The Economic Journal of Nepal, Vol. 14, No.4, Issue 56, October-December 1991 © DOE-TU

GATT and Uruguay Round: A Battle Cry of John Cobden

VISHNU PRASAD SHARMA*

INTRODUCTION

When the present world order was established at the end of Second World War it was designed to rest on four pillars; the IMF, which was originally conceived as a World Central Bank or International Clearing Union. The World Bank which was supposed to extend project loan to developing countries for most of war-reconstructions ware undertaken by Marshall Plan; and International Trade Organisation (ITO) with primary function of establishing and protecting primary commodity prices through international buffer stock and market regulation; and Economic and Social Council of the United Nations (ECOSOC). The third and fourth organisations were never put in place. The ITO was not ratified and ECOSOC has been superseded by the group of 7 - representing small minority of mankind (and was undemocratic instrument) and to some extent by the IMF and World Bank which are themselves effectively controlled by the group of 7. The world which was supposed to walk on four legs has been limping along two, or perhaps two and half.

Later on, when UN shared a common belief that a cooperative effort was required to bring about a more just world economic order in which the developing countries would participate more fully in, and thus benefit from, a prospering world economy; United Nations Conference on Trade and Development (UNCTAD) was born, almost 3 decades ago, in 1960. As it happens, the gaps of the last two organisation which were dead before birth, e.g. ITO and ECOSOC, both now relate to the function and mandate of UNCTAD.

Since the birth of UNCTAD some of developing countries achieved a degree of progress, but many other developing countries are burdened with a general loss of economic dynamism after decades more then two thirds of them experienced a decline in per-capita incomes. UNCTAD has a mandate to analyse the interdependent system of trade and technology and prevent global zero-sum or beggary neighbour policies. It has a role in connection with the liberalisation of trade regimes as a part of stabilisation and structural adjustment programme of the developing countries. As a universal organisation UNCTAD is expected to be in a strong position to restore a badly needed symmetry by pointing to the need for trade liberalisation on the part of developed countries and to the relationship of the later to the growth and debt-paying capacity of developing countries. But in vain, even the present difficulty with the Uruguay Round

* Mr. Vishnu Prasad Sharma is an Associate Professor at Central Department of Economic Tribhuvan University, Kirtipur, Nepal.

which centered to a considerable extent on the trade policies of developed countries, it has shown that its negotiating mechanism which is the GATT has been always ad hoc.

INTERNATIONAL TRADING SYSTEM

The international trading environment has increasingly marked by contradictory development. On the one hand, there have been unilateral trade liberalisation measures by developing countries and relaxation of discriminatory measures previously applied by developed countries against several central and Eastern European countries. On the other, the trading system is threatened by growing protectionism and managed trade adopted by developed countries which suggest some loss of faith in multilateral system. Thus, to-day the international community faces a clear choice, revitalising and improving its rules or sliding into managed trade, tiered preferences and inward looking trade blocs.

While a large number of developing countries have open up their economies and given exports a more prominent role in their development strategies, the response in terms of investment and growth has been uneven. It has been particularly disappointing in countries lacking flexible and diversified economic structures and in debt distressed countries.

However trade policy can not be considered in isolation; overall macro-economic stability, skilled labour force, greater efficiency in the conduct of trade, improved infrastructure and availability of low cost export finance and decisions on exchange rates have greater impact; but the protectionist measures in the major market economies have tended to increase and to be concentrated in sectors where developing countries have a distinct comparative advantage. Apart from high tariff and tariff escalation with the degree of product processing, the most serious impediment to market access has been the proliferation of non-tariff barriers (NTBs), which affect almost 30[1] per cent of developing countries export to developed countries.

GATT AND ROUNDS OF TALK

It is not always true that developed countries put developing countries in low-ebb in multiple trade negotiations talk. Developing countries had an important stake in products which have relatively high MFN tariff. (Most Favoured Nation) in the past in Developed Market Economy Countries (DMECs) Post-Tokyo* MFN tariff rates which assume 10 per cent (which is considered now high rate) as high tariff rates provided greater market share in higher tariff imports in developed market economy countries because of high price prevailing in DMECs markets. So developing countries got benefit from MFN reductions despite erosions in their existing preference margin. This had been due to relatively narrower product coverage of generalised system of preference (GSP) and smaller preference margins in higher tariff imports except in the schemes for the least developed countries. So MFN reductions by broadening the product coverage of GSP schemes in high tariff items and deeping the preference margins in certain markets would significantly enhance the exports of developing countries.(See table 5).

In current round (The Uruguay Round) the point of departure for negotiations would be current structure of tariff. As Post-Tokyo MFN rates are being implemented in EEC, Japan, the US and EFTA countries and market reduction agreed in Tokyo-Round are being implemented by now, these rates can be taken to represent the current applied MFN rates for most of products. The arithmetic averages of Post-Tokyo MFN rates for EEC, Japan and US are 7.8, 8 and 6.2 per cent respectively, the frequency distribution of these rates shows that major concentration in the intervals lies in zero to five and five to ten per cent of tariff lines.

Table 1

Frequency Distribution of Post-Tokyo MFN Tariff Rates in EEC, Japan and US

Post-Tokyo MFN Tariff Rates	EEC			Japan			US		
	Number of Tariff Lines	% of Tariff Lines	Cummulative Percentage	Number of Tariff Lines	% of Tariff Lines	Cummulative Percentage	Number of Tariff Lines	% of Tariff Lines	Cummulative Percentage
Zero %	334	8.6	8.6	566	11.9	11.9	967	16.8	16.8
Above Zero to 5%	929	24.0	32.6	1680	35.3	47.2	2013	35.0	51.8
Above 5% to 10%	1326	34.3	66.9	1691	35.6	82.8	1796	31.3	83.1
Above 10% to 15%	560	14.5	81.4	407	8.6	91.4	463[a]	8.1	91.2
Above 15% to 20%	142	3.7	85.1	175	3.7	95.1	291	5.1	96.3
Above 20% to 25%	81	2.1	87.2	98	2.1	97.2	80	1.4	97.7
Above 25% to 30%	20	0.5	87.7	42	0.9	98.1	26	0.4	98.1
Above 30% to 35%	10	0.3	88.0	44	0.9	99.0	28	0.5	98.6
Above 35% to 40%	2	0.1	88.1	12	0.3	99.3	7	0.1	98.7
Above 40% to 50%	9	0.2	88.3	13	0.3	99.6	9	0.2	98.9
Above 50% to 60%	1	0.0	88.3	1	0.0	99.6	6	0.1	99.0
Above 60%	6	0.2	88.5	21	0.4	100.0	8	0.1	99.1
Not Available	-	11.6	100.0	5[b]	0.1	100.0	52[c]	0.9	100.0
All	3868	100.0	100.0	4755.0	100.0	100.0	574[b]	100.0	100.0

Source: GATT, Tariff Study, GATT, 1984.

a. Of these 438 tariff lines were in food sector, most pertaining to varies levies with no fixed component. The remaining 25 tariff-line were manufactures.

b. All 5 tariff lines are miscellaneous manufactures

c. Out of 52, 42 tariff lines are unlocated items and the remaining 12 are miscellaneous and manufactures.

It can be observed that in EEC, 8.6 per cent of tariff position has zero rates, 24 per cent has rates between zero to 5 and 34 per cent has rates between 5 to 10 per cent In Japan it is 11.9, 35.3 and 35.6 per cent and in the US it is 16.8, 35.0, 31.3 per cent for the corresponding distribution. Thus 66.9 per cent tariff line in EEC, 88.8 per cent in Japan and 83.1 per cent in the US have tariff rates 10 per cent or less. Tariff above 10 per cent are predominantly in the range upto 15 per cent in EEC, 14.5 per cent of all tariff lines. in Japan 8.6 per cent and in the US 8.1 per cent.

In EFTA (Austria, Finland, Iceland, Norway, Sweden and Switzerland) on the whole tariff is high. The overall arithmetic average are 8.6 and 10.7 per cent for Austria and Finland respectively. The figure is significantly lower for Norway, Sweden and Switzerland namely 5.9, 4.6 and 3.4 per cent respectively and for Iceland relevant data are not available. Tariff rates ranging from zero to ten per cent covered 67.4 of all tariff lines in Austria, 86.5 per cent in Finland, 87.5 per cent in Norway, 91.4 per cent in Sweden and 94.9 per cent in Switzerland.[2]

But, tariff liberalisation and improved GSP product coverage and margins in higher tariff items would do very little for developing countries if non-tariff measures (NTM) were not relaxed to accommodate the potentials gain from tariffs. The frequency and trade coverage of NTMs in DMECs affecting high tariff items are significantly greater than all items.

Table 2
Frequency of NTMs faced by 'High-Tariff' and other imports
in EEC, Japan, and the US
(Percentage of Tariff-lines affected by one or more NTMs)

Post-Tokyo MFN	NTMs facing imports from (any) developed Countries			NTMs facing imports (any) developed Countries		
	NTMs broadly defined[c]	NTMs Narrowly defined[b]	ACA[a]	NTMs broadly defined[c]	NTMs Narrowly defined[b]	ACAa
EECe						
High tariff (items above 10%)	74	67	1	62	53	2
Lower tariff (items 10% or less)	36	31	2	20	13	2
All[d]	51	46	2	38	31	2
Japan						
High-tariff (items above 10%)	25	23	-	25	23	-
Lower-tariff (items 10% or less)	12	12	-	15	15	-
All[d]	14	14	-	17	16	-
United States						
High-tariff (items above 10%)	43	36	30	42	37	14
Lower-tariff (items 10% or less)	15	9	10	16	9	8
All[d]	2	13	13	2	13	9

Source: GATT, Tariff Study 1984

a Anti-dumping and counter vailing actions

b NTMs narrowly defined = variable levies and components (control of the price level, minimum pricing, price surveillance, and reference price), prohibitions, quotas, non-automatic authorisations (discretionary licence and import authorisation) MFA and similar textile regime (Multifibre Agreement) and state monopoly, all applied currently

c NTMs broadly defined = NTMs narrowly defined, anti-dumping and counter vailing and para-tariff measures such as tariff quotas, automatic authorisation (automatic licensing, liberal licensing, monitoring and import surveillance)

d 'All' include items also those tariff lines for which Post-Tokyo MFN rates are not available

e NTMs present for EEC consist of NTMs applied by the community and NTMs applied specifically in any of the four major members, i.e. France, FR Germany, Italy and UK.

The table no. 2 gives comparative picture of frequency of NTMs affecting higher and lower tariff items. There is distinct feature that the products facing high tariff were much more often subjected to NTMs.

In EEC imports from developing countries faced some type of NTM 51 per cent of all tariff position in EEC. The comparable frequency of NTMs affecting imports from DMECs was 38 per cent. Using narrow definition of NTMs this figure is 46 per cent for imports from developing countries and 31 per cent for DMECs. In Japan, imports from developing countries seemed not to be discriminated against in terms of NTM incidence and in the US as well, imports from developing countries and DMECs seemed to be affected by NTMs with comparable intensity. In EFTA countries high tariff items faced NTMs several times more frequently than lower tariff imports.[3]

Furthermore, NTMs substantially discriminate against imports from developing countries in high tariff products. Tariff liberalisation schemes which are confined to products not currently covered by NTMs would not, therefore yield any noteworthy results for developing countries.

This overall picture is specially bleak for certain sectors, notably labour intensive manufacturers such as textiles, clothing and miscellaneous manufacturers.

Table 3

Post-Tokyo MFN tariff average for major sector and shares of imports from developing countries in EEC, Japan and the United States, 1984

	Sectors	EEC		Japan		US	
		Tariff Average[a] Percentage	Share of Developing Countries in Total Imports %	Tariff Average Percentage	Share of Developing Countries in Total Imports %	Tariff Average Percentage	Share of Developing Countries in Total Imports %
i)	Food	13.8	55.4	19.5	36.2	7.1	55.6
ii)	Agricultural Raw Materials	3.3	30.5	2.2	39.4	1.7	21.0
iii)	Mineral Fuels	3.4	65.1	3.0	88.9	1.0	68.8
iv)	Ores and Metals	4.0	31.2	39.0	46.1	3.8	23.0
v)	Manufactures of which:	7.0	20.3	6.7	27.9	6.7	28.0
va)	Chemicals	4.2	14.1	6.0	16.6	5.9	15.6
vb)	Textile and Clothing	10.5	60.6	10.5	73.6	10.3	70.0
vc)	Machinery Transport Equipment	4.7	10.2	4.6	15.3	3.5	19.1
vd)	Other Manufactures	5.2	19.0	6.1	31.0	6.2	41.1
	All Sectors	7.8	40.0	8.0	58.3	6.2	36.9

Source: GATT, Tariff Study UNCTAD, Geneva, Switzerland

a arithmetic Averages Post-Tokyo MFN Tariffs.

In some sector, particularly in food products, due to extreme restrictiveness of some DMECs trade regimes, the importance of liberalisation of high tariff products for developing countries can be grossly underestimated, as evaluations are, generally, based on trade which is significantly curtailed by NTMs.

This can be further substantiated by the import table of developed economies.

Table 4

Imports of developed economy countries of selected commodities in raw and processed forms from developing countries as a proportion of total import values of the commodity group: 1975, average 1980 - 82, 1987 and 1988.
(Million US Dollars)

		1975	1980 - 82 Average	1987	1988
A.	Food and Beverages				
i)	Coca (Total Values of Import)	1563	276	3272	2883
ii)	Coffee (Total Values of Import)	4257	10070	9878	1354
iii)	Sugar (Total Values of Import)	5352	3316	1775	1845
iv)	Coconut Oil etc. (Total Values of Import)	648	871	658	750
B.	Agricultural Raw Materials				
i)	Cotton (Total Values of Import)	2111	3550	5204	4519
ii)	Rubber (Total Values of Import)	1169	3029	3896	4889
iii)	Tobacco (Total Values of Import)	993	1732	1835	1559
iv)	Wood (Total Values of Import)	2673	7069	9362	9844
C.	Minerals and Metals				
i)	Aluminium (Total Values of Import)	1055	2685	3462	5030
ii)	Copper (Total Values of Import)	2674	4964	4285	6377
iii)	Iron (Total Values of Import)	3736	3863	4270	5466
iv)	Lead (Total Values of Import)	146	450	377	355
v)	Phosphate (Total Values of Import)	1123	1212	881	896
vi)	Tin (Total Values of Import)	737	1735	655	742
vii)	Zinc (Total Values of Import)	351	423	422	642
viii)	Nickel (Total Values of Import)	162	322	143	309
ix)	Tungsten (Total Values of Import)	66	87	19	27

Source: UNCTAD Commodity Year Book (1990), UN, New York.

Among the developing countries, the major exporters of manufactures are those which suffer most from high tariffs in DMECs. So their trade expansion may be proportionately higher. While on the other hand, least developed countries, which mainly export lower tariff primary products and also otherwise enjoy more favourable preferential treatment might not make significant gains from MFN liberalisations.

Table 5
GSP Schemes in 'High - Tariff and another items in
EEC, Japan and US 1984[a]

Post-Tokyo MFN Tariffs	Tariff Lines Subject to GSP	Average GSP Rate	For Tariff LineFor Subject to GSP[b]	Tariff Line Non-Subject to GSP	For All Tariff Lines
EEC					
High Tariff (items above 10%)	69.3	2.6	15.1	20.1	16.6
Lower Tariff (items 10% or less)	77.9	0.1	5.7	2.2	4.9
All[c]	67.5	0.7	7.8	7.6	7.8
JAPAN					
High Tariff (items above 10%)	62.7	6.5	16.7	34.9	23.5
Lower Tariff (items 10% or less)	70.8	0.3	5.6	2.7	4.8
All[c]	69.4	1.2	7.4	9.4	8.0
USA					
High Tariff (items above 10%)	23.6	0.0	17.7	17.8	17.8
Lower Tariff (items 10% or less)	57.0	0.0	4.7	3.2	4.0
All[c]	51.2	0.0	5.7	6.7	6.2

Source: GATT Tariff Study 1984, UNCTA, Geneva, Switzerland

a The GSP preferences present pertain to 1984 and do not take into account deeper preferences granted to least developed countries.

b Arithmetic averages, excluding tariff lines for which rates were not available.

c Figures for 'All" items include those tariff lines for which Post-Tokyo MFN tariff figures are not available.

It is noteworthy that in EEC, Japan and the US the GSP schemes in high tariff items are significantly narrower compared to lower tariff items, and those products covered by GSP are relatively low-tariff items among high tariff imports.

As a result of Tokyo Round of multilateral Trade Negotiations (MTN) the average most favoured nation (MFN) tariffs on manufactured products in developed market economy countries (DMECs) were reduced to around 5 per cent. This relatively low average reduction is jeopardising world trade, and because of tariffs in DMECs being still high in certain sector and for certain products which are of export interest of developing countries, tariff has been important element in all talks.

Table 6
Distribution of 'High-Tariff' and other imports in EEC, Japan, United States and EFTA, from world and developing countries, 1984

Post-Tokyo MFN Tariff Rates		% of all Tariff Lines[a]	% of Total Imports From World[a]	% of Total Imports From Developing Countries[a]	% Share of Developing Countries in Total Imports
EEC	'High-Tariff' items (above 10%)	21.5	9.3	10.7	45.9
	Lower Tariff items (10% or less)	66.9	88.3	86.9	39.4
	All[b]	100.0	100.0	100.0	40.0
JAPAN	'High-Tariff' items (above 10%)	17.1	6.6	5.0	44.4
	Lower Tariff items (10% or less)	82.8	92.7	94.4	59.4
	All[b]	100.0	100.0	100.0	58.3
US	'High-Tariff' items (above 10%)	16.0	7.9	11.4	53.5
	Lower Tariff items (10% or less)	83.1	89.7	87.0	35.8
	All[b]	100.0	100.0	100.0	36.9
EFTA					
Austria	'High-Tariff' items (above 10%)	23.0	31.6	24.6	8.9
	Lower Tariff items (10% or less)	74.2	67.4	75.1	12.8
	All[b]	100.0	100.0	100.0	11.5
Finland	'High-Tariff' items (above 10%)	29.6	13.3	18.8	10.2
	Lower Tariff items (10% or less)	63.3	86.5	79.5	6.6
	All[b]	100.0	100.0	100.0	7.2
Norway	'High-Tariff' items (above 10%)	17.0	12.3	12.1	7.4
	Lower Tariff items (10% or less)	82.9	87.5	87.9	7.6
	All[b]	100.0	100.0	100.0	7.5
Sweden	'High-Tariff' items (above 10%)	13.9	8.2	18.4	18.6
	Lower Tariff items (10% or less)	85.9	91.4	81.6	7.4
	All[b]	100.0	100.0	100.0	8.3
Switzerland	'High-Tariff' items (above 10%)	7.0	4.8	4.6	9.5
	Lower Tariff items (10% or less)	91.3	94.9	95.3	9.9
	All[b]	100.0	100.0	100.0	9.9

Source: GATT Tariff Study (1984), Geneva, Switzerland

a Due to tariff-lines no Post-Tokyo MFN rates available, the shares do not add to 100 per cent

b 'All' items include also those tariff-lines which no Post-Tokyo MFN rates were available

The share of high tariff imports in DMECs from developing countries in EEC the share is 9.3, in Japan the share is 6.6 and in the US the share is 7.9 per cent. Compared to these high tariff items accounted for greater position of total imports from developing countries in EEC and in the US 10.7 and 11.4 per cent respectively. It gives the overall picture of market shares of developing countries. While the overall market shares of developing countries are 40 and 36.9 per cent in EEC and the US, in high tariff items it is 45.9 and 53.5 per cent respectively. In the case of Japanese market the situation is the contrary mainly due to the relative importance of petroleum imports. Developing countries have a higher market share (59.4 per cent) in lower tariff items compared to their overall performance (53.3 per cent).

Among the EFTA countries, the greatest share of imports in high tariff items is in Austria, 31.6 per cent, followed by Finland 13.3 per cent, Norway, 12.3 per cent, Sweden, 8.2 per cent and Switzerland, only 4.8 per cent. IN Finland and Sweden the share of high tariff items in total imports from developing countries is 18.8 and 18.4 per cent respectively.

These indices reflect that at large textiles and clothing and miscellaneous manufactures face extreme restrictiveness of trade regimes in some of major DMECs. Similar case can be seen in food sector. Majority among EEC, Japan, USA and EFTA has grossly understated export sectors of developing countries, DMECs had over all a more frequent NTM incidences compared to imports from DMECs; GSP product coverage is narrower in high tariff imports, and in high tariff imports GSP tended to exclude products which had relatively higher Post-Tokyo MFN rates. The level and distribution of tariff rates differs significantly across sectors (refer table 3) tariff for raw materials (agricultural base), minerals fuels and metals and ores are considerably lower than the overall average, those for food and certain manufactures such as cotton, textile and clothing are substantially higher which can be observed as that high tariff items cover not more than one fifth of all tariff positions in most of DMECs imports in these countries are predominantly in lower tariff items.

This is the result of bias against developing countries in MFN liberalisation undertaken in the Kennedy Round of Multilateral Trade Negotiations which cut the tariff for major products of developing countries by less than half per cent of the overall average reduction. Also in Tokyo Round covered by GSP were less than overall average of 4 per cent so the tariff will be important element in coming negotiations.

THE URUGUAY ROUND[5]

United Nation Conferences on Trade and Development often, are serious to address the problem of developing countries. All the outgoing conferences reinforced the development guidelines for the 1990s as based on free market thinking and the leading role of non-market public sector as a primary engine of growth. Characteristics of growth and development for the 1990s as envisaged (promoting and strengthening of universality applicable non-discriminatory rules, principles of international economic relation), further solamnised. But resolutions of the conferences and performances of developing countries could not be weaven together. There was no answer for the gloomy picture of 1980s of developing countries. Why targeted GDP growth rate of 7.2 per cent per year of developing countries stood at 2.3 per cent remained unanswered. No explanation is recorded for annual agricultural production growth rate of 1.6 per cent against 4.0 per cent target. Why manufacturing output remained at 0.9 per cent increment against annual growth rate target of 9.0, could not find its real cause. Interestingly those were the targets set by developed countries (SNAP) for developing countries for 1980s, yet failed in achievements. The problem was subdued because the diversification of economic structure was not achieved due to negative trade policies of DMECs adopted against developing countries. Thus dependency on non-fuel primary commodity export still become the permanent feature of most of the under developed countries having negligible share in export (it was 70.9 per cent in 1980 and 64.4 per cent in 1987, almost negligible improvement) and deteriorating share in GDP (their share in GDP in 1980-83 was 19 per cent and 15 per cent in 1984-87, and share in world GDP was 0.7 per cent in 1980 and 0.7 per cent in 1987, stagnant for whole decade), and with low human resource infrastructure; developing countries again are defeated in North-South battle. (Secondary school enrollment ratios was 32 in developing countries and 83 in developed countries in 1980 and 39 and 92 per cent respectively in 1987, while life expectancy at birth was 56 years in developing countries and 74 years in developed countries in 1980-85 and 59, and 75 years respectively in 1985-90).[6]

The Weak external payments positions of developing countries is reflected in falling per capita foreign exchange receipts from export and foreign aid, and in shrinking import volumes. Import capacity was further reduced by the debt burden, the debt/GDP ratio grew by a half while debt service is absorbing a rising proportion of export receipts. The financial means for growing out of the vicious circle are thus lacking; 17 LDCs registered a negative annual rate of investment growth in 1980-87 and investment ratios fell in 24 of them.[7]

It is this background and context of gloomy picture of developing world; debates for a fairer share of development fruits between North and South emerged forcefully and travelled upto the Uruguay Round and despite pleading government involvement in operation of the market with appropriate degree of intervention the round halted with misunderstanding with developed (North) and developing countries (South) and the role of negotiating machinery, the GATT.

But the saying that GATT is dead is still not true; rather it has turned into a frail institution. The Uruguay Round that began in Punta del Este in 1986 has a pervasive air of futility at the beginning. The flash of optimism that surfaced in February following Brussels debacle of December 1990 has evaporated.

On the critical issue of farm trade the round has grounded to a halt. This makes us to review GATT's past. The GATT rest on three pillars two of them - the most favoured nation principle (MFN), which automatically extends bilateral concessions to all GATT participants, and the prohibition of non-tariff trade restrictions. But the third – principal of reciprocal concessions (in effect the "balancing" of reductions in import taxes revenues) has no adequate rational in trade theory.

The First pillar – the MFN clause has been eroded by the organisation of free trade or preferential trade zones. The second – the "tariffs only" principle – was shaken right from the start by article xi: 2 (c) of the original rules, which allowed imposition of quantitative restrictions on imports of agricultural products. The explicit breach of GATT principles reflected the Geneva negotiators' need to reconcile country governments (notably the US) to price support programmes, export subsidies, and import restrictions for temperate zone production.

Multifibre arrangements (MFAs), quantitative restriction (sponsored by the US) negotiated outside GATT have been generalised and thinly disguised as "Voluntary export restraints" (VERs) In the Uruguay Round, the EC offered to slash its domestic supports (internal supports and border protection) by 30 per cent over 10 years. No agreement has surfaced on the base time from which reductions are to be measured. The US/Cairns Group (CG) insists on 1986-88, the EC on 1986–1990. The silent controversy continues to be whether cuts in exports subsidies should be in volume or budget terms, or a combination of both. The questions turns on whether these objectives are implementable and over what interval of time.

The third pillar of GATT– the principle of reciprocity has remained in place, and it remains a problem. Although successive multilateral trade negotiations (MTNs) achieved impressive results in reforming tariff until the mid 1960s, it became increasingly clear that in practice the operation of the liberal and formally equitable rules of GATT was distributing the benefits of trade liberalisation unevenly. The traditional approach has been to measure the value of tariff concessions as equivalent to import volumes in a given year multiplied by the tariff rate changes granted on those products, the practice implied that in the 'reciprocal bargaining' process established at MTNs, the substantive concessions favoured industrial nations or trading blocs (which exchanged bilateral concessions that were generalised through the MFN clause) and excluded products of export interest to developing countries because they were not interesting as a basis for exchanging concessions between developing countries. GATT came thus to be seen as a rich men's club from developing countries derived little advantage. Although such deficiencies identified, no practical change was made rather than formal negotiation of the possibility of special treatment for developing countries was considered.

The developing countries growing disillusionment gradually undermined the GATT's position as forum for the discussion of North-South trade relations, finding expression of them, all industrial countries introduced GSP schemes by 1976 and extended to all developing countries. Developing countries, which had been marginal participants in Kennedy Round (1964–1967) were more active in Tokyo-Round (1973–79). The Tokyo Round brought tariff reductions, codes on non-tariff barriers, and the "frame work agreement". The frame work agreement, on which the developing countries were specially active, provided through its "enabling clause" a standing legal basis for GSP to breach the most favoured nation principle. The agreement also made easier for developing countries to adopt trade measures to foster particular industries. In return developing countries agreed to a "graduation" principle which related the capacity to make concessions to level of development.

The code negotiated in the Tokyo Round to counter rising non-tariff protection ended up by undermining the MFN clause because the principle of MFN conditionally was raised to try to limit MFN treatment to signatories of specific codes. The rights of non-signatories to MFN were explicitly recognised by the GATT in 1979, but trade policies to some contracting parties did not seem to reflect this decision.

For many years the trade policy interest of the group of developing countries could be reasonably described as convergent. But the economic structure of many of these countries has grown more heterogeneous, so has their trade structure. Many developing countries are still basically producers of commodities, but quite few are not. Their agenda for trade negotiation therefore differs. Even between primary producers, differing commodity export structure - for instance, between temperate and tropical agricultural commodities - can mean conflicting aims for trade policy. Discriminating preferential treatment results in divisive tensions between developing countries with similar export structure.

The balance of priorities reflected in 1982 had shifted quite drastically by launching new round in 1986 (Uruguay Round). A back log of unresolved issues - non-tariff barriers, agricultural subsidies and other problems relating to trade in goods- had originally headed the agenda. By 1986 these have yielded the lime light to the "New Themes'- a set of issues selected by the US in strategic move to adopt the rules governing direct investment and intellectual property rights to a changing environment affecting the growth opportunities and the competitive edge of US firms.

The new themes were some what heterogeneous bunch of issues, covering trade related aspects of intellectual property rights (TRIPs), trade related investment measures (TRIMs), and trade in services. With support of Japan and backing from other industrial countries, the US pressed the inclusion of new themes in the agenda for the next MTNs. Some developing countries resisted all three, most opposed inclusion of trade in services.

TRIPs - regulated mainly by international conventions under the jurisdiction of world Intellectual Property Organisation (WIPO) and UNESCO - had traditionally been little interest to GATT. Dissatisfied with enforcement of the rules and with their allegedly increasing infringement, the industrial countries included TRIPs with a view to bringing them under the aegis of GATT rules and enforcement capabilities. The initiative met with strong resistance from developing countries in a clash of view that has continued and is unlikely to be soon resolved.

TRIMs, GATT discussions on TRIMs centered on the legality of national regulations that require foreign firms to export a given amount of their out-put or to purchase a given amount of their imports or equipment from domestic suppliers. Developing countries have reserved their position.

Trade in services, in 1982 ministerial session, the US pressed hard for discussion of enlarging GATT to cover trade in services to be included in the work programme. Opposition from many developing countries and some industrial countries felt that unresolved traditional issues would be displaced by the debate on services.

When the ministers arrived in Punta del Este in September 1986, they had before then two formal agenda proposals, one tabled by Colombia and Switzerland included all the new themes in a single track. The other, tabled by G-10 (Argentina, Brazil, Cuba, the Arab Republic of Egypt, India, Nicaragua, Nigeria, Peru, Tanzania and Yugoslavia) included non of them.

On Agriculture the US positioned that all trades - distorting subsidies affecting agricultural products should be eliminated within a specified time frame was unacceptable to the EC, on intellectual property Brazil and India insisted that WIPO was the proper forum to deal with matter.

In this context US/CG demands not only cut in export subsidies but also a limit on export tonnages where as the EC advocates cuts in budgetary allocation and volume restraint and supports by increase in protection against cereal substitutes that enter into duty free.

Since February the negotiating posture of the US/CG has became more belligerent. What became much clearer in 1991 was that US strategy (markedly so within US development assistance, USDA) has never abandoned its quest for the liquidation of CAP (Agriculture Crops Protection). Now more than ever, it is seen as the major threat to US farm exporters, now desperately bent on recapturing their lost market shares. To be sure, US farm exports plunged from around 27 per cent of aggregate export in the first half of the 1970s of less than 10 per cent at present.

The official claim that GATT is the grand promoter of multilateral trading system is public relations ballyhoo since the policies of transnational capital have annihilated multilateralism and accountability.

On the occasions the Reagan/Bush ideological engineers have invoked their nirvana of the 'Magic of the Market Place', a phrase with noble doctrinal lineage but, abstracted from a specific historical context it becomes an ignoble propagandistic outburst. It has little in common with that legendary battle - cry made in 1846 by that passionate free - trader John Cobden: "Jesus Christ is free trade. Free trade is Jesus Christ". It mirrored the burning faith of an ascendant capitalist class at a specific and relatively competitive phase in capitalisms history. A phase that has vanished, destroyed by the very dynamics of capital accumulation and massive aggregations of concentrated economy power. To clamour for the magic of market place or any of its current marketable euphemisms is thus an act of obscenity.

The round's debacle is occuring at a moment when financial markets have never been wobblier partnered by tumbling growth rates, seen in the national accounts of six major capitalist countries. The US economy, the world's biggest is on the ropes. Over the past two years it has grown a muscle 0.5 per cent. On the budget side government is running a deficit of US$ 350 billion a year at a time when the fiscal accelerator is already pressed to the floor which is substantiated by the following table.

Table 7
Selected DMEs * Demand and Output

	Percentage changes over previous year 1990	1991
Domestic Demand of Which	2.4	1.0
Private Consumption	2.2	1.5
Private Fixed Investment	4.0	1.1
Public Expenditure	2.8	1.5
Stock Building **	-0.4	-0.1
GNP/GDP	2.6	1.4

Source: Bank of England; Quarterly Bulletin, Vol. 31, No. 3, November 1991.

* Developed Market Economics (DMEs); Canada, France, Germany, Italy, Japan and USA.

** Percentage contribution to GNP/GDP.

By the end 1990, the sum total of agricultural supports in OECD economics leaped by 12 per cent to a record of US$ 300 billion. The producer subsidy equivalent (PSE), a measure of total subsidies paid to the farmers, role by 16 per cent to US$ 176 billion, 44 per cent of the value of the crops and livestock produced. In per capita allocations the US spends US$ 22,000 per full time farmer in yearly production subsidies; outstripping Japan (US$ 15,000) and the EC (US$ 12,000).[10] The benefits of this largesse go to a minuscule number of big producers, of the $ 9.3 billion that US spent on price supports for grain, rice and cotton growers in 1990, about two fifths went to 5 per cent of farmers whose revenues exceeded $ 2,50,000.[11] Since one good turn deserves another the lobbies of the big farmers bank roll lavishly the congress politics.

As in agriculture, OECD 12 protectionism of industry in 1990 approximated US$ 290 billion that adds to about US$ 600 billion. With this kind of protection money where is the magic of market place ? Giving the magnitude of these sums comparison with third world primary and non-primary commodity exports become invidious. It is to this group of affected peoples that US/EC duo are brazenly preaching in the round necessity for 'negotiating flexibility'.

Although agriculture embraces only 13 per cent of world merchandise trade it is vital sector for many countries heavily depending on agricultural export and employment impact. But two major antagonists (CG/EC) would not eliminate the anti-dumping policies which are another variant of protectionism operating under the guise of fair trade. The US which fathered the concept of 'Tariffication' (under which trade barriers are replaced by customs duties which are then progressively reduced) has run up against fierce opposition not only in Japan and South Korea but other as well. The concept is unacceptable to Japan because abolition of import restriction would spell bankruptcy for more than half of nation's 1.8 million rice farmers. In a soft diplomacy Japan's Finance Ministry reminded Australia (Chairman of Cairns Group) that it would not be wise to push too openly for tariffication as this could be prejudicial to Japanese investments in Australia. At a time when Australia is mired in one of its worst recorded recessions the point was understood.

CONCLUSION

In such a maelstrom of irrepressible antagonism third world countries voiced for multilateral framework and different trading requirements and needs of countries at different stages of development and differentiated trading system corresponding to those stages of development.

The round is in-tangled between a need a need of reverting to a global trading system based on efficiency competitiveness and comparative advantage and a need to recognise the major deviations that had occured and to evolve a multilateral frame work, and eventual correction. The US/CG and EC while continuing to vociferate absent a successful outcome of the Round had privately come to the realisation that farm and trade liberalisation' was a nation that could be construed in many ways.

Removal of this anomaly is a central goal of Third world producers, Negotiations are stalled on the mode of dismantlement of MFA (Multi Fibre Agreement) and negotiations are dead locked. World export of clothing (US$ 104 billion) equalled that of textiles for the first time in 1990. The MFA which governs the US$ 208 billion trade was designed to give the advanced capitalist economies a breathing space to adjust to Third World competition. That was 30 years ago. What the MFA has done is to push Third World exporters into what promises to be permanent strait jacker or bilaterally negotiated import quotas. Negotiations are stalled on the made of dismantlement of MFA: the duration of the phase-out period, the products to be covered by quotas. However, there is little hope that 'market access' will be achieved by groups of countries and then applied 'across the board under GATT's non-discriminating most favoured nation (MFN) principle, yet UNCTAD being universal organisation must exercises its good office along with its negotiating mechanism the GATT for the rights of the weaker economies to preferential treatment and adequate safeguards for their entry into a participation in international trade.

The crucial problem of developing countries is the failure of international trading system to accommodate and adopt adequately to the growing industrialisation of their countries. That failure is manifested in the growth and proliferation of protectionist measures in the developed countries. The developed market economies, on the other, failed either to adjust to the shifts in comparative advantage and move out of industries which had lost their international competitiveness or their incapacity to move the factors of production out of those declining sectors caused recessionary conditions which reinforced defensive domestic policy. Such obstacles need to be removed and the Generalised System of Preferences (GSP) needs to be strengthened and its coverage extended.

Outcome of Uruguay Round, particularly in such sectors as agriculture, textile and clothing, tropical products and natural resource-based products, must come with specific tariff concessions, non-tariff liberalisation, elimination of measures such as voluntary export restraints, higher disciplines on anti-dumping and counter vailing measures, stronger multilateral principles, rules and disciplines. The Round must develop a more open, viable and durable multilateral trading system. Challenge lies in evolving an economic policy framework to deal with the interaction between trade issues and environmental policies. A key issue relates to the possible use of environmental regulations as a vehicle for introducing discriminatory measures and disguised barriers to trade. This danger should be avoided by relying more on international convention or treaties.

Similarly Round must come with the decision of access of developing country firms to advanced technologies and training, as well as information networks and distributional channels for the liberalisation trade in services. Moreover, since the competitive advantage of firms from developing countries in a number of services sectors lies in a combination of relatively high skills and low costs, firms and professionals from developing countries should be allowed improved access to developed countries to provide specific services.

If Round fails in these respect, multimillion dollar 'Round Show' to keep on the road is questioned; For the benefit of whom ? And once again at whose expense ? Do the DMECs still hang on the development problem of developing countries are their own and undermine the necessity for effective and supportive international environment ? Certainly they are not. so hope, a continuing forum for the evolution of new ideas, constructive dialogue and consensus building is not unjustified, whatever the out come of the Uruguay Round.

FOOT NOTES

* GATT (1980), the Tokyo Round of Multilateral Trade Negotiations: 11 supplementary Report, Geneva: Switzerland.

1 UNCTAD, UNCTAD Bulletin; No. 4, July-August 1990, UNCTAD, Geneva, Switzerland.

2 GATT, Tariff Study (1984), UNCATAD, Geneva, Switzerland.

3 Ibid

4 IMF (1994); Effects of Increased Market Access on Developing Country Export Earnings; An Illustrative Exercise, IMF, Washington, D.C.

5 WB, Uruguay Round; A Handbook on Multilateral Trade Negotiation (1987) (eds); J.M Finger and A. Olechowski, WB, Washington, D.C.

6 UNCTAD, UNCTAD Bulletin; No. 4, July-August 1990, UNCTAD, Geneva, Switzerland.

7 Ibid

8 OECD Agricultural Policies, Markets and Trade, 1991, Paris.

9 Fortune, December 2, 1991.

10 Washington Post, November 4, 1991.

11 Ibid.