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TRADE IN MANUFACTURES: THE OUTCOME OF THE URUGUAY ROUND AND DEVELOPING COUNTRY INTERESTS

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1. Results of the Round: an overview

This purpose of this paper is to assess the outcome of the Uruguay Round for trade in manufactures with reference to developing countries. This includes an assessment of the results from the point of view increased markets for developing countries due to trade liberalization in the markets of both developed and developing countries as well as an evaluation of the impact of trade liberalization in developing countries on exports of manufactures by developed countries.

This section briefly describes the main features of tariff and non-tariff liberalization resulting from the Uruguay Round which affects trade in manufactures. It is followed by a general section on manufactured exports by developing countries and on liberalization in developed countries from the point of view of manufactures. Section 3 treats specifically liberalization affecting trade in textiles and clothing. Section 4 considers the importance of manufactured exports for different groups of developing countries. The two following sections cover the impact of the Uruguay Round on imports of manufactures by developing countries in the trade of manufactures, first from the point of view of developed country exporters, then from the angle of inter developing country trade in manufactures. A conclusive section follows.

GATT's integrated data base (IDB) includes 45 contracting parties, with the 12 European Community members being counted as one, has been used for all computations of tariff reductions. IDB accounts for about 90% of world trade and 97% of the trade of contracting parties. While only 26 of the 93 developing countries are included in GATT's IDB but these 26 countries account for 80% of total imports from developing countries.[2]

Data on trade between different geographical areas and types of economies show that the market for developing country industrial goods in developing economies, of around US$ 176 billion yearly, is very substantial, even if compared to inter developed country trade in industrial products. Also, perhaps more surprisingly, the aggregate market offered by developing countries to the exports of developed economies is still larger, around US$ 200 billion. The markets for industrial imports by developing economies from developing economies are, however, rather small: about US$ 43 billion. This is to a certain extent due data or methodological reasons. Data included in table 1.1 only includes trade outside free trade area agreements. IDB's limited coverage of developing country trade certainly reduces the size of inter developing country market in industrial products.

Hong Kong and Singapore have been included among developing countries as done by the GATT and in contrast with World Bank practice. Developing Asia exports answer

[2] GATT (1994), pp. 4/5.

for almost 70% of total developing country industrial exports. Latin American exports are less than 30% than such exports but are likely to be relatively more affected by the fact that data include only non-FTA trade. This is not the case of the small African industrial exports which are overwhelmingly directed to the European Union. In the revised version of this paper data on trade including FTA trade will be analyzed and table 1.1 probably superseded.

Table 1.1
Non-FTA trade in industrial products by region and type of economy, US$ billion*

	Developed economies					Developing economies				
Destination Origin	US	EU	Japan	Other	Total	LA	Asia	Africa	Dev. Europe	Total
Developed economies	172.0	201.4	73.5	149.9	596.7	36.3	151.1	3.7	8.7	199.8
US	0	53.0	30.7	14.5	98.1	18.4	35.6	0.2	1.6	55.8
EU	66.7	1.4	21.2	106.6	195.7	10.9	34.4	3.1	5.5	53.9
Japan	91.0	44.7	0	22.6	158.1	3.5	66.1	0.1	0.5	70.2
Other	14.7	102.3	21.7	6.1	144.7	3.5	15.0	0.3	1.1	19.9
Developing economies	82.5	45.4	33.9	14.6	176.3	2.0	39.7	0.1	0.6	42.6
LA	28.6	11.3	4.9	3.2	48.0	1.2	3.3	0	0.3	4.8
Asia	53.1	28.7	28.7	10.9	121.3	0.8	36.3	0.1	0.3	37.5
Africa	0.1	1.8	0.2	0.1	2.1	0	0.1	0	0	0.1
Developing Europe	0.7	3.6	0.2	0.3	4.8	0	0.1	0	0	0.1
Total	254.5	246.8	107.4	164.5	773.0	38.3	190.8	3.8	9.3	242.3

*Includes Hong Kong and Singapore as developing countries. Data refer to imports only by the countries for which there is information in the data base and are not members of FTA arrangements with the exception of the EU.
Source: IDB GATT/World Bank data base7.

In many cases it is very difficult to evaluate the gains entailed by liberalization: there is uncertainty about the timing of implementation of agreed liberalization schedules or rules, there is no detailed comprehensive information on the actual restrictive measures or still simply liberalization commitments cannot be easily translated into measurements of liberalization. Finally, it is not easy find a consensus view on how is liberalization to be gauged.[3]

Tariff liberalization in the Uruguay Round took place through improvement in market access which resulted from tariff reduction over a five year-period after approval of the World Trade Organization and increased tariff bindings.[4] Market access for

[3] See Anderson and Neary (1994) for an instigating criticism of the use of trade-weighted average tariffs and tariff equivalent of quotas in work of assessment of liberalization. A new measure of trade restrictiveness, the uniform scaling factor which applied to new trade barriers yields the same level of welfare as in the origin, is proposed.
[4] The pre-Uruguay Round benchmark is tariff protection in 1986. In this draft version trade and tariff data on Costa Rica, China, Egypt, Costa Rica, South Africa and Chinese Taipei could not be obtained and such countries were excluded from the analysis of tariff liberalization.

manufactures of developing countries has improved in the markets of both developed and developing countries as tariffs were significantly reduced. In fact average duties have been reduced for all countries or groups of countries -- developed and developing -- in both developing and developed markets (see table 1.2). Tariffs in developed countries are generally higher on imports from developies country than on imports from developed countries. Tariffs in developing countries, however, remain significantly above tariffs in developed countries and higher for imports originating in developing countries than in developed countries.[5]

Table 1.2
Pre and post-Uruguay Round average tariffs by countries of origin and destination, %

Origin \ Destination	Developed economies			Developing economies		
	Pre-UR	Post-UR	Reduction	Pre-UR	Post-UR	Reduction
Developed economies	5.5	3.1	44	18.1	11.6	36
US	4.4	1.9	57	16.5	10.7	35
EC	5.9	3.4	42	22.3	14.6	35
Japan	6.2	4.0	35	16.7	10.3	38
Other	4.9	2.4	51	15.1	9.8	35
Developing economies	6.9	4.8	30	13.9	8.8	37
LA	4.4	3.3	25	15.4	10.6	31
Asia	7.8	5.4	31	13.7	8.5	38
Africa	8.4	6.7	20	2.8	2.4	14
Europe	9.5	7.2	24	26.9	15.0	44

* Trade-weighted.
Source: computed from IDB/GATT/World Bank data basis.

[Query: shall be included transitional economies in the analysis? Their relevance from the point of view of developing country trade is almost nihil. This is aggravated by IDB coverage. On the other hand it is difficult to see them as developing countries. Trade data for these countries will in any case be included in table 1.1.]

The proportion of bound tariffs has increased, especially in the offers of developing countries as 94% of imports by developed countries already corresponded to trade under bound rates before the UR (see Table 1.3). If tariff reduction takes place in the case of a previously bound tariff the rate of tariff reduction is a reasonable indication of improved market access, the more so as before the Uruguay Round bindings were heavily concentrated in tariff lines of developed economies and actual level of duties generally corresponded to bound levels. However, it is much more difficult to gauge improvements in market access when tariffs were not previously bound -- as was the case of most tariff lines in developing countries -- as one has to deal with truncated statistical distributions of tariff levels. Martin (1994) has proposed a methodology to

[5] Throughout this paper reference will made to comparative tariff cuts. While these cuts are relevant to gauge the impact of the Round on trade flows it should not be implied that the standard 'exchange of concessions' view in trade negotiations is considered as compatible with standard economic analysis.

prevent the most extreme distortions in evaluating simultaneously tariff reduction and tariff bindings. It suggests that when comparing an unbound pre-Uruguay Round duty with a higher bound post-Uruguay Round duty tariff liberalization is approximated as zero, and not negative as would imply the mere rate of increase of duties without taking into account that it had been bound. The implications of these methodological issues will be examined in the conclusions.

Table 1.3
Imports of industrial products: shares of total imports under bound rates and shares of trade affected by bindings and tariff reduction in the Uruguay Round, %

	Developed economies	Developing economies	Transition economies
Percentage of imports under bound rates pre UR (%)	94	14	74
Percentage of imports under bound rates post UR (%)	99	59	96
Outcome of the Uruguay Round:			
Already bound duty free (%)	18	1	12
Bindings with reductions (%)	64	26	76
Bindings without reductions (%)	3	28	1
No offer (%)	5	44	11

Source: GATT (1994).

Improved market access through tariff reduction and increased bindings is only a part of the liberalization consequences of the UR on the trade of manufactures in which there is a developing country interest. Important progress of liberalization should result from the dismantlement of the Multifibre Arrangement (MFA), improvement of agreed rules on safeguards, anti-dumping (AD) and subsidy countervailing measures (CVD) and in the working of the GATT.

Non-tariff protection is likely to be further significantly reduced in most developing countries as a joint result of improved rules, surveillance and enforcement, in relation to balance of payments provisions, import licensing and pre shipment inspection as well as safeguards and AD and CVD measures.

2. Manufactured exports by developing countries and access to developed country markets

Manufactured exports are of crucial importance for most developing economies. In only 14 of the 87 developing countries participating in the Uruguay Round exports of industrial products are below 30% of total exports excluding fuels. For 44 of these economies exports of industrial products exceed 70% of total exports. But most of these contracting parties export very little so that while the impact of trade liberalization may be important for each individual country the aggregate impact of trade liberalization in a large number of small developing economies is dwarfed by estimates of the impact in developed economies and even in some of the largest developing economies.

For a significant number of developing economies participating in the Uruguay Round exports of textiles and clothing, fish products, metals and mineral products are a major export interest. The analysis of major export interests with a significant share in total exports in major developing country exporters[6] shows the importance of textiles and clothing (for China, Hong Kong, India, Korea, Macao, Pakistan, Philippines, Egypt, Morocco and Tunisia), metals (Argentina, Brazil, Egypt), mineral products (Algeria, Colombia, India, Indonesia and Morocco), electric and non-electric machinery (Malaysia, Mexico and Singapore) and wood and pulp (Indonesia and Malaysia) while no supplier is found with major export interests in the other industrial groups: leather, rubber, footwear and travel goods; fish and fish products; chemicals and photographic supplies; transport equipment and manufactured articles, n.e.s.[7]

Tariff cuts in the Uruguay Round did not affect the main characteristics of previous tariff structures. Tariffs faced by developing economies were, and will still be after implementation of the agreed cuts, higher in other developed markets, then in the European Union, the US, and finally in Japan (see Table 2.1). For the aggregate of imports originating in developing countries more significant tariff cuts were made by Japan and other developed countries (52% and 40%, respectively) with the US and EU trailing (25% and 20%, respectively). Cuts were not homogeneously distributed by sector: they were below average for transport equipment, textiles and clothing and leather, rubber, footwear and travel goods (see table 2.2).[8] For most other products tariff cuts were beyond 50%. This is unfortunate for least developed countries whose exports are concentrated on products whose tariffs in developed countries were not significantly cut, especially in textiles and clothing and to a lesser extent, fish products. Exports by least developed countries correspond to a rather modest

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[6] Considering export interests of more than 20% of industrial exports which correspond to more than 5% of total exports in countries exporting more than US$ 1 billion of industrial products.

[7] Fish product exporters are not listed because of the limited value of their total industrial exports.

[8] Due to difficulties concerning treatment of the data, electric and non-electric machinery were inadvertently aggregated. In the final version they will be presented separately. GATT (1994) estimates suggest deeper cuts for electric machinery.

proportion of total developing country exports to developed markets -- only 2.3% of IDB covered trade -- and their total exports of manufactured goods are in the region of US$ 2 billion.[9]

Table 2.1
Developed economies: average tariff rates pre and post the Uruguay Round faced by imports from developing economies by markets of origin and destination, %

Destination Origin	US		EU		Japan		Other developed		Total developed	
	Pre	Post	Pre	Post	Pre	Post	Pre	Post	Pre	Post
Developing	6.5	4.9	7.5	6.0	5.0	2.4	12.4	7.5	6.9	4.8
Latin America	4.7	3.3	3.7	4.2	2.6	0.8	6.0	3.4	4.4	3.3
Asia	7.3	5.6	8.6	6.4	5.4	2.7	14.4	8.7	7.8	5.4
Africa	3.3	2.5	9.2	7.5	4.7	2.8	6.2	4.2	8.4	6.7
Europe	10.2	8.4	9.5	7.3	4.9	1.2	11.7	7.8	9.5	7.2

Source: computed from IDB/GATT/World Bank data basis.

Table 2.2
Developed economies: tariff reduction by sector on imports from developing countries, %

	Trade (US$ billion)	Average tariff Pre-UR	Post-UR	Tariff reduction
All industrial products (excl. petroleum)	176,308	6.9	4.8	30
Fish and fish products	7,393	7.0	5.4	37
Wood, pulp, paper and furniture	10,280	4.3	1.7	60
Textiles and clothing	35,123	15.7	12.9	18
Leather, rubber, footwear and travel goods	15,924	8.1	7.0	14
Metals	21,380	2.6	0.9	65
Chemicals and photographic supplies	5,980	6.4	3.6	44
Transport equipment	7,057	4.4	3.9	11
Electric machinery and non-electric machinery	43,994	4.6	2.3	50
Mineral products	16,638	2.8	1.2	57
Manufactured articles, n.e.s.	12,540	6.0	2.7	55

Source: computed from IDB/GATT/World Bank data basis Table 2.3

Estimates of average tariff reduction were obtained using data net of trade conducted under free trade arrangements. Trade under other preferential arrangements, notably the ACP preferential arrangements with the European Union and the Generalized System of Preferences, however, was not excluded from our data and are consequently sources of distortion. But trade in manufactures affected by the Lomé Convention -- and which would be indeed diverted by tariff reduction in the European Union -- is

[9] GATT (1993a), p. 31.

relatively limited.[10] On the other hand tariff reductions related to GSP schemes are intrinsically uncertain as they depend entirely on policies of preference-giving countries and it is an open question in which way the Round results are likely to affect the proportion of eligible developing country exports favored by lower tariffs under GSP schemes.[11]

Evidence on tariff profiles for industrial products in developed countries shows that progress in relation to tariff peaks -- above 15% -- was rather modest as the percentage of trade affected decreased only from 7% to 5%. Such tariff peaks still remain important in the case of textiles and clothing and to a lesser extent for hides and leather, transport equipment and fish products. The share of duty free products rose -- on aggregate from 20% to 43% -- except exactly in the case of those industrial groups still subject to tariff peaks.

Table 2.3
Developed economies: percentage of imports affected by different tariff rates, by brackets

	Duty free		0,1-15%		15,1-35%		Over 35%	
	Pre	Post	Pre	Post	Pre	Post	Pre	Post
All industrial products (excl. petroleum)	20	43	72	53	6	4	1	1
Textiles and clothing	2	4	63	68	33	27	2	1
Metals	36	70	62	29	2	1	1	0
Mineral products	59	81	41	19	2	1	0	0
Electric machinery	5	30	91	68	3	2	1	0
Leather, rubber, footwear and travel goods	16	19	71	70	11	9	3	2
Wood, pulp, paper and furniture	50	84	46	15	4	0	1	0
Fish and fish products	21	24	78	73	7	3	0	0
Non-electric machinery	11	48	86	50	2	2	1	0
Chemicals and photographic supplies	14	34	81	66	5	1	1	0
Transport equipment	16	21	75	71	5	4	4	3
Manufactured articles,n.e.s.	15	49	83	50	2	1	0	0

Source: adapted from GATT (1994).

Tariff rates in developed countries tend to be highest on imports from Asia and lowest on imports from Latin America. This is a result of different compositions of export structures -- more textiles and clothing in Asian exports for instance -- but also of the concentration of Asian exports either in high tariff markets or high tariff products

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[10] See McQueen and Read (1987) and Moss and Ravenhill (1983). [More recent sources shall be quoted in the revised version.]

[11] Davenport [1994] presents data for GSP preferential trade in industrial products in the European Union and United States. The four main beneficiaries in the EU export almost 60% of preferential exports: China, India, Brazil and Thailand. The four main beneficiaries in the US exported more than 70% of preferential exports: Mexico, Malaysia, Thailand and Brazil.

within industrial categories as for almost every industrial product and market average tariffs faced by Asian suppliers are higher.

One of the major market access problems faced by developing countries in developed markets is tariff escalation, that is, the fact that tariffs on products involved in a given processing chain are the higher the more processed is the product. This is shown by table 2.4 for all industrial products, tropical products and natural resource-based products. Tariff escalation can be defined as the tariff wedge between processed product and unprocessed or raw product. To a declining such wedge corresponds a declining effective tariff in the relevant processing stage or stages. Decrease in tariff escalation affecting developing country exports to developed countries is indicated by the relative reduction in tariff wedges: it was 23% for all industrial products, excluding petroleum, 60% for tropical products and 19% for natural resource-based products. Disaggregated data for selected processing chains indicate that the progress of de-escalation was rather uneven as between sectors. Tariff escalation remains relatively important in hides, skins and leather and less so in the processing of rubber, jute, aluminum and copper. It was much reduced in processing chains involving wood and non-ferrous metals, other than aluminum and copper. It became zero or negative in tobacco and paper products.

Table 2.4
Developed economies: reduction of tariff escalation on imports from developing economies, 1992

	Share of each stage	Pre UR tariff	Post UR tariff	Percentage reduction	Reduction in tariff escalation
All industrial excl. petroleum	100	6.8	4,3	37	
Raw materials	22	2.1	0.8	62	
Semi-manufactures	21	5.3	2.8	47	38
Finished products	57	9.1	6.2	32	23
All tropical industrial products	100	4.2	1.9	55	
Raw materials	35	0.1	0	100	
Semi-manufactures	30	6.3	3.5	44	44
Finished products	34	6.6	2.6	61	60
Natural resource-based products	100	4.0	2.7	33	
Raw materials	44	3.1	2.0	35	
Semi-manufactures	40	3.5	2.0	43	100
Finished products	17	7.9	5.9	25	19

Source: GATT (1994).

Liberalization of trade in textiles and clothing is significantly understated if the analysis does not include the implications of progressive dismantlement of MFA in the next ten years which is to take place in three stages offering special transitional safeguard in respect to products not yet integrated into GATT and not already under constraint whose import surges could seriously damage or pose actual threat to domestic industry. The consequences of such a transitional period are qualitatively examined in section 5 below.

Non-tariff barriers are relevant in relation to other manufactured products, in particular iron and steel, transport equipment and electric machinery (consumer durables) but estimates of ad valorem tariff equivalents are notoriously fragile and incomplete due to methodological problems or to detailed information required by usual computations.[12]

The agreement on safeguards through the introduction of the possibility of targeting emergency measures will make possible to discontinue the use of measures which circumvented of article XIX of GATT which stipulated that emergency action on import surges should be introduced without discrimination, i.e., on an MFN basis. Such grey area measures as voluntary market restraints and orderly market arrangements are prohibited. Safeguards should be applied only following an investigation which concludes that affected imports cause or threaten to cause serious injury. They should be applied to the extent necessary to prevent or remedy injury. Import level should be at least the average for the previous three years. Safeguards shall be applied for not more than four years -- renewable to eight years -- and provisional safeguards for not more than 200 days. After this no safeguard can be applied again before a minimum period of either two years or a period equal to the period of previous application. In all cases it is expected that the safeguard measures will be progressively liberalized. They should be compensated under certain circumstances. The possibility of negotiated quota sharing introduces selectivity in the agreement as it will be possible to target suppliers whose imports have increased in "disproportionate percentage". Grey area measures will be phased out within a period not exceeding four years after the date of entry into force of the agreement establishing the World Trade Organization, with one possible exception for each importing country until the end of 1999.

The agreement on AD states that, if the establishment of facts has been adequate and the evaluation in the investigation process has been objective, the decision taken by national authorities cannot be overturned. It improves the methodology of calculating margin of dumping, improves the process of determination of injury, establishes a **de minimis** margin for terminating proceedings, defines time limits for the duration of investigation, refunds and application of measures. Measures cannot be extended beyond five years unless persistent injury is likely. There are no specific dispositions applying to developing countries.

For purposes of application of CVDs subsidies are divided into specific and general of which only the first are subject to disciplines. Specific subsidies are either prohibited, actionable or non-actionable. Non-actionable subsidies include those related to research and development as well as regional development. Prohibited subsidies are those contingent upon export performance or upon the use of domestic inputs.

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[12] See Laird and Yeats (1991) for a survey of NTB tariff equivalent estimates and also Haaland and Tollefsen (1994) for recent estimates of NTB equivalents in the European Union, the United States and Japan. See Anderson and Neary (1994) for a critical view of such equivalents.

Strengthened provisions include improved methods of subsidy calculation and determination of injury, conditions of application of the **de minimis** criterion for the level of subsidization and of "negligibility" for subsidized volumes, improvement in investigation procedures, time limits on the imposition of countervailing measures and their review, measures to counter circumvention.

The establishment of the World Trade Organization, and in particular the improvement on rules and procedures related to dispute settlement, constitute in principle a significant upgrade of the capacity to assure the application of measures conducive to trade liberalization. But much hinges on WTO's capacity to create a multilateral level playing field taking into account different sizes and consequently heterogeneous bargaining power of contracting parties. The new feature which allows suspension of concessions across sectors (goods, services, TRIPs) and across agreements (all those on goods, GATS and agreement on TRIPs) entails elements of asymmetry -- in the framework of exchange of equivalent "concessions" characteristic of GATT -- due to the rather heterogeneous importance of such "sectors" in the active interests of developed and developing countries.

3. Textiles and clothing

Three paths for the liberalization of trade in textiles and clothing were considered possible before 1990: liberalization within the framework of the MFA, an instantaneous fall back on the GATT with adjusted levels of protection and restructuring the MFA by introducing new instruments such as tariff quotas and quota auctions.[13] Perhaps not surprisingly the more conservative scenario prevailed.

Phasing out of the Multifibre Arrangement shall be distributed over ten years from the date of the WTO agreement. On the initial date of the WTO agreement no less than 16% of the total volume of imports of restricted products shall be integrated into GATT 1994. A further 17% shall be integrated in 1998, 18% in 2002 and the remaining 49% in 2005. For the first three years (stage 1) remaining restrictions should be increased by 16% above the growth rate established for restrictions initially, for the next four years (stage 2) 25% above rates of stage 1 and for the last three years (stage 3) 27% above the rates of stage 2. For countries whose exports are subject to restriction and whose restrictions represented less than 1.2% of the total volume of restrictions on December 31, 1991, the rules concerning rates of change of restrictions mentioned above should be advanced one stage.

For countries in the standard category application of the rules on quota expansion would increase their quotas very modestly if they are important suppliers. Quotas for, for example, Hong Kong and Korea exports to the United States market would increase by only by 5.3% in ten years as annual growth rates are limited to 1.2%. In the other extreme, for most less restricted suppliers in the US market -- whose quotas

[13] See Wolf (1990), pp. 225 and ff.

were supposed to increase by 6% yearly -- end of period quotas would increase by 30.6%.[14]

The agreement provides some concessions to certain groups of developing countries: least developed, small suppliers and exporters, as well as those with a high proportion of outward processing trade. Special transitional safeguards can be applied to products not integrated into the MFA which face serious damage of threat of damage as a result of an import surge. These cannot be applied to certain hand-made products, "historically traded" products and products made of pure silk.

The complete removal of MFA quotas will of course have a favorable impact on textile and clothing exports by developing countries which goes beyond the consequences of mere tariff reduction. Back of envelope estimates of the impact of the dismantlement of MFA by the GATT, based on assumptions that the ad valorem equivalent of binding MFA quotas is 30% and that 50% of developing country exports are bound by the MFA, suggest that total -- tariff and NTB -- protection reduction should be in the region of 61% rather than 21% as suggested by tariff reduction alone. There is an ample literature on more detailed estimates of the net impact of textile and clothing liberalization. While trade expansion effects generally greatly outweigh the losses of quota rents estimates vary very widely. Partial equilibrium estimates by Kirmany et al (1984) of the effect of removal of MFA quotas and elimination of tariffs suggest an export expansion of main OECD country imports of 81.8% for textiles and 92.6% for clothing. UNCTAD (1986) average sectoral estimates are in the same range but rather different for trade expansion for textiles and clothing: 78% and 135 % of estimated expansion, respectively. Estimates by Trela and Whalley (1990) using a CGE model yield much higher estimates for trade expansion. Expansion of textiles and clothing imports by the European Community, Canada and the US in the event of a total liberalization range between 190.2% and 305.5%. Elimination of quotas only would result in import expansion in the 115.7-235.8% range.[15] Such estimates have been criticized as crucially depending on data on Hong Kong quota auctions and methodologies used to adjust such data for costs in other countries. Alternative CGE work by Goto results in much lower estimates due to the adoption of different elasticity values and different hypotheses about how binding are underutilized quotas.[16]

All these estimates assume instantaneous liberalization. The liberalization format for textiles and clothing which emerged from the Uruguay Round makes it certain that restricting developed countries will integrate first into GATT those products on which initial quantitative restrictions are relatively less binding. The erosion of liberalization which is not water will be concentrated towards the end of the period. There are no quantitative estimates as yet (are there?) to indicate how unevenly this liberalization is

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[14] For data on quota growth rates see UNCTAD (1994).

[15] See Trela and Whalley (1990), pp. 1199 and 1201.

[16] See Goto (1990), pp. 19 and ff. But see also Anderson and Neary (1994) for criticism of standard evaluation methodologies.

likely to be distributed over time. The possibility of use of transitional safeguards may indeed further decrease the midterm trade generation effects of dismantling the MFA in the format agreed in the Round. Even if true liberalization were to be uniformly distributed over the transition period, the concentration of integration of 49% of total trade in textiles and clothing in the last day of the transition period is thought by many to raise doubts on the credibility concerning liberalization after the transitional period through the use or misuse of safeguards or other protectionist instruments.

4. Trade regimes in developing countries

In contrast with previous GATT rounds the Uruguay Round involved a truly reciprocal negotiation which resulted in the exchange of concessions between developed and developing economies. This was reflected in tariff cuts and an increased proportion of bindings by developing countries, coupled with improved disciplines concerning provisions such as those in balance of payments whose use in the past had resulted in the insulation of markets of the developing economies in many instances protected by absolute protection resulting from the discretionary use of non-tariff barriers.

The Uruguay Round tariff cuts in developing economies on the whole preserves the tariff structure before the Round, maintaining relative positions. Tariffs on European Union products are on average higher than those on US and Japanese products, partly a reflection of the fact that US and Japan are more integrated with Latin America and Developing Asia, respectively. Average tariff in Latin America, in spite of much progress, remains about double the levels of Developing Asia.

Dispersion of tariff levels between industrial groups in developing countries before the Uruguay Round not very different from that in developed countries, but instead of the tariff structure being characterized by one sector with a tariff much above the average -- as in textiles and clothing in the developed economies -- it was protection much below the average for mineral products and wood products which explained most of the tariff variance in developing economies (see table 4.2). Tariff variance computed for GATT defined industrial groups will be lower for developing countries than for developed countries after the Uruguay Round is fully implemented.

Table 4.1

Developing Countries: Average tariff rates faced by imports from developed economies by markets of origin and destination pre and post the Uruguay Round

Destination Origin	Latin America		Asia		Africa		Developing Europe		Total developing	
	Pre	Post	Pre	Post	Pre*	Post*	Pre	Post	Pre	Post
US	21.5	16.4	13.7	7.5	12.1	12.1	22.2	18.8	16.5	10.7
EU	29.3	19.4	18.6	10.4	24.6	24.6	29.9	26.2	22.3	14.6
Japan	39.4	24.7	15.6	9.5	17.8	17.8	0.1*	23.8	16.7*	10.4
Other developed	22.0	15.9	12.6	7.2	16.7	16.7	26.9	23.1	15.1	9.8
Total developed	25.6	18.0	15.6	9.0	23.0	23.0	26.4	24.4	18.1	11.6

*To be revised in final version.
Source: computed from IDB/GATT/World Bank data basis

Table 4.2
Tariff reduction by sector in developing countries on imports of developed countries

	Trade (US$ billion)	Average tariff		Tariff reduction
		Pre UR	Post UR	
All industrial products (excl. petroleum)	199,810	18.1	11.6	36
Fish and fish products	1,199	21.8	6.3	71
Wood, pulp, paper and furniture	7,754	13.3	8.3	38
Textiles and clothing	8,465	20.5	14.5	29
Leather, rubber, footwear and travel goods	3,949	19.5	13.0	33
Metals	20,861	18.2	11.6	36
Chemicals and photographic supplies	31,670	19.4	11.6	40
Transport equipment	17,226	22.8	16.3	29
Electric machinery and non-electric machinery	77,098	18.9	11.9	37
Mineral products	13,765	9.5	7.1	25
Manufactured articles, n.e.s.	17,825	14.3	8.8	38

Source: computed from IDB/GATT/World Bank data basis

Since average tariffs for most industrial groups were concentrated in the 18-23% range it is not easy, in contrast with developed economies, to associate deeper tariff cuts with relatively less protected products. Tariff cuts have been much less heterogeneous for developing economies than for developed economies, a reflection of the less clearly marked presence of particularly inefficient sectors in most developing economies as textile and clothing, leather products and transport equipment in at least some of the developed countries. Blanket bindings by many developing economies were made easier by the fact that most are in fact actually imposing tariffs now much below their post_Round bound levels and also by the fact that there are no ailing industrial sectors with a position symmetrical to that of the sensitive sectors in the developed economies.

Non-tariff liberalization shall also be significant. New, more restrictive, rules concerning balance of payments provisions, which constituted for many years the main basis for the introduction of quantitative import restrictions in developing countries, have been introduced. Most important of all, the preference for the less distortive price-based measures has been clearly asserted. The use of quantitative controls is to be exceptional, and of as limited duration as possible. It should aim at restricting imports on a non-discriminatory basis. Allowances for exemptions or limitations are limited to essential products for direct consumption, capital goods or inputs. The process of notification has been tightened in relation to timetable, conditions of review and amount of information required to assure transparency in the implementation of such measures.

The scope for the use of import licensing procedures as an instrument of protection has been reduced as the criteria for definition of automatic and non-automatic licenses have been tightened. Provisions aimed at increasing the transparency and predictability in the process of allocation of non-automatic licenses have also been improved. The basic objective remains to ensure that the licensing system does not add to the protectionist impact of the import restrictions it administers.

Safeguards cannot be applied to developing countries provided the share of a specific developing country in the importing country is less than 3 per cent and the global share of developing countries is less than 9 per cent. The allowed maximum period of safeguard application is extended in the case of developing countries from eight to ten years. Re imposition of measures can occur only after a period of at least half the initial application period has lapsed. It is difficult to see safeguards as an important source of increased protection in the markets of developing countries. This is due to their relatively small size and bargaining power, which explains why VERs have been exclusively adopted by developed countries, and to the restrictions imposed by the new rules, which, by forcing the intermittent use of such instruments, would seem to assure that they are not used to foster strategic industrial policies.

Pre shipment inspection, used by developing countries only, has been the object of a specific agreement to assure that such activities do not result in discrimination, are based on objective criteria and transparent.

It is in relation to anti-dumping (AD) and countervailing subsidy (CVD) measures that seems to lie a real danger that developing economies, emulated by the abusive use of such instruments by developed countries, could increase their misuse as protectionist devices. The improvements entailed by the agreements on AD and CVD measures make their adoption more technically demanding and consequently more difficult for developing countries.

The agreement on CVD is where operationally the concept of graduation is more openly present in the Uruguay Round as developing countries are divided into two groups: least developed and other developing countries with an income per capita below US$ 1,000 in one group and all the other developing countries in the other. The rules on prohibited subsidies contingent upon export performance or upon the use of domestic inputs do not apply to the expanded least developed country list. Total manufactured exports thus excluded amounted in 1992 to US$ 54.8 billion, of which no less than 78.8% originated in Indonesia, India, the Philippines and Pakistan.

Developing countries shall not increase their level of subsidies and shall eliminate them when the use of such export subsidies is inconsistent with their "development needs". Developing countries are entitled to an eight-year transition period which may be extended in very specific cases. This exemption from prohibition will not apply if a developing country attains "export competitiveness", defined as having reached 3.25% in world trade of a given product for two consecutive years. After reaching this threshold developing countries will have two years, and those countries in the least developed country expanded list eight years, to phase out subsidies.

The main implication of the UR agreements for the export regimes of developing countries, besides those involving access to export markets, is the dismantling of export subsidies used by developing countries other than those in the least developed country expanded list. [In the final version information shall be included on how widespread is the use of prohibited subsidies by the graduated developing countries in order to have some indication of the likely impact on their exports. Ideally information should also be included on which country-product pairs would be affected by the limitation on product world market shares to 3.25% in two consecutive years.]

As liberalization through tariff reduction and removal of non-tariff barriers proceeded in developing countries governments are likely to attempt to make more intensive use of AD and CVD actions as instruments to restore selective protection. An increase in the number of initiations can already be detected from 1987-88 and becomes clearer after 1991. Data for 1980-1989[17] already indicate just the beginning of such a trend for ADs before 1989. After 1990-1991 the trend is evident, initially for CVDs and later also for CVDs.[18]

5. Intra developing country trade in manufactures

[The limited importance of non-FTA is shown in table 1.1.: most of inter developing economy trade is in fact inter Developing Asia trade. With data on FTA trade available for the revised version of this paper it shall be possible to consider the relative importance of inter developing trade for each region -- especially LA and Developing Asia -- net of trade inside the region. There are indications that trade in Developing Asia is more concentrated within the region than in Latin America mainly because the main market for LA exports in the developing economies are in Developing Asia.]

Average tariff rates in developing economies on imports from other developing economies are, for developing countries from the most relevant regions, Latin America and Developing Asia, similar to those on imports from developed economies, with the exception of the European Union which faces an average tariff considerably above other developed trade partners (see tables 5.1 and 4.1). However, Latin American average tariffs on imports from Developing Asia are almost as high as that on Japan, and considerably above those on imports from the US and the European Union. The reverse is not true as the average tariff on Latin American products in Developing Asia is similar to that on inter Developing Asia industrial trade. Sectoral average tariffs for imports from developing economies are, for practically all sectors, slightly below those for imports from developed economies. The average reduction in sectoral average

[17] Finger (1993), p. 4,

[18] GATT (1991), pp. 113-8, GATT (1992), pp. 81-85 and GATT (1993), pp. 65-70..

tariffs in developing economies on inter developing country trade is similar to that on imports from developed economies (tables 4.2 and 5.2).

Table 5.1
Developing Countries: Average tariff rates faced by imports from developing economies by markets of origin and destination pre and post the Uruguay Round

Destination Origin	Latin America		Asia		Africa		Developing Europe		Total developing	
	Pre	Post	Pre	Post	Pre	Post	Pre	Post	Pre	Post
Latin America	23.6	18.5	12.4	7.2	17.0	17.0	16.1	15.2	15.4	10.6
Asia	33.8	22.9	13.1	8.0	19.4	19.2	28.9	26.5	13.7	8.5
Africa	4.5	4.5	0.3	0.2	13.9	13.9	18.4	16.5	2.8	2.4
Developing Europe	13.7	11.4	29.7	12.8	21.3	21.3	0	0	26.9	15.0
Total developing	27.4	20.1	13.0	8.0	19.1	19.0	22.0	20.3	13.9	8.8

*To be revised in final version.
Source: computed from IDB/GATT/World Bank data basis.

Table 5.2
Tariff reduction by sector in developing countries on imports of developing countries

	Trade (US$ billion)	Average tariff		
		Pre UR	Post UR	Reduction
All industrial products (excl. petroleum)	42,607	13.9	8.8	37
Fish and fish products	841	16.4	5.9	64
Wood, pulp, paper and furniture	2,940	10.8	7.2	33
Textiles and clothing	6,268	16.1	11.5	29
Leather, rubber, footwear and travel goods	2,438	13.9	8.3	40
Metals	5,603	13.7	9.4	31
Chemicals and photographic supplies	4,221	16.1	10.2	37
Transport equipment	560	19.8	15.8	20
Electric machinery and non-electric machinery	14,070	14.1	7.9	44
Mineral products	13,765	7.2	5.1	29
Manufactured articles, n.e.s.	2,339	14.8	10.0	32

Source: computed from IDB/GATT/World Bank data basis.

Exports by developing economies to other developing economies shall also benefit from the liberalization of non-traded barriers in particular the improved disciplines which shall make rather more difficult to use balance of payments problems to justify protection as discussed in the previous section. On other hand, developing economies exports can also face the use by other developing economies of instruments such as AD and CVD actions as substitutes for other forms of protection.

6. Conclusions

In the case of trade in manufactures there is no comfort symmetrical to that related to agricultural trade of having finally succeeded in imposing GATT disciplines on whole sector for all purposes excluded by a combination of grand father rights and waivers. Evaluation of the Uruguay Round results on trade in manufactures must necessarily depend on a wide range of assessments involving comparison of situations before and after the Round. But it is important to note that comparisons between situations before the Round and after the Round are not necessarily the more realistic assessment of the advantages of the Round. It is indeed unlikely that the **status quo ante** could have been maintained had the GATT negotiations failed. So it is comparison between what would have happened had the Round negotiations unfolded -- most likely, increased protection in a wave of cross-retaliatory moves --- and the results of the Round, which would be a better indication of advantages entailed by success in the negotiations. It is of course very difficult to model the Round failure scenario but it must be at least kept in mind that conventional evaluations of the benefits of liberalization are likely to provide lower bound estimates of gains.

While it is reasonable to suppose that developing countries obtained less than it was envisaged before the Round in relation to such issues as speed of dismantlement of the MFA, or even tariff reduction in developed countries, an overall assessment is made difficult by the fact that evaluation in many instances hinges on how are agreements to be implemented: safeguards, AD and CVD duties and working of the GATT system are issues whose evaluation crucially depends on enforcement of agreements. On the other hand, liberalization involving issues in relation to which developing countries made "concessions" -- import licensing and NTBS justified by balance of payments reasons -- would appear to be less vulnerable to national prevarication due to better multilateral disciplines and less obvious loopholes.

It is perhaps not an exaggeration to say that the only coalition involving developing countries which was of significance during the negotiations was the Cairns group which however not only included developed countries in a prominent position but always counted with the sympathy of the United States. But even then the final outcome was to a great extent undermined by the US readiness to surrender to European Union pressures to reduce the scope of a rather modest initial liberalization proposal in agriculture.

Coalitions involving developing countries on issues of relevance for the trade in manufactures were much less effective, as sectoral interests which could provide concrete basis for the convergence of interests tended to remain diluted by the focus on improved standards of surveillance, enforcement and dispute settlement concerning specific instruments such as safeguards and AD or CVD duties. Even in the case of textiles interest in liberalization was bound to vary considerably among developing countries, depending on how comparative advantage of each specific country had evolved since the (partial) freezing imposed by the succession of market sharing arrangements since the late 1950s.[19]

Comparison of tariff cuts (tables 2.2, 4.2 and 5.2) shows that duty reduction was on average more significant in developing economies for imports from developed economies than in developed economies for imports from developing economies (36% contracted to 30%). There is not much difference between tariffs cuts in developing economies on imports with origin either in developing or developed economies. In contrast cuts in developed economies were much more significant on imports from other developed economies than on imports from developing economies (44% compared to 30%).

Similar tariff cuts of course may have rather different implications on trade flows depending on the initial level of the tariff. Not very dissimilar tariff cuts imply quite different reductions in the prices of imports. For the aggregate of industrial products import price reductions implied by data presented above would of 2.0% in developed economies for imports from developing economies and of 5.5% in developing economies for imports from developed economies. The discrepancies in price reductions in specific industrial groups can be significantly higher: 0.5% to 5.3% in transport equipment or 1.7% to 5.6% in metals.[20]

GATT sectoral estimates of the trade effects of the Round indicate import expansion rates for developed economies about half the expansion rates for MFN imports due to preferential and FTA trade, varying from 0.7% for fish products and 4.3% for leather, rubber, footwear and travel goods.[21] If this ratio holds good for developing economies their import expansion rates would be higher ceteris paribus.

The impact on trade flows will depend on the values of elasticities which even for developed countries are frequently of doubtful quality and whose aggregation depends on a lot of information on relative price variations.[22] For the many developing countries also engaged in a major dismantlement of their NTBs information on price elasticities if extant do not mean much. It is likely that such price elasticities are higher than those for developed so that the divergences pointed out in terms of trade impact on developing and developed economies could be reinforced. Moreover, computations here included do not take into account bindings. If the criteria proposed by Martin (1994) on how to cope with bindings were adopted it would increase even further the differences in trade cuts between developing and developed economies.

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[19] For a view of such developing country expectations concerning the Round as well as of the difficulties of coalition formation in relation to most relevant issues see Abreu (1989).

[20] All these comments refer to non-FTA trade without making distinction between MFN and preferential trade as information could not be obtained from the IDB data base. MFN tariff cuts would obviously undermine the position of suppliers previously enjoying preferences or members of an FTA.

[21] GATT's estimate for the expansion of total trade as a result of the Uruguay Round is of 12%

[22] See the frequently disregarded comments by Magee (1975), appendix A.

[In the final version it will be tested, based on IDB data whether, whether it is true for a significant number of developing countries that post-UR tariff rates are higher than post-UR rates.]

But all this is too mercantilist and partial equilibrium.[23] The economically relevant evaluation refers to impact on welfare. Tariff cuts improve welfare in the consumption and production sides and developing economies are going to benefit significantly from this is spite of indications of lack of balance of the trade implications of the Round. Work on general equilibrium models has tried to take into account market interactions which are missed by partial equilibrium. In spite of criticisms of such simulations [24] their results are generally taken as rough indication of welfare gains resulting from the Uruguay Round. Total income gains from the Uruguay Round are estimated to of US $ 213 billion equivalent to 1.1% of world GDP but most of the gains are related to agricultural liberalization.[25] Gains with liberalization in the trade of industrial products, estimated with the use of a less satisfactory model, are rather modest: US$ 29 billion of which 60% accrue to developed and 40% to developing economies. [26]

Developing economies have entered into important commitment to liberalize their economies. This is an on-going process with applied duties much below bound duties in many developing countries. It may be argued that developed did not reciprocate especially so in the case of agricultural trade and perhaps also in relation to dismantlement of the MFA and selected tariff cuts.

But this is not the essential point. Developing countries are genuinely interested in the GATT. Their interest is a corollary of their relatively modest economic size and the difficulties of entering into effective coalition with other developing countries. But many of the Uruguay Round results which are relevant for trade in industrial products -- most crucially on safeguards and CVD and AD actions -- depend on how the agreements are implemented. All hinges on the political will in developed countries to make a truly multilateral trade system work.

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[23] But note that the exchange of concessions mercantilist framework as a device to further multilateral liberalization produces results which are coherent with economic theory.

[24] See in particular two newspaper articles by Maurice Allais, **Le Figaro**, 15 and 16 November 1993, and the answer by Jean Waelbroeck, **Le Figaro**, 17 December 1993.

[25] But as French successful foot dragging on agricultural liberalization has resulted in erosion of the initial proposal included in the Dunkel draft these estimates probably exaggerate the welfare impact of the Round.

[26] See OECD (1993), pp. 13. 93 and 94. Other estimates by OECD and GATT are of the same order of magnitude, see GATT (1994), pp.45-47. Estimates would also increase if dynamic gains or trade in services liberalization were included, but these are notoriously difficult estimate.

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