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Abstract

In the last ten years, there has been a sea change in trade and related policies in emerging markets. This results from autonomous reforms undertaken in conjunction with macro-economic stabilization programmes. Many non-tariff measures have been eliminated and tariffs, now the principal trade instrument, have been rationalized and reduced. Considerable increases in security of market access result from increased membership of the GATT/WTO system, which itself underwent important changes as a result of the Uruguay Round, further developed in the first Ministerial Meeting of the WTO in Singapore in December 1996. The systemic changes and the expansion of WTO membership to the transition and other economies mark a dramatic change in international economic relations.

Key words: trade liberalization, WTO, GATT, emerging markets.
JEL Classification: F01, F02, F13

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The New Liberalism: Trade Policy Developments in Emerging Markets

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I. Introduction

The last decade has seen some extraordinary changes in emerging markets. While the fall of the Berlin Wall and the changes in Central and Eastern Europe are among the more spectacular, many profound changes have also been taking place elsewhere. We are referring to improved macro-economic management and, in particular, to extensive trade liberalization throughout the emerging markets.

Up to the 1980s, many emerging markets were characterized by heavy state-ownership and intervention; in a number of respects the transition economies were only the extreme case, although the absence of entrepreneurial skills, the reach of state planning and the degree of autarchy represent particular weaknesses. In many developing economies, populism led to over-expansive macro-economic policies, relying on deficit financing and generalized controls, which took little account of basic economic equilibria. Strict monetary discipline was rejected. It was said that exchange rate devaluation could not draw forth net gains because of institutional rigidities and the long-term decline in commodity prices, and would have adverse effects on inflation and living standards. Yet, when the economic situation deteriorated, governments were in the end forced to resort to price realignments, devaluation, exchange controls and import restrictions.

In trade policy, the name of the game at that time was protection and import substitution industrialization (ISI), which were thought to be essential to create jobs and stability. Infant industry and infant economy arguments were also used to justify shutting out foreign trade by means of exchange controls, multiple exchange rates, quantitative import restrictions or prohibitions, high tariffs, subsidies and tax breaks. Export restrictions or taxes were and to a degree still are used to channel raw materials to domestic processing industries. But this myriad of interventionist policies often worked at cross-purposes. A nationalist approach was adopted to foreign investment, with legal and constitutional obstacles placed in the way of foreign participation in the development of natural resources, financial and other services. While the resulting anti-export bias in industrialization and the implicit taxation of the agricultural sector were obvious, what also happened was that industry failed to keep in touch with markets, fell behind in adopting new technologies and lost any sense of fiscal responsibility.

While the forces driving reform are varied, they have several elements in common, and these stretch across developing and transition economies. Perhaps the over-arching factor was the failure of past policies to produce any discernable growth in the 1980s, sometimes called the lost decade in development. Incomes per capita were declining in many of these countries. Social programs such as education and health were threatened as budgetary resources became increasingly scarce. Open or hidden unemployment began to reach politically dangerous levels. Common to virtually all of these countries was the serious deterioration in the balance of payments, reflected in the stifling level of external debt and large current account imbalances. The recession in industrial countries at the start of the 1980s had a severe flow-on effect in the developing world, not the least through the adoption of non-tariff barriers to trade such as, in particular, anti-dumping policies, export restraint agreements, and aggressive unilateralism - all features of what was called the "new protectionism".

In the mid-1980s, the picture of emerging markets was not encouraging. We have noted that their own trade policies left much to be desired. But they also faced problems in the developed country markets: their key exports faced high tariffs, in escalating layers which inhibited the development of processing industries in the developing world; non-tariff barriers faced their exports of chemicals, iron and steel, other basic manufactures, textiles and clothing and electronic goods; agricultural trade was highly distorted with quotas, surcharges, variable levies, subsidies and state-trading; regional agreements seemed designed to close off market opportunities to countries which were not members of the club; trade in services was outside the system. The transition economies faced particularly high barriers, even more than other emerging markets.

The problems in the developing world manifest themselves in different ways, apart from falling incomes and the absence of growth. In a number of cases there were serious balance of payments crises (Indonesia, Mexico, Nigeria); in Latin America there was acute hyper-inflation (Argentina, Bolivia, Peru). There was growing disillusion with the failure of past policies, or at least a recognition that the ISI model had run its course. In many transition economies, there was a coincidence of pressures for economic and political change. However, in emerging markets generally there was also a recognition of the achievements of the fast growing economies in East Asia, which were either open (Singapore, Hong Kong) or had begun reforms much earlier (Korea, Chinese Taipei), albeit with different emphases in key elements.

Thus, the conditions for change were present, and new economic programmes, many proposed or supported by the International Monetary Fund and the World Bank, were adopted. In some cases, these were seized on by technocrats in the developing countries, anxious to implement what they had learned in their own studies in U.S. universities. This was particularly true of a number of Ministers and Vice-Ministers in Latin America, but was also the case in some East Asian countries. "Chile con Chicago" is perhaps the best known, and extreme, example, where the University of Chicago virtually adopted the Catholic University of Santiago as a training ground for future Chilean economists. What these technocrats began in the 1980s has largely changed the face of the economic policy environment of the emerging markets in this last decade.

In this paper, we identify the policy changes that have been taking place in the emerging economies since the late 1980's. We call these changes "the new liberalism", and they are described in the following section II. The discussion in section III is concentrated on the relationship between the emerging countries and the World Trade Organization (WTO). We also look at the implications of the Uruguay Round for the emerging markets and review the issues discussed by trade ministers at their first Ministerial Meeting in Singapore in December 1996. The impact of trade liberalization on trade of emerging economies is analyzed in Section IV. We conclude with a brief discussion of challenges arising from the applications of many emerging economies for accession to the WTO.

II. The New Liberalism

The Link with Macroeconomic Policies. Before discussing the trade reforms, *per se*, it is important to make clear that trade reforms must be closely coordinated with macro-economic stabilization programmes. Without macroeconomic stability, trade reforms are bound to fail, and trade and macro-economic reforms are mutually self-supporting. Macro-economic instability usually has serious consequences for a country's balance of payments and trade.

Domestic imbalances translate into current account imbalances, and then foreigners are often blamed for unfair trade practices and the like. The greatest risk of slippage in trade policy occurs where there is a lack of fiscal and monetary discipline, and the real exchange rate is allowed to appreciate sharply, i.e., nominal exchange rates are not allowed to compensate fully for the differentials in inflation between the home and foreign markets. By contrast, the key to long-term, low-inflation growth is productivity gains, which come from the adoption of new technologies and getting the prices right, a formula where open trade and investment plays a central role (WTO 1996). This is perhaps even more imperative for the transition economies which have been isolated too long from world market forces.

It has, therefore, been interesting to observe that many reforming countries have approached liberalization of their economies with a firm commitment to contain inflationary pressures. While fiscal and monetary orthodoxy has been the pillar of the stabilization programs, other elements of the program often varied. Exchange rates have generally been unified and, while they have sometimes been fixed initially as an anchor to help control inflation, this has usually been followed by free or managed floats designed to ensure that the real effective exchange rate was stable and that exports were competitive (e.g., Poland and Hungary). Some countries have maintained fixed exchange rates in nominal terms over a long period of time (e.g., Czech Republic). Other countries even resorted to "currency boards" (e.g., Argentina, Estonia). Fiscal stringency has been sometimes combined with heterodox price and income controls, but such controls have not been an essential element in successful market-oriented programmes. Exchange controls on the current account have been widely eliminated but many countries have also dramatically reduced controls on the capital account.[1]

In many of the transition economies, there has been a tendency to experience dramatic inflation - sometimes hyperinflation - once their economies have been opened up and policies liberalized (Drabek *et al.*, 1994). This partly reflected the sharp disequilibrium and "inflationary pressures" which these countries inherited from central planning and which were released once prices were liberalized and markets deregulated. The rate of aggregate savings has also dropped as consumer spending accelerated after years of shortages, governments experienced difficulties to keep budgets under control and corporate savings have been under pressure as a result of growing bankruptcies and market competition. Many countries in transition have been experiencing instability in their exchange rate regimes partly because of domestic inflation and partly because of exchange rate policies that could not be sustained for other reasons (e.g., Bulgaria, Ukraine and several other CIS countries). In some countries, the widespread use of export restraints to the convertible currency area has reduced the supply of foreign exchange (e.g., Russia). In consequence, exchange rates were sometimes undervalued, and imports were more expensive than they would be otherwise. This derives from the demand for foreign exchange as residents seek a means of safeguarding their savings in a situation of high inflation, large fiscal deficits and negative real interest rates. Some countries, including Russia, have even employed import subsidy programmes which has made the balance-of-payments situation even more difficult. This is a complicated policy environment which has been very harmful to trade and growth, and has not made it any easier to bring inflation under control. Once again, macro-economic stability is the key to currency convertibility and to eliminate exchange controls. This needs to be supported by enterprise and price reforms of which trade reforms are an integral part. Such complex reforms are very

[1]For details on exchange controls, see IMF, Exchange Arrangements and Exchange Restrictions (annual). Macroeconomic reforms as a background to trade policy changes are discussed in various WTO/GATT Trade Policy Reviews. On transition economies, see also World Bank (1996), Michalopoulos and Tarr (1995 and 1996), Leidy and Ibrahim (1996) and IMF (1996).

difficult in the transition economies since they have already suffered a terms of trade shock at least as important as that experienced by oil-importing countries in 1974.[2] Nevertheless, the lessons we have learned is that the countries which have reformed more quickly have tended to bounce back faster too.

Radical Trade Policy Reforms. What has happened to trade policy in the last decade was just as remarkable as the macro-economic reforms, perhaps even more so, given the philosophical starting point of so many countries.[3] Greater market orientation has become the rule in trade policy, and there have also been important steps towards the deregulation of domestic markets. This is true in emerging markets as it is in the industrialised countries; the differences being mainly of degree. The broad thrust of the reforms has been to reduce the distortions in the allocation of resources within the domestic economies, i.e., to level the playing field between different industries and allow resources to flow where they are more productive.

As part of the *unilateral trade policy reforms* adopted by emerging markets, the emphasis has been increasingly shifted from non-tariff measures to tariffs which maintain a clearer linkage with international price movements. This should ensure that domestic industries are not cut off from foreign competition, and that the incentives to keep pace with market changes are maintained. Moreover, tariff schedules have been often rationalized. First, average tariffs have been reduced to moderate levels in many countries, with countries in transition and Latin American countries taking the lead among emerging markets as we can see from Table 1. (One exception to these reductions results from the tariffication of agricultural non-tariff measures, but this must be seen as a step towards the rationalization of protection in the sector). Second, the dispersion or range of tariffs have been reduced. Third, there has been considerable rationalization of tariff structures, some countries moving to moderate uniform tariff levels, while others have only three or four bands of rates. Fourth, many tariff exemptions have been eliminated; these were often special deals for certain industries.

INSERT TABLE 1: Summary of Tariff Regimes of Selected Developing and Transition Countries

It is interesting to note that, despite reduced average tariffs, tariff revenue collections have risen; this is because of the combined effects of higher import demand as non-tariff measures are eliminated, fewer tariff exemptions are allowed, and there is less incentive to smuggling. The improved tariff revenue collections have been also possible due to greater efficiency in customs administration.

At the same time, many non-tariff barriers have been widely abandoned as improvements were made to tariff policy. The scope of non-tariff import restrictions, often justified for balance of payments reasons, has been severely reduced (e.g. Laird (1995) and WTO (1990-96). The elimination of these quotas has, therefore, shifted the emphasis to measures which allow world prices to be transmitted into the domestic economies, as noted

[2]For further details see World Bank (1996). The report provides a good review of most of the points argued in this paragraph.

[3]Good examples of fairly dramatic shifts in economic policies are, for example, the Philippines, Zimbabwe, Columbia and Bolivia but also many others.

above. This is true for virtually all countries in transition but also for many other developing countries. Even though there have been some slippages in several emerging economies, the merits of shifting trade policy from non-tariff to tariff measures is well understood in most countries.

While the policy changes have been quite remarkable, trade regimes in developing countries still remain subject to a number of restrictions. The principal non-tariff interventions still applied include: in agriculture import licensing systems (mostly linked to the application of tariff quotas under the Uruguay Round current and minimum access commitments), variable levy systems, production and export subsidies. Other existing non-tariff measures include: export/import quotas related to trade in textiles and clothing; local content and export balancing requirements, mostly in relation to automotive assembly; export subsidies to develop non-traditional manufactures, sometimes administered as investment tax breaks or subsidized finance, but direct subsidies are being cut back for budgetary reasons;[4] export restrictions, e.g., on foodstuffs and on raw materials to guarantee low-priced supplies for domestic consumers or processing industries; and state-trading operations.[5] However, many of these measures are being cut back or phased out as part of the commitments undertaken in the Uruguay Round, as discussed later, while state-trading operations are becoming less important because of privatization programmes.

Other measures which may be maintained under WTO rules now consist mainly of technical barriers to trade such as technical standards, sanitary and phitosanitary controls, etc., prohibitions on the import of pornography and prohibitions on or restricted licences for the movement of arms and munitions for national security reasons. Some measures are applied in connection with international conventions on the environment or in support of United Nations resolutions. It is important that all these measures be not used as a new form of perfectionism.[6]

More recently, developing countries have begun to adopt other WTO-consistent measures that are more typical for the trade arsenal of the United States and Europe, namely anti-dumping measures. These are said to be taken to counter the unfair trade practices of other countries, and their adoption has sometimes been seen as the price to pay to sell trade reform packages to domestic industry. However, concerns have been expressed about the legitimacy of some of these actions, including the conduct of the investigations[7]; and there is an argument that anti-dumping, originally intended to support competition by attacking predatory price cutting, is instead being used by oligopolistic industries such as iron and steel

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[4]This is not to downplay the great importance of an export push in developing a supply response, which has been so important, for example, in East Asia (World Bank, 1993). But in focusing on liberalization, we would emphasize the role of import liberalization, trade facilitation, reduced bureaucracy and realistic real exchange rates in reducing the anti-export bias of earlier regimes.

[5]For a more detailed discussion, see WTO (1996).

[6]WTO/GATT Trade Policy Reviews have remarked on increased reliance on technical barriers to trade as other trade restrictions are removed. While some reflect an updating of earlier legislation and regulations and improved enforcement, it is possible that these non-tariff measures may have been introduced for protective purposes in some cases.

[7]For example, the United States has taken up bilaterally its concerns about certain Mexican anti-dumping cases, while several Brazilian cases have been the subject of formal consultations in the WTO. Some developed countries have also had their procedures challenged in the WTO/GATT.

and chemicals to shut out competition. Nevertheless, as other non-tariff restrictions to trade have fallen, these measures have often become the first line of defence against rising imports in particular sectors under pressure. As former colleagues of ours have described it: "Unfair trade cases are where the action is, because they cover all the action" (Finger and Murray, 1990)

In the transition countries, the measures affecting trade remain relatively restrictive in the Commonwealth of Independent States (CIS). The remaining restrictive measures include export restraints, in the form of direct controls, taxes or licences on energy, raw material and foods, extensive state-trading and foreign exchange surrender requirements (e.g., Michalopoulos and Tarr, 1995). While there is also a marked absence of explicit import restraints, we have recently seen some pressures for protection for domestic industries, mainly through increased tariffs (Latvia, Lithuania, Russia). Similar policy reversals occurred in other transition economics where the domestic protection was provided through the introduction of new non-tariff barriers (such as health standards in Slovakia) and import surcharges (Poland, Hungary, Slovakia - although all three countries have scheduled elimination dates for these measures). The principal concern in the CIS up to now has been to keep goods at home to ensure supplies and keep domestic prices low to soften the impact of price liberalization. In addition, the imposition of import surcharges has been also linked to balance of payments difficulties as was the case in the three Central European countries. Thus, the pace of trade reform has been closely linked to domestic market reforms and to the macroeconomic stability in these countries (Drabek, 1996).

Regionalism. Another facet of the new trading environment is the growth of regional trading agreements or regional integration agreements (WTO 1995). Economists have had a healthy scepticism of these arrangements, and there have been plenty of practical examples to confirm that scepticism.[8] Some of the worst cases were in Latin America in the 1960s, when these were often regional extensions of the basic import substitution strategy. Based on production-sharing arrangements, gerrymandered tariffs and special payments arrangements, these were designed to divert trade from third countries to regional partners and had little hope of exploiting economies of scale (de Melo and Dhar, 1992, Langhammer and Hiemenz, 1991).

But time moves on. In the last 10 years regional agreements involving emerging markets have acquired a new lease of life, as localised extensions of the unilateral trade reforms that have been taking place.[9] In some cases, trade has grown rapidly, including with third countries. One of the best examples of this is the vibrant MERCOSUR agreement between Argentina, Brazil, Paraguay and Uruguay, now one of the world's most dynamic trading areas.[10] The negotiations now under way to create a Free Trade Area for the Americas

[8]See, for example, the papers by Foroutan, Nogués and Quintanilla and Brada in de Melo and Panagariya (1992).

[9]For a most recent review, see WTO (1995).

[10]Some scepticism has been expressed by Primo Braga *et al.*, (1994), who are concerned about remaining protection and possible reversals. However, under unilateral and MERCOSUR reforms average tariffs have declined from some 22 per cent in the early 1990s to 12.2 per cent in 1995. Certainly, there is still a pronounced tariff escalation which provides higher effective protection for capital and consumer good production than is evident from nominal rates. Moreover, most non-tariff barriers have disappeared, the main exception being in the automotive sector where local content plans and export balancing requirements will continue until 2000 when they have to be eliminated under the WTO TRIMs Agreement. Under pressure from an overvalued real exchange rate, Brazil introduced some tariff increases in 1995 within WTO bound rates, while safeguard actions are scheduled to be eliminated.

will overtake the various overlapping agreements in the Americas, lending further credibility to the existing reforms. The Asian-Pacific model, APEC, is somewhat different, with plans to move towards a more "open regionalism", in which negotiated benefits may be available to all trading partners. Discussions are now also taking place in the CIS with a view of establishing a common market among member countries. One can only hope that this will be based on outward orientation, modern Latin-style or the Asian-Pacific open regionalism, and not take the route of creating an inward-oriented approach designed to guarantee markets for Russian goods in client states, as we understand has been discussed. That model is a short-cut to a mercantilist disaster, old Latin-style. The transition countries in Central and Eastern Europe, in contrast, have already concluded their regional agreement - the Central European Free Trade Area (CEFTA), which has elements of a good regional arrangement. The Agreement seeks to establish a free trade area in the region by the beginning of the next millennium together with opening of their market to other countries.

The last ten years has also seen the extension of trade agreements between the European Union and partners in the Mediterranean and in Central and Eastern Europe. These include a complex network of FTAs, a customs union with Turkey as well as schemes for preferential access to the EU market. However, it is notable that all of these schemes essentially exclude agriculture and maintain restrictions on other "sensitive" goods on which many of these countries depend. Nevertheless, these arrangements are important in transferring benefits through trade to such countries, helping to reduce or eliminate the existing discrimination against imports from Central and European countries, in particular. This is obviously important for economic reasons as well as supporting political change.

One question that sometimes comes up in connection with the new agreements is whether it is preferable to move in the direction of a free trade area or a customs union. Economists tend to have a preference for customs unions with a common external tariff. The reason for this position is that FTAs require rules of origin to ensure that goods from third countries, passing through another member of the FTA before arriving at the final market for consumption meet minimum processing requirements to benefit from duty-free entry. Such rules of origin can be complex and provide the excuse to block trade, operating in effect as a non-tariff barrier (Krueger, 1993). On the other hand, FTAs have the virtues that they can allow fast-moving reformers to proceed at their own pace without agreement from regional partners. Perhaps the solution is to start with an FTA and move towards a customs union under a progressive harmonization of external barriers.[11]

Clearly, there are a number of worries about the renewed enthusiasm for regional agreements, and it is hoped that the new Committee on Regional Trade Agreements in the WTO will provide for greater scrutiny of these arrangements than the earlier working party system, where conformity with GATT rules (Article XXIV) was explicitly acknowledged in only six out of 69 cases that were submitted to the GATT Council from working parties. In the rest of the cases, there was disagreement in the working parties, and there was no pronouncement either way on the conformity of the agreements with Article XXIV.

Other Policy Measures. Moving away from strict trade policy, some aspects of the reform packages that we have been discussing contain a number of other elements relevant for trade.

[11]The customs union between the Czech Republic and Slovakia that has been established following the breakup of the former Czechoslovakia is a case in point. The union has been under considerable strains due to different pace and scope of economic reforms in both parts of the union.

First, in the area of fiscal reforms there is a serious trend towards the simplification of tax structures and tax administration (of which the customs tariff is a part). Such reforms include the shift towards the use of value added taxes, which are more neutral in their impact on production and trade and are, to a degree, self-policing, helping to reduce tax evasion. Second, an important element is the reform of the state, which has many aspects: these include debureaucratization, cutting down on formalities in trade, investment and for business in general. Privatization of state-owned enterprises is central to this process, helping to reduce fiscal deficits by radical surgery on inefficient state-run companies, reducing foreign debt, including sometimes highly complex operations such as debt-equity swaps, and simply improving efficiency. A greater opening to foreign direct investment is part of this process, a big change from the past when FDI was seen as some kind of capitalist conspiracy; some of this opening has entailed extensive constitutional reform to allow foreign participation in banking, insurance, transport and other services as well as the exploitation of petroleum and other natural resources.

In a number of developing countries attention has also been turned to improving the competitive and regulatory framework. As the state gets out of production and private monopolies or oligopolies take over from the state, there is a different role, reduced but very important, for the state as a regulator. Examples are the supervisory functions in banking and telecommunications. However, there is another role too, that of promoting competition, through the control of restrictive business practices (anti-trust actions) to ensure that society as a whole benefits from the trade reforms. To illustrate, when Argentina carried out its trade reforms in the early 1990s this was seen as contributing to the control of inflation. However, it was found that tariff cuts were not being passed on to consumers and user industries because distribution networks were capturing the economic rents from their stranglehold on the system. This needed strong anti-trust legislation and vigorous enforcement. This story has repeated itself in other countries such as the Czech Republic, Slovakia, Poland, Hungary and other transition economies.

The new liberalization and the corresponding resurgence in trade has also highlighted another weakness in emerging markets, namely the physical and legal infrastructure for trade. Port, airport, road and rail facilities have been run down and need substantial upgrading to reduce the costs of doing business. In the countries in transition, the government must think about the ways in which infrastructure has to be - literally - re-routed. For example, roads to the West must be built to accommodate the needs of foreign trade which has been dramatically reoriented from the East to the West. In the past, however, all roads led to the East! Some improvements are taking place as these facilities are privatized, but there is a crying need for new capital in these areas. A related aspect is that in many countries, not just economies in transition, there is a major need for legal reforms, covering constitutional and legal texts as well as the administration of justice. Again by way of example, the countries in transition are said in need of changing some 20,000 pieces of legislation in order to ensure conformity with the legal systems of the European Union.[12] In our work, we have found numerous instances of conflict between laws, regulations and administrative practice. Who you know often seems to matter more than what you know. Clearly, this must reduce the attractiveness of emerging markets for investment, and we are pleased to say that there is recognition of the problem and serious efforts to overhaul the system in many places.

[12] See van Brabant (1996), who is quoting Meinecke.

Sustainability of Reforms. What makes it certain that these new reforms will have any more success than earlier episodes of liberalization? Many of the episodes of trade reform that occurred before the 1980s failed because they lacked co-ordination in the application of different policies. As we have noted above, most governments now understand that complex problems require complex reforms based on a *basket* of policy measures. The failures to do so stimulated extensive research in the past on the *timing and sequencing* of reforms, which has improved our understanding of the successful policy mix. Until recently, for example, it had been widely accepted that macro-economic stabilization must precede trade reforms (Papageorgiou *et al.*, 1991 and Thomas and Nash, 1991). But there are important recent examples which suggest that it is desirable to initiate trade reforms, to complement and give credibility to the macro-economic reforms (Little *et al.*, 1995). There is also substantial agreement on the content of the reforms and on the importance of fiscal and monetary orthodoxy.

The second additional reason for hope about the irreversibility of reforms stems from the change of context. Many countries are now members of the extended GATT/WTO rules-based system. This locks in their reforms in a more transparent and stable trading environment. While there are some countries which are exceptions to the general observations about reforms and even within reforming countries there have been some shifts of policy, this does not weaken the overall finding that there has been a major systemic change in global economic relations.

But there is, we believe, also a third reason. All the radical changes in policies we have described above have been possible in most emerging economies because the governments had the political will and support of the population. No economic reform can last or have any chance of success unless the principal goals are shared by the majority of the population and governments' policies are successful. We are encouraged to observe that the reforms have so far had the support, at least in the more successful emerging economies. It is, of course, evident that the reverse also holds there - political support is likely to disappear if reforms were to fail to deliver the "goods".

III. Emerging Markets and the World Trade Organization

(a) The Uruguay Round

The major change in the attitude of developing countries to the international trading system came about with the Uruguay Round of Multilateral Trade Negotiations. The GATT had sometimes been seen as a rich man's club, where developing countries were marginalized. In the Uruguay Round, there was certainly pressure on developing countries to assume more GATT obligations. But there was also a realization among many developing countries that making substantive contributions was the only way to be taken seriously and to obtain reciprocal benefits.

Expansion of Membership. The serious approach by the developing countries was consistent with the re-orientation in their own policies that we have just discussed and their increasing involvement in world trade and investment. Since the launching of the Uruguay Round, more than 60 developing countries have unilaterally lowered their trade barriers. Some 25 or so joined the GATT since the start of those negotiations and there are now some 30 countries seeking WTO membership. The big increase in membership during the round was from Latin

American countries, a number of which took the view that the adoption of binding commitments in the GATT system was a way of locking in their own reforms and ensuring against possible policy reversals by future governments of their own countries (Laird, 1995).

In the Round, as is now well known, there were detailed market access negotiations, the existing GATT rules were extensively revised, the rules were also extended into a number of new areas and there were important institutional changes. Moreover, with very few exceptions, under the provision of the Single Undertaking all the rules became applicable to all members (except for the Agreements on Government Procurement, Civil Aircraft, Bovine Meat and Dairy), although sometimes over different implementation periods. Previously, membership in the various GATT Round agreements or "codes" was optional, providing for a different level of rights and obligations for participants. Thus, only participants in given codes could invoke the provisions against other participants.

Market Access. The market access negotiations are expected to lead to a substantial increase in trade and economic welfare, estimated by WTO economists at as much as US$500 billion a year within the ten-year implementation period, taking account of dynamic effects, scale economies and increased competition; this estimate is based on liberalization only in the area of goods, excluding any gains that might result from the liberalization in the area of services (GATT, 1993 and 1994). It is based on the tariff-cutting exercise in all goods sectors, as well as on negotiated reductions in export subsidies and domestic support in agriculture and on the phasing out of the Multifibre Agreement, affecting trade in textiles and clothing.

In the area of tariffs, the industrialised countries reduced their tariffs on industrial goods from an average of 6.3 per cent to 3.9 per cent (Table 2A); behind this overall average there were more substantial cuts on metals, machinery, chemicals and on tropical and a number of other natural resource-based products. The Round has also resulted in a reduction in tariff escalation (GATT, 1993, and Safadi and Laird, 1996). The reduction in tariffs on industrial imports from developing countries was somewhat smaller (Table 2B). However, this was entirely due to tariff peaks on textiles, clothing and fish products and their relatively large share in total imports of developed countries from developing countries.

Developing countries also made substantial tariff commitments. The share of bound items has been increased from very low ratios up to 40 per cent in Sub-Saharan Africa and to 100 per cent in Latin America (Table 3). Their post-Uruguay Round bound average rates range from 13 per cent in the case of Central and Eastern European members to around 20 per cent in East Asia and Sub-Saharan Africa, 33 per cent in Latin America and some 50 per cent in the cases of North African and South Asian countries. According to Finger *et al*. (1996), the so-called "applied tariff rates", that is the actual rates levied by developing countries are much lower than the "bound rates" even though they were not significantly reduced after the Round.[13] Dramatic steps have been taken particularly by countries in transition. Some of the transition economies now have one of the lowest tariff levels in the world (e.g., the Czech Republic and Slovakia). However, in most emerging markets the bound rates are above currently applied average rates, and this leaves a degree of insecurity in their trade regimes. The lowest such differential is among Central and European countries which largely bound their tariffs at applied rates (hence the resort to import surcharges, rather than tariff increases, in response to recent BOP difficulties).

[13]However, it may be useful to remind the reader that tariffs have been significantly reduced unilaterally before or in the course of the negotiations.

INSERT TABLE 2: Tariff Reductions of Developed Countries by Industrial Product Group

Sensitive Sectors. In textiles and clothing the phase-out of the Agreement on Textiles and Clothing (which replaced the Multi-fibre Arrangement, MFA) entails the progressive expansion of the volume of imports by predetermined amounts over ten years. Some developed countries have adopted an "accelerated removal of import restrictions" from selected developing countries. Without going into details, in agriculture, the industrial countries agreed to eliminate or "tariffy" existing non-tariff measures and reduce the average rate by 36 per cent over six years from the 1986-88 base (24 per cent over ten years for developing countries); a few exempt goods are covered by an expanding minimum access guarantee. With certain exemptions, domestic support measures are being reduced by 20 per cent from a 1986-88 base over the implementation period, and a 36 per cent cut in outlays on export subsidies by developed countries (14 per cent by developing countries) relative the base level in 1986-90 (and a guarantee of a 21 per cent reduction in the volume of subsidised exports). There are also more clearly defined rules for the use of allowable support measures, which will tend to increase the use of measures de-linked to production.

INSERT TABLE 3: Uruguay Round Concessions Given by Importing Country Group, All Merchandise Trade

Perhaps more important than the specific commitments in agriculture and textiles and clothing is the fact that the Agreement on Agriculture and the Agreement on Textiles and Clothing also represent a systemic change; these two sectors were by and large outside the rules of the GATT for most of its 50 years. Moreover, the Agreement allow for an *autonomous and discriminatory* elimination of import restrictions on textiles and clothing. We emphasize the words *autonomous and discrimination* because such actions are not generally allowed by member countries in the WTO except in special circumstances such as in the case of textiles and clothing.

Gains for emerging markets. Apart from the systemic improvements, emerging markets substantially improved the terms of access for their exports, particularly where they were subject to MFN tariffs (Table 4). In the post-Uruguay Round era, MFN tariffs facing these countries will range from as low as 1.8 per cent for Sub-Saharan Africa (which generally gets even better tariff treatment) to 5.9 for Eastern European and 7.1 per cent for other transition economies in Europe ("Rest of Europe"). For the transition economies, which mostly received the MFN or a worse treatment, the Uruguay Round should, therefore, bring about important gains in market access. However, some developing countries were concerned that the MFN tariff reductions also eroded the preference margin from which they benefited in developed country markets, e.g., under the Generalised System of Preferences (GSP) or for African, Caribbean and Pacific (ACP) countries in the European Communities under the Lomé Convention. However, the concern is not supported by empirical evidence. It has been estimated that, even under the narrowest assumptions, the GSP countries gain over US$6 billion because the reduction of the rates that they currently face outweighs the erosion of preferences; this gain dominates the results for developing countries as a whole (GATT, 1994). It has also been estimated on a similar basis that static losses across all sectors to ACP countries as a whole would be no more than US$0.5 billion and US$33 million for least developed countries. On the other hand, these quite small amounts should be more than compensated by the dynamic income gains arising from the overall trade liberalization (Safadi and Laird, 1996). Unfortunately, the provisions made in the Agreement to liberalize their

textile and clothing markets through autonomous and discriminatory actions have so far been taken up only by a handful of countries.[14]

INSERT TABLE 4: Uruguay Round MFN Tariff Reductions on Exports by Selecting Exporting Country Group, All Merchandise Trade

Other "New" Areas. In the area of rules, other changes included the elimination of voluntary export restrictions, tightening rules on anti-dumping and countervailing measures, technical standards, sanitary and phytosanitary rules, and the introduction of rules on trade-related intellectual property rights (TRIPS) and trade-related investment measures (TRIMS). Under the TRIMS Agreement, local content and export performance requirements, extensively applied in the automotive sector, should now be eliminated by developed countries and will have to be eliminated by the year 2000 for developing countries (2002 for least developed countries). Another new area, one of the distinguishing features of the WTO compared to the GATT, is the establishment of the General Agreement on Trade in Services, extending multilateral rules to the services sector, while initiating a gradual process of liberalization in sector-specific negotiations.

Dispute Settlement. In institutional matters, there were two major changes. One of these was the establishment of an integrated dispute settlement mechanism. There is now greater automaticity attached to the right to have a trade dispute heard by a panel, to have the eventual findings adopted, and to have a right of retaliation in the event of non-compliance with panel findings. In the past, one party could delay a dispute being heard and block the adoption of the findings, especially if they were unfavourable. There is now also an appeal procedure. So far the dispute settlement mechanism has been very active, with increasing numbers of emerging countries resorting to the mechanism to resolve trade disputes, mostly with developed countries. By the end of 1996, after two years of operation under the new system, the number of disputes that had been already adjudicated in the WTO was 64, of which 17 cases had been requested by developing countries.

Last but not least was the establishment of the World Trade Organization itself. This was the long-overdue third pillar of the post-war trading system alongside the International Monetary Fund and the World Bank, which had functioned with an interim administration since the International Trade Organization was blocked the United States Congress in the early 1950s. Operationally, this has not meant a big change, but the new organization provides the legal umbrella for the various legal instruments of the GATT, the GATS and other agreements of the Uruguay Round.

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[14] See the discussion of "sensitive sectors" above.

(b) The WTO Ministerial meeting in Singapore, December 1996

The first Ministerial level meeting of the World Trade Organization was held in Singapore in December 1996. The main business was a review of the implementation of the commitments and decisions under the WTO Agreement, to review ongoing negotiations, examine developments in world trade and "address the challenges of an evolving world economy." Special attention was paid to a review of the sectoral services negotiations, that is negotiations of financial services, telecommunications and shipping which were left to be completed after the Round. Much interest and even controversy was generated by the discussions on the possible extensions of the WTO work programme for the period after Singapore.

The novel, and arguably the most positively tangible result of the Singapore meeting was the agreement of the European Union and other 13 WTO member countries to the expansion of world trade in information technology products. These countries account for well over 80 per cent of world trade in these products. In order to increase the country coverage of this agreement, the signatories have invited other WTO member countries to join the agreement. The deal will eliminate all tariffs on computers and other high-technology products by year 2000. Accordingly to some estimates, the agreement covers a sector with almost US$ 600 billion in annual turnover. At the meeting, the Ministers took note of the agreement as well as the addition of some 400 pharmaceutical products to their list of duty-free items, which have been added to the "package" of new liberalization measures.

Much of the WTO work programme for the years ahead is already contained in the so-called "built-in" agenda of the WTO Agreements. For example, in the Uruguay Round Agreement on Agriculture, it was envisaged that new agricultural negotiations would begin within five years. Other agreements have less precise review provisions, and as yet there are no plans for further negotiations in industrial goods.

Discussions also took place at Singapore on issues which cut across different areas in the WTO as well as on matters not covered by the built-in agenda or even those that go beyond what has already been agreed. The more controversial proposals were intended to carry the WTO forward into "new areas", although very few can really be called new. These included investment, competition policy, labour standards (the so-called "social clause"), government procurement and rules of the WTO in the context of the global economy.

With regard to investment, the Uruguay Round Agreement already contains a number of WTO provisions in the TRIMS agreement and in the ongoing negotiations of services, where establishment - i.e. foreign direct investment - is perhaps the major mode of supply. Investment rules, which have been subject to a great deal of work in OECD in the context of its proposed Multilateral Agreement on Investment (MAI), are, therefore, not new and would be in keeping with the more liberal economic policies that are now applied. Indeed, a number of developing countries have indicated their intention to participate in the MAI, which is to be open to non-OECD members. Nevertheless, in the context of the WTO a number of developing countries, particularly in Asia were hesitant about starting a work programme on foreign direct investment, arguing that priority should be given to completing the existing agenda and that investment rules could impinge on their sovereignty. In the end, Ministers agreed to establish a working group "to examine the relation between trade and investment" (WTO Singapore Ministerial Declaration). However, there are no immediate plans for negotiations at present time. Ministers have also encouraged a close co-operation with "UNCTAD and other appropriate intergovernmental fora."

These changes reflect a rising awareness in most countries - perhaps stronger in some than in others - that there is a need for a global and balanced framework to establish multilateral rules on foreign direct investment (FDI). As WTO (1996) has recently pointed out, the need for such a framework comes from strong economic, institutional and international policy arguments. Thus, empirical evidence suggests that FDI and international trade are generally complementary. International trade and FDI should not be, therefore, treated separately even on the policy level. On the institutional level, countries have generally understood that purely unilateral measures are not sufficient to give the desired stimulus to FDI flows. As a result, the countries have pushed for international agreements for protection and promotion of investment. This has lead to the proliferation of various bilateral, regional, plurilateral and multilateral agreements and to the need to ensure a better coherence in rule-making, to avoid compartmentalization of international efforts for better policy frameworks and to eliminate the present discrimination against non-participating countries.

In the area of competition policy, the basic idea in the longer term might be to establish a code of behaviour covering anti-trust questions, although, and we emphasize that this is a personal opinion, a case could be also made for extending the competition policy to the anti-dumping laws.[15] This extension is also linked to recent proposal that the WTO rules need to be re-examined in order to update them in the light of most recent trends in globalization of the world economy. This could be also seen as a back door to the re-examination of the anti-dumping rules and is opposed by the more ardent users. At the Singapore meeting, Ministers also agreed to establish a working group to study issues "relating to the interaction between trade and competition policy, including anti-competitive practices in order to identify any trade obstacles that may merit further consideration in the WTO framework." Again, there are no plans for negotiations at this stage.

The proposals on government procurement were essentially to make the existing processes of government procurement more transparent to WTO members states, while in the longer term agreement might be sought on the same levels of access carried by the existing plurilateral Agreement on Government Procurement. A general Agreement on Government Procurement would require more transparent rules under agreed processes for public procurement. There was also a view that such an agreement would help to overcome corruption in the award of public contracts. However, the idea of comprehensive, obligatory membership does not yet have general support, again despite the fact that in most countries budget constraints have forced governments to adopt more competitive procurement practices. Ministers have so far agreed to establish a working group "to conduct a study on transparency...and... to develop elements for inclusion in an appropriate agreement."

The question of labour standards was the most controversial issue. Many developing countries are convinced that behind the idealistic tone of proposals to set labour standards lurked some old-fashioned protectionism. Moreover, even those who are sympathetic to workers' rights in developing countries were unsure whether linking these to WTO rules was appropriate. There was even a concern that imposing higher labour standards could put young workers on the streets and expose them to moral harm. In the end, Ministers, affirming their commitment to the observance of internationally recognized core labour standards, said

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[15]Within the European Communities, the European Economic Area and in the Agreement between Australia and New Zealand on Closer Economic Relations, anti-dumping provisions have been replaced by competition policy as the guide to resolving any questions of unfair trade practices in intra-area trade.

that the International Labour Organization (ILO) was the competent body to set and deal with these standards. *Pari passu*, they expressed concern that these standards should not be used for protectionist purposes.

Among other new matters agreed in Singapore was a Plan of Action for the least developed countries (LLDCs). Details have yet to be spelled out, but a meeting was due to be organized with UNCTAD and the International Trade Centre in early 1997, with the participation of other agencies and the LLDCs to assist those countries in enhancing their trading opportunities. Another new element was a direction for the WTO Council for Trade in Goods to undertake "exploratory and analytical work... on the simplification of trade procedures." The Ministers also took note of the agreement by some Members on a Declaration on Trade in Information Technology Products leading to MFN tariff elimination in information technology products as well as the addition of some 400 pharmaceutical products to their list of duty-free items.

(c) Accession

Apart from the new agenda, the greatest challenge facing the international trading system today is the integration of new members (Kim, 1996). By the end of 1996, the membership of the WTO rose to 127 members, of which the latest was Bulgaria (on 1 December 1996). A further 28 countries were currently engaged in accession negotiations. These include major economies such as China and Chinese Taipei, the Russian Federation, Ukraine, Saudi Arabia and Vietnam, all major players on the international scene. However, most CIS countries are now applicants, and there are also requests from countries, large and small, in all other regions. In Africa, Algeria and Sudan are applicants; Panama's accession in November 1996 completed the Latin American membership; in Europe, the Baltics and Yugoslavia are in the line-up; and there are also requests from several countries in the Middle East, the Pacific and Asia. The inclusion of these countries will increase the span of the international trade law to some one and a half billion new producers and consumers. Virtually all of these countries are "emerging economies".

These countries represent a wide range of interests but they are all looking to the WTO to underpin their own liberalization efforts and to counter discrimination so that they can compete more effectively in the international market place. On achieving membership they will be guaranteed access to the trade concessions negotiated in eight rounds of trade negotiations over 50 years, including reduced tariffs and non-tariff barriers to their exports. They will receive the benefits of the rule of international trade law in the application of permissible measures, such as anti-dumping or safeguards. Moreover, they will have access to the new, strengthened dispute settlement mechanism to enforce their rights. Finally, they will be able to participate in the process of development of the rules and their interpretation as well as in future negotiations. In other words, they will help to shape the WTO system in the future, so that, for example, membership by China and Russia could potentially have systemic implications.

Of course, the new members will also have to take on the wide range of obligations of all WTO members. They will be obliged to "bind" their tariffs, that is, guarantee the maximum levels of tariff treatment to other WTO members. They will be obliged to eliminate most non-tariff barriers to trade and observe agreed disciplines on the use of subsidies, anti-dumping, customs valuation and import licensing procedures, as well as in the use of trade-related investment measures and the protection of intellectual property rights. Most members will

also expect that there will be current account convertibility (consistent with Article VIII of the IMF), which is necessary for the free payment of traded goods and services.

Each accession is unique, with its own working party, and open-ended examination, covering each and every aspect of the WTO agreement, a process which would normally be expected to last 2-3 years, but this could be achieved in as little as one year for clean cases, while the Chinese accession has already taken some 10 years. The precise terms of entry are specifically negotiated for each new member, without any pre-defined formula. However, the experience of recent accessions shows that the terms of membership have become more demanding in the last ten years. For example, it has now become normal to expect that all tariff items will be bound, most likely in the 20-30 per cent range. The matters covered include the transparency of the trade regime, tariff and non-tariff measures, the system of customs valuation, policies affecting agriculture, industry and the services sectors, state-trading (where appropriate), price controls, export policies, the foreign exchange regime and the legal and administrative framework for trade. In general, developing countries may expect to benefit from various transition arrangements allowed under different WTO agreements, although this cannot be taken for granted; this is indeed one of the sticking points in the Chinese accession negotiations.

Thus, membership of the WTO will confer benefits on the new members, particularly through the elimination of discrimination and uncertainty resulting from the temporary nature of trade concessions granted to them by their partners. This problem has been faced in the past, particularly by the transition economies. In turn, they will "pay" for membership by providing to other members the treatment comparable to that which they receive. All told, these "concessions" made by acceding countries will help their own reform process, first, through the adoption of economically more rational policies and, second, by helping reform-minded governments resist protectionist and anti-reform pressures at home. The new trading environment stemming from concessions given and received should also make the economies of the new members more attractive hosts for foreign investment. This should bring the attendant technologies which are required to modernize production and facilitate the integration of these countries in the global market place.

IV. The Impact of Trade Liberalization on Trade - GDP Ratios.

The dramatic changes in trade policy in emerging economies have made a significant impact on the degree with which the emerging economies are being integrated into the world economy. The market openings around the world have created considerable opportunities for these countries to expand trade and to stimulate the growth of their economies. Trade liberalization has also done much to improve the competitiveness and as a result, the growth of trade has often been much faster than the growth of domestic output. In other words, trade has performed another important function - that of an engine of domestic growth.

In order to demonstrate the importance of trade liberalization for emerging economies we assess the role of trade in quantitative terms, using the share of trade in GDP as an indicator of "trade openness".[16] We are aware that the ratio is not foolproof for the purpose at hand since the ratio may be adversely affected by various valuation problems. In order to

[16]We are using the term "trade openness" in the text interchangedly with "trade intensity" but we mean by both terms only one thing - the trade-GDP ratio.

allow for this, we have applied a consistent time series of GDP, trade in goods and services in constant prices as well as a consistent price deflator. The ratios are also sensitive to changes in GDP and trade which do not originate in changes in trade policy. For example, exports are crucially determined by foreign demand. On the other hand, GDP and imports tend to contract simultaneously.

The computations have been based on data obtained from the World Development Indicators published by the World Bank.[17] The tables define GDP in market prices and the price deflator in terms of constant 1987 US dollar prices. This means that our indices have been "cleaned" of price biases due to inflation but retain the shortcoming of being subject to fluctuations in the exchange rate between the US dollar and other currencies. The shortcoming is particularly apparent in the case of countries that are invoicing trade in US dollar such oil-producing countries. Trade is defined for our purposes as *exports and imports of goods and services.* In comparison to many other similar studies, our indices tend to be much higher since other studies often take only exports (or imports) of goods excluding services.

We have computed the ratios for a large number of countries excluding the countries in transition. Unfortunately, the data exclude these countries primarily because of serious methodological problems in national income accounts of these countries and hence in computing GDP figures. The results of our detailed computations are reported in the Appendix. A summary table based on these detailed computations is presented below. It reports average trade intensity ratios by individual continents - South Asia, South East Asia, Africa, which is divided into " open economies" and "closed economies", Latin America and Central America including Mexico. We have not followed the same procedure for the other continents since, as it turned out, the indices "moved naturally" along the borders of these continents. For example, Latin America shows an increase in the indices consistently across all countries.

INSERT TABLE 5 : Trade Intensity Ratios by Continents, 1980 - 1995.

The story emerging from Table 5 is quite interesting. The first important observation we can make is that the trade intensity ratios vary considerably among countries. This is, of course, not surprising since the ratios are affected not only by trade policies but also by the size of countries concerned and by other factors. The most trade-intensive nations are, unsurprisingly, in South East Asia whose average trade-intensity ratio was 90 percent in 1995. In other words, the trade dependence of the region as defined here exceeded on average that of other continents by at least a factor of two! In comparison to South Asia, for example, its trade dependence was almost four times as large in mid-1990's.

Perhaps somewhat surprisingly, Africa's trade intensity has been also relatively large. In 1980, total trade in goods and services accounted for more than 64 percent of GDP, making the continent the most "trade-dependent" area. This reflected the strong orientation of African economies towards exports of natural resource-based commodities and its relatively small production base making African countries greatly dependent on imports.

[17] *World Development Indicators: CD-Rom*; Washington, D.C.: World Bank, 1997.

The changes in the trade intensity ratios have been profound over the last 15 years or so. The most spectacular increase took place again in South East Asia - the ratio almost doubled between 1980 and 1995. Both South America and Central America (including Mexico), two regions where major trade policy reforms began mainly in the mid-1980's, also demonstrate a significant increase in trade intensity following their trade reforms. In contrast, Africa and South Asia have shown virtually no increase over time but the reforms are relatively recent and not yet reflected in the trade/GDP ratios.

These changes may obviously have a number of different origins as noted above. However, the correlation between trade liberalization of, say, Latin America and the increase in trade intensity is striking. In fact, these aggregate figures provide a quite a consistent picture, one of an important impact of trade liberalization on growth of trade and thus on welfare of countries. Nevertheless, a closer inspection of the Appendix table, which provides more detailed breakdown by individual continents, suggest that there are also some "outliers" to our general conclusion. These include countries like Nigeria, which shows a dramatic decline in the ratio but for which we suspect some statistical problems such as the effect of exchange rate changes also noted above. The figures for Uganda are also surprising but incomplete; a more up-to-date time series might lead to conclusions more in line with the experience elsewhere.

V. Conclusions

In reviewing the world trading environment in the last decade we have painted a positive picture of developments, and we hope that we have provided justification for our optimism. Of course, the pace of change has been very fast, and the social costs of rapid adjustment have sometimes led to a questioning of value of change, particularly in transition economies; inevitably, there have been some policy reversals in a number of countries.

But a positive view of developments is justified on the ground that the "new liberalism" involves unilateral reforms that are undertaken in conjunction with wider macro-economic stabilization programmes, with revitalized regional integration arrangements and, ultimately, with expanded membership of the international trading system, which has itself been undergoing deep changes. The governments which have applied for WTO membership have taken an important and very serious policy step which will permanently change their economies. It will mark the maturity of the reform process begun in the last decade in almost all emerging economies. The changes in these economies together with the changes within the WTO system have permanently changed the international trading environment and the framework of international economic relations.

In more specific terms, emerging economies will benefit from their membership in the WTO because of the expected expansion in trade and trading opportunities as a result of the Uruguay Round. Any negative effects are expected to be substantially overtaken by the general increase in trade. The phasing out of textile and clothing restraints, and the first steps towards liberalization in agriculture and services should be of particular advantage for developing countries, although food-importing countries may experience an initial, small deterioration in their terms of trade. Developing countries and transition economies, members of the WTO, should also benefit from the considerable strengthening of the protection of rights under the enhanced rules-based system. Furthermore, it is important to remember that these countries will also gain from liberalizing their trade regimes. On the one hand, their more liberal policies will lead to direct and indirect welfare gains. On the other hand, their

commitments made in the Uruguay Round or in their WTO accession will help prevent or at least contain the risk of possible future trade policy reversals.

Given the extent of change that has taken place, we expect the period ahead to focus on consolidation of the reforms we have described (including implementation of the Uruguay Round commitments), rather than further rapid change. Some policies will have to be further refined at the national level to increase the speed of the supply-side response so that the welfare gains from the new liberalism can be felt by a wider section of the communities in emerging economies. Otherwise there is a danger of loosing fragile public support for the changes. Thus, we perceive a need in many emerging markets to build on the reforms already undertaken and to strengthen the institutional and legal framework for trade and the national and international levels. The consequent increase in security of access and operating conditions in these markets should assist in attracting investment to provide the motor for future development. However, these countries also need improved access to developed country markets. Both elements should be re-enforced by the decisions of the Singapore Ministerial in building on the Uruguay Round results.

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Table 1
Summary of Tariff Régimes of Selected Developing and Transition Countries

Country	Average tariff (per cent)[a]			
	Previous rate reported	Year	Latest rate reported	Year
Europe/Middle East				
Czech Republic	...	...	8.0	1995
Hungary[b]	13	1989	11	1991
Israel	...	...	...	...
Poland	18.3	1989	9.3[bc]	1995
Romania	...	...	17.8	1992
Slovakia	...	...	8.0	1995
Turkey[d]	...	...	9.5	1993
Asia/Pacific				
Bangladesh[bc]	42	1991/92	28	1993/94
India[e]	128	1990/91	42	1995-96
Indonesia	27	1985	20	1994
Korea	24	1984	9	1995
Malaysia	...		14	1993
Pakistan	77	1988	50	1995
Philippines	41.4	1980	25.6	1992
Sri Lanka	...		20	1995
Thailand	44	1991	23.1	1995
Africa				
Cameroon	...		18.8	1994
Côte d'Ivoire	...		22	1995
Egypt	47.5[c]	1986	42.2	1992
Ghana	30	1983	17.[f]	1991
Kenya	41.7	1988	33.6	1992
Mauritius	...		29	1994
Morocco	25.5	1991	23.5	1994
Nigeria	35.2[g]	1989	36.4	1991
Senegal	...		12.3	1994
South Africa	22.0	1988	20.6[h]	1992
Tunisia	32.5	1987	33.2	1994
Uganda	...		17.1	1994/95
Zambia	...		13.6	1996
Zimbabwe	...		17.2	1994
Latin America				
Argentina	30	1989	12.2	1992
Bolivia	20	1990	10	1992
Brazil	51	1988	12.5	1996
Chile	20	1985	11	1992
Colombia	31	1987	11.5	1996
Costa Rica	42.7	1986	10.7	1994
Dominican Republic	...		17.8	1995
El Salvador	22	1989	10.1	1995
Mexico	22.6	1986	12.5	1993
Peru	70	1988	16.3	1993
Paraguay	...		9.1	1995
Uruguay[i]	101	1978	12.5	1996
Venezuela	35	1988	12	1996

Notes:

a Simple average, all products including agriculture, unless otherwise specified.

b Source: Market Access database, European Commission:

c Trade-weighted average figure used.

dTurkey - began a process of tariff reduction in December 1983, at which time weighted average tariffs were reduced from nearly 40 per cent to 22 per cent.

e Source: IBRD Country Economic Memorandum, India.

f Ghana - including special import taxes applied to certain products.

g Nigeria - industrial sector average used for 1989 figure.

h South Africa - manufacturing sector average used for 1992 figure.

i Uruguay - average is an estimate, based on average MERCOSUR CET. At 1992 TPR average was 21.5 per cent.

Source: Prepared by staff of the WTO Trade Policies Review Division from GATT/WTO, Trade Policy Reviews, 1989-96, on individual countries; Market Access database, European Commission; IBRD, Country Economic Memorandum, India.

Table 2. Tariff Reductions of Developed Countries by Industrial Product Group (excluding petroleum)

(Billions of US dollars and percentages)

A. Imports from all sources

Product category	Import value from all sources	Average tariff		
		Pre-	Post-	Reduction
All industrial products (exc. petroleum)	736.9	6.3	3.9	38
Textiles and clothing	66.4	15.5	12.1	22
Metals	69.4	3.7	1.5	59
Mineral products, precious stones and metals	72.9	2.3	1.1	52
Electric machinery	86.0	6.6	3.5	47
Leather, rubber, footwear & travel goods	31.7	8.9	7.3	18
Wood, pulp, paper & furniture	40.6	3.5	1.1	69
Fish & fish products	18.5	6.1	4.5	26
Non-electric machinery	118.1	4.8	2.0	58
Chemicals & photographic supplies	61.0	6.7	3.9	42
Transport equipment	96.3	7.5	5.8	23
Manufactured articles n.e.s.	76.1	5.5	2.4	56
Developing economies products	465.8	7.6	5.0	34
Industrial tropical products	32.8	4.2	2.3	45
Natural resource-based products	80.2	3.2	2.1	34

B. Imports from developing economies

Product category	Import value from developing economies	Average tariff		
		Pre-	Post-	Reduction
All industrial products (exc. petroleum)	169.7	6.8	4.5	34
Textiles and clothing	33.2	14.6	11.5	21
Metals	24.4	2.7	0.9	67
Mineral products, precious stones and metals	22.2	2.7	0.8	70
Electric machinery	19.2	6.3	3.5	44
Leather, rubber, footwear & travel goods	12.2	8.1	6.6	19
Wood, pulp, paper & furniture	11.5	4.6	1.7	63
Fish & fish products	10.6	6.5	3.4	48
Non-electric machinery	9.8	4.7	1.9	60
Chemicals & photographic supplies	8.2	7.2	4.0	44
Transport equipment	7.6	3.8	3.1	18

Manufactured articles n.e.s.	10.9	6.5	3.4	48
Developing economies products	122.8	8.0	5.6	30
Industrial tropical products	14.4	4.2	1.8	57
Natural resource-based products	33.4	4.0	2.6	35

Source: GATT (1993)

Table 3: Uruguay Round Concessions Given by Importing Country Group, All Merchandise Trade

Region	Share of imports bound (per cent)			Average import weighted tariffs			
	Pre-UR	Post-UR	Above applied rates	Pre-UR applied	Post UR applied	Tariff reduction	Post -UR bound rate
East Asia	15.9	77.3	22.1	16.8	11.9	9.4	21.0
Eastern Europe	55.1	96.0	27.0	8.0	6.7	2.4	13.3
High Income countries	80.2	88.5	19.3	4.8	2.6	3.2	3.7
Latin America	49.7	100.0	88.3	12.3	11.7	2.4	32.7
North Africa	0.0	67.9	46.0	24.9	24.8	6.9	48.7
Rest of Europe	35.6	45.1	3.2	30.3	26.3	6.5	33.3
South Asia	11.3	52.2	15.1	34.6	30.4	16.5	50.8
Sub-Saharan Africa	26.8	40.1	17.3	9.0	9.0	5.8	19.4
World	73.1	87.4	21.8	6.5	4.3	3.9	6.5

Note: Importer Groups refer only to Uruguay Round Participants.
Source: Finger, Reincke and Ingco (1996).

Table 4: Uruguay Round MFN Tariff Reductions on Exports by Selected Exporting Country Group, All Merchandise Trade

Region	Average levels weighted by exports to the World (excluding FTA trade)				
	Share of Exports affected	Pre-UR applied	Post UR applied	Tariff reduction	Post -UR bound rate
Central Asia	12.8	2.6	2.1	3.1	3.5
East Asia & Pacific	35.7	6.3	4.6	3.7	7.8
Eastern Europe	55.8	8.3	5.9	3.3	7.3
High Income Countries	35.6	6.9	4.5	3.9	6.5
Latin America	21.8	5.5	3.8	3.5	7.4
Middle East	6.7	3.8	2.2	4.2	4.8
North Africa	19.3	3.6	2.7	3.0	3.9
Rest of Europe	67.1	9.4	7.1	3.0	8.9
Sub-Saharan Africa	17.5	2.7	1.8	3.4	3.2
South Asia	46.6	7.2	5.6	2.9	7.1
World	33.4	6.5	4.4	3.8	6.5

Note: This table uses World Bank definitions of regional groups. It is not restricted to Uruguay Round participants.
Source: Finger, Reincke and Ingco (1996).

Table 5: Trade Intensity[1] Ratios by Region, 1980-1995
(In percentages)

	1980	1985	1990	1991	1992	1993	1994	1995
South Asia	20.0	18.4	18.9	18.6	18.3	19.6	19.9	21.6
South East Asia	51.2	43.0	63.6	64.2	69.0	73.6	82.5	90.0
Africa	64.3	53.9	52.2	52.0	53.6	55.4	54.8	56.1
South America	24.1	22.2	26.1	28.1	30.4	32.6	33.7	36.4
Central America and Mexico	37.2	32.2	45.6	48.6	53.2	53.6	57.1	57.6

[1]Defined as trade-GDP ratios. For more details, see the text.

Appendix Table
Trade Intensity Ratios by Countries, 1980-1995
(In percent, constant prices)

I. South Asia

Country	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
Bangladesh	26.6	24.4	23.8	22.4	22.6	24.4	22.0	23.7	25.8	26.4	34.7	29.9	29.9	31.0	29.9	39.0
India	15.6	15.3	14.3	14.4	15.0	15.1	15.4	15.2	15.4	15.2	15.2	14.5	15.4	16.7	17.5	19.2
Pakistan	40.1	33.9	31.5	34.1	32.5	31.9	33.0	34.2	31.1	32.0	29.2	30.6	34.6	36.7	33.8	32.2
Sri Lanka	78.4	72.6	74.1	70.7	68.7	66.5	66.3	72.7	78.6	87.7	93.7	97.7	-	-	-	-
Total	**20.0**	**18.9**	**18.0**	**18.1**	**18.4**	**18.5**	**18.7**	**18.9**	**18.8**	**18.9**	**19.1**	**18.6**	**18.3**	**19.6**	**19.9**	**21.6**

II. South East Asia

Country	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
China	26.4	30.0	27.3	26.7	28.8	33.5	30.2	27.1	28.2	29.0	27.8	29.4	31.1	32.6	34.1	33.0
Hong Kong	168.6	174.8	167.5	176.7	188.5	199.2	205.3	234.8	270.1	286.3	304.3	337.5	379.6	401.9	425.5	457.3
Indonesia	59.8	56.9	54.6	49.7	45.9	43.8	45.2	46.4	40.0	40.7	40.9	44.4	46.5	45.0	46.7	49.3
Korea, Rep. of	62.3	64.5	63.3	65.5	65.9	61.7	67.6	73.0	74.0	73.0	72.7	77.1	79.1	81.4	89.5	98.7
Malaysia	101.2	97.1	102.9	106.9	109.0	104.8	106.9	113.6	122.9	137.3	150.3	165.5	158.3	168.3	189.1	210.3
Philippines	51.2	50.8	47.7	47.1	47.2	43.0	47.4	52.9	58.0	61.7	63.6	64.2	69.0	73.6	82.5	90.0
Total	**58.6**	**60.9**	**58.2**	**58.3**	**59.4**	**59.0**	**60.1**	**63.4**	**66.5**	**68.8**	**70.5**	**75.4**	**78.2**	**80.1**	**84.4**	**88.5**

III. Africa

Country	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
A. Good Performers																
Cameroon	36.4	44.4	36.7	37.7	46.9	47.0	37.1	37.3	39.3	49.7	48.8	48.2	51.6	48.8	51.7	49.0
Gabon	80.1	92.7	87.8	93.7	96.2	96.7	91.5	81.6	77.9	86.6	88.3	82.0	88.4	88.5	104.6	104.3
Kenya	67.9	55.4	49.8	43.7	47.0	44.7	47.3	47.8	48.2	50.6	53.5	51.4	51.3	68.1	64.7	74.5
Malawi	78.3	65.5	59.7	58.9	60.1	66.1	55.4	54.3	58.8	61.7	62.7	67.5	70.1	57.2	65.6	60.6
Mali	38.0	36.6	35.1	40.9	49.4	64.8	51.4	48.8	50.4	46.6	51.2	52.2	53.3	51.9	47.6	51.3
Mauritius	107.0	93.6	89.9	90.9	92.3	94.4	109.4	127.1	137.9	135.0	138.3	134.3	130.5	133.2	133.8	128.1
Morocco	49.4	51.4	48.7	47.3	47.2	46.3	45.8	51.4	53.2	51.9	58.2	55.4	61.0	64.7	59.7	66.7
South Africa	59.9	59.0	54.0	50.4	53.1	52.7	51.0	50.2	55.3	55.6	55.3	56.4	59.6	62.6	65.4	66.8
Swaziland	141.1	150.9	144.5	140.3	122.6	123.2	128.1	150.0	153.0	169.2	163.6	167.7	164.3	167.8	149.7	148.3
Tunisia	84.3	86.9	85.3	80.6	79.6	70.4	72.3	70.6	84.0	90.2	89.9	83.5	85.3	87.0	90.3	90.4
Zambia	101.1	81.6	82.0	73.7	70.3	74.2	79.1	75.2	69.1	63.7	59.1	55.9	58.1	76.5	79.1	84.6
Zimbabwe	58.5	60.5	59.8	55.7	48.6	56.8	61.7	58.3	55.3	58.6	59.1	61.3	65.1	61.1	61.2	64.7

B. Slow Performers																
Algeria	36.4	39.0	37.5	37.8	37.0	36.6	31.6	27.4	28.4	30.3	29.8	27.6	28.2	27.7	28.1	27.8
Benin	114.9	115.1	84.9	65.1	67.2	75.9	67.0	67.8	64.6	46.3	47.3	49.7	51.4	50.3	42.5	-
Burkina Faso	46.3	48.5	41.1	34.3	34.7	37.1	43.6	41.6	36.4	31.5	39.7	38.8	35.4	37.2	31.9	35.3
Burundi	33.3	33.0	39.2	39.1	39.5	35.7	35.0	35.5	34.4	30.1	31.4	32.3	32.7	39.2	42.1	40.9
Central Africa	74.4	70.5	57.8	61.6	57.7	57.7	55.7	52.5	48.4	47.6	47.8	41.5	40.2	38.8	39.8	0.0
Chad	67.2	54.8	39.1	57.9	60.3	66.7	71.7	73.7	68.3	65.1	67.1	63.9	58.2	52.1	0.0	0.0
Congo	106.1	122.1	128.2	107.1	102.0	100.6	92.4	80.4	84.6	85.0	85.8	86.1	91.8	91.6	100.6	109.4
Côte d'Ivoire	69.0	66.6	63.4	59.3	63.7	61.6	54.0	63.1	60.8	65.3	69.0	66.8	66.6	62.1	64.9	71.1
Egypt	76.0	75.5	59.8	57.6	60.9	59.0	52.4	46.8	52.7	54.3	56.8	57.9	58.3	56.4	52.5	52.8
Gambia	217.7	190.3	166.0	144.7	108.1	105.6	105.9	105.2	119.9	136.6	141.6	136.3	134.0	127.0	108.4	132.7
Guinea-Bissau	85.2	60.8	71.4	70.2	71.9	66.7	67.2	57.4	63.8	66.4	66.1	65.2	61.6	45.1	50.1	48.6
Lesotho	159.8	165.2	167.5	174.2	164.7	155.7	142.9	148.0	160.2	146.3	130.5	138.3	133.3	134.5	121.9	122.3
Madagascar	72.4	54.7	52.9	45.1	43.3	43.6	37.2	37.2	33.0	34.4	41.7	42.0	41.8	44.9	47.2	47.4
Mauritania	95.1	113.0	125.3	128.8	128.1	130.2	127.8	115.8	108.9	100.9	103.2	96.6	91.4	85.9	72.3	78.0
Nigeria	116.0	128.9	104.0	94.9	87.8	80.0	65.1	53.3	50.0	51.0	51.8	53.1	53.0	52.0	45.1	45.5
Senegal	55.6	59.5	58.2	57.1	62.9	54.2	57.1	55.5	54.3	54.2	60.5	60.8	58.2	54.7	52.7	50.6
Sierra Leone	74.9	47.8	33.5	39.0	39.6	44.5	52.8	44.0	35.9	46.6	51.3	53.5	55.4	50.6	42.7	40.8
Togo	82.3	77.2	81.9	71.5	71.0	73.3	90.5	92.1	91.5	73.8	72.6	70.0	65.5	54.3	43.0	45.4
Uganda	23.2	23.6	24.1	24.6	26.3	26.5	24.9	23.6	21.3	21.4	19.0	22.3	27.6	-	-	-
Total	**64.3**	**65.0**	**57.9**	**54.7**	**55.2**	**53.9**	**49.8**	**47.3**	**49.9**	**51.1**	**52.2**	**52.0**	**53.6**	**55.4**	**54.8**	**56.1**

IV: Latin America

Country	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
Argentina	20.0	20.6	16.0	15.2	15.0	16.4	15.2	15.4	16.3	16.7	18.8	19.8	23.6	24.2	26.6	28.5
Bolivia	31.3	37.0	29.6	31.7	28.1	33.4	36.2	36.5	33.9	38.7	41.2	40.3	40.7	42.8	44.6	45.5
Brazil	15.3	16.3	14.9	15.2	16.0	15.5	14.8	15.7	16.9	17.4	18.4	19.7	20.2	22.9	24.0	26.7
Chile	66.4	66.8	58.5	56.2	58.0	53.1	54.8	57.7	60.2	65.9	68.1	69.6	74.2	75.2	76.9	82.9
Colombia	31.2	29.5	30.3	28.2	27.8	27.9	29.6	29.9	29.7	29.7	32.3	33.6	39.4	45.2	46.5	47.9
Ecuador	59.2	54.6	55.1	48.3	48.4	50.9	51.5	54.3	53.1	53.8	54.1	58.2	59.4	59.7	62.0	64.3
Paraguay	57.3	52.8	50.2	43.8	48.3	42.7	58.0	61.3	70.9	64.7	88.7	96.4	95.1	123.3	133.2	134.3
Peru	29.5	30.3	32.1	29.7	27.5	26.5	24.8	23.7	23.7	25.6	25.1	28.2	30.8	29.8	31.6	35.2
Uruguay	39.1	39.7	38.6	41.6	93.2	39.9	43.5	40.9	42.9	44.9	48.1	50.9	55.1	39.3	63.1	61.3
Venezuela	45.9	47.4	50.8	35.2	46.0	44.1	43.8	43.7	46.9	43.5	43.1	47.5	49.7	50.7	48.9	50.2
Total	**24.1**	**25.1**	**23.3**	**21.2**	**22.5**	**22.2**	**21.7**	**22.4**	**23.9**	**24.3**	**26.1**	**28.1**	**30.4**	**32.6**	**33.7**	**36.4**

V: Central America Including Mexico

Country	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
Costa Rica	61.1	55.8	53.1	54.9	56.5	56.5	59.3	67.4	67.0	74.3	78.2	78.3	86.7	92.4	92.4	94.2
El Salvador	54.2	51.1	44.1	50.6	49.1	47.5	44.0	45.1	42.5	41.4	53.4	53.5	56.6	65.1	69.4	70.7

Honduras	59.2	54.6	45.8	46.8	48.6	48.2	49.5	47.9	47.3	46.9	46.3	46.0	46.8	45.4	45.8	48.1
Mexico	35.2	37.5	30.7	28.5	30.5	30.6	30.2	32.9	38.5	41.3	44.3	47.5	52.1	52.1	55.7	55.9
Total	**37.2**	**38.7**	**31.9**	**30.2**	**32.1**	**32.2**	**31.9**	**34.7**	**39.7**	**42.5**	**45.6**	**48.6**	**53.2**	**53.6**	**57.1**	**57.6**

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