour standards in the future of activities of WTO on account of opposition from many DGC. WTO will get these complaints more and more from North. Consequently environment and labour standard safeguards issues cannot be ignored by either DGC or WTO.

Finally it is worth noticing that in principle URA introduced greater speed and automaticity into dispute settlement procedure under fully integrated arrangements. The normal practice of decision making in WTO by consensus will continue; with varying voting majorities where consensus cannot be reached. It will be interesting to see how WTO will settle the disputation between the remaining superpower, the USA, and Japan, with respect to the unilateral imposition of sanctions by the superpower when Japan refuses to enter into any bilateral managed trade. All the principles of multilateral trade negotiation are on trial by the USA and WTO could not start anything worse than the potential disaster it will be facing during the first year of its existence.

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