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ADAPTATION TO CHANGING TRADE PATTERNS IN THE GLOBAL TRADING SYSTEM

By

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ADAPTATION TO CHANGING TRADE PATTERNS IN THE GLOBAL TRADING SYSTEM

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I. Introduction

The United States was of preeminent importance and influence in the global trading system in the two decades following the end of World War II. But with economic recovery and expansion in Western Europe and Japan, the U.S. position began to erode. This erosion has continued in the past two decades as Japan especially has achieved prominence in world export markets for manufactured goods and as the newly industrializing countries (NICs) of East Asia – Hong Kong, Singapore, South Korea, and Taiwan – have burst on the international scene as well.

These broad currents of change in the past 40 years have brought with them a shift in the focus of U.S. trade policies that mirrors the evolving role of the United States in the global trading system. After World War II, the United States was instrumental in the design and implementation of the General Agreement on Tariffs and Trade (GATT) that provided the framework of rules governing international trade among the GATT member countries. Although the United States obtained an exemption in the 1950s from its GATT obligations in connection with its domestic agricultural support programs, it nonetheless played a strong, leadership role in championing the cause of freer trade in manufactures in accordance with the basic GATT principles of nondiscrimination and most-favored-nation (MFN) treatment. U.S. trade policies were guided by the belief that international political and economic strength and harmony in the non-Communist world were best fostered by an open and liberal multilateral trading environment. While reciprocity was an integral feature of efforts by the industrialized countries to reduce tariffs and other barriers to trade in the course of the periodic multilateral negotiations convened under GATT auspices, it is noteworthy that developing countries were granted

special status that permitted them to take advantage of the concessions negotiated among the industrialized countries without themselves having to reciprocate.

As adjustment pressures have mounted in U.S. manufacturing due to the increased competition especially from Japan and the East Asian NICs and in U.S. agriculture because of excess supply conditions internationally, U.S. trade policies have become less benign. The GATT provisions, especially Article XIX, do make allowance for temporary protection in cases of unexpected surges in imports that are or threaten to be injurious to domestic workers and firms. But such protection must be imposed on a nondiscriminatory basis, and compensation of foreign producers may be required in the form of a grant of equivalent concessions in order to forestall retaliation. Rather than following GATT principles and procedures, however, the United States and other industrialized countries have found ways to bypass the GATT on a number of important occasions, reflecting the perceived domestic political need to find more effective ways to provide and guarantee support to vested producing interests that were ostensibly experiencing adjustment problems. Increased tariffs have not been used in these circumstances. Instead, there has been resort to nontariff measures, including antidumping and countervailing duties that are condoned under GATT and especially voluntary export restraints (VERs), which have an ambiguous status under GATT. VERs are quantitative restrictions on imports that are administered by the exporting countries. They have a built-in feature of compensation since the profits arising from the restriction of trade can be captured by exporting interests. This feature of VERs serves to blunt foreign opposition to the restrictive impact involved.

U.S. trade actions have by no means been confined to import restraints. It is widely believed in both official and private circles in the United States that foreign markets are much more closed than U.S. markets, and that foreign governments employ a panoply of measures that give their producers an "unfair" advantage over U.S. producers. As a consequence, U.S. authorities have been empowered by legislation to investigate foreign

market barriers and policies and to threaten and actually impose punitive import reductions unless the foreign government agrees to relax or eliminate the barriers and change its policies. Special subsidies for U.S. exports of agricultural products have also been introduced. Recent U.S. trade policy has thus taken on a unilateral and aggressive stance, which is in sharp contrast to the character and direction of policy in the 1950s and 1960s when the United States played the leadership role in fostering an open and liberal multilateral trading system based on GATT principles.

While there have been changes in trade policy in the United States and elsewhere that can be considered to have weakened the multilateral system in important ways, the system has nonetheless continued to provide the general framework for the conduct of trade and for multilateral negotiations to be convened periodically. These negotiations have focused on further liberalization of trade and the design of agreements to monitor existing nontariff restrictions and to forestall new restrictions from being introduced. The Uruguay Round of multilateral trade negotiations, which was launched in September 1986 and scheduled to end in December 1990, provided an opportunity to review the past accomplishments and to address unresolved problems of the GATT system. Among the most important issues in the negotiations was whether and how the mutual interests of the major industrialized countries and the NICs and other developing countries could be accommodated in a multilateral setting. The fact that the Uruguay Round negotiations were suspended in December 1990, ostensibly because of the failure to obtain agreement on agricultural liberalization, has given rise to the important question of whether different national and regional interests can perhaps be better served by means of bilateral and plurilateral trading arrangements that are alternatives to the GATT, although preserving the most important principles of GATT.

The foregoing remarks are a preview of the issues that shall concern us in the remainder of the paper. In Section II, we discuss some of the major changes in the geographic distribution and commodity composition of the main components of world trade

that have occurred since the early 1970s. These changes provide the basis for our treatment in Sections III-V of the important policy responses to changing trade patterns that have been undertaken nationally in the major industrialized countries and the NICs and other developing countries, multilaterally under GATT auspices in the Tokyo and Uruguay Rounds, and bilaterally/plurilaterally by the major industrialized and developing countries. Section VI concludes with some remarks on the future of the GATT system.

II. Changes in World Trading Patterns, 1973–1986

In order to provide perspective on the discussion to follow, it is useful to consider some of the salient developments in world trading patterns that have occurred between 1973 and 1986. The basic data are drawn from the annual GATT publication, *International Trade*. The initial year predates the first oil shock of 1973–74 and the terminal year was the most recent in terms of data comparability at the time of writing.

Considering first the changes in the U.S. trading position, the following observations can be made:

1. The United States had a position of near overall trade balance in 1973 and an overall trade deficit of $176.8 billion in 1986. The U.S. trade deficit in 1986, by geographic area, was $62.5 billion with Japan, $34.1 billion with Western Europe, and $55.3 billion with the developing countries (including the oil exporters).

2. While the United States had an export surplus of $8.8 billion in primary products with Japan in 1986, it had bilateral deficits with Japan of $64.9 billion in engineering products and $4.1 billion in consumer goods.

3. U.S. trade in primary products with Western Europe in 1986 was roughly balanced, whereas there were deficits of $7.8 billion in semi-manufactures, $14.9 billion in engineering products, and $10.6 billion in consumer goods.

4. Oil imports accounted for a substantial part of the U.S. deficit of $29.4 billion in primary products with the developing countries in 1986. While U.S. trade in semi-manufactures and engineering products with the developing countries was more or less

balanced in 1986, the developing countries were evidently major outlets for U.S. exports of these products, accounting for about one third of the total. The United States had a deficit of $28.7 billion with the developing countries in its trade in consumer goods (textiles, clothing, etc.).

5. Most of the U.S. trade in manufactures with the developing countries is with the NICs in Latin America (i.e., Mexico, Brazil, and Argentina) and in East Asia (i.e., Hong Kong, Singapore, South Korea, and Taiwan). Branson (1987) has analyzed this pattern of trade in more detail, and, as he has noted (p.55), it appears that: "On balance, the U.S. exports manufactures to Latin America, the Latin American NICs sell nonmanufactures (especially Mexican oil) in the world market, the Far Eastern NICs buy nonmanufactures in the world market and sell manufactures to the United States."

The main features of Japan's trading position in 1973 and 1986 can be summarized as follows:

1. Compared to a position of near balance in 1973, Japan had an overall trade surplus of $89.7 billion in 1986. It had a bilateral surplus of $54.8 with the United States, $22.4 billion with Western Europe, and $4.2 billion with the developing countries.

2. Japan's limited endowment of food, materials, and mineral resources (oil especially) is reflected in its net imports of primary products from the United States ($10.7 billion) and the developing countries ($41.6 billion). Primary products constituted nearly two- thirds of Japan's imports in 1986.

3. Japan's concentration on exports of engineering products and, to a lesser extent, on semi-manufactures is clearly evident. The United States and the developing countries together accounted for about two-thirds of these exports.

4. Japan's imports of manufactures were about one-third of total imports in 1986. Its imports of engineering products and consumer goods are remarkably low both in absolute terms and relatively in comparison to the United States and Western Europe, although these imports have increased quite substantially since 1987.

5. According to the more disaggregated analysis in Branson (1987), Japan's trade in manufactures with the NICs was concentrated primarily in East Asia.

The main features of the trading position of the European Community (EC) and European Free Trade Association (EFTA) combined can be summarized as follows:

1. Netting out intra-EC and EFTA trade, there was an overall surplus of $4.4 billion in 1986 compared to a deficit of $13.7 billion in 1973. Europe's bilateral surplus in 1986 was $19.8 billion with the United States and $2.0 billion with the developing countries, and there was a bilateral deficit of $27.5 billion with Japan.

2. Europe's net imports of food, materials, and oil are reflected in its primary product trade with the United States and the developing countries.

3. Europe was a net exporter of semi-manufactures, engineering products, and consumer goods to the United States. Europe had a deficit of $29.4 billion in its trade in engineering products with Japan in 1986.

4. Europe was a net exporter of semi-manufactures and engineering products to the developing countries and a net importer of consumer goods in 1986.

5. According to the more disaggregated analysis in Branson (1987), Europe's trade in manufactures was in general much less concentrated with the NICs than was the case for the United States and Japan.

The patterns of trade of the major industrialized countries just mentioned reflect both long-term and short-term influences. The long-term influences include changes in national factor endowments, technology, and government policies that serve to shape the comparative advantage of each country/region. The short-term influences, which include changes in real exchange rates and national income, derive especially from changes in government macroeconomic policies and will have the greatest impact on the levels of trade rather than the composition of trade.

If, for example, we wished to explain the pattern of trade in primary products — food, materials, and minerals (including oil) — and semi-manufactures, the main

determinants would be intercountry differences in the abundance of land, other natural resources, and the associated investments in physical capital together with government incentives that are designed to protect or promote production and trade in particular sectors. Trade in such semi-manufactures as chemicals and in many engineering products reflects especially the services of the most highly educated, technically trained, and experienced members of the labor force and business management combined with the services of the physical plant and equipment that embody the most recent technological innovations. Scale economies and some elements of market power may also be present in these industries. Finally, trade in such engineering products as automobiles and household appliances and in such nondurable goods as textiles and clothing may reflect the fact that these products can now be produced with relatively standardized production methods. It has become cheaper accordingly to produce these products in developing countries that are abundant in relatively unskilled labor and thus have lower wage costs.

The foregoing considerations may thus help explain why the United States has a comparative advantage in such primary products as grains, certain livestock products, tobacco, and cotton and a comparative disadvantage in oil and metals. By the same token, Western Europe, Japan, and some developing countries may be net importers of a variety of primary products, although restrictive government policies may be used to protect domestic producers in many instances. It is also the case that the United States, Japan, and Western Europe have comparative advantage in a variety of chemicals and engineering products that embody relatively large inputs of human capital and advanced technology. Finally, the relatively labor abundant East Asian NICs are presently low cost sources of many types of consumer goods and related products that can be produced with fairly standardized technology.

While international specialization and trade are shaped by the long-run influences just mentioned, the significance of short-term factors must be recognized as well. In particular, changes in government macroeconomic policies can result in differential

movements in real exchange rates and in national income and expenditure and thereby lead to sizable and persistent intercountry trade and current account imbalances. These short-term influences are clearly evident in the trade deficits that the United States has been experiencing vis-a-vis Japan, Western Europe, the developing countries, and overall.

In assessing a country's trade performance, it is necessary accordingly to distinguish changes due to short-term influences that may be driven especially by macroeconomic forces from the long-run or structural changes in comparative advantage that may be occurring. These distinctions are especially important since the long-run adjustment pressures to which workers and firms in import-competing sectors in the United States have been subjected may have been intensified due to the rapid and sizable appreciation of the U.S. dollar that took place in the first half of the 1980s. Also, the large bilateral trade imbalances that the United States has been running, especially with Japan, are attributable to an important extent to differences in national macroeconomic policies rather than to Japan's sectoral production and trade policies.[1]

Having highlighted the changing trade patterns of the major industrialized and developing countries since the 1970s, we turn next to a discussion of the important national, multilateral, and bilateral/plurilateral policy responses that have been undertaken in an effort to expedite, adjust to, or thwart these changing patterns.

III. National Policy Responses to Changing Trade Patterns

United States and Other Industrialized Countries

We have already indicated that a number of important nontariff actions have been taken by the United States and other major industrialized countries since the 1970s for the purpose of limiting imports. The most prominent of these actions include a host of discretionary policy measures and voluntary export restraints (VERs) that have been invoked or negotiated in accordance with existing legislative and/or executive authority and mandates.

In the case of the United States, for example, the chief discretionary policies include: (1) resort to import relief laws that provide the authority for safeguard measures to provide temporary relief from imports and investigations of market disruption due to imports from Communist nations; (2) actions under the laws against unfair trade practices that provide for antidumping duties on imports that are sold at "less than fair value," countervailing duties to offset foreign subsidies, resolution of complaints of unfair methods of competition such as patent infringement, and resolution of complaints concerning violations of U.S. rights under trade agreements, including foreign government practices that inhibit U.S. trade; (3) actions under the law to prevent imports from undermining domestic agricultural support programs; and (4) actions to regulate imports that may impair national security.

These various measures, which are rooted in U.S. domestic law, presumably conform to the Articles of Agreement of the GATT. But since the investigations are carried out by U.S. government agencies – in particular the Department of Commerce, International Trade Commission, and the U.S. Trade Representative – there is no guarantee that the decisions reached will be impartial and equitable in all cases. In fact, the very existence of these different avenues for complaints and the process of investigation may well constitute a form of harassment that could at times be rather costly to foreign producing interests.

In addition to the actions based on U.S. trade laws and regulations, import relief may take the form of a VER that will specify the permissible market shares or quantities of goods that the exporting countries will be allowed in a given time period. A VER may be sought by domestic producing interests in cases where the process of administering the trade laws has not or is unlikely to yield the desired outcome. Since the government and/or the firms in the exporting country will normally capture at least part of the excess profits that arise due to the restrictions, there is an element of compensation present in a

VER arrangement, which makes it more palatable to the foreign suppliers than many other forms of administered protection.

The other major industrialized countries have domestic trade laws and administrative procedures that share many of the features just described, although of course the precise authority and mechanisms and the selection of policies will vary depending upon national political and legal institutions and the structure and influence of interest groups. This is the case as well for the implementation of VERs.

Because many of the discretionary trade policy measures are framed in terms of administrative guidelines and practices, which may vary by type of product, industry, and country, it is difficult to determine precisely how prevalent these barriers to trade are, how they have changed, and especially what impact they may have on international trade and economic welfare. One way to assess the prevalence of existing NTBs is provided by the inventory of these measures that has been compiled by the United Nations Conference on Trade and Development (UNCTAD). This inventory classifies the NTBs by commodity group, and calculations can then be made of the frequency of occurrence of NTBs using as a measure the value of imports in a given commodity group that are subject to any identified NTB. This permits trade-weighted frequencies to be determined for given commodity groups. These frequencies can be expressed as percentages of trade covered by NTBs. Thus, a designation of zero means that there are no NTBs present, while 100% means that all trade in a given commodity category is subject to one or more NTBs.

Some information on the NTB coverage for sixteen industrialized countries is given in Table 1.[2] These coverage data were calculated using the value of own-country (1981) imports that were subject to any (1983) NTB at the detailed tariff line level and then aggregated across product categories.[3] The first line in each row of Table 1 refers to the coverage ratios weighted by imports from developing countries, and the second line refers to weighting based on imports from industrialized countries. Omitting fuels, the coverage for all industrial country markets suggests that more than $100 billion of 1981

trade in agricultural products and manufactures was subject to NTBs as of 1983. In terms of individual countries, column 2 of Table 1 indicates that Belgium-Luxembourg, France, Australia, and Switzerland had the highest coverage ratios. It is also noteworthy that the coverage ratios are considerably higher for agricultural products as compared to manufactures. Among manufactures, textiles (including clothing), iron and steel, and vehicles have relatively high coverage ratios. Comparisons of the first and second line of each row show that the NTB coverage ratios for agricultural products tend to be higher when weighted by industrialized country imports, while the coverage ratios for manufactures tend to be higher when weighted by imports from developing countries.

It may be of interest to consider VERs separately in view of their importance. A detailed listing of the various restraint arrangements in operation as of September 1987 can be found in GATT (1987, pp. 55–58 and 99–108). According to this source (p. 55):

> "Product categories most heavily affected by these arrangements included steel and steel products (38), textiles – arrangements concluded outside of MFA [Multi-Fibre Arrangement] IV (28), agriculture and food products (21), automobiles and transport equipment (14), electronic products (11), footwear (8) and machine tools (7). Sixty-nine protect the market of the European Community or one of its member States, 48 protect the US market, and 7 protect the Canadian market. The arrangements limit mainly exports from Japan (25 arrangements), Republic of Korea (24), the European Communities (7) and Taiwan (6)."[4]

It is unfortunately rather difficult to track movements in protectionism over time since the existing data do not extend readily to years prior to 1981. Nonetheless, the evidence cited in Nogues, Olechowski, and Winters (1985) and in GATT (1987) suggests that there has been a noticeable increase in the extent of NTBs since 1981.[5]

It is of interest finally to ask how important existing NTBs may be in terms of their economic impact on production, trade, and employment by sector and overall in the major industrialized and developing countries. One way to assess this impact is to represent the NTBs in terms of tariff or subsidy equivalents by estimating the percentage changes in prices in the importing countries that result from the NTBs, with appropriate weighting for trade coverage. Such estimates have been constructed by Deardorff and

Stern (1989) for the 18 major industrialized countries and adapted for use in their Michigan Model of World Production and Trade. Taking account of these industrialized country NTB estimates together with existing tariffs, Deardorff and Stern (1990) have calculated the sectoral trade and employment effects for the 18 industrialized and 16 developing countries included in the Michigan Model of the assumed removal of these NTBs and tariffs. Their results are summarized in the aggregate by country in Table 2. The principal findings are as follows:

1. Based on benchmark levels for 1976, exports rise by more than $35 billion, which is a 4.7% increase. U.S. exports and imports rise by $4.4 billion. The comparatively small changes noted in the trade of the developing countries reflect especially the responses to the appreciation of their currencies that would be experienced in the context of the extensive and concerted liberalization by the industrialized countries that is being assumed.

2. The gross change in employment for the United States is 180 thousand workers, which is 0.21% of the 1976 labor force. This is a measure of the number of workers who would have to change jobs as the result of the assumed liberalization. The results for the United States are clearly on the low side in comparison to the other industrialized countries, for which the changes range from less than 1% to over 4% of 1976 employment, and the developing countries, with changes ranging from less than 1% up to 12.3%.

3. The terms of trade for the United States improve marginally, and there are somewhat larger improvements especially for Australia, Denmark, Ireland, the Netherlands, and New Zealand, which reflect the importance of these countries as agricultural exporters. Terms-of-trade improvements are evident also for many of the developing countries.

4. The U.S. dollar depreciates by 0.7%. The Japanese yen also depreciates by 3.3% as does the Swiss franc by 1.5%. Some of the currencies of the other industrialized

countries appreciate. The currencies of all the developing countries appreciate, ranging from 0.3% for Chile to 16.6% for Hong Kong.

5. Import and therefore consumer prices fall in the United States by 0.1%. Prices fall by somewhat larger amounts in several other industrialized countries, and they increase in Japan and Switzerland in response apparently to the assumed removal of agricultural production subsidies. Prices decline in all the developing countries.

The detailed sectoral results for the United States, which underlie Table 2 and are given in Deardorff and Stern (1990), indicate the largest positive net employment changes in U.S. agriculture and net increases and declines in employment of small magnitude across all other sectors. The details for the other industrialized countries and the developing countries suggest that the assumed removal of existing tariffs and NTBs might result in substantial labor market adjustments in a number of important sectors.

The computational results summarized in Table 2 are based on the assumption that the NICs do not reduce or remove their existing tariffs and/or NTBs. As noted above this is an option that has been available to them in the Tokyo Round and earlier GATT multilateral negotiations. However, the major NICs in particular have come under increasing pressure in the Uruguay Round negotiations to give up their special and differential treatment and graduate to the status in which they will assume full obligations under the GATT and undertake reductions in their trade barriers as well. In this connection, Deardorff and Stern (1989) have shown that there would be a considerable expansion of trade overall if both the major industrialized countries and the NICs were able to liberalize together. We shall return to this issue in our discussion below of the issues in the Uruguay Round negotiations.

Asian and Latin American NICs

It is evident from our earlier discussion that the NICs have come to play a major role in the global trading system as suppliers of manufactures, especially consumer goods, to the industrialized countries as well as importers of semi-manufactures and engineering

products from the industrialized countries. The East Asian NICs, which have registered the most striking domestic economic performance and increases in exports to the United States in particular since the 1970s, offer an interesting contrast to the experiences of the Latin American NICs — Argentina, Brazil, and Mexico. This contrast is evident in Table 3, which records rates of growth of gross domestic product (GDP) and per capita GDP for the periods, 1963–73, 1973–85, and 1963–85. The differences between the Asian and Latin American experiences are most notable for 1973–85.

The rapid export expansion of the East Asian NICs is shown in Table 4, with the largest increases for Korea — from 2.0% of the total manufactures exports of the 12 countries listed in 1963 to 23.7% in 1984 — and Taiwan, whose share increased from 6.4% in 1963 to 24.6% in 1984. The shares of manufactures exports of the Southeast Asian countries increased from 1963 to 1984 while India's share in the exports of both nonfuel primary products and manufactures declined noticeably. Among the Latin American NICs, Brazil's export share of manufactures increased from 2.1% in 1963 to 10.2% in 1984.

Although exports are obviously intercorrelated with changes in GDP and there are many other determinants of a nation's rate of economic growth, there is nonetheless a considerable body of both cross-section and time-series empirical evidence — see Balassa (1988, pp. S277 and S279–80) — that supports the conclusion that intercountry differences in export expansion are positively related to differences in rates of aggregate growth. Nonetheless, although the facts speak for themselves, they leave open the obvious questions of how the East Asian NICs in particular have been able to achieve such economic success and whether they can serve as models for other developing countries.

The economic success of the East Asian NICs appears to be derived from a number of interrelated elements, which Bradford (1987, p. 314) has summarized as follows: "...the evidence suggests...a supply-push development model with government playing a key role in stimulating capital formation through macropolicies and in

accelerating structural change through sectoral strategies affecting the output and export mix...." World demand conditions are obviously important as well insofar as they will define the appropriate price signals and the associated opportunities for access to foreign markets. But what seems most crucial is "getting the policies right" and not merely "getting the prices right." International trade is best viewed in this context then as a "handmaiden of growth" rather than an "engine of growth" in its own right.

Kuznets (1988, p. S31) describes the important links between export-oriented government policies and economic behavior in the following way:

> "Economic behavior is better in export-oriented than in import-substitution regimes because firms must compete with others in international markets rather than rely on the protection of sheltered domestic markets. Growth also occurs through the expansion of more efficient producers rather than the more protected ones. Export-promotion strategies were initiated in Taiwan and Korea by devaluation, liberalizing imports, and reducing the web of controls needed to protect domestic producers. In each case there were benefits from avoiding the restrictions required by import-substitution policies that had distorted relative prices and from avoiding the foreign-exchange crises (associated with import substitution) that had led to stop-go macroeconomic policies. Finally, though the success of the export-promotion strategies was not assured at first and the new policies faced opposition from import-substitution interests, 'success breeds success.' When the new trade regimes eventually succeeded, they received the public support that has preserved them to this day."

It is interesting to consider whether the East Asian NICs will be able to continue their rapid rates of expansion of output and exports and what the outlook is for the emerging NICs of Southeast Asia and the major Latin American NICs. The evolution of the industrial structure in nations like Korea and Taiwan has been fostered by government policies that have provided stable and sectorally neutral incentives and effectively functioning domestic factor markets. Access to industrialized country markets, particularly the United States, has been crucial in this process. The maintenance of open and expanding markets in the major importing countries is therefore vitally important to the established NICs and the emerging NICs, including nations like Sri Lanka, insofar as it encourages their adoption of more effective domestic policies. Furtheremore, if the NICs can continue to expand their domestic output and exports, they will absorb larger and

more varied imports of semi-manufactures and engineering products from the industrialized countries especially and from one another as well.

Our earlier discussion of world trade patterns reinforces the point that the NICs already account for a sizable proportion of industrialized country exports of manufactures. It is important to note in this connection that, since the early 1980s, the Latin American NICs especially have experienced serious difficulties in servicing their foreign debts. In order to cope with these difficulties, they have instituted substantial reductions in public expenditures and, as a consequence, there have been significant declines in their aggregate real output and imports. Since the United States has been a traditionally large exporter of manufactures to the Latin American NICs, the efforts of these countries to deal with their debt problems have had a detrimental impact on the U.S. trading position. It thus seems obvious that the industrialized countries stand to benefit by increased exports to the NICs just as the NICs will benefit from improved access to the industrialized country markets. World economic welfare will be enhanced accordingly by this increased interdependence and the greater specialization and trade that take place.

Based on our earlier discussion of protectionism in the United States and other industrialized countries, the outlook for the NICs unfortunately appears to be somewhat ambiguous. It is possible, however, that the situation could be clarified and improved by means of multilateral negotiations under GATT auspices. To help in assessing this possibility, we turn next therefore to a consideration of what was accomplished in the Tokyo Round from the standpoint of the major industrialized countries and the NICs and what the prospects are in the current Uruguay Round for an accommodation of interests between these groups of countries.

IV. Multilateral Responses to Changing Trade Patterns and Policies

Evaluation of the Tokyo Round Negotiations

The Tokyo Round negotiations were convened under GATT auspices in 1973 and concluded in 1979. The negotiations resulted in an agreement for across-the-board reductions in tariffs and a series of agreements (codes) covering a variety of nontariff measures.

Average pre-Tokyo Round (1972) tariffs on industrial products appear in column (1) of Table 5 for the 18 chief participants in the Tokyo Round negotiations. The average rates negotiated, called the offer rates, are in column (2). Column (3) records the average depth of cut by country. A breakdown by major industrial sector and country is given for the pre-Tokyo Round tariffs and for the offer rates in Deardorff and Stern (1986, pp. 50–51).

A great deal of attention was devoted in the Tokyo Round to the discussion and formulation of codes and agreements concerning the use by signatory nations of nontariff measures of trade intervention. The principal items covered were as follows:

1. ***Antidumping*** — This code was aimed at establishing uniformity and discipline on antidumping practices of signatory nations in order to reduce the trade-impeding effects of antidumping laws and procedures.

2. ***Subsidies and countervailing duties*** — This code states general principles that subsidies should not harm the trading interests of other countries and that countervailing duties, to offset foreign subsidies, should not impede trade unjustifiably. The United States agreed in principle to a test of "material injury" before imposing countervailing duties, although it has not done so in a number of investigations in cases in which developing countries did not accept the commitments of this code.

3. ***Product standards*** — Under this code, countries agreed generally, when introducing new standards, to follow international standards for health, safety, consumer

and environmental protection, etc., and to refrain from establishing standards that impede trade.

4. ***Government procurement*** — This code is designed to open up public procurement to competitive bidding by both domestic and foreign firms.

5. ***Customs valuation*** — This code set up consistent valuation practices for trade based on a "transaction" price. The point is to limit arbitrary uplifts in valuing imports for duty purposes and to reduce uncertainty that traders face regarding the duty they will have to pay.

6. ***Import licensing procedures*** — This code encourages governments to simplify the administration of import licensing and to minimize practices that discriminate against foreign suppliers.

Besides these nontariff codes, the Tokyo Round agreement contains provisions for reform of the GATT framework and minor reductions in NTBs on specific products. There was also an agreement to remove certain trade impediments on civil aircraft.

There was an unsuccessful attempt in the Tokyo Round to draft a safeguards code covering policies to deal with market disruption due to sudden upsurges in imports. The European Community in particular wanted the authority to apply safeguards selectively by product and supplying country, whereas the United States favored the nondiscriminatory application of safeguards measures. Discussions on this code were continued in the Uruguay Round. The lack of agreement on a safeguards code was not the only failure in the Tokyo Round, however, for this Round also left intact practically all the important nontariff restrictions governing trade in agricultural products and foodstuffs, textiles and clothing, footwear, iron and steel products, consumer electronic products, and shipbuilding.

The tariff reductions negotiated in the Tokyo Round were to be implemented over a seven-year period beginning in 1980. In order to analyze the economic effects that might be expected, Deardorff and Stern (1986) used the Michigan Model mentioned above for

simulation purposes. Assuming that the tariff reductions were to be carried all at once, according to their calculations (pp. 53–59), exports of the major trading countries covered by the model would rise by about $13 billion, which is 1.6% of the 1976 base level. Practically all of this increase is accounted for by the industrialized countries. The gross change in employment. which measures the number of workers who would have to change jobs, was well under 1% of 1976 employment in all the industrialized countries. Changes in the terms of trade, exchange rates, and domestic prices were all shown to be comparatively small. Since, as mentioned, the tariff reductions were in fact to be phased in over seven years, the actual effects in any one year would be extremely small.

The smallness of these results is not surprising if we consider that the Tokyo Round tariff reductions were themselves quite small since average tariffs were to be cut from approximately 8 to 6%. Granting this, domestic prices might not even fall by the full extent of the tariff reductions if changes in world prices and exchange rates were taken into account. Furthermore, the impacts would be diminished because the effects of the tariff reductions on the prices of outputs and inputs would be offsetting. Since, as we have noted, most NTBs remained unaffected by the Tokyo Round negotiations, the Tokyo Round may have been of limited significance especially for the developing countries whose exports were (and continue to be) constrained by the existing nontariff restrictions.

The Tokyo Round codes noted above constitute a major accomplishment in international commercial diplomacy insofar as they explicitly extend trade discipline to, or define more precisely existing discipline and rules for, specific nontariff intervention measures. The codes are essentially exercises in international rule-making and have as their primary objectives the reduction of trade barriers and the enhancement of certainty and transparency and, ideally, restraint by governments in the use of nontariff measures. Because the codes relate to the clarification and improvement of rules and procedures, it is difficult to evaluate their commercial impact in quantitative terms. Nonetheless, there has

been nearly a decade of experience in the operation of most of the codes so that some qualitative assessment of their usefulness is possible.

Each of the codes has been reviewed in some detail by Stern, Jackson, and Hoekman (1988). They conclude that the customs valuation and standards codes especially and to some extent the antidumping and government procurement codes have resulted in greater harmonization and consistency of national regulations. As a consequence of the increased predictability and greater uniformity of national practices, transactions costs of doing business may have been reduced to an important extent. The regular meetings of the code committees under GATT auspices, exchange of information, and resolution of many disputes by means of consultation have created a climate of cooperation among the code participants.

The codes that have operated least well are those relating to subsidies, trade in civil aircraft, and import licensing. The difficulties stem especially from the contentious nature of the policies involved in these codes that impinge directly on national sovereignty and the governmental pursuit of domestic economic and political objectives. The subsidies code that was negotiated had some notable ambiguities, including just what subsidies were to be covered, how a subsidy was to be defined, how agricultural subsidies especially should be treated, and what exemptions were appropriate for developing countries. The effectiveness of the civil aircraft code has been limited because it has not curtailed the use of subsidies and the political marketing of aircraft. The code governing import licensing has not been accepted by most developing countries since they are not willing to give up this form of protection. Also, the licensing code does not deal with export restraints that, as noted, have become a major form of protection used by the industrialized countries.

The Tokyo Round codes are intended to reflect the basic GATT principles of nondiscrimination, the desirability of transparency in the choice of intervention measures, sanctioning of actions against unfair trade, and surveillance and consultation regarding restrictive actions. At the same time, the codes have been structured so as to bind only

the signatories even though they are intended to be applied on a nondiscriminatory basis. Furthermore, the United States in particular has decided to interpret and apply its obligations under the subsidies, standards, and procurement codes only to other signatory nations as a means of exerting leverage on nonsignatory, particularly developing, nations to alter their policies that may not be in conformance with the codes.

While all of the industrialized countries have signed most of the codes, the participation of developing countries has been more limited. Much could be gained if all the major NICs and other developing countries could be induced to become parties especially to the subsidies, customs valuation, and licensing codes. The advantage of greater participation by these countries would be to enhance their influence in and improve the operation and effectiveness of particular codes. If more countries were to sign certain codes, they would presumably have to adapt their domestic policies to conform to the code obligations. This would be beneficial to them if it made for improved allocative efficiency, although there could be some costs involved as well since there would be domestic institutional constraints that would have to be overcome. Expanded developing country membership in the existing codes and the possible negotiation of new codes are among the issues that were to be addressed in the Uruguay Round negotiations to which we now turn.

Issues in the Uruguay Round Negotiations

The agenda for the Uruguay Round negotiations was established on the occasion of the ministerial meeting that was convened in Punta del Este (Uruguay) from September 15–20, 1986. Part I of the ministerial declaration included the establishment of negotiating groups to deal with the following issues relating to trade in goods: tariffs; non-tariff measures; natural resource-based products; textiles and clothing; agriculture; tropical products; GATT Articles; MTN agreements and arrangements; safeguards; subsidies and countervailing measures; trade-related aspects of intellectual property rights, including trade in counterfeit goods; trade-related investment measures; dispute settlement; and

functioning of the GATT system. Part II of the declaration established a separate negotiating group on trade in services.

Several of the issues on the Uruguay Round agenda would appear to be fairly uncontroversial. These include tariff reductions, natural resource products, tropical products, improving the operation of the Tokyo Round codes, improving dispute settlement procedures, and improving the function of the GATT system. But other issues are definitely more controversial, especially nontariff measures, textiles and clothing, safeguards, subsidies, intellectual property rights, trade-related investment measures, and services.

We have mentioned already that the developing countries have heretofore not been required to make reciprocal concessions in the GATT negotiations. However, in view of the increased role that the major NICs are now playing especially as exporters of manufactured goods, there are bound to be pressures exerted on them to accept more fully the obligations under GATT. What this might entail first is that the major NICs agree to graduate to the status of full membership in the GATT by giving up their "special and differential treatment" as developing countries. If they undertook commitments to bind their existing levels of protection and, further, offered to reduce this protection, this would help to set the stage for potentially fruitful negotiations with the industrialized countries.

It is interesting in this light to consider whether there are possible tradeoffs or linkages between issues that could be made that would be mutually beneficial to the major industrialized countries and the NICs.[6] The issue of safeguards is crucially important to the NICs, especially in light of the increasing use of VERs by the United States and other industrialized countries to limit imports of various types of manufactured goods. The sticking point in the Tokyo Round negotiations was whether safeguards restrictions should be selective by product and supplying country, which was the EC position, or be nondiscriminatory, which was the U.S. position. Since the implementation of VERs has

been selective in practice, it is conceivable that a safeguards agreement could be negotiated that would bridge the EC and U.S. positions.

In order to reach agreement on safeguards, it would be necessary for the industrialized countries to agree to discontinue existing VERs, including the Multi-Fibre Arrangement (MFA). In this event, the industrialized countries would be permitted to use temporary and degressive protection, subject to the demonstration of material injury. Market access for NIC manufactures would thus be more assured than under present circumstances. As for the major NICs, they might offer, as a quid pro quo, to bind their tariffs under GATT and also agree to reduce existing protection in order to appeal to the industrialized countries.

It is also possible that a services agreement could provide a basis for linkage with a safeguards agreement, even though services were put on a separate track in the Uruguay Round agenda.[7] The attainment of a services agreement has been an important objective of the United States in the Uruguay Round, and this objective appears to be shared by both the EC and Japan. If a services agreement were to be negotiated, the participation of the major NICs could be premised on reaching an acceptable agreement on safeguards and related issues, involving as mentioned the discontinuance of VERs including the MFA. The fact that some countries benefit from the rents provided by the VER arrangements would have to be considered in an effort to reach an acceptable agreement.

There may be other possible linkages in the Uruguay Round negotiations besides those already mentioned. The United States, EC, and Japan have mutual interests in the liberalization of nontariff restrictions on trade in selected manufactures, reductions in agricultural production subsidies and export subsidies, and clarification of and more effective rules governing subsidies on manufactures. These issues are probably of most direct concern to the industrialized countries themselves, although there are certainly some developing countries whose interests would be served by any agreements that might be

reached. There were obviously many cross currents in the Uruguay Round negotiations. Assuming that these negotiations will be resumed in early 1991, it can be expected that tradeoffs and linkages among the various issues will be pursued by the major participating countries and blocs.

V. Bilateral and Plurilateral Responses to Changing Trade Patterns

Multilateral negotiations under GATT auspices are inherently time consuming. It is difficult to obtain consensus among the GATT members on the agenda items, and it is even more difficult to conclude negotiations successfully, as the experience with the Uruguay Round suggests. Moreover, the GATT process for investigating and resolving disputes is time consuming and frustrating, especially when the governments involved perceive that their interests are ill served in a multilateral setting. Under these circumstances, they are strongly tempted to consider seriously bilateral and/or plurilateral approaches to negotiations for trade liberalization and the resolution of disputes.

As Baldwin (1987, p. 39) has pointed out, an obvious advantage of the bilateral/plurilateral approaches is that it is easier and quicker both to agree on a negotiating agenda and to complete negotiations. And, the participating countries are better able to choose issues directly related to their mutual trading interests. Furthermore, like-minded countries are able to agree on a more extensive package of mutual liberalization than is feasible in the larger GATT setting in which the interests of many countries are involved. Finally, bilateral negotiations may be especially appealing in addressing issues of "unfair" trade when a country perceives, rightly or wrongly, that it is being injured by some foreign trade practice. If action is taken bilaterally, pressure may be exerted directly on the offending country to change its unfair practice obviating the process required under the GATT.

Baldwin also notes some important disadvantages of undertaking bilateral/plurilateral negotiations. The GATT rules normally require that any preferential elimination of tariffs and other restrictions must apply to the bulk of the trade of the

countries involved. This means that a customs union or free trade area will have to be established to satisfy this requirement. If this is not done, any trade concessions granted will have to be made available to all members according to the most-favored-nation (MFN) principle. To avoid free riding, countries might seek to negotiate on products for which they are each other's main suppliers. If equivalent concessions are then sought so as to maintain a position of balanced trade, the negotiations may become very cumbersome since it could be difficult to agree on an acceptable package that satisfied the desired equivalence.

If trade disputes are to be settled bilaterally, Baldwin points out that there is a danger that large countries may bully smaller countries into taking actions that may not necessarily be equitable or equivalent. This will be the case especially if there is significant interest group lobbying and control intended to capture rents in particular circumstances. There is a possibility, finally, that unilateral threats and actions may exacerbate disputes and trigger retaliation when the countries are similar in size. If retaliatory measures are in fact carried out, it is likely that everyone will be made worse off.

Given the advantages and drawbacks of the bilateral/plurilateral approaches to negotiations, it is interesting to consider recent actions by the United States especially. These actions include the negotiation of free trade arrangements (FTA) with Israel and Canada and potentially with Mexico and other Latin American countries, the Caribbean Basin Initiative (CBI), changes in the U.S. Generalized System of Preferences (GSP), special tariff arrangements for imported products containing U.S. components, and a variety of investigations of alleged unfair trade practices of foreign governments.[8]

The U.S.-Israel FTA became effective on September 1, 1985. It involves a phased elimination of existing bilateral tariffs over a 10-year period and, what is especially noteworthy, it covers bilateral relations involving trade in services, intellectual property rights, and trade-related investment performance requirements. The undertaking of this

agreement would appear to reflect a variety of motives from the standpoint of the United States. The possible motives include the desire to match the preferential arrangements between Israel and the EC, to demonstrate how agreements covering services and other topics could be shaped as a potential model for multilateral negotiations, and perhaps to make a political statement to reinforce the close ties between the two nations. Since U.S. trade with Israel is comparatively small, this agreement cannot be expected to have more than a marginal effect economically on the United States, although the effect on Israel could be more noticeable.

Negotiations covering the U.S.-Canada FTA were completed in October 1987, and the agreement took effect on January 1, 1989. The U.S.-Canada FTA envisions phased removal of bilateral tariffs over a 10-year period, dismantling of certain bilateral NTBs, and perhaps of greatest importance some potentially far reaching agreements covering the harmonization of antidumping and subsidy-countervailing duty procedures and policies, settlement of bilateral disputes by binationally appointed panels, financial and other services, trade-related investment performance requirements, and U.S. access to energy supplies.

The U.S.-Canada FTA was initiated in large measure by Canada, which is the single largest trading partner of the United States. The bulk of Canada's export and import trade is with the United States. The FTA can be viewed broadly as an effort by Canada to obtain security of access to the U.S. market. From the U.S. standpoint, the FTA provided an opportunity to exercise some discipline over Canadian policies involving subsidies and direct foreign investment requirements, more assured access to Canadian energy supplies, and the liberalization of Canadian regulations covering banking, financial services, telecommunications, and other services.

Analysis of the potential economic effects of the FTA by Brown and Stern (1989) suggests that bilateral tariff elimination will be welfare enhancing to both countries and more so to Canada, although there could be some noticeable adjustment problems in some

of Canada's relatively labor intensive sectors. It is difficult to determine what impact the FTA will have on the procedures and policies governing trade and investment transactions and disputes since this will depend on how the FTA is administered and the extent to which the agreement will foster mutual respect and trust between the two nations. As in the case of the U.S.-Israel FTA, the U.S.-Canada FTA may have had an important demonstration effect on a variety of items on the Uruguay Round agenda.

Negotiations for an FTA involving Mexico, the United States, and Canada are scheduled to begin in 1991. These negotiations were initiated by Mexico, which is highly dependent on the United States for both its exports and imports and anxious to solidify and enhance its trading relationship. For its part, the United States sees an opportunity to expand its trade with and investment in Mexico by means of liberalization, possibly obtain more reliable supplies of Mexican energy products, and foster better ties to help in dealing with a variety of political problems. There has also been some discussion of seeking additional FTAs with other countries in Latin America.

The Caribbean Basin Initiative (CBI) dates from August 1983. It was an effort designed to further relations with this group of small island nations that were deemed to be politically important to the United States. It represents one of three U.S. preferential arrangements involving imports from developing countries, the others being the U.S. GSP and special duty exemptions covering U.S. components in imported products assembled in foreign countries and then returned to the United States for additional processing. In evaluating these various preferential arrangements, it is important to note that they are carefully circumscribed and thus exclude most labor intensive manufactured imports such as textiles, clothing, and leather products. Furthermore, since its inception in 1974, the U.S. GSP has been of greatest benefit to the East Asian NICs. This will change, however, beginning in 1989 when imports from these countries will no longer be eligible for GSP treatment. In view of the exemption of most labor intensive consumer manufactures from preferential treatment and the fact that U.S. tariffs on most other products are in any

case already quite low, there may not be much scope for negotiating preferential arrangements with the United States that would be beneficial to developing countries.

With the very large increase in the U.S. trade deficit in the 1980s, both import-competing and export industries experienced considerable problems of adjustment. These problems were manifested politically in terms of pressures to limit imports in a number of important sectors and to institute actions aimed at foreign government policies that were deemed detrimental to U.S. export interests. As a consequence, U.S. trade policy has taken on a shrill and often threatening tone that is a marked departure from the more benign quality that characterized the United States when it was in a position of leadership in enhancing the effectiveness of the multilateral trading system.

Our discussion of U.S. policies and experiences with bilateral and plurilateral trade policy initiatives suggests that there are special circumstances motivating the free trade arrangements with Israel, Canada, and Mexico that may not lend themselves readily to similar arrangements with other countries. It also appears that there may not be much scope for the expansion of preferential arrangements so long as the product coverage of these arrangements remains limited. Moreover, if the product coverage were expanded, the benefits of preferential arrangments would be diluted the more countries that were eligible to participate in the arrangements. Finally, while the U.S. concern with the alleged unfair policies of its major trading partners is understandable, it is by no means clear that unilateral U.S. threats and actions are the best means for alleviating the situation.

It is of interest briefly to consider the positions of Western Europe, Japan, and the NICs from a bilateral/plurilateral perspective. The EC and EFTA have been preoccupied over the years with issues of intra-European integration. This is likely to continue especially in light of the objective to remove internal barriers to trade and factor mobility in the EC by 1992 and as the countries of Eastern Europe and the Soviet Union seek to integrate themselves into the global trading system. Japan's major policy concerns have

been with the United States and the East Asian NICs. While there have been efforts to foster regional integration in the Association of Southeast Asian Nations (ASEAN), South Asia, and Latin America, the efforts thus far have been of limited significance economically. One obvious reason for this is simply that the fortunes of the countries in these regions are dependent to the largest extent on their relations with the industrialized countries rather than with each other.

VI. Directions for the Future

There have been dramatic changes in global trading patterns in the past two decades especially from the U.S. perspective. These changes reflect both long-term structural influences associated with changing relative factor endowments, technology, and related government policies, and short-term influences driven in large measure by macroeconomic policies and adjustments. There has been a shift in U.S. trade policies that mirrors the changing role of the United States in the multilateral trading system from a position of leadership and champion of the ideal of freer trade to a position in which trade policy actions are increasingly shaped to respond to domestic interests.

Despite this shift in the focus of U.S. trade policies, the GATT multilateral system has continued to function, making it possible for Japan, the East Asian NICs and to a lesser extent others to have had stunning export successes. Access to the U.S. market has been the key to these developments. It is important to understand in this connection that the U.S. trade imbalances of the 1980s are in large measure a reflection of the U.S. macroeconomic imbalances. As these imbalances diminish, the long-term structural factors will come to the fore in the evolution of the trading system. What will be needed then is a vision of how the system should be adapted to accommodate the adjustments that will be required in the course of time.

The major challenge in the trading system today is to find more effective means of adjustment so that it will be possible to reverse the increasing use of administered protection and the resort to VERs by the United States and other industrialized countries

that so often work to the detriment of small countries. The GATT is designed to shield small countries from the sometimes capricious and damaging actions of larger and more powerful countries. However, protectionism and the increasing resort to selective threats and restrictions suggest that the ideals of the GATT system have been seriously compromised. The appropriate course of action is to prevent the further fragmentation of the GATT system and to embark on a concerted effort to reinvigorate and strengthen the system. It is thus distressing that the Uruguay Round negotiations were suspended at the end of 1990 because of the stalemate over agricultural liberalization. If the negotiations are resumed and brought to a successful conclusion, it will require meaningful political commitments by all the major trading countries. Failing this, there is a grave danger that countries and regional blocs will pursue their interests in special bilateral or plurilateral arrangements. If indeed this occurs, it could be highly detrimental to global economic efficiency and welfare and especially damaging to developing countries that may be excluded from the preferential trading arrangements.

Footnotes

[1]See Saxonhouse and Stern (1989) for an empirical analysis in support of this assertion.

[2]According to Nogues, Olechowski, and Winters (1985), five major types of NTBs that impinge directly on imports at national borders are included, as follows: (1) measures increasing the landed price of imports (tariff quotas, seasonal tariffs); (2) measures for enforcement of decreed prices (variable levies, minimum price systems, voluntary export price restraints; (3) quantitative import restrictions (prohibitions, quotas, discretionary import authorizations); (4) VERs; and (5) other import management measures (price-volume surveillance, antidumping and countervailing duties.

[3]Nogues, Olechowski, and Winters also calculate unweighted frequency measures of NTBs as well as measures using world imports as weights. These produce different levels as compared to using own-country imports as weights, but all three measures are similar qualitatively.

[4]Separate calculations by Nogues, Olechowski, and Winters suggest that major borrowing developing countries are strongly affected by NTBs. Also, the NICS apparently have higher coverage ratios than developing countries on average. Finally, of all the NTBs considered, VERs are shown to have a predominant impact on the coverage ratios for manufactures with respect to the developing countries especially.

[5]A similar conclusion is reached in Balassa and Balassa (1984) and in USTR (1984, esp. pp. 53–58 and 119–125). Bergsten and Cline (1983), esp. pp. 70–72) consider the path of NTB protection in the United States from 1967 to 1982. They note that import quotas on steel, oil, meat, and sugar were phased out after 1974, and restrictions on television sets and footwear were lifted after 1981. After 1980, however, protection was increased in automobiles, textiles, sugar, and steel. They conclude (p. 72): "Overall, the trend in protection over the last several years has been at best ambiguous, and more probably toward intensification.... Nonetheless, it would appear that the pressures for protection since the mid-1970s have increased relatively more than has actual protection."

[6]The following discussion is based in large part on Hoekman (1989), which is a detailed treatment of the scope for agreement on the issues of safeguards, services, and agriculture in the Uruguay Round negotiations.

[7]See Hoekman (1988) for an argument and proposal for linking safeguards and services.

[8]Details on these various actions are given in USITC (1988) and later reports.

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Table 1
Major Industrial Country NTB Coverage Ratios,
by Product Category for Developing and Industrial Countries, 1983

Industrial country markets	All products	All, less fuels	Agriculture	Manufactures	Textiles	Footwear	Iron and steel	Electrical machinery	Vehicles	Rest of manufactures
EEC	25.4	26.9	26.9	29.9	68.0	9.9	31.9	7.0	8.4	14.7
	18.6	18.9	47.7	15.2	15.6	0.6	51.8	15.8	49.9	9.3
Belgium-Luxembourg	38.1	43.1	35.1	54.7	43.5	5.6	40.2	0.2	0.1	58.1
	25.7	27.1	72.0	22.5	30.4	6.5	43.4	21.4	56.5	13.5
Denmark	29.5	35.8	36.3	36.7	72.3	16.3	34.4	0.0	0.5	5.4
	9.5	10.9	20.9	9.8	11.1	0.2	48.5	5.9	38.0	5.0
France	30.1	28.6	28.1	33.0	64.6	11.3	35.1	35.5	29.0	21.3
	31.3	27.4	53.3	25.0	21.9	0.3	78.1	42.8	45.6	18.3
West Germany	18.1	23.9	16.6	30.2	71.9	2.9	32.2	0.2	0.0	3.5
	13.7	14.5	28.5	13.3	8.8	0.5	51.6	8.8	56.2	7.2
Greece	6.2	12.9	20.1	11.8	33.5	41.2	43.6	6.9	41.9	2.9
	26.1	26.4	61.8	22.6	4.4	0.1	50.4	16.5	71.9	10.2
Ireland	19.6	19.9	21.2	19.5	55.5	10.5	4.4	0.0	0.0	9.3
	13.4	13.8	29.1	12.8	17.6	0.0	19.2	0.3	67.9	6.3
Italy	7.3	16.2	32.1	12.0	49.0	0.3	33.8	0.1	0.0	1.0
	11.0	11.9	47.6	6.0	4.4	0.2	47.0	6.9	16.8	3.1
Netherlands	29.3	32.3	38.3	28.0	72.4	8.9	15.9	0.0	0.2	8.7
	25.8	27.1	68.8	15.3	6.7	1.7	35.7	6.8	53.3	11.6
United Kingdom	23.3	27.4	24.4	30.4	78.6	18.0	26.8	5.8	0.0	5.0
	15.4	17.0	44.5	13.2	26.0	0.6	40.4	16.7	46.7	6.8
Australia	43.7	27.9	21.6	28.6	29.1	48.5	42.5	62.5	0.0	22.3
	23.6	23.4	47.7	22.7	28.1	51.6	57.8	46.8	0.7	21.7
Austria	13.8	19.2	40.5	6.1	15.1	0.0	0.0	0.0	1.9	0.0
	4.5	4.7	39.9	2.4	0.0	0.0	0.0	0.0	3.0	3.3
Finland	38.4	26.9	28.7	27.5	63.0	56.2	15.8	0.0	0.0	0.6
	10.9	7.4	32.6	5.5	23.5	72.0	42.8	0.0	0.0	0.5
Japan	12.1	17.5	53.3	4.4	13.0	36.3	0.0	0.0	0.0	1.3
	21.4	16.9	36.8	9.7	11.0	27.9	0.0	0.0	0.0	10.6
Norway	16.8	18.2	15.4	20.9	59.5	20.5	20.6	0.0	43.9	5.0
	4.3	4.9	27.0	3.2	39.5	0.1	0.0	0.0	0.2	0.2
Switzerland	43.4	34.5	67.3	19.5	45.8	0.0	7.7	10.1	0.0	3.6
	27.2	22.4	74.9	17.4	60.9	0.0	3.8	28.9	1.1	15.1
United States	34.0	18.9	25.1	18.6	64.0	16.7	48.9	5.3	0.0	5.4
	26.0	16.6	23.5	16.5	31.1	0.0	35.6	5.2	34.7	6.4
All markets	34.3	22.5	31.2	21.3	57.2	17.3	31.4	6.1	5.0	11.0
	21.0	17.1	40.5	14.5	23.3	3.5	34.3	11.8	31.4	9.8

Note: The top figure in the table body represents developing countries and the bottom figure industrial countries.

Source: Nogues, Olechowski, and Winters (1985, p. 43).

Table 2
Summary of Effects on the Major Industrialized and Developing Countries Due to Elimination of Agricultural Subsidies, All Tariffs and NTBs in Developed Countries

	Value of Change in Exports		Value of Change in Imports		Value of Change in Employment		Percent Change in Terms of Trade	Percent Change in Effective Ex. Rate	Percent Change in Prices
	$ Mill.	Percent	$ Mill.	Percent	000 Wkr	Percent			
Industrialized Countries									
Australia	1412.7	9.8	1567.9	13.3	41.0	0.71	0.97	0.3	−0.3
Austria	955.1	10.5	937.4	8.1	66.2	2.25	0.00	−0.2	−0.8
Canada	1512.6	3.8	1587.0	4.1	52.7	0.55	0.17	0.3	−0.2
European Community									
Belgium-Luxembourg	1545.4	4.4	1498.1	4.3	87.5	2.26	−0.13	2.3	−2.9
Denmark	479.4	5.0	547.4	4.4	32.1	1.34	0.96	1.2	−1.2
France	4369.0	7.4	4269.0	6.7	294.2	1.41	−0.09	−1.2	−0.1
Germany	4478.6	4.1	4023.8	4.6	244.5	1.00	−0.62	0.1	−1.2
Ireland	155.6	4.2	194.8	4.6	14.8	1.45	1.20	1.1	−0.6
Italy	2777.4	7.1	2562.9	6.0	439.4	2.32	−0.44	−1.6	0.6
Netherlands	1718.8	4.0	1929.6	4.9	53.8	1.18	0.39	0.5	−1.1
United Kingdom	2927.1	6.0	2612.8	4.7	168.5	0.69	−0.48	−1.0	−0.1
Total EC	18451.3	5.3	17638.3	5.2	1334.8	1.38	−0.30	−0.5	−0.6
Finland	489.4	7.2	471.0	6.4	58.8	2.74	−0.21	−0.9	1.6
Japan	4796.8	6.7	4069.7	6.3	2181.9	4.14	−1.13	−3.3	2.9
New Zealand	227.8	7.8	280.4	8.6	21.6	1.79	1.89	0.1	−0.7
Norway	552.8	6.5	556.6	5.0	39.2	2.19	0.17	−1.1	1.2
Sweden	599.0	3.1	518.7	2.7	28.1	0.69	−0.43	0.2	−0.6
Switzerland	928.7	5.9	921.8	6.2	107.8	3.83	−0.11	−1.5	1.1
United States	4389.4	3.7	4416.4	3.5	179.7	0.21	0.08	−0.7	−0.1
Total Industrialized	34315.5	5.2	32965.2	5.1	4111.8	1.71	−0.19	−0.9	0.2
Developing Countries									
Argentina	−21.6	−0.5	71.1	2.3	113.8	1.09	2.05	3.1	−1.0
Brazil	−1.8	−0.0	146.9	1.1	99.7	0.25	1.57	1.9	−0.2
Chile	−3.7	−0.2	−2.0	−0.2	8.5	0.30	−0.24	0.3	−0.1
Colombia	4.9	0.3	41.5	2.4	24.0	0.30	1.82	3.0	−0.4
Greece	43.0	1.5	62.0	1.0	28.4	0.71	1.07	2.3	−0.4
Hong Kong	314.0	4.3	226.8	2.5	163.0	12.30	−0.91	16.6	−8.4
India	50.4	0.9	63.4	1.2	432.2	0.19	0.14	2.8	−0.3
Israel	22.9	0.9	14.4	0.3	8.0	0.71	0.26	1.5	−0.4
South Korea	129.7	1.5	124.7	1.4	123.0	0.98	−0.03	3.8	−0.8
Mexico	15.8	0.3	60.6	1.0	73.2	0.42	0.92	1.7	−0.4
Portugal	45.2	2.3	20.1	0.5	45.8	1.48	0.09	2.6	−0.9
Singapore	4.2	0.1	−17.1	−0.2	14.3	1.65	−0.01	1.1	−0.9
Spain	62.3	0.7	13.2	0.1	48.5	0.39	0.31	1.2	−0.2
Taiwan	117.8	1.4	147.1	1.9	72.0	1.27	0.22	3.7	−1.1
Turkey	58.7	2.8	68.1	1.4	41.9	0.28	1.17	2.0	−0.3
Yugoslavia	61.2	1.1	55.7	0.8	30.5	0.63	0.18	1.6	−0.3
Total LDCs	903.3	1.0	1096.4	1.0	1326.7	0.33	0.82	2.3	−0.5
All Countries	35218.8	4.7	34061.6	4.5	5438.5	0.69	−0.05	−0.4	0.1

Note: Gross employment changes refer to the sum of changes in the home and export sectors within industries. Positive exchange rate changes are appreciations. Price changes are indices of import and home prices.

Source: Deardorff and Stern (1990, pp. 256-57).

Table 3
Economic Growth Rates in the Asian and Latin American NICs, 1963–85

Country	1973–85		1973–85		1963–85	
	$\frac{Y}{Y}$	$\frac{(Y/P)}{(Y/P)}$	$\frac{Y}{Y}$	$\frac{(Y/P)}{(Y/P)}$	$\frac{Y}{Y}$	$\frac{(Y/P)}{(Y/P)}$
East Asian NICs						
Hong Kong	8.2	6.0	8.7	6.3	8.5	6.2
Korea	9.6	7.1	7.3	5.7	8.7	6.8
Singapore	11.6	9.5	7.9	6.5	9.5	7.8
Taiwan	10.7	7.6	7.9	5.9	9.2	6.8
Southeast Asia						
Indonesia	6.9	4.6	5.9	3.6	7.0	4.6
Malaysia	6.6	3.9	7.0	4.5	7.1	4.5
Philippines	5.2	2.2	4.0	1.3	5.1	2.3
Thailand	8.0	4.9	6.6	4.3	7.2	4.5
India	3.5	1.1	4.4	2.1	3.8	1.5
Latin American NICs						
Argentina	4.8	3.2	0.2	−1.4	2.4	0.8
Brazil	8.3	5.5	4.3	1.9	7.1	4.6
Mexico	7.8	4.4	4.8	1.9	6.3	3.2

Note: Y/Y = rate of growth of gross domestic product (GDP); $(Y/P)/(Y/P)$ = rate of growth of per capita GDP.

Source: Adapted from Balassa (1988, p. S283).

Table 4
Exports of Nonfuel Primary Products and Manufactures and Market Shares of the Asian and Latin American NICs, 1963-84
(Millions of U.S. Dollars; Percentages)

Country	1963				1973				1984			
	Nonfuel Primary Products		Manufactures		Nonfuel Primary Products		Manufactures		Nonfuel Primary Products		Manufactures	
	Value	%	Value	%	Value	%	Value	%	Value	%	Value	%
East Asian NICs	**469**	**6.6**	**938**	**47.6**	**1,406**	**7.7**	**11,016**	**66.5**	**5,117**	**10.0**	**78,666**	**69.7**
Hong Kong	53	0.7	615	31.2	125	0.7	3,650	22.0	542	1.1	16,913	15.0
Korea	45	0.6	39	2.0	473	2.6	2,700	16.3	1,737	3.4	26,681	23.7
Singapore	168	2.3	158	8.0	108	0.6	998	6.0	670	1.3	7,374	6.5
Taiwan	203	2.8	126	6.4	700	3.8	3,668	22.2	2,168	4.2	27,698	24.6
Southeast Asia	**2,499**	**34.9**	**95**	**4.8**	**6,738**	**36.8**	**929**	**5.6**	**17,890**	**34.9**	**12,040**	**10.7**
Indonesia	425	5.9	2	0.1	1,533	8.4	61	0.4	3,839	7.5	2,201	2.0
Malaysia	955	13.3	49	2.5	2,511	13.7	347	2.1	7,109	13.9	4,411	3.9
Philippines	683	9.5	33	1.7	1,493	8.2	277	1.7	2,162	4.2	3,002	2.7
Thailand	436	6.1	11	0.6	1,201	6.6	244	1.5	4,780	9.3	2,426	2.2
India	**888**	**12.4**	**671**	**34.0**	**1,353**	**7.4**	**1,561**	**9.4**	**3,006**	**5.9**	**4,183**	**3.7**
Latin American NICs	**3,303**	**46.1**	**267**	**13.6**	**8,809**	**48.1**	**3,050**	**18.5**	**25,218**	**49.2**	**17,908**	**15.9**
Argentina	1,275	17.8	78	4.0	2,527	13.8	730	4.4	6,353	12.4	1,429	1.3
Brazil	1,352	18.9	42	2.1	4,779	26.1	1,217	7.4	14,937	29.2	11,558	10.2
Mexico	676	9.4	147	7.5	1,503	8.2	1,103	6.7	3,928	7.7	4,930	4.4
Total	**7,159**	**100.0**	**1,971**	**100.0**	**18,306**	**100.0**	**16,556**	**100.0**	**51,231**	**100.0**	**112,797**	**100.0**
LDC Total	**18,460**		**3,430**		**42,349**		**22,945**		**99,095**		**146,986**	

Note: Nonfuel primary products include Standard International Trade Classification (SITC) classes 0 + 1 + 2 + 4 + 68; manufactures include classes 5-8 less 68.

Source: Adapted from Balassa (1988, pp. S278-79).

Table 5
Average Pre-Tokyo Round Base Rate Tariffs on Industrial Products, Tokyo Round Offer Rate Tariffs, and Percentage Depth of Cut for the Major Industrialized Countries in the Tokyo Round (Weighted by Own-Country Imports)

Country	(1) Average Pre-Tokyo Round Base Rate (%)	(2) Tokyo Round Offer Rate (%)	(3) Average Cut (%)
Australia[a]	17.0	16.5	2.8
Austria	15.4	12.1	21.5
Canada[a]	7.3	5.2	29.1
European Economic Community			
Belgium-Luxembourg	8.2	5.9	28.3
Denmark	9.0	6.6	25.8
France	8.3	6.0	27.8
German Federal Republic	8.7	6.3	27.1
Ireland	9.4	6.9	26.7
Italy	7.3	5.4	27.0
Netherlands	9.2	6.8	26.7
United Kingdom	7.3	5.2	27.7
Finland	9.6	7.1	25.2
Japan[a]	3.9	2.9	25.3
New Zealand	18.9	16.7	11.8
Norway	6.9	5.2	24.8
Sweden	6.4	5.0	23.0
Switzerland	3.9	3.1	21.2
United States	6.5	4.3	34.1
All countries	7.8	5.8	26.4

[a]Based on prevailing rates, which include unilateral reductions in the pre-Tokyo Round tariffs.

Source: Deardorff and Stern (1986, p. 49).

Stock Verification
Year | Verified
2015
2020
2025