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July 20, 1994

To: Members of the Executive Board

From: The Acting Secretary

Subject: Comprehensive Trade Paper - The Uruguay Round - Economic Implications

The attached supplement to the comprehensive trade paper investigates the economic implications of the Uruguay Round paper, which is tentatively scheduled for discussion on Wednesday, August 24, 1994.

Ms. Kirmani (ext. 38721) or Mr. Harmsen (ext. 38531) is available to answer technical or factual questions relating to this paper prior to the Board discussion.

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Comprehensive Trade Paper - The Uruguay Round: Economic Implications

Prepared by the Policy Development and Review Department

(In consultation with other departments)

Approved by Jack Boorman

July 15, 1994

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I. Introduction 1/

This paper investigates the economic implications of the Uruguay Round (UR) on industrial, developing, and transition economies, providing more detailed background for the overall assessment contained in the main paper. 2/ The qualitative analysis presented here should be considered in the nature of a preliminary assessment pending release by GATT of details of the final commitments in national schedules signed at Marrakesh on April 15, 1994. 3/

The paper is organized as follows. Section II discusses trade liberalization in goods under the Round as it pertains to tariffs and nontariff measures with respect to industrial products, agriculture, and textiles and clothing. The "new" areas of services and intellectual property rights are discussed in Section III. Strengthened rules (such as safeguards, dumping, subsidies and countervailing duties) and institutions are touched upon in Section IV. Sections V and VI discuss respectively the role of preferences for developing countries and their integration in the multilateral system, including special and differential treatment in the GATT/WTO. The discussion is supplemented by additional information contained in boxes on specific topics. A Quick Reference Guide to the UR provides a synopsis of the main results (Appendix Table 1); this table should be read in conjunction with individual sections below.

II. Trade Liberalization

A number of studies have estimated the implications of the Uruguay Round agreement for global income and trade. Almost all of these studies predated the conclusion of the Round and were in general based on assumptions about the likely outcomes with respect to reductions in tariffs on industrial and agricultural products, rather than the final results. Also, estimates of price effects of trade liberalization are confined to the agricultural sector (see sub-section II.3) and therefore very partial. Calculations of overall terms of trade effects, including the effects of the liberalization of trade in industrial products, are not available.

1/ The principal authors of this paper are Mr. Harmsen and Mr. Subramanian.

2/ Section IV of the main paper provides an overview of the economic implications of the Round. This paper builds upon earlier Fund staff papers reporting on the Round's results and on quantitative estimates of its aggregate income and trade effects based on existing studies. See "Conclusion of the Uruguay Round - An Agreed Final Act," SM/94/56, 3/1/94, and World Economic Outlook, May 1994.

3/ At the time of this writing, GATT CONTRACTING PARTIES had not yet decided to release national schedules of final commitments and their detailed summaries from GATT's integrated database.

Annual gains in world income from full implementation are estimated at $212 to $274 billion, of which $78 billion annually would be attributable to developing countries (IMF, 1994b). 1/ These results, however, provide only a partial picture and likely underestimate the real gains of the Round. This section attempts a broader, more qualitative assessment of the impact of trade liberalization.

1. Tariffs on industrial products

a. Industrial countries

Under the Round, industrial countries will reduce import-weighted average bound tariffs on industrial products from 6 percent to 3.6 percent at the end of the five year implementation period 2/ (Table 1). However, as applied rates are lower than bound rates in the base period for many industrial countries, the former provide a better basis to measure actual liberalization; taking applied rates as a point of departure, import-weighted average tariffs on industrial imports will decline from 5.0 percent to 3.6 percent. 3/

A closer look at the structure of tariff reductions by groups of industrial products reveals that these have been uneven across sectors (Table 2). The highest cuts, ranging from about 40-70 percent (measured in terms of bound rates), have been made in sectors where tariff levels were already modest (wood, paper, pulp, and furniture; metals; and nonelectric machinery). More limited cuts, ranging from about 20-25 percent, pertain to sectors that continue to face structural adjustment difficulties, and where current levels of protection are high (textiles and clothing; transport equipment; and leather, rubber, footwear, and travel products).

Moreover, many products in the highly protected sectors will remain subject to high tariff peaks (defined as tariffs exceeding 15 percent), in particular sensitive sectors such as textiles and clothing. In those sectors which are subject to more far-reaching liberalization, such as wood, pulp, paper, and furniture, tariff peaks have been reduced significantly or fully eliminated.

1/ For a critique of quantitative estimates in existing studies of the Round, see World Economic Outlook, May 1994.

2/ These estimates differ from those of GATT (6.3 percent and 3.9 percent respectively) as GATT definitions include South Africa among the industrial country category.

3/ As in past MTNs, the Uruguay Round tariff cuts will have an impact on fiscal revenues to the extent that applied rates are brought down. It is difficult to measure the true budgetary costs, including the second round effects on revenues deriving from the income gains generated by the Round. In general, reliance on trade taxes as a source of government revenue is not very significant in industrial countries and the net budgetary costs, if any, of the tariff cuts are expected to be absorbed without major problems.

Table 1. Industrial Countries: Uruguay Round Tariff Reductions on Industrial Products by Country 1/

(In percent)

	Import-weighted average bound rates, pre-Uruguay Round	Import-weighted average applied rates, pre-Uruguay Round	Import-weighted average bound rates, post-Uruguay Round
Australia	20.1	10.0	12.2
Austria	10.5	9.0	7.1
Canada	9.0	4.9	4.8
EU	5.7	5.7	3.6
Finland	5.5	5.4 2/	3.8
Iceland	18.2	5.1	11.8
Japan	3.9	1.9	1.7
New Zealand	23.8	20.4	11.9
Norway	3.6	3.6	2.0
Sweden	4.6	3.8	3.1
Switzerland	2.2	2.2	1.5
United States	5.4	5.4	3.5
Industrial Countries	**6.0**	**5.0**	**3.6**

Sources: GATT, and IMF staff estimates.

1/ These numbers are based on available GATT and IMF data. The table shows the average level at which tariffs are bound (column 2), actual average applied tariffs (column 3), and the level at which tariffs are bound after implementation of the Uruguay Round agreement (column 4). In cases where only a part of tariff lines is bound (column 2 and 4), average bound rates are calculated as an average of bound and applied rates.
2/ Simple arithmetic mean.

Table 2. Industrial Countries: Uruguay Round Tariff Reductions by Sector

(In percent)

	Reduction	Developing countries with high export interest 1/
Wood, pulp, furniture, paper	69	Cameroon, Congo, Ghana, Indonesia, Paraguay
Metals	59	Bolivia, Cameroon, Sierra Leone, Zaire, Zimbabwe
Non-electric machinery	58	Mali, Singapore
Mineral products	52	Congo, Sierra Leone, Zaire, Zimbabwe
Electric Machinery	47	Malaysia, Singapore
Chemicals & photographic supplies	42	Jamaica, Namibia, Niger
Fish and fish products	26	Belize, Cuba, Ecuador, Honduras
Transport equipment	23	
Textiles and clothing	22	Bangladesh, Egypt, China, Hong Kong, India, Korea, Morocco, Macau, Pakistan, Sri Lanka, Tunisia
Leather, rubber	18	Kenya, Nigeria, Paraguay, Uruguay, Cambodia

Source: GATT

1/ This column shows selected developing countries where exports of the mentioned categories of products exceed 20 percent of total exports.

Duty-free imports entering industrial country markets will grow considerably. The average share of trade at zero duty is expected to increase from 20 percent to 43 percent. The growth of the share of duty-free trade will be particularly high in sectors such as machinery, metals, mineral products, wood, pulp, paper, and furniture; and chemical products. However, the share of duty-free trade in the more protected sectors mentioned above will remain relatively low at 4 percent to 21 percent.

Table 3 shows that tariff escalation remains, but at lower levels. For example, the decline in nominal average tariffs on imports of finished industrial products from developing countries amounts to 32 percent, somewhat lower than average tariff reductions on semi-manufactures and raw materials (47 percent and 62 percent, respectively).

b. Developing and transition countries

Many developing countries continued their policies of unilateral trade liberalization--including a reduction in tariffs--in the past several years. However, prior to the UR, they were in general reluctant to bind lower tariffs--or, in many cases, any tariffs at all--under the GATT (Table 4). As a result of this failure to lock in reforms, a high degree of uncertainty continued to exist about future tariff policies in developing countries. This situation will improve considerably with the implementation of the UR agreement, as many developing countries have undertaken to bind all or a large part of their tariff lines. The coverage of bindings on industrial products will increase from 14 percent to 59 percent of imports. A number of countries agreed to increase the coverage of tariff bindings from relatively low levels to 100 percent (Argentina, Brazil, Colombia, Jamaica, and Uruguay).

The increased coverage of bindings will result in increased predictability of developing countries' trade regimes, but will not lead to actual trade liberalization as the newly bound tariffs generally exceed currently applied rates (Table 5). 1/ Also, notwithstanding major tariff reductions in recent years, the average level of tariffs and the number of products subject to tariff peaks will remain very high in many developing countries. In some countries (e.g., Indonesia, Jamaica, Tunisia, Uruguay) the differential between bound and applied rates remains large even after full implementation of the UR agreement. A notable exception is India, which agreed to bind future tariff reductions that it will implement in the context of a comprehensive reform of its trade regime.

1/ Thus, the direct budgetary effects of developing countries' tariff concessions are negligible. In transition economies, the direct effects will vary from zero in Romania to somewhat more significant levels in Hungary.

Table 3. Tariff Escalation on Industrial Countries' Imports from Developing Countries

(In percent)

	Share of each stage	Tariffs Pre-UR	Post-UR	Percentage reduction
All industrial products (excluding petroleum)				
Raw materials	22.0	2.1	0.8	62.0
Semimanufactures	21.0	5.3	2.8	47.0
Finished products	57.0	9.1	6.2	32.0
Total	100.0	6.8	4.3	37.0
All tropical industrial products				
Raw materials	35.0	0.1	0.0	100.0
Semimanufactures	30.0	6.3	3.5	44.0
Finished products	34.0	6.6	2.6	61.0
Total	100.0	4.2	1.9	55.0
Natural resource based products				
Raw materials	11.0	3.1	2.0	35.0
Semimanufactures	40.0	3.5	2.0	43.0
Finished products	17.0	7.9	5.9	25.0
Total	100.0	4.0	2.7	33.0

Source: GATT.

Table 4. Tariff Bindings 1/

	Industrial Products				Agricultural Products			
	Percent of Tariff Lines		Percent of Imports		Percent of Tariff Lines		Percent of Imports	
	Pre-UR	Post-UR	Pre-UR	Post-UR	Pre-UR	Post-UR	Pre-UR	Post-UR
By major country group:								
Industrial countries	78	99	94	99	58	100	81	100
Developing countries	22	72	14	59	18	100	25	100
Transition economies	73	98	74	96	51	100	54	100
By selected region:								
North America	99	100	99	100	92	100	96	100
Latin America	38	100	57	100	36	100	74	100
Western Europe	79	82	98	98	45	100	87	100
Central Europe	63	98	68	97	45	100	50	100
Asia	17	67	36	70	17	100	40	100

Source: GATT.

1/ Excludes petroleum.

Table 5. Developing Countries: Uruguay Round Tariff Reductions on Industrial Products 1/

(In percent)

	Import-weighted average bound rates, pre-Uruguay Round	Import-weighted average applied rates, pre-Uruguay Round	Import-weighted average bound rates, post-Uruguay Round
Argentina	38.2	20.0	30.9
Brazil	40.7	15.0	27.0
Chile	34.9	15.0	24.9
Colombia	44.3	11.0	35.3
Costa Rica	54.9	24.0 2/	44.1
El Salvador	34.5	17.8 2/	30.6
Hong Kong	0.0	0.0	0.0
India	71.4	54.0	32.4
Indonesia	20.4	20.4	36.9
Jamaica	16.5	13.6	50.0
Korea	18.0	7.9	8.3
Macau	0.0	0.0	0.0
Malaysia	10.0	9.1	9.1
Mexico	46.1	13.0 2/	33.7
Peru	34.8	15.3	29.4
Philippines	23.9	25.6	22.5
Singapore	0.4	0.4	5.1
Sri Lanka	28.6	25.1	28.1
Thailand	35.8	35.8	28.1
Tunisia	28.3	27.0 2/	40.2
Turkey	25.1	7.7 3/	22.3
Uruguay	20.9	17.0	30.9
Venezuela	50.0	12.0	31.1
Zimbabwe	4.8	40.0	4.8

Sources: GATT, and IMF staff estimates.

1/ See footnote 1, Table 2. In some cases, column 4 shows higher rates than column 2. This is due to the fact that these figures are calculated as averages of bound and applied rates for unbound items; and that the coverage of bindings has been expanded at higher levels than applied rates.

2/ Expected to prevail at the end of the six-year implementation period.

3/ Simple arithmetic mean.

East European countries have also increased the scope of bindings, from 74 percent of imports currently to 96 percent after the implementation of the UR agreement. Further, east European countries will in general reduce their tariffs (Table 6). An exception is Romania, where applied tariffs are considerably lower than the bindings under the Round.

Table 6. Transition Economies: Uruguay Round Tariff Reductions on Industrial Products 1/

(In percent)

	Import-weighted average bound rates, pre-UR	Import-weighted average applied rates, pre-UR	Import-weighted average bound rates, post-UR
Czech Republic	4.9	5.7 2/	3.8
Hungary	9.6	11.0 2/	6.9
Poland	16.0	11.6 3/	9.9
Romania	11.8	11.8	33.9
Slovak Republic	4.9	5.7 2/3/	3.8

Sources: GATT, and IMF staff estimates.

1/ See Table 1, footnote 1.
2/ Simple average of MFN statutory rates. These averages typically differ from import-weighted averages, which partly explains that average applied rates exceed the pre-UR bound rates.
3/ Excluding the 6 percent import surcharge in Poland and 10 percent import surcharge in the Slovak Republic.

The impact of the Round for developing countries' access to industrial country markets is mixed. Developing and transition countries that stand to gain most are those whose exports are heavily biased towards products where tariff cuts are the largest: metals, mineral products, wood, pulp, paper, and furniture. This group includes Bolivia, Cameroon, Congo, Ghana, Indonesia, Sierra Leone, Zaire, Zimbabwe, and countries of the FSU. The cuts in industrial countries' tariffs on tropical industrial products and natural resource-based products (Table 3) will also increase export opportunities for a large number of developing countries and transition economies. The group of countries that on the basis of its export structure is less well positioned to benefit from widened market access includes, for example, Ecuador, Honduras, and Kenya. The export earnings of these countries are heavily dependent on industrial products where tariff cuts are limited, such as leather, rubber, footwear, travel goods, fish, and fish products.

2. Nontariff barriers on industrial products

In most industrial countries, the use of voluntary export restraints (VERs) and other "grey area measures" (such as import surveillance) against imports of industrial products had increased significantly during the 1980s to become the most important category of nontariff barriers. The Uruguay Round agreement provides for the virtual elimination of grey area measures within four years after the entry into force of the agreement. Signatories are allowed to retain one VER until end-1999.

a. Industrial countries

The elimination of VERs may have far-reaching implications for future trade policies in industrial countries. As noted in the main paper, nontariff barriers continue to be significant (covering around 14 percent of imports) and often take the form of VERs. VERs are often subject to discretionary action by the authorities, reduce competition and predictability of market access for foreign suppliers, raise prices and create rents for domestic industries and foreign suppliers with privileged market access.

Various studies confirm the considerable negative effects of VERs (Goldberg and Ordover, 1991). For instance, VERs on Japanese cars resulted in increases in domestic car prices of 12-20 percent in the United States and the EU. Similar conclusions apply to the U.S. textiles and clothing sectors and the semiconductor trade agreement between Japan and the United States. The elimination of VERs may therefore have considerable positive welfare effects in industrial countries. The full benefits from the elimination of VERs will be felt only if they are not replaced by other forms of protection, such as antidumping measures. Furthermore, as officially sponsored VERs are ended, there is a risk that more industry-to-industry VERs may crop up. Because such actions are nontransparent, vigilance is needed to ensure that the Uruguay Round agreement is implemented in letter and spirit.

b. Developing and transition countries

Given the fact that developing countries and transition economies normally do not impose grey area measures as instruments of trade protection, the elimination of these measures under the Uruguay Round agreement will have little or no immediate impact on their own trade liberalization. However, the Round will have implications for access to industrial country markets. In 1992, nearly one-tenth of developing countries' exports to industrial countries was covered by grey area measures. Fish and fish products are the group of goods most often hit by restrictions: nearly half of their exports of these products was subject to grey area measures. Other sectors where grey area measures against exports from developing and transition countries are highly significant include footwear, iron and steel, consumer electronics, textiles and clothing, and agriculture (the latter two categories of products are discussed below).

The elimination of grey area measures by industrial countries will increase export opportunities for developing countries. Low and Yeats (1994) estimate that the average trade coverage ratio of nontariff measures (NTMs) (including QRs and restrictions under the MFA) against imports from developing countries will decline from 18.0 percent at present to 4.2-5.5 percent after the implementation of the Round.

3. Agriculture

An outstanding achievement of the Uruguay Round was the integration of the agricultural sector in the multilateral trading system. The agreed reductions in domestic market supports and export subsidization (Appendix Table 1) will mitigate distortions in world markets and increase export opportunities for more efficient producers.

a. Industrial countries

Given the significant cost of agricultural subsidization in most industrial countries, the welfare gains from liberalization are considerable. Goldin et al. (1993), for instance, estimated the positive impact on GDP of liberalization in line with the Draft Final Act at $57 billion for the EU, $16 billion for Japan, $12 billion for the United States, $9 billion for EFTA, and about $2 billion for Canada and Australia/New Zealand (1985 prices). Nguyen et al. (1993) come to roughly comparable numbers. 1/

As noted in the main paper, the costs and distortionary effects of the EU's Common Agricultural Policy (CAP) had already induced EU members to agree on the 1992 CAP reform. The reform provides for a phased shift away from subsidization of production to direct payments to farmers, and significant reductions in guaranteed prices for cereals and beef to be completed in the marketing year 1995/96. Scenarios on the future development of agricultural production in the EU made by the European Commission show a significant decline in output of cereals during the nineties as a result of the CAP reform (European Commission (1993a)). If events prove that the CAP reform is insufficient to produce the outcome required by the UR agreement, further measures will be needed.

The implications of the UR agreement for agricultural policies in the United States seem to be less far-reaching. The commitment to reduce trade

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1/ For a discussion of these studies, see World Economic Outlook, May 1994. Note that the studies may overestimate the magnitude of actual liberalization under the UR for two reasons. First, the flexibility allowed in the process of "tariffication" of existing QRs may result in higher than actual base tariff rates, implying less liberalization; and second, the exemption from the required subsidy cuts of support which is not entirely decoupled from production would result in less liberalization than assumed in the studies.

distorting domestic supports is expected to have rather limited consequences, because supports for a number of commodities have already been reduced in recent years. Reductions in domestic intervention prices likely will not exceed 1 percent per annum during the UR implementation period (U.S. Advisory Committee on Trade Policy and Negotiations, 1994). The commitment to reduce export subsidies will have consequences for U.S. exports of subsidized commodities (including those under the Export Enhancement Program), which are expected to decrease from baseline program levels by over $500 million per annum by the end of the implementation period and beyond. On the other hand, U.S. agricultural exports (especially grains and animal products) are expected to increase by $1.6 billion to $4.7 billion in 2000 (USDA, 1994).

The main implications for the Japanese agricultural sector result from commitments on market access for rice. Japan will provide minimum access to the domestic rice market equivalent to 4 percent of domestic consumption (about 400,000 metric tons) in the first year of implementation (1995), rising to 8 percent of domestic consumption at the end of the six-year period of implementation (2000). The UR provisions on domestic supports and export subsidies are not expected to have consequences for Japanese agricultural policies. Japan had already achieved the UR target on domestic supports by 1992 through cuts in domestic prices and a production limitation program since 1986. Also, Japan does not provide any export subsidies for agriculture.

b. Developing and transition countries

Developing and transition countries made an important contribution to the security of market access by binding 100 percent of agricultural product tariff lines. However, as a result of the high level of bound tariffs, the direct impact of the UR agreement on access to agricultural markets in developing countries is expected to remain limited in the short run. At the same time, a number of food exporting developing and transition economies stand to gain from higher prices and lower subsidies in industrial countries, such as the members of the Cairns Group, 1/ sugar producers (e.g., Cuba, Brazil, Dominican Republic, Thailand), and east European countries (e.g., Bulgaria, Poland). Further, a large number of developing and transition countries with potentially strong agricultural sectors (e.g., China, Kenya, Mexico, South Africa) may benefit from a more liberalized and market-oriented environment if they succeed in implementing the needed structural adjustment measures with a view to developing domestic production capacities.

The world market price effects of the expected decrease in supply of temperate zone products as a result of agricultural reforms in industrial

1/ The Cairns Group comprises Australia, Argentina, Brazil, Canada, Chile, Colombia, Fiji, Hungary, Indonesia, Malaysia, New Zealand, the Philippines, Thailand, and Uruguay.

countries have been the subject of various quantitative studies (see Brandao and Martin (1993)). Although the magnitudes of the estimated price effects differ considerably, all studies--except one--show relative price increases for a limited number of heavily protected commodities, notably wheat, rice, meat, dairy products, and sugar. Brandao and Martin (1993), for instance, show that price increases for these products as a result of reduced protection under the UR agreement could reach 4-10 percent by 2003.

A concern expressed by developing countries is that higher prices may lead to adverse welfare effects in developing countries which are net commercial importers of food (see Table 7). Brandao and Martin identify African and Mediterranean countries (including the Maghreb) as experiencing possible adverse effects; this is also indicated by Goldin et al. (1993) whose study shows possible net welfare losses, for example, for Nigeria, 1/ and Mediterranean countries. It should be noted that terms of trade losses resulting from higher food import prices are likely to be offset in most cases by gains in other areas as a result of wider access to industrial country markets for products that are important to developing countries (such as textiles and clothing and, as noted earlier, agricultural products). Also, there are important caveats to the calculations in the above mentioned studies, which, if taken into account, could change the picture considerably in a more favorable direction. First, the calculations are all based on the text of the Draft Final Act or other, more general assumptions, which imply a higher degree of liberalization in industrial countries than was actually agreed upon in the Final Act of the Uruguay Round. Second, the estimated effects on food prices do not fully take into account the possible supply responses of nonsubsidized producers in industrial and developing countries, which could mitigate the price increases considerably.

The parties to the Uruguay Round agreement have nevertheless recognized that least-developed and net food-importing developing countries may experience negative effects from the Round. A Ministerial Decision in the Final Act provides for, inter alia, negotiations "to establish a level of food aid commitments sufficient to meet the legitimate needs of developing countries during the reform program," and "to adopt guidelines to ensure that an increasing proportion of basic foodstuffs is provided to least-developed and net food-importing developing countries in fully grant form and/or on appropriate concessional terms..."

1/ Their net result for sub-Saharan African countries is zero.

Table 7. Food Imports and Food Aid of Selected Countries, 1991
(In percent)

	Food Imports as Percentage of Total Imports	Food Imports as Percentage of GDP	Food Aid as Percentage of Food Imports
Guinea-Bissau	32	11	--
Egypt	29	7	3
Jordan	26	16	14
Senegal	26	7	--
Algeria	26	5	--
Bangladesh	26	4	1
Mauritania	23	10	--
Burkina Faso	23	5	--
Peru	20	3	5
Congo	18	4	--
Nigeria	18	3	--
Cote d'Ivoire	18	3	--

Source: IBRD, FAO, and IMF staff estimates.

4. Textiles and clothing

a. Industrial countries

Notwithstanding the continued prevalence of high tariffs and tariff peaks, and the very much backloaded integration of the MFA in the multilateral trading system, the welfare gains could be substantial from the abolition of the MFA and the elimination of VERs on textiles and clothing (see Box 1 for a history of the MFA). De Melo and Tarr (1990) estimate that in the United States the welfare costs due to MFA quotas are almost US$12 billion (at 1984 prices). The United States International Trade Commission (1993) estimates that abolition of the MFA, while leaving existing high tariffs in place, would result in a welfare gain in the United States ranging from US$9.6-US$10.8 billion (at 1991 prices), equivalent to about 24 percent of the total value of US textiles and clothing imports. The MFA restraints alone account for over half of the total welfare costs of protection in the United States.

Abolition of the MFA is likely to lead to higher import penetration and employment losses in the domestic industries in industrial countries. In the case of the United States, the USITC study estimates that about 37,000 jobs would be lost, mainly in the more heavily protected apparel sector; dividing the estimated economy-wide welfare gain by the estimated job losses suggests that the welfare cost of each job protected by the MFA is about US$270,000. In light of the likely impact on the weaker segments of the domestic textile and clothing industry, the European Commission has approved an allocation of ECU 400 million for the modernization of the Portuguese textile industry. Also, a widening of market access to developing countries is of particular concern to many industrial countries. This is reflected in the Agreement on Textiles and Clothing, which specifies that all members shall take such actions as may be necessary to abide by GATT 1994 rules and disciplines so as to "achieve improved access to markets for textile and clothing products through such measures as tariff reductions and bindings, reduction or elimination of nontariff barriers, and facilitation of customs, administrative, and licensing formalities."

b. Developing and transition countries

GATT (1993) estimates that developing countries' exports to major OECD countries could increase by 82 percent for textiles and 93 percent for clothing over the 10-year implementation period of the UR agreement on textiles and clothing. A major part of the gains will come at the end of the period. Trela and Whalley (1990) estimate that the removal of protection in Canada, the EU and the United States would lead to a gain of around US$8 billion (in 1986 prices) for the 34 developing countries included in their study on the assumption of elimination of tariffs and quotas.

Box 1. Multi-Fiber Arrangement (MFA)

The textiles and clothing sectors have an important role in world trade, accounting in 1992 respectively for 3.2 percent and 3.6 percent of world merchandise exports. For several countries, mostly in the developing world, exports of textiles and clothing represent a large share in total merchandise exports (Appendix Table 2). In industrial and developing countries imports and exports of textiles generally continued to increase in 1990-92, while output generally stagnated or declined. In industrial countries, employment in the sectors is declining: in the U.S. it fell by about one percent between 1986 and 1992, and in the European Union it contracted by about 14 percent between 1988 and 1992 (Hufbauer and Elliott (1994), Commission of the European Communities (1993b)).

In many developing countries, the share of clothing and textiles in total merchandise exports has changed dramatically during the past decade (Appendix Table 3). While existing trade restrictions may have contributed to the observed trends, these long-term fluctuations point to the importance of the textile and clothing sectors in export-oriented development strategies. In some countries (e.g. Bangladesh, China, India, Indonesia, Mauritius, Morocco, Pakistan), the expansion of the textile and clothing sectors partly reflects industrialization and diversification away from resource-based exports. In other countries (e.g., Hong Kong, Korea, Taiwan Province of China) the declining relative importance of the textiles and clothing sectors suggests that countries which during the sixties and the seventies embraced an export-oriented trade strategy have been able during the past decade to move towards more technologically advanced sectors, reaping the gains of rapid physical and human capital accumulation.

Trade in textiles and clothing has been largely regulated by international agreements over the past 34 years. Following the Short-Term (1961-62) and the Long-Term (1962-73) Arrangements, the Multifiber Arrangement (MFA) came into existence. The original MFA (1974-78) was followed by MFA II (1978-81), MFA III (1982-86) and MFA IV (1986-July 1991). MFA IV was subsequently extended three times: first to December 1992, then to December 1993, and recently to December 1994. MFA participants--forty-four countries in July 1993--accounted in 1992 for some eighty percent of world textiles and clothing exports (excluding intra-EU trade).

The MFA's stated objectives were to achieve the expansion and progressive liberalization of world trade in textile products, while at the same time avoiding disruptive effects in individual markets and lines of production. Representing a major departure from the GATT's principle of nondiscrimination, the MFA envisaged essentially two types of quantity restrictions: (1) those under its Article 3, which permits bilateral or unilateral restrictions as a result of market disruption, and (2) those under Article 4, which provides for bilateral agreements to eliminate the risks of market disruptions. The MFA has "flexibility" provisions that permit switching between individual quota categories (swing), carryover of

Box 1 (concluded). Multi-Fiber Arrangement (MFA)

unutilized quota to the following year, or borrowing (carry forward) of next year's quota. Through the years, the number of participating countries and the product coverage of the Agreement has expanded. Although quotas generally have been increased annually by one percent for wool products and six percent for all other products, major suppliers are frequently subject to lower growth limits. According to the GATT Textile Surveillance Body (TSB), the number of bilateral restraint agreements on exports of textiles and clothing applied under the cover of the MFA was 99 as of July 1992. 1/

Within the MFA framework, some participating countries (e.g., Austria, Finland, Japan, and Switzerland) impose few restraints, but others (e.g., the European Union and the United States) have been more restrictive. MFA restraints continue to apply almost exclusively to exports from developing countries, as has been the case throughout the life of the Arrangement. While some countries not participating in the MFA (e.g., Sweden) maintain a very liberal trade regime in textile products, several additional constraints on trade are imposed outside the MFA framework, often in nontransparent ways, both by industrial and developing countries. Such constraints include bilateral restraint agreements, quotas applied on imports from specific origins or non-MFA products (for example, silk), and less formal government-to-government, government-to-industry and industry-to-industry arrangements.

1/ GATT (1993). Between July 1992 and July 1993 five additional new agreements were notified to the TSB.

The abolition of the MFA will also have important effects on specific groups of developing countries. These effects may work in opposite directions for individual producers and are in general hard to measure. First, the existence of binding quota restraints on some countries has probably led to the relocation of production towards less quota-restricted countries. The elimination of MFA restrictions may lead to a concentration of production to more efficient producers (e.g., China, Viet Nam) or new locations. Second, although restraints under the MFA apply to most developing countries, some exporters (e.g., Morocco, Tunisia, Mexico) currently enjoy preferential access to specific markets. Elimination of the MFA may erode their relative competitive position in these markets, while it may expand their trading opportunities in other markets previously restricted. Third, several exporting countries have been able to maintain market shares due to the rigidities of the quota system, notwithstanding declining competitiveness (Hong Kong, Korea). These countries may experience a gradual weakening of their market positions as a result of increased competition from more efficient producers when the MFA is phased out.

III. New Areas

1. Trade in services

International transactions in services have become increasingly important in both industrial and developing countries over the last few decades. During the period 1982-92, world exports of services grew at an annual average rate of 9.5 percent, compared with 7.1 percent for merchandise exports. As a result, the share of services in total export of goods and nonfactor services increased from 17.7 percent in 1982 to 21.1 percent in 1992.

The General Agreement on Trade in Services (GATS) represents therefore an important achievement of the Uruguay Round. By setting up a multilateral framework based on non-discrimination and transparency, and by instituting a forum for negotiations of market access among participant countries, the GATS has extended the reach of multilateral rules and disciplines to the services sector, and will also provide a stimulus to the world economy by fostering liberalization of trade in services. 1/

1/ Liberalization of trade in services takes place through negotiated market access and national treatment for each of the four modes of supplying services defined in the GATS (Article I), namely: (i) cross-border supply (the user receives the service from a provider located in another country); (ii) consumption abroad (the user consumes the service outside his country of residence); (iii) commercial presence (the service provider establishes a facility in the user's country); and (iv) movement of natural persons (the service provider needs the temporary presence of non-resident natural persons in the user's country).

Industrial countries, the major world suppliers of services (Table 8), are expected to gain significantly from an opening up of markets in this sector. However, over the period 1970-92, developing countries have increased their share of exports of services from 11 percent to about 15 percent. In addition, revealed comparative advantage indices suggest that a number of developing countries are relatively specialized in services (Hoekman 1994), and therefore developing countries will have a significant stake in liberalization of trade in services. Indeed, this is reflected by the large number of developing countries (77) that have submitted schedules of commitments in services under the Uruguay Round.

The composition of trade in services has changed significantly over the last two decades: the share of total exports of the traditional services consisting of transport and travel has declined in favor of financial services, nonmerchandise insurance, cultural services (films and videos), consulting, and other professional services. In the case of financial services, there has been an increased integration of world markets, reflecting, inter alia, the significant internationalization of business activities through the expansion of multinational corporations, financial innovations such as the development of complex hedging techniques, rapid progress in telecommunications and information technologies, and reduction of exchange and capital controls in both developing and industrial countries.

Industrial and transition countries have included almost all services sectors in their commitments. The sectoral coverage of commitments made by developing countries is in general more limited.

Commitments on financial services made by the United States, the EU, and Japan cover the banking and securities sectors and insurance services. No financial subsectors are exempted from the scope of the commitments. By and large, the existing regime for financial services in these three regions is made applicable to all countries, although in some cases commitments have been made to increase market access. Japan, for example, has offered to gradually open up its pension fund management to foreign firms, and the EU has agreed to make the benefits of the Single Market available to all foreign financial institutions. However, because it considered as insufficient liberalization offers by some countries, the United States decided to limit the extent of its liberalization commitments for the time being to a number of basic financial services. Further access will be contingent on other countries providing better access to their financial markets. Negotiations are still continuing with a view to improving offers, and are scheduled to be completed within six months after entry into force of the WTO. Appendix Table 4 contains a list of exceptions to market opening and national treatment in the schedules on financial services for selected industrial and developing countries (Brazil, the EU, India, Korea, Japan, and the United States).

Table 8. Leading Exporters and Importers in World Trade in Commercial Services, 1992 1/

	Exports Percentage Shares in World Exports		Imports Percentage Shares in World Imports
Industrial countries		Industrial countries	
United States	16.2	Germany	11.3
France	10.2	United States	10.9
Italy	6.5	Japan	9.9
Germany	6.4	France	8.5
United Kingdom	5.5	Italy	6.8
Japan	5.0	United Kingdom	4.8
Netherlands	3.6	Netherlands	3.6
Spain	3.6	Belgium-Luxembourg	3.3
Belgium-Luxembourg	3.5	Canada	2.8
Austria	3.0	Spain	2.2
Developing countries		Developing countries	
Singapore	1.8	Taiwan Province of China	1.9
Hong Kong	1.7	Korea	1.5
Korea	1.3	Saudi Arabia	1.5
Mexico	1.3	Hong Kong	1.2
Taiwan Province of China	1.1	Mexico	1.2
China	0.9	Singapore	1.1
Thailand	0.9	Thailand	1.0
Turkey	0.8	China	0.9
Egypt	0.7	Malaysia	0.8
Philippines	0.7	Brazil	0.7
Transition economies		Transition economies	
Poland	0.5	Poland	0.4
former CSFR	0.3		
Hungary	0.3		
Memorandum (US$ billion):		Memorandum (US$ billion):	
World Services Exports	1,000	World Services Imports	988

Source: GATT.

1/ This table presents the top ten leading exporters and importers among industrial countries and among developing countries separately. Some industrial countries not shown in this table actually have higher trade shares than some developing countries mentioned in this table.

2. Intellectual property rights

a. Industrial countries

Given the growing importance of intellectual property-based industries in international transactions, the agreement on TRIPs can be considered as one of the most important achievements of the Uruguay Round. Between 1970 and 1991, intellectual property income from abroad for G-7 countries grew from US$1.9 billion to US$30.0 billion (Table 9). In the short-run, producers of intellectual property-based goods will benefit through increased sales and profits at the expense of competitors hitherto supplying the market through imitation, and through higher profits as they assert their market position mainly in developing countries. In the long run, higher levels of IP protection may serve to increase global levels of innovation, creativity, and R and D, thereby lowering costs of production and increasing product variety, benefitting consumers worldwide.

Table 9. G-7 Intellectual Property Income from Abroad, 1970-91

(In billions U.S. dollars)

	1970	1980	1990	1991
G-7				
Credit	1.9	8.4	28.1	30.0
Debit	1.6	7.1	23.1	24.1
Net	0.3	1.3	5.0	5.9
U.S.				
Credit	1.3	5.0	17.1	18.5
Debit	0.2	0.7	3.2	4.2
Net	1.1	4.3	13.9	14.3
Intellectual property flows as a percentage of total services trade				
G-7	4.4	3.8	5.6	5.8
U.S.	5.7	6.9	8.3	8.8

Source: OECD

The major beneficiaries of the TRIPs agreement will be found in the high technology industry, the entertainment sector, and the luxury goods industry. High technology industries such as the pharmaceutical, chemical, and information technology industries, the prime movers of the TRIPs initiative, will benefit from better protection of technology through patent, trade secret, copyright, and computer "chips" protection. In the entertainment sector, producers of sound and video recordings, motion pictures, and publishing will benefit from improved copyright protection. Finally, producers of luxury brand products--perfumes, T-shirts, watches--will in general benefit from better enforcement of their trademark against counterfeiting by imitators.

b. Developing and transition countries

Developing countries, as net importers of technology, were initially reluctant to agree to higher levels of IP protection because of concerns about its potentially adverse impact on prices and welfare. Concerns were most acute in the pharmaceuticals sector because patent protection has a more decisive impact on market outcomes in this sector.

The economic impact of higher patent protection in pharmaceuticals has static and dynamic dimensions. For a net importer, the static effects are likely to be adverse because patent protection makes the market less competitive, thereby increasing prices and reducing welfare (Chin and Grossman 1990). 1/ These adverse static effects could in time be offset by possible dynamic effects in the form of higher R and D induced by stronger patent protection and new incentives for the development of specified pharmaceutical products (if developing countries' markets are sufficiently large to induce higher R and D), which would reduce long-run costs and increase product variety. Also, the timing of the implementation of the TRIPs agreement is such that its full economic impact in the pharmaceutical sector will only be felt in 2015, 20 years after the WTO enters into force. Further, developing countries will retain the right to use remedial measures in the event that the patent owner charges very high prices. Higher IP protection would benefit those developing countries that are important exporters of copyright-based audiovisual products and may serve to attract foreign investment and technology.

3. Investment measures

TRIMs refer to measures requiring or inducing foreign enterprises to meet certain yardsticks of performance. The most commonly used TRIMs are: local content requirements (LCRs), when a firm must ensure that local inputs are used for a specified amount or share of production; export performance requirements, when a firm must ensure that a specified amount or share of local production be exported; and trade (foreign exchange) balancing requirements, when a firm must ensure that imports are no greater than a

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1/ Estimates for the annual static welfare losses for some developing countries vary from US$67 million to US$387 million (Argentina), US$220 million to US$1.3 billion (India), US$153 million to US$879 million (Brazil), and US$75 million to US$428 million (Mexico), depending on the assumptions (Subramanian 1994, Maskus and Konan, 1994).

specified proportion of exports. The Uruguay Round TRIMs agreement prohibits the use of LCRs, trade and foreign exchange balancing requirements, but not export performance requirements.

TRIMs are employed more commonly by developing than industrial or transition countries. A review of trade regimes shows that 17 out of 22 developing countries employed LCRs in the period 1991-94. 1/ LCRs were most prevalent in the automotive sector; specification of the extent of local content varied from about 25 percent to 70 percent. Studies show that there is disparity between the amount of foreign investment theoretically affected by TRIMs and the amount of investment reported by companies as covered by TRIMs. This is because the application of TRIMs by countries is discretionary and hence negotiable; moreover, TRIMs may often not be binding insofar as they require a course of action that the firm would even otherwise pursue.

The elimination of TRIMs will have economic effects broadly similar to liberalization in other areas of trade policy (Grossman 1981, Krugman and Obstfeld 1987). The most frequently used TRIM--LCRs--when they are binding serve to raise the costs of production by forcing the use of higher cost locally produced over imported inputs. For instance, the oil import quota scheme operated by the United States in the 1960s and 1970s, which amounted to an LCR, cost the consumers about US$5 billion per year. Most of this represented a transfer to domestic oil producers, resulting in a net welfare cost of about US$1-2 billion. Trade and foreign exchange balancing requirements are conceptually analogous to quantitative restrictions as they have the effect of restricting imports.

IV. Strengthened Rules and Institutions

The Uruguay Round also provides for a clarification or strengthening of rules with respect to the use of specific trade policy instruments, notably safeguards, antidumping, and countervailing measures.

Safeguards

The agreement on safeguards provides for the elimination of grey area measures (including VERs), a sunset clause, and procedural requirements, including public notice for hearings. The implications of the elimination of VERs are discussed in subsection II.2. The provisions on the use of safeguards may both strengthen and weaken discipline in this area. The relatively strict conditions of GATT Article XIX had discouraged use of the safeguards clause and had induced resort to grey area measures such as VERs. To reduce such disincentives, the UR modified some aspects of the safeguard

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1/ These included Argentina, Bangladesh, Chile, Egypt, Ghana, Indonesia, Mexico, Nigeria, Peru, Philippines, Senegal, South Africa, Thailand, and Uruguay.

clause. Specifically, exporting countries affected by a safeguard measure are not allowed to suspend concessions on their side for a period of three years. Also, the new agreement provides for some selectivity, by allowing safeguard measures to be imposed only against specific exporting countries. On the other hand, discipline will be strengthened by the increase in transparency, a strengthening of rules on the provision of evidence of injury, the sunset clause, and, equally important, the requirement of progressive liberalization of the measures if its duration is over one year (see Appendix table 1).

Antidumping measures

The Uruguay Round also succeeded in clarifying procedural issues and encouraging enhanced transparency in the area of antidumping measures. The new procedures are designed to enhance the fairness of proceedings. It is as yet uncertain to what extent the new rules will substantively alter existing practices and whether the use of antidumping (AD) measures will be appreciably restrained upon implementation of the agreement. Indeed, based on the trend over the last several years in the use of AD among traditional industrial country users, and emerging interest in its use among developing countries, there is a risk that resort to antidumping actions may continue to spread during the 1990s. A detailed assessment of antidumping and the UR agreement is contained in Annex I of Supplement 3 of the main paper.

Subsidies and countervailing duties

Under the Uruguay Round agreement on industrial subsidies, actions against subsidies can be taken under two tracks: first, they can be countervailed, pursuant to national procedures under which the existence of a subsidy, of injury to a domestic industry, and of a causal link between the two need to be demonstrated. 1/ The Uruguay Round does not specify which subsidies can be countervailed under national law, although it defines two kinds of subsidies which may not be countervailed: "green box" subsidies (see below) and "de minimis" subsidies (subsidies less than 1 percent of the value of the product, and less than 2 percent in the case of developing countries). By implication, all other subsidies are countervailable pursuant to national laws and procedures.

The second track comprises those subsidies governed by multilateral procedures. In this connection, the Uruguay Round defines three groups of subsidies: prohibited ("red box"), actionable ("amber box"), and non-actionable subsidies ("green box"). The red box covers export subsidies (including, e.g., currency retention schemes, subsidized export credits) and subsidies for the use of domestic over imported goods. The amber box covers non-prohibited subsidies which cause injury to a domestic industry, cause

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1/ However, the Uruguay Round also sets conditions on these national procedures. If countries do not comply with these conditions they may be subject to multilateral challenge.

nullification or impairment of benefits for other WTO members, or "serious prejudice" to the interests of another member. Serious prejudice arises if the subsidy affects exports to the subsidizing country or to third country markets, or if it leads to significant price undercutting or an increase in the world market share of the subsidizing country. Serious prejudice is presumed to exist in the case of production subsidies exceeding 5 percent of the value of a product, subsidies to cover operating losses of an industry or by an enterprise (other than one-time measures to provide time for the development of long-term solutions or for social reasons), direct forgiveness of debt, and grants to cover debt repayment. Such subsidies are therefore virtually prohibited. The green box covers subsidies which are non-specific to (a group of) enterprises, or which provide support for research activities, assistance to disadvantaged regions, and to environmental adaptation.

The agreement provides for a number of important exceptions for developing countries and transition economies in terms of actions that can be taken against subsidies granted by them pursuant to multilateral procedures (in other words, these exceptions do not apply to countervailing measures that can be taken against such subsidies). Least developed and developing countries with per capita GNP of less than $1,000 a year need not eliminate export subsidies. 1/ Other developing countries and transition economies need to do so after eight and seven years, respectively. Also, developing countries' subsidies arising from debt forgiveness in the context of privatization programs are exempt from the presumption of serious prejudice; transition economies are also exempt, but only for a period of seven years.

The major difference between the Uruguay Round and Tokyo Round agreements on subsidies are: first, the UR gives a clearer definition of different types of subsidies that are actionable or non-actionable. Second, it clarifies the concept of serious prejudice and thereby strengthens the disciplines on subsidies. And third, notwithstanding exceptions, the new rules will apply more broadly to developing countries and transition economies (Appendix Table 1). However, in relation to specifying which subsidies may be countervailed, the Uruguay Round agreement is broadly similar to the Tokyo Round agreement. For example, debt forgiveness was countervailable under the Tokyo Round and continues to be so under the Uruguay Round.

The improved definitions and dispute settlement procedure may lead to a reduction in trade distortive state supports in industrial countries. It is not clear how the exemption of green box subsidies and the longer implementation periods for developing and transition economies will affect future progress in encouraging reduction in subsidies. In general, however,

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1/ This will not apply if such countries have attained "export competitiveness" (greater than 3.25 percent share of world trade for a product in two consecutive years) in particular products.

the strengthening of procedures and transparency with respect to countervailing measures as well as the exclusion of relatively small subsidies from countervailability may increase discipline, although much will depend on the practical application of the arrangement.

Other

The Uruguay Round agreement will also lead to a number of institutional changes, including changes with respect to the TPRM, a strengthening of rules on dispute settlement, and the establishment of the World Trade Organization. At the conclusion of the Mid-Term Review of the UR in 1989, it was agreed that decisions on the work of dispute panels would no longer be dependent on the consent of the parties to the dispute. The Uruguay Round agreement has further strengthened dispute settlement arrangements by eliminating the right of parties to a dispute to veto the conclusions of the dispute panel and the authorization of the right to retaliate when a country does not comply with a panel ruling; this will lend greater automaticity to dispute settlement procedures. It is expected that this change will strengthen the role of WTO panels in international trade disputes. It is also important that the agreement has limited the scope for unilateral action.

V. Preferences

The MFN tariff cuts under the Uruguay Round will lead to a small erosion in the preference margins that beneficiaries currently enjoy under schemes such as the GSP, Lomé Convention, and the Mediterranean Agreements (see Box 2). This erosion is less than suggested by the MFN tariff cuts. 1/ The impact of preference erosion will vary across groups of countries. The major beneficiaries of preferences (in terms of the value of imports affected) are the more advanced developing countries under the GSP. 2/ Furthermore, preferential margins are on average higher for these countries as their exports are weighted in favor of higher value-added products which face higher MFN tariffs. Accordingly, the impact of erosion of preferences due to declining MFN tariffs is likely to be important for these countries. However, the advanced developing countries in Asia and Latin America will also be major beneficiaries of the Round because of

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1/ According to UNCTAD (1994), the reduction in GSP preferential margins in the EU, U.S. and Japan would be 23 percent, 9 percent, and 15 percent, respectively (or about 18 percent on average, compared with an average MFN tariff cut of bound rates of 40 percent). The differences between the MFN tariff cuts and reductions in preferential margins are due to the product composition of MFN tariff cuts.

2/ The least-developed countries account for about 1 percent of imports that received preferential treatment under the GSP.

Box 2. Coverage of Preferences

The most important existing preferential schemes 1/ are the GSP, under which preferences are granted by many industrial countries to most developing countries, 2/ the Lomé Convention (by the EU to certain African, Caribbean, and Pacific (ACP) developing countries), Mediterranean Agreements (by the EU to North African developing countries), and the Caribbean Basin Initiative (by the U.S. to developing countries in the Caribbean). 3/ Preferential access takes the form of goods usually being allowed to enter duty free or at lower-than-MFN rates.

The annual average increase in GSP imports of OECD countries between 1976 and 1992 was almost twice that of total imports from all beneficiaries and about 1.5 times that of imports from all sources. Total OECD imports in 1992 from GSP beneficiaries amounted to US$426 billion, of which 71 percent represented dutiable imports (Appendix Table 5). However, only $156 billion (or 50 percent of dutiable imports) consisted of products covered by the GSP scheme, and only $77 billion (about 26 percent of dutiable imports) actually received preferential treatment. 4/ Exports of the least developed countries (LDCs) (excluding ACP countries) which received preferences in OECD markets under the GSP amounted to US$1.0 billion, or about 19 percent of these countries' total exports to OECD markets (UNCTAD 1994). The EU accounted for the largest share of preferential imports (46 percent or US$35.7 billion) granted by OECD countries, followed by the U.S. (22 percent or US$16.7 billion) and Japan (16 percent or US$12.3 billion).

1/ Such preferential agreements differ from regional trading arrangements mainly in that the preferences are nonreciprocal. Preferences represent a derogation from GATT's MFN principle. For GSP schemes, this derogation was first sanctified by a waiver granted by the CONTRACTING PARTIES in 1971, and later made permanent under the Enabling Clause of the Tokyo Round in 1979. Other preferential arrangements such as the Caribbean Basin Initiative are covered by waivers from GATT rules.

2/ At least 130 developing countries are eligible for GSP treatment. OPEC countries are excluded from the U.S. scheme.

3/ The GSP covers a wide range of industrial (excluding textiles and clothing in the case of the U.S. scheme) and agricultural products (excluding some processed agricultural products in the case of the EU scheme). There are numerous conditions attached to the grant of preferences. The Lomé Convention grants unrestricted and duty-free access in industrial products, including coal, steel, textiles and clothing; ACP countries also benefit from duty reductions and preferential quantitative access on a number of agricultural products. The Mediterranean Agreements cover a wide range of industrial and agricultural products. The Caribbean Basin Initiative covers most products with the exception of textiles and clothing.

4/ The difference between actual preferential treatment and eligibility arises because of the numerous country- and product-specific conditions attached to the grant of preferences.

Box 2 (concluded). Coverage of Preferences

The major beneficiaries of preferences are the more advanced developing countries. Ten countries (Mexico, Malaysia, Thailand, Brazil, Philippines, Indonesia, India, Israel, Venezuela and Argentina) accounted for about 83 percent of the total U.S. imports receiving preferential treatment in 1992; the top 3 countries accounted for two-thirds of the trade creation effect (Langhammer and Sapir, 1987). In the EU, ten countries (China, Brazil, India, Thailand, Indonesia, Hong Kong, Singapore, Kuwait, Romania, and Malaysia) accounted for 72 percent of imports receiving preferential treatment in 1989. Twelve countries accounted for over 80 percent of preferential imports. The top nine beneficiaries of the Japanese GSP scheme in 1990 were Korea, China, Taiwan Province of China, Brazil, Hong Kong, Thailand, Philippines, Indonesia, and Chile. The top three beneficiaries accounted for 50 percent of Japanese preferential imports.

The Lomé Convention and the Mediterranean Agreements each provided preferences covering over US$9 billion of EU imports in 1989 (Appendix Table 6). While smaller than the GSP in the value of preferential imports affected by preferences, these schemes cover fewer countries (64 and 12 countries, respectively). Under the Lomé Convention, preferences are more important in agriculture compared with industry, as a large amount of imports of industrial products from ACP countries face zero MFN tariffs. Under the Mediterranean Agreements, preferences are more important in industrial products as exports of agricultural products, are relatively small.

Preferences under the Caribbean Basin Initiative covered US$1.5 billion of imports in 1992, or 16 percent of imports from beneficiary countries.

market opening in agriculture and textiles. 1/ Furthermore, the benefits from MFN cuts are likely to outweigh any losses from preference erosion as preferential exports represent about 26 percent of total dutiable exports in OECD markets.

ACP countries receive preferential treatment affecting about US$10 billion of their exports under the Lomé Convention and the Caribbean Basin Initiative. Although smaller in absolute value than preferences received by the more advanced developing countries, preferential exports account for a very large share of dutiable exports (virtually 100 percent in the EU market). The actual effect on these countries is nevertheless likely to be small for three reasons. First, preferential margins are on average smaller for these countries due to the fact that the composition of exports is often weighted in favor of commodities which in any case face low MFN tariffs (Table 10). Interpolating from a World Bank study (Yeats 1993), an 18 percent reduction in preferential margins would entail very small annual export losses to sub-Sahara African countries (SSA). 2/ Second, the composition of exports of ACP countries suggests that even this estimate could be overstated. Two-thirds of the preferences received by ACP countries are in the agricultural sector. The requirement in the UR agriculture agreement to guarantee a certain amount of imports as a share of domestic consumption can be met by providing market access to preference receiving countries in line with their current market shares. Thus, current levels of access can be preserved. Finally, owing to the phase-in of the tariff cuts, the full impact of preference erosion will only be felt five years (industrial products) and six years (agricultural products) after the entry into force of the WTO. 3/ There may, however, be a few countries, which are overwhelmingly dependent on preferences on industrial products, and could therefore be seriously affected by preference erosion. The impact on individual countries will need to be closely monitored in the context of Fund- and Bank-supported programs as the UR agreement is implemented.

1/ Advanced developing countries in any case face the prospect of being graduated out of GSP schemes. The European Commission announced in June 1994 a phased graduation of countries and sectors from preferential tariff treatment based on a combination of per capita GDP and industrial and export performance at a sectoral level.

2/ Yeats (1993) estimates the value of preferences enjoyed by SSA countries in OECD markets at US$5 billion. This is calculated as the present discounted value of foregone exports consequent upon the elimination of all preferences. On a rough calculation, the export losses consequent upon the UR would be less than 0.3 percent of the value of their exports in 1992.

3/ Future renegotiation of the Lomé Convention and the Mediterranean Agreements, a process under way currently, could change preference margins under those schemes.

Table 10. Sub-Saharan Africa: Preferences for Non-Oil Exports in Industrial Countries 1/

(In percent)

	OECD Average		EU		USA		Japan	
Exporting Country	African Tariff	Preference Margin 2/	African Tariff	Preference Margin 2/	African Tariff	Preference Margin 2/	African Tariff	Preference Margin 2/
Sub-Saharan Africa								
Angola	0.2	-1.5	0.3	-3.2	0.1	-0.4	1.8	0.0
Botswana	0.3	-2.8	0.1	-2.9	3.5	-1.1	0.0	-2.1
Cameroon	0.4	-2.5	0.1	-2.8	2.1	-1.1	0.0	0.0
Central African Rep.	0.2	-2.2	0.2	-2.3	0.0	-1.1	0.0	0.0
Chad	0.4	-2.7	0.2	-2.9	1.6	0.0	2.5	0.0
Congo	0.1	-1.4	0.0	-2.2	0.3	-0.6	0.0	0.0
Cote d'Ivoire	0.7	-3.1	0.3	-3.3	3.3	-2.0	1.2	-0.5
Ethiopia	0.7	-1.3	0.1	-1.9	2.0	0.4	1.5	-1.3
Gabon	0.6	-2.0	0.0	-2.7	2.9	0.7	0.0	0.0
Ghana	1.0	-2.2	0.1	-3.1	2.6	-0.9	2.3	0.0
Guinea	0.6	-2.3	0.0	-2.9	1.9	-1.0	1.8	-1.9
Kenya	0.5	-3.3	0.2	-3.5	3.1	-2.3	2.4	-1.1
Liberia	0.6	-1.7	0.3	-1.9	2.5	-1.1	0.0	-0.3
Madagascar	0.5	-2.0	0.4	-2.7	0.8	-1.0	0.8	-0.2
Malawi	1.1	-2.4	0.1	-3.5	5.4	-0.6	0.0	-0.1
Mali	0.4	-3.4	0.2	-3.5	3.1	-2.2	0.0	-1.6
Mauritania	1.7	-2.3	0.2	-3.9	1.2	-1.6	3.6	-0.4
Mauritius	1.3	-3.1	0.2	-3.4	6.4	-1.8	4.8	-1.1
Niger	0.1	-3.0	0.0	-3.0	3.3	-1.6	0.0	0.0
Nigeria	2.7	-0.9	0.1	-2.6	5.2	0.7	3.7	-0.8
Senegal	0.5	-3.3	0.3	-3.5	4.9	-1.2	3.6	0.1
Sierra Leone	0.5	-3.1	0.0	-4.0	2.3	-0.2	2.6	-0.7
Sudan	0.1	-1.5	0.1	-1.9	0.7	-1.0	0.0	0.0
Swaziland	0.8	-4.4	0.5	-4.9	3.5	-1.9	6.7	-3.0
Tanzania	0.1	-2.3	0.0	-2.5	0.0	-2.4	1.4	-1.0
Togo	0.3	-2.8	0.2	-2.8	0.2	-2.8	9.8	-0.8
Uganda	0.9	-2.4	0.6	-3.0	2.1	-0.3	0.0	0.0
Zaire	0.3	-2.1	0.1	-2.4	1.3	-1.1	0.0	-0.5
Zambia	0.3	-1.7	0.5	-2.9	1.4	-1.4	0.0	-0.6
Zimbabwe	0.9	-2.5	0.2	-3.3	4.0	-1.0	1.2	-1.0

Source: A. Yeats, "What Are OECD Trade Preferences Worth to Sub-Saharan Africa?" 1993, mimeo.

1/ Tariffs are simple (unweighted) averages of nominal duties levied on the country's exports.
2/ Preference margin is the difference between the simple average tariff on the African country's exports and the simple average tariff on other exporters of the same products.

Mediterranean countries enjoy preferences affecting US$9.2 billion of their exports. Industrial products are the major beneficiaries of the preferences; while the Uruguay Round would allow for the preservation of existing levels of access in agriculture, this would not be the case for industrial products. 1/ For this reason, the overall impact of preference erosion is likely to be more significant for countries under the Mediterranean Agreements. Even so this impact will be felt gradually over five years after the entry into force of the WTO.

From a forward-looking perspective, it is likely that preferences will continue to be eroded not only as a result of current and post-Uruguay Round multilateral liberalization, but also because of proliferating regional trade liberalization initiatives. Reliance on preferences, even where they have static positive effects, is therefore not a viable long-term strategy for current beneficiaries. At the same time, preferences have not been an unmixed blessing. They have been subject to frequent changes, particularly where preferences have led to successful exports, and have therefore not offered a reliable or secure basis for export growth. Preferences have also been used as a bargaining tool by industrial countries to secure policy changes in areas such as workers' rights, intellectual property, and services, with unpredictable consequences. While preferences may have a beneficial effect on exports, the superior export performance of the newly industrializing economies has resulted from their outward-oriented growth strategies rather than preferences. 2/

VI. Integration Issues

The Uruguay Round was unique in terms of the breadth and intensity of developing country participation in the negotiating process compared to previous rounds. The number of developing countries that participated in the Round was 91, considerably higher than in previous Rounds. In the Tokyo Round, preserving special and differential treatment (S&D) had been a high priority for developing countries (Box 3). In the Uruguay Round, however, twenty-six developing countries offered tariff concessions, and the least developed countries will need to do so by April 1995. The most important symbolic indicator of developing countries status in the new trading system is their universal adherence to all the multilateral agreements of the Uruguay Round. The principle that all countries should have similar rights and obligations is thus enshrined in the WTO. In terms of the substantive commitments, moves toward equality are reflected in the following major areas:

1/ However, some preferential access will be preserved in textiles and clothing during the transition period.

2/ The EU market which grants preferences to newly industrializing economies, ACP, and Mediterranean countries witnessed average annual import growth between 1980 and 1989 from these three groups of 12.1 percent, -5.5 percent, and 3.7 percent, respectively (Pohl and Sorsa 1992).

Box 3. Evolution of Special and Differential Treatment

Developing countries have traditionally had a special status in the GATT in terms of their rights and obligations relative to industrial countries--the so-called special and differential (S&D) treatment. This was legally enshrined in the GATT in 1965 when Part IV on Trade and Development was added, in the Enabling Clause of the Tokyo Round in 1979, 1/ and in the Punta del Este Declaration, which launched the Uruguay Round. In essence, S&D treatment had three elements:

First, and foremost, a greater freedom to take trade restrictive measures than industrial countries. This was a consequence of the pursuit of inward-oriented policies by developing countries coupled with the bargaining framework of the GATT, which implied that liberalization, being costly ("a concession" given), should not be required of developing countries. A logical corollary was that even less liberalization should be sought of the least developed countries. This greater freedom to take restrictive measures was reflected in (a) fewer tariff bindings than industrial countries (see Table 4); (b) persistent recourse to QRs for balance-of-payments reasons under Article XVIII:B of the GATT; and (c) fewer commitments in regard to other restrictive measures, such as export and domestic subsidies, import licensing, and government procurement, as reflected in limited adherence by developing countries to the relevant Tokyo Round codes.

Second, developing countries sought preferential access for their exports to the markets of industrial countries; a related feature was the right of developing countries to grant preferences to each other's exports under less stringent conditions than permitted under Article XXIV of the GATT. These features were enshrined in various GATT provisions. That developing countries needed preferential access to compete internationally followed in part from the infant industry view of developing country industrialization; but it also resulted from inward-oriented policies which acted as a tax on exports and hence rendered them uncompetitive without preferential access (Wolf, 1987).

By reserving the right to protect and seeking preferential access, developing countries effectively disqualified themselves from participating equally in the GATT process of bargaining and were consequently unable to seek a reduction in protection in products of particular interest to them--(agriculture, textiles and clothing, and footwear). The MFA, a system of discriminatory and restrictive measures on exports of textiles and clothing from developing countries, and the wide-ranging quantitative restrictions, variable levies and export subsidies deployed by several industrial countries in agriculture, were testimony to the inability of developing countries to effectively secure liberalization in products of interest to them; this was inherent to the nonreciprocal relationship engendered by

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1/ Formally called "Decision on Differential and More Favorable Treatment, Reciprocity and Fuller Participation of Developing Countries."

Box 3 (concluded). Evolution of Special and Differential Treatment

S&D treatment (Wolf 1987). More recently, they were also unable to prevent the growing use of contingent protection measures which were increasingly directed at their exports.

However, in the middle to late 1980s, spurred by a change in thinking in favor of more outward-oriented policies, often under Fund- and Bank-supported structural adjustment programs, the status of developing countries in the multilateral trading system underwent a significant change in the direction of fuller integration. A large number of developing countries acceded to the GATT. Between 1987 and April 1994, 29 developing countries acceded to the GATT compared to 17 in the 20 years preceding 1987. Unlike earlier accedents, a number of developing countries undertook significant liberalization commitments. Further, since 1989, six out of 18 developing countries invoking QRs for balance of payments purposes ceased to do so. 1/ Also, developing countries, confirming their growing status, became more involved in GATT disputes. Prior to 1988, developing countries had been involved in 14 percent of all disputes; after 1988, more than one in three disputes involved developing countries. Finally, there were increasing moves toward "graduation", namely, withdrawing the eligibility of certain countries to preferences under the GSP scheme. 2/ The United States, for example, withdrew GSP eligibility for the four dynamic Asian economies--Hong Kong, Korea, Singapore, and Taiwan Province of China--in 1989. Graduation was an inevitable concomitant of the underlying rationale for preferences, namely that their grant was related to the weak competitive position of developing countries: success therefore should obviate the need for preferences.

1/ This figure understates the extent to which developing countries reduced reliance on QRs for BOP purposes because several of them did not notify their QRs to the GATT, and hence did not invoke Article XVIII:B in the first place.

2/ Implicit graduation began even before these countries were officially declared ineligible under the GSP; it took the form of removal of products of export interest to these countries from the GSP list and more restrictive conditions imposed on them (Langhammer and Sapir, 1987).

(1) Tariff bindings. As noted earlier, the scope of tariff bindings undertaken by developing countries will move closer to the levels achieved by industrial countries.

(2) Quantitative restrictions. Resort to QRs and other trade restrictions for balance of payments reasons under GATT Article XVIII:B has decreased among developing countries. 1/ Under the Uruguay Round future disciplines on the balance of payments provisions would require emphasis on price-based measures instead of QRs.

(3) Other non-tariff measures. Developing countries will in principle have to adhere to the rules on subsidies, anti-dumping, safeguards, TRIMs, import licensing, customs valuation, and technical barriers to trade, although they will have recourse to transitional arrangements (see below).

(4) New areas. Developing countries will have to adhere to the same standards with respect to TRIPs and the same general rules in the area of services.

(5) Integration of sectors of importance to developing countries. As discussed in Box 3, a consequence of S&D treatment was the inability of developing countries to secure non-discriminatory market opening, according to normal GATT principles, in sectors of importance to them. In the Uruguay Round developing countries have been able to correct the anomaly that sectors of interest to them (textiles and clothing, agriculture) are exempted from the scope of GATT rules.

(6) Preference erosion. As discussed earlier, the decline in most-favored-nation tariffs will erode preferences currently enjoyed by developing countries under schemes such as the GSP, Lomé Convention, and the Caribbean Basin Initiative.

The UR agreement will nevertheless continue to provide S&D treatment for developing countries in various ways:

1/ In 1988, 16 countries had invoked the balance of payments cover for trade restrictions under GATT Article XVIII:B, including (year of disinvocation in parenthesis): Argentina (1991), Bangladesh, Brazil (1991), Colombia (1992), Egypt, Ghana (1989), India, Korea (1989), Nigeria, Pakistan, Peru (1991), Philippines, Sri Lanka, Tunisia, Turkey, and Yugoslavia. Today, the number has been reduced to 10 (Bangladesh, Egypt, India, Nigeria, Pakistan, Philippines, Sri Lanka, Slovakia, Tunisia, Turkey) with a few invoking this provision under GATT Article XII (Israel, Poland, South Africa).

(1) Fewer substantive obligations or greater freedom to take restrictive measures. In several areas (tariffs, agriculture, government procurement, and subsidies), developing countries will continue to have greater freedom to take trade restrictive actions.

(2) Transitional arrangements. The most important element of S&D in the Uruguay Round is that developing countries will have longer time periods in assuming the levels of obligations of industrial countries. Important examples include agriculture, TRIPs, TRIMS, subsidies, and safeguards.

(3) Preferential exemption from restrictive trade action. A positive aspect of preferential treatment will be that the standards of trade restrictive actions in certain areas (such as safeguards and countervailing duties) will be higher for imports from developing countries, rendering them less susceptible to such actions.

(4) Technical/financial assistance. Several agreements (e.g., TRIPs, services) provide for technical assistance to developing and least developed countries to implement the results of the Uruguay Round. There is also a recognition of the need to assist least developed and net food importing countries (in the form of food aid and technical and financial assistance) if they are adversely affected by an increase in the price or reduced availability of food imports.

While the Uruguay Round represents a watershed in the process of fuller integration of developing countries in the multilateral trading system, this process is not yet complete. Much remains to be done both in terms of developing countries' own liberalization efforts and of securing greater market access in areas of interest to them. One important lesson of the Round is that fuller participation--the willingness of countries to commit themselves to international liberalization--has been rewarded in terms of locking-in unilateral reforms, securing greater market access in crucial areas and, above all, in maintaining and strengthening a rules-based system that will be vital to ensure the success of developing countries' structural adjustment efforts. Fuller participation is also essential in giving developing countries more effective influence in addressing the policy challenges that lie ahead, many of which are likely to impinge crucially on developing countries' interests (for example, trade and the environment, trade and labor standards, and investment rules).

Table 1. Quick Reference Guide to the Results of the Uruguay Round

Subject	Results
	A. MARKET LIBERALIZATION
1. TARIFFS	Cuts in import-weighted average bound tariffs in five equal annual reductions, beginning with entry into force of the World Trade Organization (WTO) (expected January 1995).
1a. Industrial country tariffs on industrial products 1/	• 40% cut in import-weighted average bound tariffs on all industrial products by industrial countries, and an increase in tariff bindings (legal maximum rates) to cover 98% of imports (previously 94%). Peaks of over 15% in tariffs on industrial products reduced from 7% to 5% of all imports, and the weighted average bound tariff is down from 6.3% to 3.9%. • Zero-for-zero agreements in 10 major sectors increase the share of duty-free imports from 20% to 43% in industrial countries. Lower than average tariff cuts made in sensitive sectors, such as textiles, clothing, footwear, and transport equipment. • Import-weighted average bound tariff on industrial-sector tropical products falls from 4.2% to 1.9%, resulting in a 55% reduction. • 33% cut in bound tariffs on natural resource-based products, reducing the weighted average from 4.0% to 2.7%. Larger than average gains in some metals and minerals, and lower gains for fish.
1b. Developing country and transition economy tariffs on industrial products 1/	Tariff bindings increased from 14% to 59% of imports by developing countries and from 74% to 96% of imports by transition economies.
2. AGRICULTURE	The start of a gradual liberalization process in the sector--initially over 6 years for industrial countries and 10 years for developing countries. In the final year of the implementation period (defined in the agreement as 6 years), members agree to engage in negotiations to continue the reform process.
2a. Market access	• All non-tariff measures, except those justified under normal GATT exceptions (e.g., balance of payments), to be converted to tariffs (tariffication) at the start of the implementation period, with average tariff cuts by industrial countries of 36% over 6 years from a 1986-88 base, and a minimum cut of 15% on all tariff lines. There are a few exemptions from the tariffication commitment (utilized by Japan (rice) and Israel (sheepmeat, skim milk powder, and cheese)) and, in these cases, 4% of domestic consumption in the 1986-88 base period is a minimum access guarantee that must increase by 0.8% annually to 8% by the end of the implementation period. This exemption will be reviewed in the final year of the implementation period. • Tariff bindings increased from 81% to 100% of imports in industrial countries, from 25% to 100% in developing countries, and from 51% to 100% in transition economies. 43% cut in agricultural tropical products by industrial countries. • Minimum import access by tariff quotas to be guaranteed in respect of all tariffied products. If imports are less than 3% of domestic consumption in 1986-88 base period, access must increase to at least 3% and 5% at the beginning and end of the implementation period, respectively. If the access level is greater than 5% in the base period, this level of access must be maintained (current access).

1/ Excluding petroleum. Data on tariffs are based on GATT "News of the Uruguay Round," April 12, 1994.

Table 1 (continued). Quick Reference Guide to the Results of the Uruguay Round

Subject	Results
2b. Internal support	• Domestic support, as calculated by the Total Aggregate Measurement of Support (AMS) for all products taken together, must be reduced by 20% from a 1986-88 base over the implementation period. Domestic supports of less than 5% are exempted from the reduction commitment (de minimis provision). The so-called "green box" subsidies--certain government service programs, decoupled income support, social safety-net programs, structural adjustment assistance, environmental programs, and regional assistance programs--are exempted from reduction commitments. Also exempted are non-decoupled income support provided this support is linked to production-limiting programs.
2c. Export subsidies	Export subsidies must be reduced by 36% in value and 21% in volume for each product over the implementation period from a 1986-90 base. In certain cases, in the initial years, the reduction commitments can be calculated from a 1991-92 base, and there is some flexibility in phasing the cuts between the second and fifth years.
2d. Special safeguard	Special safeguard provisions, triggered by volume increases or price reductions, permit the imposition of additional duties up to specified limits. The volume trigger is sensitive to the degree of import penetration. The price trigger is related to 1986-88 average prices expressed in domestic currency. The volume trigger leads to the non-discriminatory application of additional duties, whereas the price trigger leads to additional duties fixed on a consignment-by-consignment basis.
2e. Developing countries	Several provisions introduce greater flexibility for developing countries: • Reductions in tariffs, domestic support, and export subsidies are set at two-thirds the levels specified above, and spread over ten years. • Least-developed countries are exempted from all reduction commitments. • Exemption from the tariffication commitment on any agricultural product that is a primary staple in a traditional diet, subject also to the tariffication exemption provisos mentioned above (utilized by Korea and the Philippines in the case of rice), but with slightly different minimum access commitments. Minimum access must rise from 1% of base period domestic consumption to 4% at the beginning of the tenth year. • Ceiling bindings (legal maximum tariffs set above applied rates) are permitted as the basis from which tariff reductions are to be calculated during the implementation period. If a ceiling binding is adopted instead of tariffication, the special safeguard remedy (2d) above is not available and the current and minimum access commitments do not apply. • Exemptions from domestic subsidy commitments when subsidies relate to investment (and are generally available), diversification away from production of illicit narcotic crops and input subsidies for low-income producers. The de minimis provisions on domestic subsidies apply at a 10% level of support (5% for industrial countries). • Exemptions from export subsidy reduction commitments when the subsidies relate to export marketing and transport. • Food aid exempted from export subsidy commitments, provided aid is not tied to commercial exports, complies with FAO principles, and is supplied on terms no less favorable than those of the 1986 Food Aid Convention. • The Ministerial Decision on Measures Concerning the Possible Negative Effects of the Reform Program on Least-Developed and Net Food-Importing Developing Countries contains provisions on maintaining adequate levels of food aid and preferential treatment in relation to agricultural export credits. It also notes that developing countries may be eligible to draw on the resources of international financial institutions under existing facilities, or such facilities as may be established, in order to meet any adjustment needs emanating from the Uruguay Round.
2f. Peace clause	A "peace clause" (9-year duration) constrains the use of anti-subsidy actions. In the case of subsidies excluded from the reduction commitments (the green box subsidies), the measures will be considered non-actionable in terms of countervailing duties and legal challenge in the WTO (on grounds of violation, nullification or impairment, injury, and serious prejudice). In the case of subsidies subject to domestic reduction commitments and export subsidies, countervailing duties may be levied upon proof of injury or threat thereof, and certain restraints are imposed on legal challenges.

Table 1 (continued). Quick Reference Guide to the Results of the Uruguay Round

Subject	Results
3. TEXTILES AND CLOTHING	• Gradual integration of the sector into the WTO/GATT 1994 in a four-stage phase-out over 10 years, under the supervision of a Textiles Monitoring Body. • Products accounting for not less than 16% of total volumes of imports (in terms of the stated Harmonized System lines or categories) in 1990 to be integrated into GATT 1994 upon entry into force of the WTO. After the third year of the phase-out period, at least a further 17% of total 1990 import volumes of the listed products to be integrated, followed by at least 18% after the seventh year, and the remainder (49%) at the end of the ten-year period. Each phase-out must encompass products (chosen by the restricting country) from four groups--tops and yarns, fabrics, made-up textiles, and clothing. • Outstanding quota restrictions shall be expanded by the prevailing (bilaterally negotiated) quota growth rate plus 16% annually in the first three years, by 25% in the subsequent four years, and by 27% in the final three years. Swing, carryover, and carry forward provisions shall continue to apply as they do under the MFA. • A commitment is made to take the necessary anticircumvention measures to deal with transshipment, rerouting, false declaration of origin, and forgery. • Establishment of a "transitional safeguard" only on products not yet integrated into GATT 1994 which could include products not subject to restriction. This safeguard may be applied selectively to particular exporters. Safeguards may be maintained for a maximum of three years, and phased out over their duration. There is less flexibility in the use of safeguards against small exporters, least-developed countries, wool producers, outward processors, and cottage industries. • Provisions to redistribute quotas in favor of quota-constrained and efficient exporters.
	B. RULES
1. SAFEGUARDS	• More flexible use of safeguards under tighter disciplines to be monitored by a newly established Committee on Safeguards. Disciplines include specification of procedures for investigation, publication of findings and notification, and of relevant criteria for determination of injury and causality. Import quotas for safeguard purposes may discriminate among suppliers only in exceptional circumstances, where imports from a member increase disproportionately. • Duration of safeguard measures is a maximum of four years in the first instance, but can be extended for a further maximum period of four years, provided conditions warrant this, appropriate procedures are followed, and there is evidence the industry concerned is adjusting. Degressivity of safeguard measures taken for more than one year is required. Developing countries can maintain measures for a maximum of ten, instead of eight years. • Existing safeguards to be eliminated in 5-8 years. • New safeguard measures cannot usually be re-introduced for a period equal to the time they have been previously applied, and in any event not until two years after the previous application of the measure. Developing countries may re-impose safeguard measures after half the time of a previous application, provided the minimum two-year period of non-application has elapsed. • Under specified conditions, no retaliation is foreseen during the first three years during which a measure is applied. • Developing country exporters accounting for less than 3% of a country's imports of a product shall be exempt from safeguard action, provided that all developing members with less than a 3% share account for less than a 9% share overall. • Voluntary export restraints (VERs) and similar measures on exports or imports are to be eliminated within four years, although each member has the right to maintain one such measure until the end of 1999. Governments are not to encourage or support the adoption of VER-like measures by public or private enterprises. A safeguard measure taken in the form of a quota under this agreement could, by mutual consent, be administered by the exporting member.

Table 1 (continued). Quick Reference Guide to the Results of the Uruguay Round

Subject	Results
2. ANTIDUMPING (AD)	• Some improved provisions, including in relation to dumping margin calculations, injury determination, the definition of domestic industry, investigation procedures, and standard of evidence. Tighter disciplines include reducing discretion in the calculation of dumping, specification of parties with standing, of conditions under which provisional measures and price undertakings can be resorted to, of public notice and judicial review requirements, of refunds of antidumping duties, and of the use of best information available in investigations. • There are de minimis provisions relating to the margin of dumping (less than 2%), the volume of dumped imports (less than 3% of imports, or cumulatively 7% among exporters supplying less than a 3% share), and the extent of injury. Cumulation of imports from more than one country in an injury investigation is not permitted under circumstances of de minimis (nor unless circumstances so warrant). • A "sunset" provision requires that antidumping duties remain in place no longer than five years unless a review demonstrates that the removal of a duty would likely lead to continuation or recurrence of dumping and injury. • The standard of review provisions could curtail the reach of dispute settlement procedures. In addressing the facts of a case, panels are limited to a consideration of whether facts were properly established and their evaluation unbiased and objective. If these standards are satisfied, a decision by national authorities cannot be overturned, even if a panel might have reached a different conclusion. In considering matters of law, in accordance with customary rules of public international law, if there is more than one permissible interpretation, a panel shall find in favor of the national antidumping authorities if their case rests upon one of these interpretations. • Anti-circumvention provisions, allowing for antidumping action against producers that shift the location of production in order to avoid antidumping duties, are not included in the agreement, but remain subject to negotiation.
3. SUBSIDIES	• Subsidies are explicitly defined as involving a financial contribution by the government and being specific to certain enterprises or industries, (i.e., not generally available). Subsidies are categorized as: (1) prohibited (export subsidies and subsidies favoring the use of domestic over-imported goods); (2) actionable (if they cause injury, nullification or impairment of benefits, or serious prejudice); and (3) non-actionable (non-specific subsidies, assistance for certain research activities, regional subsidies, and subsidies for environmental adaptation). • Subsidies that may be countervailed pursuant to national procedures are not specified except that they must involve a financial contribution and be specific as defined above. However, two categories of subsidies--non-actionable ((3) above) and de minimis (less than 1% ad valorem, less than 2% in the case of developing countries)--subsidies cannot be countervailed under national law. • Serious prejudice is presumed to exist when subsidization of a product exceeds 5%, subsidies are used to cover operating losses (except in certain circumstances), or where there is direct debt forgiveness. Nonrecurring subsidies, including debt forgiveness, linked to privatization programs in developing countries are not actionable for serious prejudice or nullification or impairment of benefits. • Least-developed countries (LDCs) are allowed to maintain export subsidies, as are other developing countries whose per capita income is less than US$1,000 per annum. Developing countries that are not, or cease to be, in these categories, are required to phase out export subsidies within eight years (with the possibility of extension). Developing countries and LDCs are exempted from the presumption of serious prejudice. The prohibition of subsidies linked to the use of domestic over imported products shall not apply to developing countries for five years, and to LDCs for eight years. • Economies in transition are granted a seven-year period within which to eliminate prohibited subsidies and are exempted during this period from the presumption of serious prejudice for subsidies on debt forgiveness. • Export subsidies cannot be increased from 1986 levels, or levels prevailing when the agreement enters into force, and must be removed if export competitiveness is attained (defined as 3.25% of world trade in the relevant product for two consecutive years). • Provisions very similar to those on antidumping are included in the text on countervailing duties. The de minimis provisions establish exemptions for developing countries from countervailing duties when subsidy levels do not exceed 2% (or 3% if a country accelerates the timetable for eliminating export subsidies), or import shares are less than 4%, and cumulatively among countries benefitting from this provision, less than 9% of total imports.

Table 1 (continued). Quick Reference Guide to the Results of the Uruguay Round

Subject	Results
4. PRESHIPMENT INSPECTION	• Creates a framework for dealing with activities of preshipment inspection companies relating to the verification of the quality, quantity, price, and customs classification of goods in the territory of an exporting member. • Sets out obligations of user governments on non-discrimination, transparency, confidentiality and appeals procedure, and non-discrimination, transparency, and technical assistance commitments of exporter governments. Establishes guidelines for price verification, and the basis on which comparisons may be made (but leaves customs valuation aside). • Introduces independent review procedures for disputes between preshipment inspection entities and exporters. Majority decisions are taken by the review body and are binding on both parties.
5. RULES OF ORIGIN	• Establishes disciplines for rules of origin used in non-preferential commercial policy instruments, explicitly excluding origin rules relating to preferential trading arrangements. Sets out a three-year work program to harmonize non-preferential rules of origin (in cooperation with the Customs Cooperation Council). • Disciplines spelled out on transparency, consistency, the use of positive criteria for the definition of origin, transparency, consultation, review, and protection of confidential information. Seeks a common definition of substantial transformation, and creates a presumption in favor of the change in tariff heading criterion over an ad valorem rule or criteria relating to processing operations. • Contains a Common Declaration on preferential rules of origin that commits members to general disciplines, but not to harmonization.
6. TECHNICAL BARRIERS TO TRADE (TBT)	• Technical regulations (mandatory standards) and conformity assessment procedures are not to discriminate against imports or between imports from different countries. They should not create unnecessary obstacles to trade and hence should not be more trade-restrictive than necessary to fulfill a legitimate objective, taking into account the risks of non-fulfillment. Establishes a code of good practice for the preparation, adoption and application of voluntary standards. • Creates a presumption in favor of harmonized international standards, technical regulations, and conformity assessment systems, without, however, denying any member the right to establish levels of standards it considers appropriate to fulfill legitimate objectives. • Extends the coverage of the agreement to sub-national entities and to product-related process and production methods, and establishes new disciplines for voluntary standards.
7. SANITARY AND PHYTO-SANITARY MEASURES	• Measures related to food safety, and animal and plant regulations must not arbitrarily or unjustifiably discriminate between members or used as disguised trade barriers. They should be applied only to the extent necessary to achieve objectives, be based on scientific principles, and not be maintained against scientific evidence. • Measures should be based on international standards. Stricter standards are permitted if there is scientific justification or as a consequence of appropriate risk assessment. Stricter standards are not to be more trade-restrictive than necessary, given economic and technical feasibility.
8. GATT (1994) ARTICLES 1/ 8a. Bound tariff schedules (Article II:1(b))	• Requirement to include other duties and charges (ODCs) in bound schedules; ODCs to be bound at the level of the most recent rather than the first negotiation of a tariff.

1/ A text on non-application modifies the provisions of GATT 1947.

Table 1 (continued). Quick Reference Guide to the Results of the Uruguay Round

Subject	Results
8. GATT (1994) ARTICLES cont'd... 8b. Balance of payments provisions (Articles XII, XIV, XV, XVIII:B, and 1979 Declaration on Trade Measures taken for Balance of Payments Purposes)	• Recommendation for the greater use of price-based (e.g., import surcharges) measures rather than quantitative restrictions. • Public announcement of time schedules for removal of measures. • Improved procedures for balance-of-payments consultations.
8c. State-trading enterprises (Article XVII)	• Develops a clearer working definition of state-trading enterprises for notification purposes, and makes provision for the review of notifications and counter-notifications.
8d. Customs unions and free-trade areas (Article XXIV)	• Establishes a methodology for the evaluation of duties before and after the formation of regional trading arrangements (RTAs). • Sets out clearer criteria for the review of new or enlarged RTAs. Interim agreements should lead to full-fledged RTAs within ten years. • Clarifies procedures to be followed when tariff bindings are renegotiated.
8e. Waivers from GATT obligations (Article XXV:5)	• Sets conditions and time limits for waivers in accordance with WTO provisions. All existing waivers to be terminated in two years unless their renewal is agreed upon.
8f. Renegotiation of tariff bindings (Article XXVIII)	• New procedures for determination of members with negotiating rights; in addition to established negotiating rights, one additional negotiating right is established--for the member with the highest proportion of the product concerned in its exports.
9. IMPORT LICENSING	• Establishes greater clarity on, and expediting for automatic and non-automatic licenses, strengthening provisions on the administration of licensing procedures, and on publication requirements. Emphasizes that licensing requirements should not in themselves constitute obstacles to trade.
10. CUSTOMS VALUATION	• The Tokyo Round agreement remains unchanged, but a Ministerial Decision recognizes difficulties faced by some customs administrations in detecting fraud. The decision permits a partial reversal of the burden of proof away from the authorities and onto the importer in cases where doubts persist regarding the transaction value. • Another Ministerial Decision reiterates the right of developing countries to retain officially established minimum prices for valuation purposes under terms and conditions agreed to by the members. Developing countries can delay implementation of the customs valuation agreement for a five-year period, which may be extended if conditions so warrant. On the question of valuation of imports by sole agents, sole distributors and sole concessionaires, the decision recommends support and studies from the Customs Cooperation Council.

Table 1 (continued). Quick Reference Guide to the Results of the Uruguay Round

Subject	Results
	C. NEW AREAS
1. TRADE-RELATED INTELLECTUAL PROPERTY RIGHTS (TRIPS)	• Establishes standards for the acquisition and protection of intellectual property rights, provisions for their national enforcement, and for multilateral dispute prevention and settlement. • National treatment and most-favored-nation treatment are to apply in respect of all intellectual property rights covered by the agreement. • Minimum standards of protection for intellectual property are provided in respect of copyright, trademarks, geographical indications, industrial designs, patents, layout designs of integrated circuits, protection of undisclosed information. • In the patent area, for example, minimum standards provide for patent protection in all areas of technology, including pharmaceuticals, for 20 years. Members cannot require the local working of patents, but can license non-patentees (compulsory licensing) to produce the patented product under certain conditions. • The agreement recognizes the right to control anti-competitive practices, and to this end, provides for consultation and cooperation among members. • The enforcement provisions are designed to ensure that intellectual property rights established under the agreement can be effectively and expeditiously enforced under national law. • A one-year delay period is envisaged for the implementation of the TRIPS agreement following the establishment of the WTO. Developing countries and transition economies are permitted to delay implementation for a further four years, except for the national treatment and most-favored-nation commitments. Where patent protection is called for in areas of technology not currently protected in developing countries, a grace period of an additional five years is provided in respect of the technologies in question. The least-developed countries are permitted ten years on the same basis, with the possibility of further extensions. Notwithstanding the above transition provisions, all patentable inventions on pharmaceuticals and agricultural chemical products made after entry into force of the WTO must be protected.
2. TRADE-RELATED INVESTMENT MEASURES (TRIMS)	• All TRIMS inconsistent with Articles III and XI of GATT 1994 to be notified within 90 days and eliminated within two years, five years, and seven years for developed, developing, and least-developed countries, respectively; possibility under certain circumstances of an extension of the transition period for both developing and least-developed countries. • An illustrative list of prohibited TRIMS identifies local content requirements and trade balancing requirements as contrary to Article III, and foreign exchange balancing and export limitation requirements as contrary to Article XI.
3. TRADE IN SERVICES	• Extends multilateral rules to a large segment of world trade (about 20%-25%), improves predictability of conditions for investment in service sectors, although many initial liberalization commitments consolidate the status quo in the first instance. • The General Agreement on Trade in Services (GATS) establishes the non-discrimination principle. It includes most of the GATT-type provisions for controlled departures from GATS commitments (regional arrangements, general exceptions, security exceptions, etc.). Specific exemptions from the MFN commitment have been listed by members, and shall be reviewed if they are still in existence after five years. In principle, they should be eliminated after ten years. More than 70 countries have registered exemptions from the MFN provision. • National treatment and conditions of market access are subject to negotiation. Access restrictions may be defined in terms of mode of delivery (cross-border trade, consumption abroad, commercial presence, movement of service providers). Additional commitments may be negotiated on such matters as professional qualifications, standards, and licensing. All liberalization undertakings negotiated by members are inscribed in their schedules of specific commitments. The GATS provides for progressive liberalization through successive rounds of negotiations, starting not later than five years from the establishment of the WTO. However, shorter deadlines are provided for negotiations on specific sectors (e.g., natural persons, financial services) and specific subjects (e.g., government procurement, safeguards).

Table 1 (continued). Quick Reference Guide to the Results of the Uruguay Round

Subject	Results
3. TRADE IN SERVICES cont'd.	• The GATS provides the necessary framework for establishing and maintaining liberalization commitments, including provisions on transparency, domestic service-related regulations and adjudication procedures, and recognition of qualifications and other prerequisites for service suppliers. • Continuing negotiations are called for on provisions relating to safeguards, subsidies, government procurement, and harmonization of domestic regulations. • While the schedules of commitments of developing countries are more limited in scope than those of industrial countries, the participation of developing countries in services liberalization is expected to continue as a gradual process, in line with the development situation of each member. • Special annexes and/or decisions have been drawn up on the movement of natural persons, professional services, financial services, telecommunications, transport services, and on negotiations relating to basic telecommunications. These annexes and decisions address the specificities of the sectors, and the terms and conditions of negotiations in these areas.
	D. INSTITUTIONAL
1. THE WORLD TRADE ORGANIZATION (WTO)	• Establishes the legal basis for the WTO as a single, indivisible undertaking requiring adherence to all the agreements on goods (including the GATT 1994), and the agreements on services, and TRIPs (only the "Plurilateral Trade Agreements"--on civil aircraft and government procurement, and the International Dairy Arrangement and Arrangement Regarding Bovine Meat remain legally distinct and do not require universal adherence). Membership of the WTO is conditional on countries having schedules of concessions and commitments on market access (industrial and agricultural products and services). 1/ • Regular ministerial meetings are provided for in order to improve the effectiveness of the WTO. • Collaboration on policy coherence and ongoing cooperation between the WTO and the World Bank and International Monetary Fund are to be strengthened. • The WTO agreement incorporates conditions for the grant and review, and time limits for waivers from WTO obligations. • The WTO eliminates the grandfathering of existing legislation inconsistent with the GATT, but allowed under the GATT's Protocol of Provisional Application; the only exception will be certain U.S. maritime laws. • The WTO enshrines the single undertaking concept by only allowing non-application of WTO agreements as a whole; GATT contracting parties can invoke non-application only if, at the date of entry into force of the WTO, non-application was effective between them. • The normal practice of decision-making by consensus will continue, with varying voting majorities where consensus cannot be reached.
2. INTEGRATED DISPUTE SETTLEMENT	• Introduces greater speed and automaticity into dispute settlement procedures under fully integrated arrangements (eliminating competing dispute settlement fora within the system). • Provides greater automaticity in the adoption of reports by dispute settlement panels and in the right of retaliation in the event that a member does not comply with adopted panel recommendations; this is accomplished by a change in the voting procedure from consensus to adopt reports (or authorize retaliation) to consensus not to do so. • Establishes a binding appellate review process. • Limits unilateral actions by requiring that multilateral dispute settlement procedures must be followed in respect of, and that unilateral determinations must not be made of, violation of obligations of, or nullification or impairment of benefits under, or impediment to the attainment of the objectives of, the Uruguay Round agreements.

1/ The least-developed countries have to submit their schedules by April 15, 1995.

Table 1 (concluded). Quick Reference Guide to the Results of the Uruguay Round

Subject	Results
2. INTEGRATED DISPUTE SETTLEMENT cont'd.	• Allows, under prescribed conditions, for the possibility of cross-retaliation, i.e., retaliating in one sector/agreement for violations in another. • Provides for greater access by the public to information of a non-confidential nature. • Establishes that members are answerable for non-compliance by sub-national authorities within their territories with WTO obligations.
3. TRADE POLICY REVIEW MECHANISM (TPRM)	The TPRM, which has been operating provisionally since 1989, has been made permanent. The scope of trade policy surveillance, through regular reviews of members' policies, has also been widened to encompass all areas covered by the WTO, including goods, services, and intellectual property.
	E. PLURILATERAL TRADE AGREEMENTS 1/
1. CIVIL AIRCRAFT	This sector is subject to the WTO subsidies disciplines, with certain exemptions, and to the dispute settlement system. Further negotiations may result in disciplines additional to those in the WTO and 1979 code on trade in civil aircraft.
2. GOVERNMENT PROCUREMENT	The new agreement expands coverage to services and to sub-central levels of government and to public utilities. Procurement covered is likely to increase ten-fold from the current amount of US$30 billion. Certain commitments are not extended to all other members or only extended on a reciprocity basis. Many of these derogations are likely to be removed as a result of the U.S.-EU bilateral agreement in April 1994 and of future negotiations involving other members.

1/ Although not formally part of the Uruguay Round, negotiations on civil aircraft and government procurement were undertaken within the same timeframe.

Table 2. Exports of Textiles and Clothing, 1980-1992

(In percent of own export)

	Textiles		Clothing		Textiles and Clothing	
	1980	1992	1980	1992	1980	1992
World	2.7	3.2	2.0	3.6	4.7	6.8
Industrial Countries						
Portugal	13.0	7.9	13.6	22.0	26.6	29.9
Italy	5.3	5.7	5.9	6.9	11.2	12.6
Austria	6.1	4.6	3.3	2.9	9.4	7.5
Belgium-Lux.	5.5	5.3	1.5	1.9	7.0	7.2
Germany	3.3	3.2	1.5	1.9	4.8	5.1
France	3.0	2.7	2.0	2.2	5.0	4.9
Switzerland	5.1	3.5	1.2	1.0	6.3	4.5
United Kingdom	2.8	2.3	1.7	1.9	4.5	4.2
Netherlands	3.1	2.1	1.2	1.9	4.3	4.0
Spain	3.4	2.5	1.5	1.1	4.9	3.6
Japan	3.9	2.1	0.4	0.2	4.3	2.3
United States	1.7	1.3	0.6	0.9	2.3	2.2
Developing Countries						
Macau	19.2	9.4	78.4	67.8	97.6	77.2
Pakistan	33.5	49.5	3.9	19.9	37.4	69.4
Bangladesh	52.2	15.4	0.2	51.5	52.4	66.9
Mauritius 1/	...	...	17.0	51.1	17.0	51.1
Turkey	11.8	11.0	4.5	28.5	16.3	39.5
Tunisia 1/	...	...	15.4	36.6	15.4	36.6
China, People's Rep.	14.0	10.1	8.9	19.7	22.9	29.8
Hong Kong	9.0	9.2	25.2	16.8	34.2	26.0
Morocco	4.9	4.4	4.4	20.1	9.3	24.5
Indonesia	0.2	9.7	0.4	10.8	0.6	20.5
Korea	12.6	10.7	16.8	8.8	29.4	19.5
India	13.3	14.3 2/	6.9	15.9	20.2	30.2 2/
Thailand	5.1	3.8	4.1	11.7	9.2	15.5
Uruguay	4.1	4.7	11.4	10.4	15.5	15.1
Taiwan Province of China	9.0	9.3	12.3	5.1	21.3	14.4
Colombia	3.4	2.5	3.0	6.4	6.4	8.9
Malaysia	1.2	1.4	1.2	4.6	2.4	6.0
Singapore	1.9	1.7	2.2	2.9	4.1	4.6
Brazil	3.3	2.8	0.7	1.0	4.0	3.8

Source: GATT.

1/ Data on textiles are not available; total refers to clothing only.
2/ The number for textiles refers to 1991.

Table 3. Leading Exporters and Importers of Textiles and Clothing, 1992

(Value c.i.f. in billions of dollars, shares in percent)

	Textiles			Clothing		
	Value	Share in World Imports/Exports		Value	Share in World Import/Exports	
	1992	1980	1992	1992	1980	1992
A. Exporters						
Germany	13.9	11.4	11.9	8.4	7.1	6.4
Italy	10.2	7.6	8.7	12.2	11.3	9.4
France	6.3	6.2	5.4	5.3	5.7	4.0
United States	5.9	6.8	5.0	4.2	3.1	3.2
United Kingdom	4.3	5.7	3.7	3.7	4.6	2.8
Netherlands	3.0	4.1	2.5	2.7	2.2	2.1
Hong Kong	11.0	-	-	20.1	-	-
Domestic	2.2	1.7	1.9	10.0	11.5	7.6
Re-exports 1/	8.8	-	-	10.1	-	-
China People's Rep. 2/	8.6	4.6	7.3	16.7	4.0	12.8
Korea	8.2	4.0	7.0	6.8	7.3	5.2
Taiwan Province of China	7.6	3.2	6.5	4.1	6.0	3.1
Indonesia	2.8	0.1	2.4	3.2	0.2	2.4
B. Importers						
Germany	12.4	11.9	10.1	24.8	19.5	18.1
United States	8.2	4.4	6.7	33.0	16.3	24.0
France	7.5	7.1	6.1	9.8	6.2	7.1
United Kingdom	6.9	6.2	5.7	7.9	6.7	5.7
Italy	5.6	4.5	4.6	4.3	1.9	3.1
Japan	4.2	2.9	3.4	11.2	3.6	8.1
Netherlands	3.6	3.9	3.0	5.8	6.7	4.2
Belgium-Luxembourg	3.6	4.0	2.9	4.2	4.3	3.0
Spain	2.5	0.6	2.0	3.2	0.4	2.3
Canada 3/	2.5	2.2	2.0	2.4	1.7	1.8
Hong Kong	13.1	-	-	10.3	-	-
Retained imports 4/	4.3	3.6	3.5	0.3	0.9	0.2

Source: GATT.

1/ World trade figures including re-exports are not available.
2/ Includes trade through processing zones.
3/ Imports f.o.b.
4/ Retained imports are defined as imports less re-exports.

Table 4. Summary of Specific Commitments in the Financial Services Sector of Selected Countries. 1/2/

	Limitations on market access	Limitations on national treatment
United States 3/	Banking and other financial services (excluding insurance). No limitations are maintained on the cross-border supply of this category of services. Limitations affect mainly the supply of these services through commercial presence. These limitations include the following: (i) branches of corporations organized under a foreign country's law are not permitted to carry out credit union, savings bank, home loan or thrift business activities in the United States; (ii) in order to accept or maintain domestic retail deposits of less than $100,000, a foreign bank must (with some exceptions) establish an insured banking subsidiary; (iii) initial entry or expansion by a foreign person through acquisition or establishment is restricted in some states.	Banking and other financial services (excluding insurance). No limitations are maintained on the cross-border supply of this category of services. Foreign banks are required to register in order to engage in securities advisory and investment management. This registration involves record maintenance, inspections, submission of reports, and payment of a fee. Foreign banks cannot be members of the Federal Reserve System, and thus cannot vote for directors of a Federal Reserve Bank. Branch, agency and representative offices of foreign banks are required to be charged for Federal Reserve examinations.
	Insurance and insurance-related services. No restrictions are maintained on the cross-border supply of this category of services except in the states of Nevada and Maine where some restrictions apply to the purchase of reinsurance. Restrictions in this sub-sector affect mainly the commercial presence of foreign insurance or insurance-related service providers, and include the following: (i) insurance companies owned or controlled by governments outside the United States are not authorized to conduct business in some states; (ii) some states have no mechanism for licensing initial entry of a non-US insurance company as a subsidiary, unless that company is already licensed in another U.S. state; (iii) U.S. citizenship is required for all or a certain proportion of the members of the board of directors of licensed companies in some states.	Insurance and insurance-related services. A federal excise tax is imposed on insurance premiums covering US risks that are paid to companies not registered in the United States. In some states, agency licenses are issued to non-residents for only certain lines of insurance, and higher fee for non-residents may be charged.

1/ Under the GATS (Part III), countries undertake commitments according to a positive list approach whereby they offer market access and national treatment only for the service industries listed in their schedules, and for each of the four modes of supply, subject to whatever limitations are included in these schedules.

2/ None of the selected countries in this table has undertaken commitment regarding the presence of natural persons in its territory for the purpose of supplying services, except (subject to certain conditions) for the entry and temporary stay of managers, executives, and specialists.

3/ The United States, the European Union and Japan specified their commitments according to the Understanding on Commitments in Financial Services which establishes an alternative approach (to the one set up in part III of the GATS) whereby countries make market access offer in all financial services sub-sectors, and agree to a standstill clause (except where reservations are taken).

Table 4 (continued). Summary of Specific Commitments in the Financial Services Sector of Selected Countries

	Limitations on market access	Limitations on national treatment
European Union	For all sub-sectors, in some EU members, an authorization is required for certain type or amount of foreign investment. <u>Banking and other financial services (excluding insurance)</u>. In all members states: (i) establishment of a specialized management company is required to perform the activities of management of unit trusts and investment companies; and (ii) only firms having their registered office in the communities can act as depositories of the assets of investment funds. In some EU members, establishment is required in order to provide certain type of financial services. These include, for example, the provision of investment advisory services in Belgium, investment research, asset management and services regarding mergers and acquisitions in Italy, lead management of issues of securities denominated in domestic currency in Germany and the United Kingdom, and securities trading in Belgium, Denmark, Greece and Spain. In Portugal, the establishment of non-EU banks may be subject to an economic need test. <u>Insurance and insurance-related services</u>. Limitations in this sub-sectors involve generally a requirement that foreign insurance companies be established in the Community, or in the member country in order to be able to supply certain type of insurance or insurance-related services (e.g., air transport insurance in Denmark, Germany and Portugal; insurance of CIF exports by residents in Italy, and insurance of risks relating to ground transportation in France). In some EU countries, the establishment of commercial presence is subject to an authorization, or certain requirements (e.g., a certain length of prior experience).	<u>Banking and other financial services (excluding insurance)</u>. No limitations are imposed on the cross-border supply of this category of services. Issues denominated in French francs may be lead managed only by authorized French subsidiaries of foreign banks. In Italy, offices of foreign intermediaries cannot carry out promotional activities in the area of investment in securities. In the Netherlands, branches and subsidiaries of non-EU banks need permission to lead manage guilders-denominated paper. <u>Insurance and insurance-related services</u>. No limitations are imposed on the cross-border supply of this category of services. Italy and Spain have a residence requirement for actuarial profession. The general agent of an insurance branch will need to have resided in Denmark for the last two years.
Japan	<u>Banking and other financial services (excluding insurance)</u> Commercial presence is required for discretionary investment management services as well as for financial/securities futures and options transaction services. Commercial presence for the purpose of supplying investment trust management services must be through a juridical person established in Japan.	<u>Banking and other financial services (excluding insurance)</u>. Deposits taken by branches of foreign banks are not covered by the deposit insurance system. Japan has not made standstill commitment regarding the issuance of licenses required for establishing subsidiaries and branch offices, and for granting authorization for licensed service suppliers to expand existing operations or conduct new activities.

Table 4 (continued). Summary of Specific Commitments in the Financial Services Sector of Selected Countries

	Limitations on market access	Limitations on national treatment
Japan cont'd..	Overseas deposits and trusts contracts denominated in foreign currencies, and over 100 million yen value, and those denominated in yen are subject to approval. Certain services, including trade in payments instruments and foreign exchange, swaps, and factoring may be supplied through authorized foreign exchange bank in Japan. Cross-border supply of these services are in principle subject to approval. Japan maintains restrictions on the assets of pension funds which could be managed by investment management firms. Japan has not made standstill commitment regarding the issuance of licenses required for establishing subsidiaries and branch offices, and for granting authorization for licensed service suppliers to expand existing operations or conduct new activities. Insurance and insurance-related services. Commercial presence is in principle required for insurance contracts covering goods being transported within Japan, ships and aircrafts of Japanese registration. Insurance services are not allowed to be supplied through an intermediary in Japan, and establishment of commercial presence as insurance brokers is not allowed. Japan intends to take measures for making substantial liberalization of cross-border insurance transactions for ships of Japanese registration used for international maritime transportation, and aircrafts of Japanese registration, as well as for introducing the insurance brokerage system.	Insurance and insurance-related services. No limitation is imposed on the cross-border supply of this category of services. Foreign companies are required to retain in yen an amount corresponding to their technical and claim reserves for yen-denominated insurance policies in Japan
Brazil	For all sub-sectors, all foreign capital invested in Brazil must be registered with the Central Bank of Brazil to be eligible for remittances of profits abroad. Banking and other financial services (excluding insurance). Brazil has not undertaken commitment to market access for the cross-border supply of this category of services. Establishment of new branches and subsidiaries of foreign financial institutions as well as increases in their participation in the capital of Brazilian financial institutions is not permitted. The number of branches of each foreign bank is limited to the number existing on October 5, 1988.	Banking and other financial services (excluding insurance). Brazil has not undertaken specific commitment to grant national treatment to the cross-border supply of this category of services. Banks controlled by foreign capital and branches of foreign banks are: (i) subject to higher minimum requirements for paid-in-capital and net worth, and (ii) not allowed to set up automatic teller machines.

Table 4 (continued). Summary of Specific Commitments in the Financial Services Sector of Selected Countries

	Limitations on market access	Limitations on national treatment
Brazil cont'd..	Insurance and insurance-related services. A special form of legal entity is required when setting up a commercial presence for the purpose of supplying freight, life, property, medical care, and liabilities insurance. Foreign participation is limited to 50 percent of the capital of a company and to one third of its voting stock. The establishment of insurance brokering agencies is restricted to natural persons only. In all the insurance lines mentioned above, Brazil has not undertaken commitment regarding the cross-border supply of these services.	Insurance and insurance related services. Brazil has not undertaken specific commitment with respect to the cross-border supply of freight, life, property, liability, and medical care insurance.
India	Banking and other financial services (excluding insurance). India has not undertaken commitment with respect to the cross-border supply of this category of services. The amount branches of foreign banks could invest in other financial services companies is subject to certain limits. Licensing of foreign banks may be denied when the share of these banks in the total assets of the banking system exceeds 15 per cent. Insurance and insurance related services. India has not made commitments in this sector, except for freight insurance and reinsurance. For freight insurance, there is no requirement that goods in transit to and from India should be insured with Indian insurance companies only. Reinsurance can be taken with foreign reinsurers to the extent of the residual uncovered risk after obligatory or statutory placements domestically with Indian insurance companies.	Banking and other financial services (excluding insurance) Once licensed, foreign banks are virtually not subject to any restrictions to national treatment, except that they are required to: (i) establish a local advisory board, and (ii) publish periodically a consolidated financial statement of their Indian branches. Insurance and insurance related services. India has not undertaken commitment to grant national treatment for this category of services.
Korea 1/ (see next page)	Foreign investment is subject to certain restrictions, including ceiling on investment in stocks. For all financial services sub-sectors, cross border supply of financial services and supply through movement of consumers may not be settled in Korean currency. New financial products are subject to approval. Banking and other financial services (excluding insurance). Korea has not undertaken commitment regarding the cross-border supply of this category of services. Commercial presence in banking business (including deposit, loan, foreign exchange, settlement and clearing services) is permitted only through representative offices and branches. No commitment is undertaken regarding financial leasing services. Issuance of debentures is prohibited, and limitations apply to deposits and loans in foreign currency.	Banking and other financial services (excluding insurance). Korea has not undertaken commitment regarding the cross-border supply of this category of services. Securities firms are required to have a minimum amount of operating fund, and are not allowed to establish multiple branches.

Appendix Table 4 (concluded). Summary of Specific Commitments on the Financial Services Sector of Selected Countries

	Limitations on market access	Limitations on national treatment
Korea 1/ (cont.)	Insurance and insurance-related services. Korea has not undertaken commitment regarding the cross-border supply for this category of services, except for marine export cargo insurance, and reinsurance and retrocession. The establishment of a commercial presence is subject to an economic need test, and the number of sales offices which can be set up is limited. No commitment has been made with respect to claim settlement, and actuarial businesses.	Insurance and insurance-related services. Ceding insurers are required to reinsure with priority given to reinsurance companies established in Korea, except for aviation insurance. Top executive personnel of insurance establishments are required to reside in Korea.

1/ Korea undertakes a standstill commitment for limitations on market access and national treatment in all financial services listed in its schedule.

Table 5. OECD Imports under the GSP, 1976-1992

(in billions of U.S. dollars)

Year	Total Imports	MFN Dutiable Imports	GSP Duty-Free Imports	GSP Duty-Free Imports as Share of: Total Imports	MFN Dutiable Imports
1976	136.5	52.0	10.4	7.6	20.0
1986	237.3	160.8	35.6	15.0	22.1
1990	385.0	259.7	54.3	14.1	20.9
1991 1/	392.2	263.0	64.1	16.3	24.4
1992 2/	426.0	302.9	77.4	18.2	25.6

Source: UNCTAD.

1/ Excluding Czech Republic, Hungary, Poland and Slovak Republic under the EU scheme.
2/ 1991 for Australia and Canada.

Table 6. Imports Under Preferential Schemes Other Than the GSP

(In billions of U.S. dollars)

	Total Imports	Dutiable Imports
Caribbean Base Initiative (1992)		
All products	9.4	7.3
Lomé (1989) 1/		
All products	21.3	9.1
Agricultural products	6.5	6.0
Industrial products	14.8	3.1
Mediterranean (1989) 1/		
All products	16.5	9.2
Agricultural products	2.5	1.3
Industrial products	14.1	7.9

Source: UNCTAD, USTIC.

1/ Virtually all dutiable imports receive preferential treatment under the Lomé Convention and Mediterranean Agreements.

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