

**GENERAL AGREEMENT
ON TARIFFS AND TRADE**

RESTRICTED
COM.TD/W/512
10 November 1994
Limited Distribution

(94-2372)

**Committee on Trade and Development
Seventy-Seventh Session
21 and 25 November 1994**

DEVELOPING COUNTRIES AND THE URUGUAY ROUND: AN OVERVIEW

Note by the Secretariat¹

I. Introduction

For all small and medium sized trading nations, conducting trade according to multilaterally agreed concepts, principles and rules rather than resort to bilateral negotiating power is of paramount importance. For developing countries, one of the most important outcomes of the Uruguay Round is the substantial strengthening of the rules based multilateral trading system and its extension to new areas of activity. Existing disciplines have been tightened in a number of areas including those involving the use of subsidies, countervailing and anti-dumping duties and safeguard measures. This will have important implications for developing countries. For example, "grey area measures" such as voluntary export restraints will be eliminated and there will be tighter disciplines on the use of anti-dumping measures. Developing countries have frequently found themselves on the receiving end of such measures. Besides, the extension of the rules of the multilateral trading system to new areas will serve to further increase the importance of the rules-based system for developing countries. However, tightened disciplines covering a wider area of international commerce are only effective if there exists an efficient and equitable means to settle disputes in the event of a breach of obligations. The Uruguay Round will bring considerable improvements in the dispute settlement mechanism.

The General Agreement on Trade on Services (GATS) extends the rules based multilateral trading system to the wide area of services. Similar advantages should accrue to developing countries from the operation of a rules based system in services as has been the case for merchandise trade. While many developing countries are not presently well placed to take advantage of some of the improved market access opportunities which the Agreement will provide, they will be in a position to do so in the future as their domestic supply capacity increases. However, a number of areas of export interest to developing countries (for example the movement of natural persons) have already been committed to liberalization by major importing countries or are the subject of ongoing negotiations to improve market access. Further, the GATS is unique in that it permits Member countries, including developing countries, to negotiate the conditions under which foreign services suppliers may establish in their countries. These terms and conditions are bound in the schedules of the Members concerned. The Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) offers potential benefits for developing countries by creating a framework which is conducive to technology transfer and foreign direct investment. Its main disciplines include non-discrimination (i.e. most-favoured-nation and national treatment) and the equal application by all Members of minimum standards of protection in relation to all categories of intellectual property rights.

¹This is a revised version of a document prepared by the GATT Secretariat for the World Bank/IMF Development Committee at its forty-ninth meeting held on 3 October 1994 in Madrid. It has been prepared under the sole responsibility of the GATT Secretariat. The analysis and conclusions contained herein should not be attributed to the contracting parties of GATT, individually or collectively.

Evidence on the relationship between an outward orientation in government policies and growth points to the fact that if trade is to be a positive stimulus to achieving sustainable development in the coming decade, the conditions affecting supply in developing countries, including competitiveness at the domestic level, play a critical role. Consequently, many developing countries have undertaken autonomous trade liberalization as part of wider programmes of economic reform and chosen to bind in GATT their recent trade liberalization. In this respect, the Uruguay Round has proven particularly timely, as these countries have been able to participate fully in the Round and actively promote and consolidate their own economic reforms. Adoption by developing countries of binding commitments in the Uruguay Round is a manifestation of their contribution to operating a transparent, open and predictable trade regime. This represents an important change in the relationship for many developing countries with the multilateral trading system. As a result of the Uruguay Round, developing countries will in general assume the same disciplines as their developed country trading partners, but in some instances benefit from greater flexibility in their implementation. Under certain circumstances developing countries can, for example, use quantitative restrictions and export subsidies that are not available for their developed counterparts. Further, they have been required to bind fewer tariffs than the developed countries, open fewer service sectors and have a longer time-frame for the implementation of their TRIPS obligations.

In any multilateral trade negotiations - in particular those as complex as the Uruguay Round negotiations - not all countries can expect to achieve what they consider to be positive results in each area of interest to them. However, with broadbased and significant reductions in border restrictions, all countries benefit positively even if there are, on occasions, temporary negative side effects. While the results of the Uruguay Round offer benefits for all developing countries, various aspects have been identified as having potential negative implications. In the main body of this document, these concerns are addressed with a view to providing a balanced view of the outcome of the negotiations for developing countries.

The vast results of the Uruguay Round require an institution to facilitate the implementation, administration, operation and furthering of the objectives of the Agreement Establishing the World Trade Organization (WTO). Thus, a common institutional framework encompassing the GATT as modified by the Uruguay Round (i.e. the GATT 1994), alongside with all Agreements and Arrangements concluded under GATT auspices and other Agreements and Ministerial Decisions/Declarations resulting from the Uruguay Round is envisaged. This will serve as a vehicle to ensure a "single undertaking approach" to the results of the Uruguay Round: membership in the WTO will automatically entail accepting all the results of the Uruguay Round without exception.

One of the functions of the WTO will be to cooperate with the International Monetary Fund, the International Bank for Reconstruction and Development and its affiliated agencies. In this respect, a Ministerial Declaration emanating from the Uruguay Round on the contribution of the WTO to achieving greater coherence in global economic policy-making is important. It sets out concepts and proposals with respect to increasing the contribution of the WTO to achieving greater coherence in global economic policy-making. The Declaration recognizes the need for an adequate and timely flow of concessional and non-concessional financial and real investment resources to developing country Members, and for further efforts to address debt problems, to help ensure economic growth and development. There is also a recognition that trade liberalization forms an increasingly important component in the success of the adjustment programmes that many Members are undertaking, and that this often involves significant transitional social costs. The Director-General of the WTO is called upon to review, with his opposite numbers in the World Bank and the International Monetary Fund, the implications of the WTO's future responsibilities for its cooperation with the Bretton Woods institutions.

II. Principal Elements of the Uruguay Round Agreement

The World Trade Organization (WTO) is a single institutional framework encompassing the GATT and all the agreements and legal instruments negotiated in the Uruguay Round: the General Agreement on Tariffs and Trade or GATT 1994 and other agreements covering trade in goods; the General Agreement on Trade in Services or GATS; the Agreement on Trade-Related Aspects of Intellectual Property Protection or TRIPs; the Understanding on the Dispute Settlement (DSU); and the Trade Policy Review Mechanism (TPRM). In addition, there are a number of Ministerial Decisions and Declarations that supplement the agreements reached.

The WTO will be headed by a Ministerial Conference meeting at least once every two years. A General Council will be established to oversee the operation of the WTO between meetings of the Ministerial Conference, including acting as a Dispute Settlement Body and administering the Trade Policy Review Mechanism. The General Council will have three principal subsidiary bodies: the Council for Trade in Goods, the Council for Trade in Services and the Council for TRIPs; these bodies can, on their side, establish subsidiary bodies. The Ministerial Conference will establish a Committee on Trade and Development. Unless otherwise provided for, decisions will be taken by consensus, continuing the GATT practice.

While the WTO is not a successor organization to the GATT, contracting parties to the GATT 1947 will automatically become Members of the WTO if they assume the obligations provided for in the agreements on goods, services and intellectual property protection, and submit schedules of concessions covering trade in goods (including both market access and subsidy commitments in the case of agricultural products) and services. This ensures a "single undertaking" approach to the results of the Uruguay Round, since membership in the WTO will entail accepting all the results of the Round without exception.² The WTO will also provide a forum for future trade negotiations.

The special status of developing countries in the GATT will continue to receive recognition in the WTO. The preamble of the Agreement Establishing the WTO states that "there is a need for positive efforts designed to ensure that developing countries, and especially the least developed among them, secure a share in the growth of international trade commensurate with the needs of their economic development". In addition to retaining the provisions that concerned developing countries in GATT 1947, the new agreements generally contain provisions for developing countries and least-developed countries, often consisting of longer transition periods for the full implementation of some obligations and various exemptions from obligations, particularly for the latter group of countries. Also, in some instances, the exports of developing countries benefit from a better treatment with respect to measures taken by other WTO Members. Technical assistance is to be provided to developing countries to assist them in assuming their obligations and more effectively realizing the benefits of the multilateral trading system.

Least-developed countries are singled out in the Final Act as requiring special attention. This is reflected in the agreements through a number of provisions which provide the most favourable treatment for this group in terms of rights as well as lower levels of obligations. In addition, the *Decision on Measures in Favour of Least-Developed Countries* makes provision for measures of special assistance, including technical assistance "in the development, strengthening and diversification of their production and export bases including those of services, as well as in trade promotion, to enable them to maximize the benefits from liberalized access to markets". As part of its functions, the Committee on Trade and Development (a subsidiary body of the General Council) will periodically review the special

²The WTO will also encompass the plurilateral arrangements which are not part of the single undertaking (Trade in Civil Aircraft, Government Procurement, Dairy Products and Bovine Meat).

provisions in favour of least-developed countries and report to the General Council of the WTO for appropriate action.

The *Declaration on the Contribution of the WTO to Achieving Greater Coherence in Global Economic Policy-making* identifies the need for strengthening the relationship between the activities of the WTO, the International Monetary Fund (IMF) and the World Bank (IBRD) as a way of ensuring greater coherence in global economic policy-making. It notes, amongst other things, that progress in the trade area is linked to greater exchange rate stability, to an adequate and timely flow of concessional and non-concessional financial and real investment resources to developing countries, and further efforts to address debt problems. It also recognizes that while difficulties whose origins lie outside the trade field cannot be redressed through measures taken in the trade field alone, there are nevertheless interlinkages between the different aspects of economic policy. The Declaration provides guidelines on how the cooperation between the three organizations could be developed; in particular, it calls on the Director-General of the WTO to review, with his opposite numbers of the IBRD and the IMF, the implications of WTO's future responsibilities for its cooperation with the Bretton Woods Institutions. The fact that such interlinkages and, further, that the relation between economic adjustment and social costs have been explicitly recognized within the WTO context has been considered of considerable importance by developing countries. As underlined during the Uruguay Round negotiations, Ministers expect that such greater coherence will result not only in reinforced surveillance of national policies, but also, *inter alia* - and according to the working relations that will be established between the three institutions - ensure that developing countries which join multilateral efforts to liberalize trade can count on support to overcome financial pressures arising during the adjustment process, and help in reducing a perceived lack of consistency, in certain instances, between trade policy recommendations made in the context of lending programmes to developing countries and GATT/WTO requirements.

A. Trade in Goods

The first part of this section describes the main elements of the agreements covering trade in goods, and the second section summarizes the main results of the market access negotiations. It pays particular attention to matters of concern to developing countries.

Rules

The cornerstone of the agreements covering trade in goods is the GATT 1994, which is an updated version of GATT 1947, supplemented by understandings interpreting various provisions. In addition, there are agreements covering practices of relevance to GATT rules (trade-related investment measures and "grey-area" measures), agreements directed to liberalizing trade in agriculture and in textile and clothing, and agreements governing the application of non-tariff (see Box 1).³ While agriculture and textiles and clothing are in principle covered by GATT rules, the rules have been less effective in the past than for other products. For agriculture, the principal outcome of the negotiations includes improved market access through the reduction of barriers and the increase in the scope of bindings, a progressive reduction in trade-distorting measures of domestic support, and the lowering of subsidies to promote export competition. This process will set the stage for market-opening

³The GATT 1994 contains the provisions of the legal instruments that have entered into force under the GATT 1947 before the date of entry into force of the WTO, including protocols and certifications relating to tariff concessions, protocols of accessions; waivers granted under Article XXV; and other decisions of the CONTRACTING PARTIES to GATT 1947. With respect to the latter, decisions of particular interest to developing countries include the 1966 Decision on "Procedures under Article XXIII" (BISD 14S/18), which expedites procedures for dispute settlement involving developing countries, and the 1979 Decision on "Differential and More Favourable Treatment, Reciprocity and Fuller Participation of Developing Countries" (BISD S/103), known as the Enabling Clause, which provides a legal cover for differential and more favourable treatment to developing countries.

negotiations in the future. In the case of textiles and clothing, the reduction of restraints and the phase out of the Multi-Fibre Arrangement over a period of ten years will mean that a key export sector for many developing countries will be fully within the disciplines of the multilateral trading systems.

Rules governing the application of non-tariff measures have been clarified and updated. Agreement was reached that existing "grey-area measures" (voluntary export restraints, orderly marketing arrangements or any other similar measures on the export or the import side) will be eliminated or phased out within four years.⁴ Of particular importance for developing countries is that the application of anti-dumping and countervailing measures has been clarified and strengthened in relation to determining whether a product is being dumped/subsidized, whether the dumped/subsidized imports are causing injury to a domestic industry, the procedures to be followed in initiating and conducting anti-dumping/countervailing investigations, and the implementation and duration of anti-dumping/countervailing measures. There is a new provision under which anti-dumping measures expire five years after the date of imposition, unless a determination is made that, in the event of termination of the measures, dumping and injury would be likely to continue or recur. Another new provision requires the immediate termination of an anti-dumping/countervailing investigation in cases where the authorities determine that the margin of dumping/subsidization is *de minimis*, or that the volume of dumped/subsidized imports is negligible. These provisions are more generous in the case of developing countries than for developed countries.

Market Access'

Industrial products

For developed countries, the main features of their market access commitments in industrial products include (i) the expansion of bindings to cover 99 per cent of imports (Table 1); (ii) the expansion of duty-free access from 20 to 44 per cent of total imports; and (iii) the reduction of the trade-weighted average tariff by 40 per cent (i.e. from the pre-Uruguay Round level of 6.2 per cent to the post-Uruguay Round level of 3.7 per cent (Table 2). With respect to tariff reductions on individual product categories (Table 3), developed countries will (i) reduce tariffs by substantially above-average amounts (60 per cent or more) in three categories - wood, pulp, paper and furniture; metals; and non-electric machinery; and (ii) reduce tariffs by less than the 40 per cent overall reduction in four categories - fish and fish products; textiles and clothing; leather, rubber, footwear; and transport equipment.

In terms of exports from developing to developed country markets, above-average tariff reductions apply to product categories accounting for slightly less than one-half of total exports. The result is that the total reduction in the average tariff of developed countries is 37 per cent (Table 3). Labour-intensive manufactures (textiles and clothing, leather goods) and certain processed primary products (fish products) have been - and continue to be - regarded as "sensitive" and therefore have below average tariff reductions. In the case of textiles and clothing, however, it is important to also consider the market access opportunities provided by the phase-out of restraints applied under the Multi-Fibre Arrangement (MFA). For those products for which an MFA quota is the binding restraint, the

⁴An exception can be made for one specific measure for each importing country, subject to mutual agreement with the directly concerned exporting country, where the phase-out date will be 31 December 1999.

⁵The description of results for market access in goods is affected by the fact that not all participants in the Uruguay Round have finalized their schedules of commitments for industrial and agricultural products. In particular, a number of least-developed countries have not completed their submissions under the *Decision on Measures in Favour of Least-Developed Countries*, which makes provision for an additional year for this purpose from April 1994.

Box 1 - Main elements of the Uruguay Round agreements covering trade in goods

GATT 1994: The cornerstone of trade relations in the area of goods. Given the numerous agreements concluded under its auspices relating to non-tariff measures, the GATT 1994 is the centre piece for rules on tariffs. Key obligations include non-discrimination through the most-favoured-nation principle (Article I); the national treatment of imported products once inside the border (Article III), and the protection of domestic industries essentially through tariffs. Quantitative restrictions are prohibited (Article XI). The binding of tariffs (Article II) provides a stable and predictable basis for trade, since they can only be increased under strict circumstances and provided that compensation is given in the form of bindings on other tariff lines (Article XXVIII). Exceptions to these obligations may be invoked under certain conditions for balance-of-payments purposes (Article XII), for development (Article XVIII, which includes special balance of payments provisions), as safeguards from serious injury (Article XIX), for health or safety (Article XX), national security (Article XXI) and for regional integration agreements (Article XXIV). Differential and more favourable treatment to developing countries and to least-developed countries is permitted under the 1979 Enabling Clause with respect to tariffs in the context of the Generalized System of Preferences (GSP) and non-tariff measures, notwithstanding the most-favoured-nation clause, and with respect to regional or global arrangements concluded by developing countries.

The results of the Uruguay Round include seven understandings on the interpretation of existing GATT Articles dealing with schedules of concessions (Article II:1(b)), state-trading enterprises (XVII), balance-of-payments provisions (XII and XVIII:B), customs unions and free-trade areas (XXIV), waivers (XXV), modification of GATT schedules (XXVIII) and non-application of the General Agreement (XXXV).

Agreements integrating practices otherwise on the margin of GATT rules: Includes trade-related investment measures (TRIMs) (which can be found to be inconsistent with the national treatment provision or the prohibition on quantitative restrictions), such as local content requirements or trade-balancing requirements. GATT-inconsistent TRIMs are required to be notified and eliminated within a transition period of two years (developed countries), five years (developing countries) or seven years (least-developed countries). A further extension may be requested by developing and least-developed countries. The Agreement on Safeguards prohibits the use of 'grey-area measures', such as voluntary restraints or orderly marketing arrangements; such measures are to be notified and eliminated.

Agreement on Agriculture: Clarifies how GATT rules will be applied to this sector. All Members are required to convert all non-tariff measures to tariffs (except for those products for which a special treatment have been negotiated) and bind 100 per cent of agricultural tariff lines. Members, with the exception of least-developed countries, are required to undertake reduction commitments with respect to market access, domestic support and export subsidies. The required reductions in tariffs, domestic support and export subsidies for developing countries are two-thirds of those applying to developed countries. Developing countries may exempt certain forms of domestic support and export subsidies from commitments, which involve the subject of reduction commitments by developed countries. Reduction commitments for developed country Members will be implemented over six years, and over ten years for developing countries.

Agreement on Textiles and Clothing: Provides for the eventual elimination of the Multi-Fibre Arrangement (MFA) after a ten-year transition period. In place since 1973, the MFA currently groups eight "importers": of these, Austria, Canada, the European Communities, Finland, Norway and the United States apply restrictions under the MFA, while Japan and Switzerland do not. The other participants in the MFA are the "exporters" (mainly developing countries), whose exports or part of their exports covered by the MFA are subject to bilaterally agreed quantitative restraints or unilaterally imposed restraints on imports, typically applied at the product level but in some cases to various aggregates as well.

MFA restraints will be phased-out in four stages, the first starting at the date of entry into force of the WTO. Concurrent with this integration process, there is a program providing for the progressive liberalization of existing quotas imposed under the MFA, with an accelerated liberalization for small exporters. The Agreement also provides for a transitional safeguard mechanism in the event of import surges, which applies under certain conditions in respect of any product not yet integrated into GATT and not already under restraint, with more favourable treatment provided to least-developed countries and small suppliers.

Agreements on non-tariff barriers: Agreements on the application of sanitary and phytosanitary measures, technical barriers to trade, customs valuation, anti-dumping, preshipment inspection, rules of origin, import licensing procedures, subsidies and countervail, and safeguards. The agreements on technical barriers to trade, subsidies and countervail, anti-dumping, import licensing, and customs valuation are more extensive versions of the agreements concluded in the Tokyo Round, while other agreements are new. The agreement on rules of origin contains a three-year programme of work that shall result, at the end of the period, on the harmonization of rules of origin of a non-preferential basis. The agreements on non-tariff measures generally contain precise guidelines concerning the administrative procedures for the application of non-tariff measures, including transparency, predictability (including specified criteria for decisions) and procedural guarantees for exporters. For example, before anti-dumping or countervailing duties are applied, an investigation must be conducted by a competent authority, including public hearings and notice to interested parties.

tariff-equivalent of the quota may well exceed the ordinary tariff, with the result that the percentage reductions in import barriers calculated on the basis of ordinary tariffs will understate the true increase in market access resulting from the Uruguay Round.

On the basis of data available for 26 developing countries, the GATT Secretariat has identified the main features of their market access commitments. These include: (i) the expansion of bindings to cover 61 per cent of imports, compared to the pre-Uruguay Round level of 13 per cent (Table 1); and (ii) a reduction of ceiling rates for tariffs leading to a decline of 30 per cent in the trade-weighted average tariff of developing economies (Table 2).⁶ The increase in the security of trade among developing regions is reflected mainly in Latin America - where participants will bind 100 per cent of tariff lines at ceiling rates.⁷

To summarize, the Uruguay Round will provide more secure and open markets for world trade in industrial products (see Box 2). The proportion of total trade that is subject to bound rates will increase from 68 to 87 per cent, mainly as a result of the substantial increase in the level of bindings in developing economies (Table 1). And markets will be more open as a result of the reductions in average tariffs of developed countries (down 40 per cent), developing economies (down 30 per cent), and transition economies (down 30 per cent), with a post-Uruguay Round average tariff of 6.3 per cent on imported industrial products (Table 2).

In assessing the new market access opportunities for developing countries which will result from the Uruguay Round, the observation has been made that market access possibilities may be reduced since the preferences to developing country exporters under the Generalized System of Preferences (GSP) and other arrangements providing tariff preferences will be reduced by the cuts in MFN tariffs.

In this respect, it is important to note that the objective of GSP preferences is not to divert trade from other exporters, but rather to provide the possibility for developing countries to compete on an equal footing with producers in developed importing markets. This objective is also effectively met through the negotiated reduction of tariffs in multilateral trade negotiations. While preference schemes frequently place *a priori* restrictions and criteria on the granting of preferences, this is not the case with negotiated reductions of tariffs. Further, in many instances, tariff preferences are temporary and non-contractual. In contrast, tariff commitments made in GATT are legally binding. Nevertheless, while broad based tariff liberalization as achieved in the Uruguay Round can promote exports and economic growth, there may well be real adjustment costs associated with the loss of preferences in some countries.

⁶Comparable data are available for the 26 developing country participants in the GATT's Integrated Database (IDB). Figures on the scope of commitments are not available for the remaining 67 developing country participants in the Uruguay Round. The incomplete coverage of developing countries in the IDB could have a substantial effect on figures for the percentage of tariff lines bound by developing economies and by developing regions since the 26 participants for which data are available account for less than one-third of the total tariff lines of developing economies, but has less of an effect on figures for the coverage of bindings based on import values since the 26 participants account for roughly 80 per cent of the total merchandise imports of developing economy participants in the Uruguay Round.

⁷Chile was the only developing country offering to bind 100 per cent of its tariff lines in the context of the Tokyo Round, while Costa Rica, El Salvador, Mexico and Venezuela bound 100 per cent of tariff lines (and of imports) upon accession to GATT during the period 1986-91. In the Uruguay Round, other developing countries have committed to binding all or a major portion of their imports.

Box 2 - The central role of bindings in the GATT and WTO

If a tariff lowered during a GATT round could be unilaterally raised again a few months later, that tariff concession would have little or no value to foreign and domestic producers. An exporting firm will be reluctant to pursue new markets if the treatment afforded to products it intends to export is uncertain. This is especially true if taking advantage of the lower tariff requires investment in plant, equipment and distribution networks - investments that would become unprofitable if the tariff was raised. For domestic producers, the fact that the national government might subsequently raise a tariff also creates uncertainty, not only for the firms that use the import as an input into their own production, but especially for export-oriented firms that have to compete for human and financial resources with import-competing firms.

This is where the importance of "bindings" resides. When a country agrees to *bind* in GATT a tariff (and other duties and charges - ODCs - applied with respect to this tariff item) on a product at a certain level - say 15 per cent - it commits itself not to increase the tariff above that level (except by negotiation with compensation for affected trading partners). Binding is considered to be so important that countries which agree to bind previously unbound tariffs are given "negotiating credit" for the decision even if the tariff is bound at a level above the currently applied level (the "ceiling binding", which has been used by many developing country participants in the Uruguay Round). Bindings have also played a key role in establishing the domestic and international credibility of domestic reform programs in many countries.

In addition to tariff levels (including ODCs) or non-tariff measures affecting trade in industrial products, the schedules of commitments made by Members of the future World Trade Organization (WTO) cover measures affecting trade in agricultural products (tariffs, export subsidies and domestic support), and service activities. Additional security for negotiated reductions in trade barriers is provided by GATT/WTO rules which ensure that countries do not use other trade measures to restore previous levels of protection. In the area of goods, these include limitations on the use of anti-dumping and countervailing duties, of fees and other charges for customs services, the prohibition of quantitative restrictions, and the requirement to grant national treatment (non-discriminatory treatment) to imported goods once they have entered the customs territory of the importing country.

In addition, a stimulus to developing countries manufactured exports will follow from the substantial reduction in tariff escalation for many products in the major markets as a result of the Uruguay Round. This too will encourage increased diversification of production and exports and encourage the production of higher value-added items in the developing countries (see Table 4).⁸

Agricultural products

Increased market access for agricultural products (see Box 3 for main elements of the Agreement on Agriculture) includes the "tariffication" of all non-tariff border measures (conversion to tariff-equivalents) - with the exception of those products for which special treatment has been negotiated - and a binding of *all* tariffs on agricultural products (Table 5). As a result, the security of trade in agricultural products will - for the first time in GATT's history - be greater than in industrial products, since 100 per cent of agricultural product tariff lines will be bound.

Tariffs resulting from the "tariffication" process, together with the other tariffs on agricultural products, are to be reduced by a simple average of 36 per cent over six years in the case of developed

⁸Tariff escalation occurs when the tariff applied on a product category rises as the level of processing increases. In such cases, the "effective rate of protection of value added" in the processing industries in the importing country is normally higher than the nominal tariffs. The result is (i) a higher level of production of the more processed products in the importing country, and (ii) smaller imports of the more processed versions both because domestic production is larger *and* because the higher (than otherwise) domestic prices reduce domestic consumption of the more processed products. Thus, tariff escalation effectively limits the scope for trade-related industrialization in developing countries. Changes in tariff escalation as a result of the Uruguay Round are measured by changes in the tariff wedges, that is by the change in the absolute difference between the tariff at a particular stage of processing and at the preceding stage. According to this definition, tariff escalation between two stages of production is reduced when there is a greater absolute decline in tariffs at the higher stage than at the lower stage. A reduction in (or unchanged) tariff escalation (wedge) is a sufficient condition for market access to increase when tariffs are reduced. The stages of processing used in this analysis are those adopted by GATT contracting parties in the Tokyo Round.

countries and 24 per cent over ten years in the case of developing countries, with minimum reductions per tariff line of 15 per cent and 10 per cent, respectively. The reductions in the tariffs of developed countries - which account for about two-thirds of world imports of agricultural products - indicate an average percentage reduction of 37 per cent. With respect to individual product categories, developed countries will (i) cut tariffs by above-average amounts on oilseeds, flowers and plants; and (ii) cut tariffs by below-average amounts on sugar and dairy products, with other product categories close to the average cut. In the categories of "tropical products", which account for one-half of exports of developing countries of agricultural products, a 43 per cent reduction in tariffs will be implemented by developed countries (Table 6).⁹

Current access opportunities will be maintained on terms at least equivalent to those existing prior to the tariffication process. However, for those products where tariffication took place and imports were less than 5 per cent of domestic consumption because of the existing restrictions, minimum market access commitments, implemented through tariff quotas on an MFN basis at a low or minimal tariff rate, are required. Figures on the increased market access in terms of tonnage resulting from minimum access commitments indicate that substantial increases in market access occur for coarse grains (1,757,000 tons) and rice (1,076,000 tons), as well as for other products. With regard to commitments on export competition, the quantities of exports which can be legally subsidized must be reduced by 21 per cent. The importance of this commitment is illustrated by the fact that, on average, developed countries subsidized annually during 1986-90 48.2 million tons of wheat, 19.5 million tons of coarse grains, 1.8 million tons of sugar, 1.2 million tons of beef, etc. Furthermore, total export subsidy outlays will decline by 36 per cent, from \$21.3 billion to \$13.7 billion by the end of the transition period (Table 7). These reductions are of particular significance for heavily subsidized products on world food markets such as wheat, beef, coarse grains, dairy products and sugar.¹⁰ With regard to commitments on domestic support to agricultural producers, total outlays (in terms of the Aggregate Measurement of Support) will be reduced by 18 per cent, from \$197 billion to \$162 billion by the end of the transition period (Table 8).¹¹

The new market access opportunities for agricultural products - which will result from the Uruguay Round as a result of a change in border measures, and policies relating to export competition and domestic support - will be of particular interest to developing countries exporting temperate food products. More generally, multilateral disciplines on trade-distorting practices in agriculture are expected to stabilize world food markets in the coming decades, providing potential trade opportunities for developing countries and reducing fluctuations in food import bills. However, the potential situation in net food-importing developing countries is of particular concern.¹² Potential problems relating to

⁹Table 6 reports a reduction of 35 per cent for the category defined as "coffee, cocoa, tea and maté" and a reduction of 46 per cent for "tropical beverages". The principal cause of the difference between these two sets of figures is the inclusion in the former of chocolate, for which tariff reduction commitments are much lower than for coffee, cocoa, tea.

¹⁰The subsidy figures tend to understate the effect of export subsidies, as well as the benefits of their reduction, in instances where they are concentrated on certain more detailed product categories. In such situations the reduction commitments of developed countries are likely to have a much greater impact on export opportunities for other countries than the aggregate data suggest.

¹¹Table 7 reports a reduction of outlays for domestic support for the European Union of 17 per cent, from \$92.4 billion to \$76.9 billion, because the figures include credit for reductions undertaken since 1986.

¹²A joint OECD-World Bank study published in 1993 pointed to increases in the range of 5 per cent in the world prices of certain temperate food products (wheat, coarse grains, meat), which could be expected to impact heavily on net food-importing countries in Sub-Saharan Africa. It should be noted that the future evolution of the situation of individual net food-importers will depend not only on reform in OECD countries, but also on the uncertain evolution of world food markets in the years ahead, and on the response of domestic agricultural supplies both to the higher world prices expected to prevail and to domestic reform policies.

least-developed and net food-importing developing countries are the subject of the *Decision on Measures Concerning the Possible Negative Effects of the Reform Programme on Least-Developed and Net Food-Importing Developing Countries*. The Decision recognizes that, as a result of agricultural reform, these countries may experience negative effects with respect to supplies of food imports on reasonable terms and conditions. The Decision sets out objectives with regard to the provision of food aid, the provision of basic foodstuffs in full grant form and aid for agricultural development. It also refers to the possibility of assistance from the International Monetary Fund and the World Bank with respect to the short-term financing of food imports.¹³ The Committee of Agriculture, established under the Agreement on Agriculture, will monitor the implementation of the Decision. However, developing countries which are net-importers of agricultural products, while benefiting in the short-term from the greater availability of food aid, are experiencing a decline in the profitability of domestic and foreign investments in their own agricultural sector. The consequences of this reduced investment has been resulting in diverting production resources to other less competitive sectors, in delaying the adoption of new technologies and, could in the longer term, impair capacity to pursue adequate policies for the production of food. In this sense, the long-term effect of the reform will certainly be positive for at least a number of net food-importing countries.

¹³Recently, in his report to the Development Committee in October 1994 in Madrid, the President of the World Bank noted that "Present assessment indicates that the array of investment and policy-based lending in the Bank and the Fund are adequate to help countries reap the potential benefits of the post-Uruguay Round world. Existing financing facilities also appear adequate to meet financing needs that may arise in individual countries from the negative impact of the Uruguay Round". The Managing Director of the IMF stated at the same meeting: "We are mindful of the possibility that some countries may experience transitional costs in the implementation of the Uruguay Round, due to the erosion of preference margins and possible higher prices for food imports. We have established a work program to monitor developments in individual countries carefully. If balance-of-payments needs arise, the Fund stands ready to provide financial support for policy adjustments under existing Fund facilities, in conjunction with support from donors. For a comprehensive structural reform agenda, our medium-term facilities -- the Extended Fund Facility and the Enhanced Structural Adjustment Facility -- seem particularly well suited."

Box 3: Agriculture in the Uruguay Round

Tariffication: At the beginning of the Uruguay Round, government **border** intervention in support of domestic agricultural producers was limited to unbound or bound tariffs for approximately two-thirds of all agricultural tariff lines of the participating countries. For the remaining one-third of the tariff lines, the intervention extended to non-tariff measures and/or various subsidies. It is this latter one-third of the tariff lines that was subject to "tariffication", in which for each tariff line the package of protective measures (including the existing tariff) is replaced by a single new tariff that is estimated to provide substantially the same level of protection as the existing package of measures.

Special safeguard: For products that have been subject to tariffication, the Agreement allows Members to have recourse to a special safeguard mechanism, on a temporary basis, so as to limit imports in the event of a surge of imports or significant falls in the import price. Such safeguard measures are to take the form of increased tariffs. The trigger in the safeguard for import surges depends on the "import penetration" currently existing in the market (i.e. where imports make up a large proportion of consumption, the import surge required to trigger the special safeguard is lower). This special safeguard mechanism will remain in force for the duration of the reform process.

Special treatment: In order to facilitate the implementation of tariffication in particularly sensitive situations, a "special treatment" clause of the Agreement allows, under certain carefully and strictly defined conditions, a Member to maintain import restrictions up to the end of the implementation period. Negotiations on any possible extension of such special treatment must be completed before the end of the six year implementation period.

Tariff reductions: Tariffs resulting from the "tariffication" process can be either an ad valorem or specific, but in nearly all instances, the new tariffs are specific duties, for which ad valorem equivalents are not currently available. Tariffs resulting from the "tariffication" process, together with the other tariffs on agricultural products, are to be reduced by a simple average of 36 per cent over 6 years in the case of developed countries and 24 per cent over 10 years in the case of developing countries, with minimum reductions per tariff line of 15 per cent and 10 per cent, respectively (no reductions are required of least-developed countries). Because of the high proportion of specific duties, together with the presence of ceiling bindings (particularly in Latin America and Africa), levels of tariffs cannot be computed.

Current and minimum access commitments: For products covered by the tariffication process, the maintenance of current market access opportunities is provided for, supplemented by the establishment of minimum access tariff quotas (at reduced-tariff rates) where the current access is less than 5 per cent of domestic consumption. These minimum access tariff quotas are to start at 3 per cent and are to be expanded to reach 5 per cent at the end of the implementation period.

Reductions in export subsidies: Countries are required to reduce the value of direct export subsidies to a level 36 per cent below the 1986-90 base period level over the six-year implementation period, and the quantity of subsidised exports by 21 per cent over the same period. In the case of developing economies, the reductions are two-thirds those of developed countries over a ten-year period (with no reductions required of least-developed economies). Where subsidised exports have increased since the 1986-90 base period, 1991-92 or the average between 1986-90 and 1991-92 may be used, in certain circumstances, as the beginning point of reductions although the end-point remains that based on the 1986-90 base period level. Commitments also include undertakings not to introduce or re-introduce subsidies on the export of agricultural products or groups of products in respect of which such subsidies were not applied during the base period.

Reductions in domestic support: The Total Aggregate Measure of Support (Total AMS) reduction commitment, which cover all domestic support provided on either a product-specific or non-product-specific basis that does not qualify for exemption, is to be reduced by 20 per cent over 6 years for developed countries and 13.3 per cent for developing economies over 10 years (no reductions are required of least-developed countries). **The Total AMS will be bound at its final level at the end of the implementation period.** So-called "green box" policies are excluded from the reduction commitments: general government services (such as research, disease control, infrastructure and food security), certain forms of "decoupled" (from production) income support, structural adjustment assistance, direct payments under environmental programmes and under regional assistance programmes. In addition to the green box policies, other policies that need not be included in the Total AMS reduction commitments include direct payments under production-limiting programmes, certain government assistance measures to encourage agricultural and rural development in developing countries and other support which makes up only a low proportion (5 per cent in the case of developed countries and 10 per cent in the case of developing countries) of the value of production of individual products or, in the case of non-product-specific support, the value of total agricultural production.

B. Trade in Services

The General Agreement on Trade in Services is the first multilateral agreement on trade that has as its objective the progressive liberalization of trade in services. It will provide for secure and more open markets in services in a similar manner as the GATT has done for trade in goods. The Agreement covers trade in all services sectors and the supply of services in all forms (i.e. modes of delivery), including consumption abroad of services, cross-border supply of services, provision of services through a commercial presence and the movement abroad of the person supplying the service.

The GATS has two components: the framework agreement containing 29 Articles and a number of Annexes, Ministerial Decisions etc., as well as the schedules of commitments undertaken by each Member government to bind the existing degree of openness or remove existing restrictions (see Box 4). Although the coverage of the GATS in terms of service sectors is universal, the liberalization commitments follow a positive list approach, whereby each participant in its schedule lists the conditions of market access and national treatment for foreign service suppliers in the sectors and modes of supply for which it has undertaken a commitment. Ninety-five schedules of specific commitments (the European Union has submitted a common schedule on behalf of its 12 Member States) contain the results of the market access negotiations for services. With respect to the level of market openness for a service activity provided by any commitment, it depends on the existing regulatory regime and whether limitations have been placed on market access and national treatment by the importing country. In fact, the majority of the schedules contain bindings of the existing level of access while others also contain liberalization commitments. With the binding of commitments, foreign service suppliers - and domestic customers of foreign service suppliers - are given an assurance that conditions of entry and operation in the market will not be changed to their disadvantage. The GATS explicitly provides for successive rounds of negotiation in the future with a view to achieving a progressively higher degree of liberalization.

It is not possible to provide quantitative measures of commitments to liberalize services trade in the same way as for goods (see Box 5 for a description of the contents of schedules). As there is no international nomenclature for traded-services that covers the different modes of supply, there is no comprehensive set of data that could provide reliable estimates of imports of particular services under the different modes of supply. Further, there is no equivalent of customs duties in services; limitations on foreign services and service suppliers, where they exist, typically take the form of regulations relating to the supply of services. The effect of such measures, or of their removal, cannot be easily assessed, if at all.

Of importance to developing countries is the fact that virtually all Members have made commitments on the movement of natural persons, even if these are frequently circumscribed by the requirement of intra-corporate transferee status. In addition, commitments made by developed countries generally cover the cross-border supply of labour-intensive services such as computer-related services, professional and construction services. Further, most developing countries have committed themselves to bind or liberalize tourism and travel services, including, for example, the liberalization of foreign investment restrictions for hotel and resort operators. These commitments are likely to improve the supply capacity of this key sector, which provides the major source of foreign exchange earnings in a number of island developing countries and least-developed countries. In addition, a number of developing countries have taken the opportunity the GATS provides to schedule commitments, thereby binding their own domestic reform process. Improvements in the quality of services that will result from liberalization and increased competition will contribute more generally to improved efficiency, consumer welfare and growth in developing countries as well as all other countries.

Box 4 - Main elements of the General Agreement on Trade in Services (GATS)

The General Agreement on Trade in Services (GATS) consists of the Articles of the Agreement, a number of annexes addressing the special situations of individual services sectors, and schedules of commitments on service activities (the equivalent of the market access component of the negotiations on goods). Part I of the Agreement defines its scope - specifically, services supplied *from* the territory of one Member to the territory of another (cross-border); services supplied *in* the territory of one Member to the consumers of another (for example, tourism); services provided through branches of entities of one party in the territory of another (for example, a branch of a foreign bank); and services provided by nationals of one party in the territory of another (for example, construction teams).

Part II of the Agreement sets out general obligations and disciplines. There is a basic most-favoured-nation (MFN) obligation. Members have negotiated specific MFN exemptions, which will be reviewed after five years and are subject to a normal limitation of 10 years duration. Transparency requirements include publication of all relevant laws and regulations. Since domestic regulations, not border measures, are the major influence on services trade, all such measures of general application are to be administered in a reasonable, objective and impartial manner. The Agreement also contains obligations with respect to mutual recognition requirements qualifications, for instance, for the purpose of securing authorization, licences or certification to supply services. Restrictive business practices are subject to consultations between parties with a view to their elimination.

Part III of the Agreement contains provisions on market access and national treatment which are the subject of specific commitments made in national schedules, rather than general obligations. As of 1 September 1994, schedules had been submitted by 95 participants (including a single schedule for the twelve members of the European Union), which identify the service activities which are the subject of commitments and the limitations in terms of each of the modes of supply for market access (e.g. number of service providers, number of service operations; the kind of legal entity through which a service is provided), or on national treatment.

Part IV establishes the basis for progressive liberalization in the services area through successive rounds of negotiations and the development of national schedules. Part V contains institutional provisions, including consultation and dispute settlement procedures and the establishment of a Council on Services. The annexes address the movement of labour, financial services (largely banking and insurance), access to and use of public telecommunications, services and networks, air-transport services (other than traffic rights and directly related activities); to begin negotiations for the gradual liberalization of basic telecommunications (to be concluded not later than 30 April 1996); and to begin negotiations for maritime services (to be concluded by June 1996) and labour movement.

Box 5 - Description of schedules of commitments for services

In its national schedule each Member government indicates the service sectors and activities to which it will apply the market access and national treatment obligations of the GATS. For each service activity inscribed in a schedule, there are eight entries, referring to the obligations of market access and national treatment, and to the four modes of supply through which international trade in services takes place:

- Cross-border supply of a service to a consumer located in the Member's territory;
- Consumption abroad by a resident of a Member who purchases a service in the territory of another Member;
- Commercial presence, meaning the supply of a service within the Member's territory through a commercial presence established there by a foreign supplier;
- Presence of natural persons, meaning the entry and temporary stay of foreign individuals in the Member's territory for the purpose of supplying a service.

The entries represent a binding commitment to allow supply of the service activity in question on the terms and conditions specified, and not to impose any new measures that would restrict entry into the market or the operation of the service supplier.

C. Trade-Related Intellectual Property Rights

The Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) establishes minimum standards of protection for each category of intellectual property rights (IPRs). These standards must be available in the national law of each WTO Member and provided on the basis of most-favoured-nation and national treatment (see Box 6). They incorporate and extend to all WTO Members the substantive obligations of the main WIPO conventions, the Berne and Paris Conventions on respectively copyright and industrial property, with the addition of other obligations on matters where it was thought these Conventions could be complemented. This involves, in particular, setting standards on categories of IPRs where they were lacking (e.g. patents), setting disciplines relating to the enforcement of IPRs, and providing an effective dispute settlement mechanism. A key feature of the Agreement is that Members are required to provide within their national laws effective procedures and remedies for the enforcement of rights to the holders of those rights, mainly private enterprises. It is, however, recognized that Members are not obliged to create special judicial system for the enforcement of IPRs.

Once the WTO is operational, the number of countries providing intellectual property protection will increase over time. Developed countries have one year to meet their obligations, developing countries have five years and least-developed countries have eleven years, with the possibility of an extension. Special transitional arrangements apply in the situation where a developing country does not presently provide patent protection in a particular area of technology, such as pharmaceuticals or agricultural chemicals.

In fact, adherence to the Paris and Berne Conventions is fairly widespread among developing countries. Many developing countries already provide minimum standards of intellectual property protection on a national treatment basis, although the scope of such protection varies significantly. Potential benefits for developing countries emerging from the Uruguay Round include a framework more conducive to domestic research efforts and to technology transfer and foreign direct investment. There will, however, be additional administrative burdens of enforcing such rights (specifically dealt with under the TRIPS Agreement),¹⁴ potentially higher royalty payments and adjustment costs for industries which, in the absence of domestic legislation in the area, were producing goods that would be considered as counterfeit in the future. There will also be requirements relating to patents which may well mean an increase in prices of certain goods in some developing countries. Pharmaceutical and agricultural products present examples. These increases are expected to be small, and there are provisions in the Agreement itself to minimize any adverse implications for developing countries.

¹⁴The fact that non-violation cases will not be subject to dispute settlement procedures for five years is of particular importance for developing countries in this instance.

Box 6 - Main elements of the TRIPs agreement

There are three parts to the Agreement on Trade Related Aspects of Intellectual Property Rights, Including Trade in Counterfeit Goods (TRIPs). Part I sets out general provisions and basic principles, notably a national-treatment commitment under which the nationals of other Members must be given treatment no less favourable than that accorded to a Member's own nationals with regard to the protection of intellectual property. It also contains a most-favoured-nation clause, a novelty in an international intellectual property agreement, under which any advantage a Member gives to the nationals of another country must be extended immediately and unconditionally to the nationals of all other Members, even if such treatment is more favourable than that which it gives to its own nationals.

Part II addresses each intellectual property right in succession: copyright, including for computer programs, data bases sound recordings and films; trademarks and service marks; geographical indications (Members must prevent the use of any indication which misleads consumers as to the origin of goods); industrial designs; patents; layout designs of integrated circuits; and undisclosed information. As regards patents, there is a general obligation to comply with the substantive provisions of the Paris Convention (1967). In addition, the Agreement requires that 20-year patent protection be available for all inventions, whether of products or processes, in almost all fields of technology. Inventions may be excluded from patentability if their commercial exploitation is prohibited for reasons of public order or morality; otherwise, the permitted exclusions are for diagnostic, therapeutic and surgical methods, and for plants and (other than microorganisms) animals and essentially biological processes for the production of plants or animals (other than microbiological processes). Plant varieties, however, must be protectable either by patents or by a *sui generis* system (such as the breeder's rights provided in a UPOV Convention). Detailed conditions are laid down for compulsory licensing or governmental use of patents without the authorization of the patent owner.

With respect to the protection of layout designs of integrated circuits, the Agreement requires Members to provide protection on the basis of the Washington Treaty on Intellectual Property in Respect of Integrated Circuits which was opened for signature in May 1989, but with a number of additions. The final section in Part II of the Agreement concerns anti-competitive practices in contractual licences. It provides for consultations between governments where there is reason to believe that licensing practices or conditions pertaining to intellectual property rights constitute an abuse of these rights and have an adverse effect on competition.

Part III of the Agreement sets out the obligations of Member governments to provide procedures and remedies under their domestic law to ensure that intellectual property rights can be effectively enforced, by foreign right holders as well as by their own nationals. Requirements include provisions on evidence of proof, injunctions, damages and other remedies - including the right of judicial authorities to order the disposal or destruction of infringing goods, and to impose imprisonment and fines sufficient to act as a deterrent in cases of wilful trademark counterfeiting or copyright piracy on a commercial scale.

With respect to the implementation of the Agreement, it envisages a one-year transition period for developed countries to bring their legislation and practices into conformity. Developing countries and countries in the process of transformation from a centrally-planned into a market economy have a five-year transition period, and least-developed countries eleven years.

D. Dispute Settlement

The improvements in existing rules and their extension to areas where they were absent would be worth little if there were not a sufficiently strong dispute settlement system to enforce those obligations. For this reason, the GATT dispute settlement system has long been considered a cornerstone of the multilateral trading system. It has provided countries with the opportunity to challenge actions taken by trading partners and obtain rulings from independent panels of experts on the GATT-consistency of such measures. Upon their adoption by the GATT Council, such rulings have represented an authoritative basis on which to seek the removal of a GATT inconsistent measure.

The Uruguay Round Dispute Settlement Understanding (DSU) incorporates major improvements in relation to GATT dispute settlement procedures. The first and perhaps most significant change is the elimination of the need for consensus at the procedural steps leading up to, and including, adoption of panel rulings. Instead, a negative consensus approach will apply: a consensus will be needed in order to halt the proceedings from advancing at any stage of the formal dispute settlement procedures. This change will greatly enhance the confidence of all trading nations, large or small, in the multilateral trading system since the potential for procedural blockage will be removed. However, in order to

ensure that this automaticity comes with a greater confidence in the results of the dispute settlement system, a new element is the independent review by an appellate body before a panel's recommendations become legally binding. Another change is the introduction of more precise and shorter time-limits for each stage of the procedures. One of the central provisions of the DSU reaffirms that Members shall not unilaterally make determinations of violations or suspend concessions, but shall make use of the multilateral dispute settlement rules and procedures of the DSU.

From the perspective of developing countries, it should be noted that the elements of the 1966 Decision on Dispute Settlement will continue to apply under the WTO dispute settlement procedures.¹⁵ Although this Decision has seldom been used, mainly because developing countries have only recently become more frequent users of the GATT dispute settlement procedures, it contains features of specific interest to developing countries, including automatic access to the "good offices" of the Director-General of the GATT/WTO to mediate and seek to find a satisfactory resolution to the dispute, and shorter time-limits in which panels must complete their deliberations.

Another major change - not in the procedures but in the functioning of dispute settlement within the system as a whole - is the integration of all the dispute settlement procedures established under the individual agreements (goods, services, TRIPS) into a single system operating under a Dispute Settlement Body. This integration of enforcement across the agreements is the mirror image of the integration of rights and obligations implied by the single undertaking of WTO Members. This change will help ensure that issues which arise in the enforcement of obligations in one area (e.g. anti-dumping) are dealt with by the WTO Members at the highest political level.

Box 7 - Main features of dispute settlement under the WTO

Where a dispute is not settled through consultations, the Understanding on Dispute Settlement (DSU) requires the establishment of a panel, at the latest at the meeting of the Dispute Settlement Body (DSB) following that at which a request is made, unless the DSB decides by consensus against establishment. The DSU also sets out specific rules and deadlines for deciding the terms of reference and composition of panels. Where the parties do not agree on the composition of the panel (normally three persons), this can be decided by the Director-General.

A panel will normally complete its work within six months or, in cases of urgency, within three months. Within 60 days of the issuance of the panel's report, it will be adopted, unless the DSB decides by consensus not to adopt the report or one of the parties notifies the DSB of its intention to appeal.

An Appellate Body will be established, composed of seven members, three of whom will serve on any one case. An appeal will be limited to issues of law covered in the panel report and legal interpretations developed by the panel. Appellate proceedings shall not exceed 60 days from the date a party formally notifies its decision to appeal. The resulting report shall be adopted by the DSB and unconditionally accepted by the parties within 30 days following its issuance to Members, unless the DSB decides by consensus against its adoption.

Once the panel report or the Appellate Body report is adopted, the party concerned will have to notify its intentions with respect to implementation of adopted recommendations. If it is impracticable to comply immediately, the party concerned shall be given a reasonable period of time, the latter to be decided either by agreement of the parties and approval by the DSB within 45 days of adoption of the report or through arbitration within 90 days of adoption.

Further provisions set out rules for compensation or the suspension of concessions in the event of non-implementation. Within a specified time-frame, parties can enter into negotiations to agree on mutually acceptable compensation. Where this has not been agreed, a party to the dispute may request authorization of the DSB to suspend concessions or other obligations to the other party concerned. The DSB will grant such authorization within 30 days of the expiry of the agreed time-frame for implementation. Disagreements over the proposed level of suspension may be referred to arbitration. In principle, concessions should be suspended in the same sector as that in issue in the panel case. If this is not practicable or effective, the suspension can be made in a different sector of the same agreement. In turn, if this is not effective or practicable and if the circumstances are serious enough, the suspension of concessions may be made under another agreement.

¹⁵The 1966 Decision on "Procedures under Article XXIII" (BISD 14S/18).

E. Monitoring of Trade Policies

The Trade Policies Review Mechanism (TPRM) has been given permanent status in the WTO, extending the mandate provisionally granted in 1989 following the Mid-Term Review of the negotiations held in Montreal. The objectives of the TPRM are to contribute to improved adherence by all Members to rules, disciplines and commitments made under the Multilateral Trade Agreements and, where applicable, the Plurilateral Trade Agreements, and hence to the smoother functioning of the multilateral trading system, by achieving greater transparency in, and understanding of, the trade policies and practices of Members. The mechanism enables the regular collective appreciation and evaluation of the full range of individual Members' trade policies and practices and their impact on the functioning of the multilateral trading system. It is not, however, intended to serve as a basis for the enforcement of specific obligations under the Agreements or for dispute settlement procedures, or to impose new policy commitments on Members. Reviews take place against the background of wider economic and developmental needs, policies and objectives of individual Members, as well as the external trading environment.

The TPRM provides for a Trade Policies Review Body (TPRB) to examine regularly the trade policies and practices of WTO Members, every two years for the four major traders (the European Union, the United States, Japan and Canada), every four years for the next sixteen leading traders (a group which currently includes nine developing countries), and every six years for the remaining traders, although longer intervals may be prescribed for least-developed countries. The basis for the examination is a report prepared by the Secretariat and a policy statement by the country under review. The TPRB will also carry out an annual overview of developments in the international trading environment which are having an impact on the multilateral trading system, assisted by an annual report by the Director-General setting out major activities of the WTO and highlighting significant policy issues affecting the trading system.

Since the TPRM has been in place for over five years and has become a well-established feature of the GATT system, it is already possible to draw some conclusions regarding its contribution to a more open and stable trading system. The first is the valuable stimulus of the TPR process to the internal discussion of trade policies in countries under review. Conducting a review, compiling a government report and responding to questions raised by the Secretariat in the preparation of its report, means that the national administration has to carefully examine the overall structure and impact of its own trade policies. For developing countries, this experience has been particularly valuable in assessing - and possibly fine-tuning or providing additional motivation for - domestic reform programs, and enhancing the inter-agency cooperation on the broader range of issues covered by the Uruguay Round (agriculture, services, intellectual property protection, etc.). For trading partners, the TPR process provides an opportunity to examine trade policies and practices in detail, with a view to communicating major areas of concern, and assessing, over time, whether these concerns are being satisfactorily resolved.

Together, these elements of the TPR process have helped countries assess their trade and economic reforms, and may have contributed to some portion of the liberalization that has taken place under the Uruguay Round. In the future, the TPR process will help WTO Members evaluate their implementation of the Agreements, as well as provide an early warning of trends of potential concern to all participants in the trading system.

Table 1
Pre- and post-Uruguay Round scope of bindings for
industrial products
 (Number of lines, billions of US dollars and percentages)

Country group	Number of lines	Import value	Percentage of tariff lines bound		Percentage of imports under bound rates	
			Pre-	Post	Pre-	Post-
Total	249,573	1,089.0	43	83	68	87
By major country group:						
Developed economies	86,369	737.2	78	99	94	99
Developing economies	163,204	352.1	21	73	13	61
Transition economies	18,962	34.7	73	98	74	96
By region:						
North America	14,136	325.7	99	100	99	100
Latin America	64,136	40.4	38	100	57	100
Western Europe	57,851	239.9	79	82	98	98
Central Europe	23,565	38.1	63	98	68	97
Africa	21,500	18.5	13	65	26	84
Asia	87,944	461.4	16	68	32	70

Source: GATT Secretariat.

Table 2
Average tariff reductions on industrial products¹
 (Billion US dollars and percentages)

Country group	Imports ^{2,3}	Trade-weighted tariff averages ¹		
		Pre UR	Post UR	Reduction
All participants				
Imports from: World	1,552.8	9.9	6.5	34
North America	333.5	8.9	5.5	38
Latin America	69.1	9.1	6.1	33
Western Europe	463.1	9.8	6.1	38
Central/East Europe	37.9	7.7	5.7	26
Africa	39.2	3.9	2.7	31
Asia	610.0	11.4	7.8	32
Developed economies				
Imports from: World	1,118.4	6.2	3.7	40
North America	262.3	5.1	2.8	45
Latin America	55.7	4.9	3.3	33
Western Europe	362.4	6.4	3.5	45
Central/East Europe	21.3	4.0	2.4	40
Africa	34.1	2.7	2.0	26
Asia	382.6	7.7	4.9	36
Developing economies				
Imports from: World	399.5	20.5	14.4	30
North America	70.5	23.2	15.7	32
Latin America	13.0	27.6	18.5	33
Western Europe	78.3	25.8	18.3	29
Central/East Europe	8.3	18.4	15.1	18
Africa	5.0	12.3	8.0	35
Asia	224.4	17.8	12.7	29
Transition economies				
Imports from: World	34.8	8.6	6.0	30
North America	0.7	8.6	5.5	36
Latin America	0.4	4.2	2.4	43
Western Europe	22.3	9.0	6.2	31
Central/East Europe	8.2	6.4	4.7	27
Africa	0.2	4.1	2.1	49
Asia	3.0	12.4	8.5	31

¹Excluding petroleum.

²Imports of the 44 IDB participants from all origins (excluding intra-EU trade).

³Covers tariff lines whose tariffs were reduced (excludes ceiling bindings).

Source: GATT Secretariat.

Table 3
Tariff reductions of developed countries on industrial products by category
 (Billion US dollars and percentages)

Product category	Import value		Tariff averages weighted by:					
	All sources	Developing economies	Imports from all sources			Imports from developing economies		
			Pre-UR	Post UR	% Red.	Pre-UR	Post UR	% Red.
All industrial products ¹	736.9	169.7	6.3	3.8	40	6.8	4.3	37
Fish & fish products	18.5	10.6	6.1	4.5	26	6.6	4.8	27
Wood, pulp, paper & furniture	40.6	11.5	3.5	1.1	69	4.6	1.7	63
Textiles and clothing	66.4	33.2	15.5	12.1	22	14.6	11.3	23
Leather, rubber, footwear	31.7	12.2	8.9	7.3	18	8.1	6.6	19
Metals	69.4	24.4	3.7	1.4	62	2.7	0.9	67
Chemicals & photographic supplies	61.0	8.2	6.7	3.7	45	7.2	3.8	47
Transport equipment	96.3	7.6	7.5	5.8	23	3.8	3.1	18
Non-electric machinery	118.1	9.8	4.8	1.9	60	4.7	1.6	66
Electric machinery	86.0	19.2	6.6	3.5	47	6.3	3.3	48
Mineral products & precious stones	73.0	22.2	2.3	1.1	52	2.6	0.8	69
Manufactured articles n.e.s.	76.1	10.9	5.5	2.4	56	6.5	3.1	52
Industrial tropical products	32.8	14.4	4.2	2.0	52	4.2	1.9	55
Natural resource-based products ¹	80.2	33.4	3.2	2.1	34	4.0	2.7	33

¹Excluding petroleum products.

Source: GATT Secretariat.

Table 4
Changes in tariff escalation on products imported by
Canada, European Union, Japan and United States from developing economies
 (Absolute reduction on tariffs at each stage of processing)

	Canada	European Union	Japan	United States
Hides, skin and leather				
Raw	0.0	0.0	9.2	0.0
Semi-manufactures	3.4	0.6	4.3	0.9
Finished products	7.5	2.3	1.5	0.9
Total	6.0	1.0	1.7	0.8
Rubber				
Raw	0.0	0.0	0.0	0.0
Semi-manufactures	3.8	2.3	4.8	2.0
Finished products	4.8	2.2	3.2	1.4
Total	2.5	0.5	0.5	0.5
Wood				
Wood in the rough	0.2	0.0	0.0	0.1
Wood based panels	2.7	3.2	9.4	0.6
Semi-manufactures	0.6	0.5	2.0	1.2
Wood articles	4.7	5.4	2.2	2.5
Total	2.3	1.7	2.1	1.3
Paper				
Pulp and waste	0.0	0.0	2.2	0.0
Paper and paperboard	6.5	7.9	5.2	1.2
Printed matter	7.4	1.1	0.3	0.5
Paper articles	10.3	10.3	4.2	4.8
Total	7.4	3.5	2.8	2.2
Jute				
Fibres	-	0.0	0.0	0.0
Yarns	6.0	5.3	12.0	3.7
Fabrics	4.9	5.0	10.0	0.0
Total	5.3	4.5	9.1	0.4
Copper				
Unwrought	0.4	0.0	3.1	0.3
Semi-manufactures	1.8	1.2	3.9	0.4
Total	1.7	0.1	3.2	0.3
Nickel				
Unwrought	0.0	0.0	0.6	0.0
Semi-manufactures	4.6	2.0	3.0	0.0
Total	0.1	0.0	0.6	0.0
Aluminium				
Unwrought	0.0	0.3	0.9	0.3
Semi-manufactures	1.2	2.5	2.9	0.0
Total	0.9	0.9	1.0	0.2
Lead				
Unwrought	0.2	0.9	5.4	1.6
Semi-manufactures	-	2.6	2.8	0.0
Total	0.2	0.9	5.3	1.4
Zinc				
Unwrought	7.0	0.9	2.5	0.0
Semi-manufactures	1.6	3.0	2.9	0.8
Total	6.9	1.4	2.5	0.0
Tin				
Unwrought	0.1	0.0	0.1	0.0
Semi-manufactures	0.0	3.2	1.2	1.2
Total	0.1	0.0	0.1	0.0
Tobacco				
Unmanufactured	2.8	4.0	0.0	3.4
Manufactured	9.2	25.6	3.1	4.4
Total	7.5	5.7	0.2	3.5

Source: GATT Secretariat.

Table 5
Pre- and post-Uruguay Round scope of bindings for agricultural products
 (Number of lines, billions of US dollars and percentages)

Country group or region	Number of lines	Import value	Percentage of tariff lines bound		Percentage of imports under bound rates	
			Pre-UR	Post-UR	Pre-UR	Post-UR
By major country group:						
Developed economies	14,976	84.2	58	100	81	100
Developing economies	23,615	30.4	18	100	25	100
Transition economies	2,841	4.8	51	100	54	100
By selected region:						
North America	2,297	19.6	92	100	96	100
Latin America	8,867	5.6	36	100	74	100
Western Europe	11,345	38.4	45	100	87	100
Central Europe	3,502	5.7	45	100	50	100
Asia	12,660	49.1	17	100	40	100

Source: GATT Secretariat.

Table 6
Developed economy imports and tariff reductions on agricultural products
(Millions of US dollars and percentages)

Product categories	Value of imports		Percentage reduction in tariffs
	All sources	Developing economies	
All agricultural products	84,240	38,030	37
Coffee, tea, cocoa, mate	9,136	8,116	35
Fruits and vegetables	14,575	8,887	36
Oilseeds, fats and oils	12,584	6,833	40
Other agricultural products	15,585	4,233	48
Animals and products	9,596	2,690	32
Beverages and spirits	6,608	2,012	38
Flowers, plants, vegetable materials	1,945	1,187	48
Tobacco	3,086	1,135	36
Spices and cereal preparations	2,767	1,134	35
Sugar	1,730	1,030	30
Grains	5,310	725	39
Dairy products	1,317	48	26
Tropical products	24,022	18,744	43
Tropical beverages	8,655	8,041	46
Tropical nuts and fruits	4,340	3,672	37
Certain oilseeds, oils	3,443	2,546	40
Roots, rice, tobacco	4,591	2,497	40
Spices, flowers and plants	2,992	1,987	52

Source: GATT Secretariat.

Table 7
Export subsidy reduction commitments by country
(Millions of U.S. dollars)

Participant	Export subsidies			Product composition of export subsidies
	Base	Final	Change	
Total	21,334	13,720	-36	
European Union	13,274	8,496	-36	Bovine meat (19%), wheat (17%), coarse grains (13%), butter (13%), other milk products (10%)
Austria	1,235	790	-36	Live animals (45%), wheat (14%), bovine meat (13%), cheese (12%)
United States	929	594	-36	Wheat (61%), skim milk powder (14%)
Poland	774	493	-36	Meat preparations (39%), fruits and vegetables (21%)
Mexico	748	553	-26	Sugar (76%), cereal preparations (21%)
Finland	708	453	-36	Butter (25%), coarse grains (22%), other milk products (13%)
Sweden	572	366	-36	Pigmeat (21%), wheat (21%), coarse grains (17%)
Canada	567	363	-36	Wheat (47%), coarse grains (18%)
Switzerland	487	312	-36	Other dairy products (65%)
Colombia	371	287	-23	Rice (32%), cotton (20%), fruits and vegetables (23%)
South Africa	319	204	-36	Fruits and vegetables (24%), cereal preparations (14%), wheat (13%), sugar (10%)
Hungary	312	200	-36	Poultry meat (30%), pigmeat (26%), wheat (11%), fruits and vegetables (19%)
Czech Rep.	164	105	-36	Other milk products (38%), fruits and vegetables (10%)
Turkey	157	98	-37	Fruits and vegetables (36%), wheat (23%)
New Zealand	133	0	-100	Not available
Norway	112	72	-36	Cheese (54%), pigmeat (19%), butter (12%)
Australia	107	69	-36	Other milk products (32%), skim milk powder (27%), cheese (25%), butter (16%)
Brazil	96	73	-24	Sugar (56%), fruits and vegetables (30%)
Slovak Rep.	76	49	-36	Other dairy products (19%), cereal preparations (13%), bovine meat (13%)
Romania	59	45	-34	Cereal preparations (22%), sugar (19%), bovine meat (18%), fruits and vegetables (11%)
Israel	56	43	-24	Fruits and vegetables (59%), plants (22%), cotton (17%)
Indonesia	28	22	-24	Rice (100%)
Iceland	25	16	-36	Sheepmeat (78%), other dairy products (22%)
Cyprus	19	14	-24	Fruits and vegetables (67%), alcohol (16%)
Uruguay	2	1	-23	Rice (83%), butter (12%)

Notes: 1. Commitments converted to U.S. dollars using 1990-91 average exchange rates. Reduction commitments apply to individual product categories as defined in this table.

2. Countries having submitted schedules which do not maintain export subsidies include: Algeria, Antigua and Barbuda, Argentina, Bahrain, Barbados, Belize, Bolivia, Brunei Darussalam, Cameroon, Chile, Congo, Costa Rica, Côte d'Ivoire, Cuba, Dominica, Dominican Rep., Egypt, El Salvador, Fiji, Gabon, Grenada, Gambia, Ghana, Guatemala, Guyana, Honduras, Hong Kong, India, Jamaica, Japan, Kenya, Korea, Kuwait, Macau, Malaysia, Malta, Mauritius, Morocco, Namibia, Nicaragua, Nigeria, Pakistan, Paraguay, Peru, Philippines, St. Kitts and Nevis, Saint Lucia, St. Vincent and the Grenadines, Senegal, Singapore, Sri Lanka, Suriname, Swaziland, Thailand, Trinidad and Tobago, Tunisia, Zambia and Zimbabwe. Least-developed countries are exempt from export subsidy reduction commitments.

Source: GATT Secretariat.

Table 8
Reductions in domestic support to agricultural producers
(Millions of U.S. dollars)

Participant	Base	Final	Change
Total	197,721	162,497	-18
European Union	92,390	76,903	-17
Japan	35,472	28,378	-20
United States	23,879	19,103	-20
Mexico	9,669	8,387	-13
Canada	4,650	3,720	-20
Finland	4,186	3,349	-20
Poland	4,160	3,329	-20
Korea	4,086	3,543	-13
Switzerland	3,769	3,016	-20
Sweden	3,429	2,743	-20
Austria	2,534	2,027	-20
Norway	2,247	1,797	-20
Venezuela	1,305	1,131	-13
Brazil	1,053	912	-13
Thailand	866	745	-13
Czech Rep.	717	574	-20
Israel	654	569	-13
New Zealand	210	268	-20
Hungary	613	490	-20
Australia	460	368	-20
Slovak Rep.	435	348	-20
Colombia	398	345	-13
Iceland	222	177	-20
Cyprus	127	110	-13
Morocco	93	81	-13
Tunisia	76	66	-13
Costa Rica	18	16	-13
South Africa	3	2	-20

Source: GATT Secretariat.

Table 9
Commitments on service activities of developed, developing and transition economies,
and by region
(Number of bindings on service activities and percentages)

Country group	Number of commitments	Percentage of maximum
By major country group:		
Developed economies	2470	61.4
Developing economies	1806	14.6
Transition economies	306	47.5
By region:		
North America	193	59.9
Latin America	738	15.3
Western Europe	2002	59.2
Central Europe	351	43.6
Africa	396	9.8
Middle East	106	16.5
Asia	796	26.0

Source: GATT Secretariat.

Table 16
Commitments on service activities by sub-sector
 (Number of countries)

	DC	LDC	Transition	Total		DC	LDC	Transition	Total
1. Business					6. Environment				
A. Professional	22	13	3	39	A. Sewage	23	6	2	31
B. Computer	24	22	4	49	B. Refuse disposal	24	6	3	33
C. R&D	10	11	2	22	C. Sanitation	23	5	3	31
D. Real estate	23	3	0	25	D. Other	23	6	1	30
E. Rental/leasing	19	6	2	27	7. Financial				
F. Other	20	9	2	31	A. Insurance	25	38	4	67
2. Communication					B. Banking	23	21	3	48
A. Postal	0	3	0	3	C. Other	12	10	0	22
B. Courier	4	15	3	22	8. Health				
C. Telecom	11	12	3	26	A. Hospital	15	15	2	32
- Basic	1	8	0	9	B. Other human health	2	4	1	7
- Value-added	19	16	4	38	C. Social	13	1	1	15
D. Audio-visual	2	4	0	6	9. Tourism and travel				
E. Other	0	0	6	6	A. Hotels and restaurants	25	69	4	98
3. Construction					B. Travel agencies, tour operators	25	53	4	82
A. Buildings	24	22	3	49	C. Tourist guide	24	24	2	50
B. Civil engineering	24	21	3	48	D. Other	1	12	0	13
C. Installation and assembly	23	19	3	45	10. Recreational, cultural, sporting				
D. Completion and finishing	23	13	3	31	A. Entertainment	17	16	1	34
E. Other	20	13	3	36	B. News agency	22	1	0	23
4. Distribution					C. Libraries, archives, museums	5	4	0	9
A. Commission agents ¹	23	4	0	27	D. Sporting	20	15	1	36
B. Wholesale trade	25	8	4	37	E. Other	2	2	0	4
C. Retailing	25	9	4	38	11. Transport				
D. Franchising	23	5	3	31	A. Maritime transport	4	10	0	14
E. Other	14	0	0	14	B. Internal waterways	3	1	2	7
5. Education					C. Air	13	9	3	25
A. Primary	18	4	4	26	D. Space	2	0	0	2
B. Secondary	19	6	3	28	E. Rail	6	4	1	11
C. Higher	18	3	4	25	F. Road	17	7	0	24
D. Adult	18	1	4	23	G. Pipeline	2	1	1	4
E. Other	3	4	2	9	H. Auxiliary services	16	10	0	27
					I. Other	14	6	0	20
Note: Where sub-sectors are further disaggregated, figures refer to the average number of countries having made a commitment.									

Notes:

1. Based on a classification of services according to Document MTN.GNS/W/120.
2. Based on 95 schedules of commitments (the European Union has submitted a common schedule on behalf of the member states). Of the total 106 countries, 25 are developed countries, 77 are developing countries and 4 are transition economies.

Source: GATT Secretariat.