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New world trade relations. A developing country's perspective.

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NEW WORLD TRADE RELATIONS.  
A DEVELOPING COUNTRY'S PERSPECTIVE  

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INTRODUCTION

The Uruguay Round outcomes will bring a new world trade relations. It may means hope for some countries and internal problems for others. From now on, new challenges and opportunities will appear in the trade world, but the Developing Country's real challenge is still reaching social and economic development. And trade expansion could be just part of the development strategy.

Many developing countries are facing different development stages and processes, macroeconomic performances, factors endowment, political and social complexities which make it difficult to have a common view of the new world trade situation for them. However, looking at their similarities one could obtain some common expectations.

It is important for developing nations to start looking beyond the Uruguay Round. What is next? What will be the issues for the next world trade negotiations, what kind of role could the poor nations play in setting the agenda, etc.

Most of the developing nations have been immersed in a process of opening up their economies, unilateral, bilateral or multilaterally, but in spite of that some of them have had to accept unwanted concessions in the Uruguay Round's negotiations, although an imperfect agreement is still better than nothing at all (Samuelson, 1994).

However, the Uruguay Round will have to be judged successful, in large part, simply if it gets the constitutional rules written on the new areas and disciplines: The process of moving on their application will follow later. The Round will therefore have to be judged as a process being set in motion, not as a termination of the process (Bhagwati, 1991).

The Less Developed Countries (LDC) recognize that exchange rates movements could affect domestic and international markets the same as trade negotiations (Vargas, 1993).

Countries who have traditionally behaved like traders, taking the rules as given and maximizing their advantage as best they can, have a great opportunity if they have enough economic strength and bargaining power to go beyond such management of her trade problems and begin playing a major role in sustaining and strengthening the system. The key is to change their trader mentality towards an architect's ambition (Bhagwati, 1991).

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URUGUAY ROUND OUTCOME

The agreement on the Uruguay Round Final Act strengthens and gives a new vitality to the multilateralism, as a rule, at the international trade relations among the 117 member countries. This situation will be generalized with the next set of newcomers or entrants as the Independent States Community and the People's Republic of China.

The Latin American and Caribbean countries (LAC) consider the year 1993 as an important historical moment in their international trade relations because the trade openness and the structural transformation they started a decade ago as the new social and economic development model is strengthen by the Uruguay Round outcome. This is due to the legal framework, modern trade rules and a stable world umbrella for the regional economic integration movements as well as the complex net of trade negotiations and agreements oriented towards the creation of free trade areas and economic cooperation (Quiroz, 1994).

The LDC have different perceptions of the Uruguay Round Outcome. The optimistic ones consider it as an historical moment for the international trade. The hard critics come from the group of countries oriented to the restricted free trade. The environmentalists think that more trade means more environmental degradation and natural resources destruction which will widen the rich-poor countries gap.

An optimistic point of view of the Uruguay Round outcome considers the agreement as an understanding for continuing negotiations. However, one of the main achievements of the Round is a gradual and progressive elimination of the multifibre agreement.

If one would want to visualize the LDC's net benefits from the last Round, one would have to wait a couple of months until the costs and benefits appear, depending on the agreement execution and administration from the countries as well as the timing involved.

However, never before has the LDC taken a protagonistic role in the world trade system reform. It is valid to mention that it was the LDC who most drastically reduced or froze their tariffs in their consolidate offers to GATT. In 1995, the general agreement will cover products with strategic interest to the LDC such as textiles and garments, tropical products and the agricultural trade besides the measures in favour of the countries less developed.

Although it is still early to define exactly the potential effects of the Uruguay Round outcome on the agricultural trade of the LAC's countries because of the necessity of analyzing the LDC's consolidated supply lists as well as their main trade partners lists, it is possible to suggest some possible impacts. These are as follows (Quiroz, 1994):

1. Due to the favourable conditions reached on the Organization for Economic Cooperation and Development markets, the domestic support
frozen and the export subsidies reduction we can expect an improvement in the LAC's competitiveness edge on fruits, vegetables, soybean, cereals, meat, hides, flowers, etc. In tropical products, the problem is overproduction and not market access precisely, but bananas coming from the dollar area to Europe.

2. The Lome Convention, The Caribbean Basin Initiative and the Generalize Preference Systems will diminished their power with the tariffs consolidation and other market accesses general conditions on GATT.

3. It is expected some negative effects on the balance of trade of some net food importers countries because of increasing international prices and diminishing export subsidies.

4. The phyto and zoosanitary measures may demand additional investment on physical and organizational infrastructure in many LDC countries.

5. Intellectual property rights agreements could make the modern technology access, special agrochemical and biotechnological products more expensive. Intellectual Property rights violations will be charged to the abusers, giving more complexities and higher agreement administrative costs.

6. Agricultural domestic policies will increase their dependency from abroad, because of the observance of the agreement compromises.

7. The current national legislation should be confronted with the Round disposition and the liberalization mechanisms and market rules will be adjusted to the International disciplines. The above measures will demand greater analysis, training and communications efforts and in some cases institutional reforms.

The LDC faces tariff and non-tariff barriers of various kinds on its agricultural exports to developed countries (Miner, 1988). Because gains from trade liberalization will not be distributed equally among different groups of developing countries, their interests will not coincide. The middle-income developing countries stand to gain more because the commodity composition of their exports is such that they will gain substantially from the Round Outcome.

Apart from tariff and non-tariff barriers, the LDC have considerable interest in the sanitary and phytosanitary regulations and standards affecting their agricultural exports, particularly livestock, dairy and horticultural products. First, there is the problem of harmonizing the diverse standards or regulations imposed by developed countries. Second, the LDC needs technical assistance from countries imposing such regulations and standards to help them overcome both the substantive and the administrative problems arising from those measures.
Effects on growth

LDCs are mainly interested in development, and growth could be a necessary condition, although not a sufficient one, if distribution effects do not occurs. The economic open strategy may results on growth, but not always. Countries undergoing rapid growth also undergo transformations of their consumption, production, and trade structures. Some sectors become more important while others become less important in the total economy.

A fast-growing country affects its own structural change, but has effects on its trading partners as well. One of the more dramatic growth-related changes can be observed in Japan's exports over the last 30 years. Since 1962, Japan had a steady decline in the share of agriculture, light manufacturing (textiles & wearing apparel) while there had been a strikingly sharp rise in the share of transport machinery and equipment. But in the U.S. and Europe, there is very little change in their export shares during this period. This not surprising since the U.S. and Europe are highly integrated regions with little structural changes in recent decades (Gehlhar, 1993).

Rapid growth can occur within a country but it is not a sufficient condition for trade pattern changes, e.g., if all partners have identical growth rates, trade patterns are not altered. It is relative growth across various countries that dictates changes in trade patterns.

The economic success of East Asia is not entirely a result of high rates of capital accumulation and technical changes. Innovation and product quality attributes of manufactured goods has contributed to an expanded market share for these goods. Product differentiation plays a key role here.

Economic policies

In order to attain growth, most of the LDC countries allow government intervention on the economy. Sometimes the interventions produce distortions in production and trade. On the other hand, many countries are worried about the increasing cost of the trade protection and the potential welfare effects if all the countries eliminate multilaterally the agricultural support programs.

Many economic, trade and finance reforms have been introduced in the LDC economies during the last decade. The results are heterogenous in the function of circumstances, factor endowments, social and political disruptions, previous social investment (education, health, nutrition, etc.), amount and quality of the infrastructure, etc. (Hernández, 1993a). In this sense, the preparedness for trading internationally is weak in terms of products, quality and people skills.

LAC is a region with late industrialization processes, and is also behind in terms of participation in international markets. Most of the countries competing successfully in world markets are not using the natural resources as a comparative advantage anymore, but the LAC is (Hernández, 1993b).
To overcome the growth and equity problems simultaneously require more than just mere macroeconomic equilibriums. Latin America can not wait anymore for a productive transformation which allows for a higher labour productivity, facing the international competitiveness with technical progress, strengthening and widening the entrepreneurial base, increasing the labour skills massively and establishing a cooperative relationships among the government, private and labour sectors based on strategic agreements which would result in a permanent economic policies (Fajnzylber, 1991).

Neither are the beneficial consequences of reform quite in evidence yet. In all likelihood, the success of reform will depend less on the direct consequences of the new trade policies than on the resolution of the macroeconomic difficulties in which these countries are presently engulfed. It is important in the meantime not to over-sell trade reform as a cure-all for economic problems. Just as developing countries embraced protectionist policies in the 1950s and 1960s as a holistic solution to the problems of development, there is now a danger that free trade will be seen as the answer to the economic crisis of the 1980s. If the pendulum swings too far back, unrealistic expectations will be created regarding what can be accomplished by the use of trade policy alone. A reasonable hypothesis is that trade policy plays a rather asymmetric role in development: an abysmal trade regime can perhaps drive a country into economic ruin; but good trade policy cannot make a poor country rich. At its best, trade policy provides an enabling environment for development (Rodrik, 1992).

The 1980s have seen the beginnings of a change of heart among developing country policy-makers with regard to trade policy. The import-substitution consensus of the previous decades, with its preference for high levels of tariff and non-tariff trade barriers, has all but evaporated. The simplification of import procedures, reduction or elimination of quotas, and the rationalization of the tariff structure are the most common reforms. No fewer than 42 countries have received loans from international finance institutions during the 1980s with the express purpose of reforming their trade regimes. Of course, not all of these countries have strong reform programs; and only a few carried out most of what they promised (Rodrik, 1992).

The governments can complicate their macroeconomic stabilization efforts by placing too much faith on the magic of liberalization. A wobbly trade reform can be worse than none at all. Governments that pin their hopes for future growth and development only on trade reforms are likely to be disappointed.

A period of macro instability is the worst time to undertake a trade reform, but a time of crisis occasionally enables radical reforms that would have been unthinkable in calmer times.

Although it is well known that distortions in foreign exchange markets are equivalent to distortions in trade, this reality is seldom reflected in trade negotiations or in discussions of trade conflicts (Schuh, 1988). Instead, exchange rates tend to be viewed as part of the international monetary system and separated from the trade system. Although generally recognized as an important factor influencing the volume
of international trade, the role of exchange rates in distorting trade is generally neglected.

**Competitiveness**

Most people who use the term "competitiveness" do so without a second thought. It seems obvious to them that the analogy between a country and a corporation is reasonable. The obsession with competitiveness is not only wrong but dangerous, skewing domestic policies and threatening the international economic system. This issue is, of course, the most consequential from the standpoint of public policy. Thinking in terms of competitiveness leads directly and indirectly to bad economic policies on a wide range of issues, domestic and foreign, whether it be in health care or trade (Krugman, 1994).

Some people use the term competitiveness as a poetic way of saying productivity, without actually implying that international competition has anything to do with it. Many of the world leaders have found the competitive metaphor extremely useful as a political device. The rhetoric of competitiveness turns out to provide a good way either to justify hard choices or to avoid them.

Thinking and speaking in terms of competitiveness poses three real dangers. First, it could result in the wasteful spending of government money supposedly to enhance competitiveness. Second, it could lead to protectionism and trade wars. Finally, and most importantly, it could result in bad public policy on a spectrum of important issues. Competitiveness is a meaningless word when applied to national economies. And the obsession with competitiveness is both wrong and dangerous.

**African Economic Reforms**

The reports show that African countries have made great strides in improving policies and restoring growth, but that they still have a long way to go in adopting the policies needed to move onto a faster growth path and reduced poverty (World Bank, 1994).

However, one should ask if the reforms are paying off, and identify areas where the adjustment strategy needs redirecting. Twenty-nine African countries drew up adjustment programs in the 1980s - programs intended to improve the poor policies that were the primary cause of the 15 percent fall in Africa's GDP per capita between 1977 and 1985. The macroeconomic reforms have spurred external competitiveness while keeping inflation low. Trade reforms have increased access to the imports needed for growth. And the reduced taxation of agriculture has helped the poor while encouraging production and exports.

In trade, many countries have substantially reduced the number of imports subject to nontariff barriers and have begun to rationalize the tariff structure. Most of the flexible exchange rate countries have moved to more automatic systems of granting foreign exchange licenses. For public enterprises and financial enterprises, however, there have been few policy changes, but governments have stopped
expanding their public enterprise sectors. This turnaround shows that adjustment policies work when implemented properly. And although GDP per capita growth rates remain low, it is unreasonable to expect that African countries would quickly match the rapid rise of the best performers in Asia and elsewhere. Despite the efforts to improve the macroeconomic environment, open up markets, and strengthen the public and financial sectors, most African countries still lack policies that are sound by international standards. Even Africa's best performers have worse macroeconomic policies than the newly industrializing economies in Asia. Other countries that never experienced a severe macroeconomic crisis, such as Kenya and Zimbabwe, have moved slowly toward import liberalization.

Adjustment is the necessary first step on the road to sustainable, poverty-reducing growth. But adjustment programs in Sub-Saharan Africa have been burdened with unrealistic high hopes.

In Africa, the future is in nontraditional exports, but traditional exports still need to be part of an outward-oriented strategy (World Bank, 1994). African countries should continue to eliminate nontariff barriers (NTBs) to rationalize the trade regime and increase transparency. The focus should be not on fine-tuning tariff levels but on establishing a credible schedule for substituting tariffs for NTBs. Perhaps the biggest challenge is to build a more effective civil service to provide the elements necessary for a well-functioning market economy as well as to overcome the government resistance to privatization, especially privatization of the most important public enterprises.

What can explain the difference in performance? One hypothesis is the differences in policies. An alternative hypothesis is that external factors have driven the better performances and the worst ones. Changes in policies affect growth. As the process of growth begins, income inequality increases, because migration occurs in the first stage.

Reciprocity

But whereas these acts of omission and commission were due to political pressures from the powerful, the ability of the developing countries to virtually escape symmetric GATT obligations of access to their own markets by others was due to their weakness (Bhagwati, 1988).

The economic theories and ideological predilections that led the developing countries toward extensive protection and the associated import-substitution programs were undoubtedly important. But their ability to get GATT to accommodate to the resulting situation by adopting the doctrine of special and differential treatment, under which the member developing countries would enjoy the benefits of increasing market abroad while being exempted from having to offer greater access to their own market, was surely due to their unimportance in trade rather than their political strength in negotiations.
Should developing countries receive differential and more favourable treatment? There are several aspects of this problem. One is the question of reciprocity. The Uruguay declaration confirmed that the developed countries do not expect reciprocity for commitments made by them in trade negotiations to reduce or remove tariffs and other barriers to trade of developing countries. However, the developing countries are often obligated to make reciprocal concessions in bilateral trade negotiations or agreements.

It may be advisable for the developing countries, especially the high-income countries among them, to grant limited reciprocal concessions in the next GATT negotiations so as to exercise their bargaining strength and ensure trade liberalization in commodities of special interests to them. This does not preclude bargaining for a speedier and greater reduction in barriers on their exports as worldwide or restrictions on a Most Favoured Nation basis are being lowered. The Generalized System of Preference for developing countries in its present voluntary form does not bring much gain and is highly uncertain (Miner, 1988).

The future

As economic recovery spreads from the United States to the rest of the G-7 (and with low interest rates, low inflation, and substantial capital flows expected to continue), most developing countries can on balance expect a marked improvement in the international economic environment over the coming decade (World Bank, 1994).

Growth in world trade is likely to increase with the recent successful conclusion of the Uruguay Round of trade talks and the North America Free Trade Agreement, and commodity prices are projected to stabilize after more than a decade of decline.

Along with continued domestic policy reforms, these more favourable global economic conditions place many developing countries in a good position to accelerate growth. However, economic performance will continue to be disparate.

East Asia is likely to remain the fastest growing developing region over the next decade, but its performance will probably be less spectacular than in the past, partly as a result of infrastructural and environmental constraints.

East Asia grew at an average of about 7% a year, compared with only 2.6% annual growth in the aggregate GDP per capita of all developing countries.

South Asia's growth prospects for the coming decade will depend on the spread and intensification of its reforms. Compared with other developing regions, South Asia's performance in the 1980s was an improvement over previous decades.

Latin America's growth rate is likely to accelerate modestly, depending on reforms and continued private capital flows. Latin America has witnessed significant changes in its economic policies in recent years (World Bank, 1994). Argentina, Bolivia, Chile, Colombia, Mexico, and (more recently) Peru have implemented
stabilization policies and structural economic reforms, including trade and exchange rate liberalization. But the full benefits of trade liberalization are unlikely to flow immediately.

The Latin American economies that adjusted early, such as Chile and Mexico, show that it takes almost a decade of consistent progress after the initiation of reforms for the potential gains in GDP growth to be realized. The region's growth outlook projected over the next decade takes these long lags into account and recognizes that the speed of policy reform is unlikely to be uniform across countries or over time.

The great Latin American economic and social heterogeneity prevailing in several countries demand different policies, specially designed for specific producer groups, population segments and rural regions. This implies the recognition that it is not possible to tackle down agrarian structural problems with general economic policies (FAO, 1992).

Protectionism

The basic rule of trade politics is that producers count more than consumers. The benefits of a trade restriction are usually concentrated on a relatively small, well organized and well informed group of producers, while its costs are usually spread thinly over a large diffuse group of consumers (Krugman, 1992). As a result, the beneficiaries of trade restriction are usually much more effective politically than its victims.

Although protectionism is usually a bad thing, it is worth pointing out that it isn't as bad as all that. Protectionism does not cost our economy jobs, any more than the trade deficit does. The real harm done by protectionism is much more modest and mundane. It reduces the efficiency of the world economy. A protectionist country is usually less productive and thus poorer than it would have been under free trade; a protectionist world economy almost always so.

TRADING BLOCKS FORMATION

The question of regionalism has emerged recently with the moves to Europe 1992 and the U.S.-Canada-Mexico Free Trade Agreement (Bhagwati, 1991). These regional alignments have led to fears of fragmentation of the world economy into trading blocs in antithesis to GATT-wide multilateral free trade.

Under Article XXIV, GATT gives authorization to its members to form a free trade zone, but the important point is that it is open to membership to all who meet the criteria for admission and has generally been inclusive rather than exclusive (Bhagwati, 1991). All the regional blocks are indeed GATT-consistent, even if they may be considered threatening to GATT's basic conception of the world trading system.

In spite of the GATT existence as a major multilateral trade negotiation forum, most of the LDC countries have initiated or deepened the negotiations to conform a
free trade zone to spur the intraregional trade and increase their bargaining power. In Latin America and the Caribbean exists several groups such as the North American Free Trade Agreement (NAFTA), The Central America Common Market, The Andean Pact, The Southern Common Market and The Caribbean Common Market. Besides that, the bilateralism springs from the free trade agreement as Mexico-Costa Rica, Mexico-Chile, Mexico-Venezuela-Colombia (G-3), G-3-Costa Rica, G-3-Central America Common Market, etc.

NAFTA has changed the whole forces alignment in the region, obligating the rest of the team to start looking for new trade allies or to consolidate the old trade ties, as with the trade relations with the United States of America. However, in the short run the LAC interests could be different respecting the compromises and negotiation stages of each other. As we move down from Mexico to the south the United States trade participation in each country is diminishing. Mexico does 70 per cent of its trade with U.S., Central American countries do 40 per cent with U.S. and so on.

The countries most frequently cited as potential NAFTA partners are Japan, Korea, Taiwan, Mexico (is already in), the ASEAN, and, less often Australia (Schott, 1989).

The candidate countries generally do not regard NAFTA as a complement to GATT, but rather as a defensive reaction to the threat of protectionism and bilateralism by the United States.

For Central American Countries the traditional preferential market is still the U.S. because the benefits obtained from the Caribbean Basin Initiative (CBI), the Generalized Preference System (GPS) and the re-exports made are based on 9806 and 9807 lines. The European EGPS is considered as limited in this area mainly due to the higher degree of processing in the products exported to Europe (CEPAL, 1993).

Considering that the U.S. is the main trade partner in Central America, and that NAFTA could have negative effects in the region, it is convenient for trade negotiations with the U.S. to give high priority to the CBI update, because the requirements for joining NAFTA will be satisfied in a longer run.

In the meantime, regarding negotiations with G-3, the CACM could apply for asymmetric reciprocity. The CACM might negotiate as a group instead of as individuals in order to increase their bargaining capacity and reduce costs. But they could strengthen their technical capacities in Geneva and Washington.

Mexico's substantially liberalization of its economy since 1985 has had profound effects on its economic interactions with the United States. The ratification of the North American Free Trade Agreement can be expected to both reinforce and alter those effects. For certain products such as apparel, automobiles and sugar, NAFTA introduces important changes in the U.S. and Mexican governments' interventions in cross-border commerce-changes that are likely to foster new trends in the two countries' trade (World Bank, 1994).
For Central America, the changes in trade between Mexico and the United States will pose both challenges and opportunities. An emerging Mexico will create stronger competition for Central American producers in some sectors, and its relative attractiveness as a destination for foreign portfolio and direct investment might increase. But in other sectors an emerging Mexico will become a profitable new market for Central American products.

Clearly, to make sound policy choices, Central American policymakers need a good understanding of the likely effects on their economies of Mexico’s liberalization and the implementation of NAFTA.

To the extent that the Uruguay Round of GATT negotiations succeeds in substantially lowering tariffs and relaxing import quotas on a most favoured nation basis, the FTA and all preferential arrangements become less important. In the extreme case of complete elimination of all trade barriers by GATT, free trade agreements would have no effect on trade (Grennes, 1991).

The outcome of NAFTA also will depend on whether membership is restricted to the U.S., Canada and Mexico or whether additional countries in the Americas are added. For example, Chile and Costa Rica have already expressed interest in joining NAFTA and Mexico has discussed trade arrangements with other Latin American countries. As the number of participating countries gets larger the effects of NAFTA approach those of multilateral liberalization.

In Latin America, a technological lag exists with respect to developed and newly industrialized countries as well as an anti-exports bias which affects primary and manufacturing sectors who have used natural resources intensively (Barbera, 1992).

Enterprise for the Americas Initiative

George Bush announces the Enterprise for the Americas Initiative (EAI) on June 21, 1991. This Initiative takes into account the international trade, foreign investment and external debt. The EAI represents the first integral approach on hemispheric relations made by U.S. since the 1960s with the Progress Alliance Program. However, due to the U.S. strong budget restrictions the IAE emphasis is on trade and direct investment promotion instead of official finance assistance. The EAI objective is to support the Latin American trend which consists of a greater economic openness and market mechanism. The investment flows will come through the Inter-American Development Bank as well as through the World Bank.

Also included is an official debt reduction plan, but the long run objective is creating a free trade zone from Alaska to Tierra del Fuego in Argentina. To reach this goal, the U.S. is willing to sign agreements with other Latin American and Caribbean markets, particularly with common markets already created. Most of the countries have shown a positive position but are cautious with the EAI.
The Pacific Rim

The Pacific Rim contains many dynamic export oriented economies which have grown rapidly in recent years, shifting the world's economic centre of gravity towards the east. Asia Pacific Economic Conference (APEC), includes 15 member economies and accounts for almost 50% of the world's production and 40% of world trade. The goals of the APEC Forum formed in 1989, included a desire to promote multilateral trade reform and to increase regional trade. One proposal that has resurfaced is the formation of a free trade zone for members of APEC. One reason given for the creation of a free trade zone in the Pacific is disillusionment over the effectiveness of GATT to sustain multilateral trade liberalization. Fear over the trade diversion effects of NAFTA and the EC single market have given impetus to the idea that the Pacific Rim should undertake action to create its own free trade area.

The idea of a Pacific Rim free trade area was first proposed by the Japanese economist Professor Kyoshi Kojima in 1964, and the idea had been discussed in various venues since then. However, the diverse nature of the economies, cultures and political systems, combined with the lack of a history of unifying institutions, has prevented serious efforts of integration. It has also been argued that European style integration is inappropriate for the Pacific region (Young, 1993).

ISSUES FOR THE FUTURE NEGOTIATIONS

The Uruguay Round of GATT negotiations proved to be unduly lengthy because of the absence of an adequate negotiating framework to resolve complex new issues. Although solutions have been found for many issues with the conclusion of the Round, others remain to be addressed, and new issues will require resolution. With a new round likely to start relatively soon, it is useful to identify a negotiation framework that may hasten future discussion.

Trade, environment and sustainability issues are likely to be important in the next round. The complexity of the issues, the divergence of positions among countries, the absence of a dominant leader in world trade and the emergence of trade and negotiation blocks which lack a unified position are factors that may make the next round of multilateral trade negotiations as protracted as the Uruguay Round.

Developing countries can best prepare for the next round of negotiations by: establishing their priorities regarding development and environmental resources; attempting to influence the negotiation agenda; developing negotiation blocks with other developing countries on particular environmental issues; ensuring that they are not excluded from a major trading block if such blocks come to dominate trade; implementing measures which improve the transparency of trade and environmental policies; and favouring a strengthening of GATT to gain the advantages of an open multilateral trading system (Vanzetti, 1994).

Include distortions in exchange rates as an integral part of the next GATT negotiations. This should be self-evident and thus requires no further explanation. However, the incentives for developing countries to pursue under-devalued currencies,
with the implicit export subsidies they imply, give a sense of urgency to the introduction of these issues into the negotiations.

Steps toward trade liberalization taken without the more general reforms are likely to be short-lived, as monetary and exchange rate disturbances give rise to protectionist pressures that cannot be resisted.

**CONCLUDING OBSERVATIONS**

1. Regional negotiations should not focus on discriminatory trade but should be based on most favoured nation principles. The formation of a discriminatory free trade zone would damage the capacity for fluid changes in market share that has been crucial to the growth of rapidly changing economies.

2. In the emerging new world order, LDC and central European countries will establish new economic relations on a variety of fronts. In areas such as direct foreign investments, debt relief, and concessional financial assistance, these relations may be competitive.

3. The EC single market plus some new entrants and the new GATT will affect LDC exporters, although the linkages are complex and the impacts will vary across commodities and countries.

4. Trying to define the competitiveness of a nation is much more problematic than defining that of a corporation. The bottom line for a corporation is literally its bottom line: if a corporation cannot afford to pay its workers, suppliers, and shareholders, it will go out of business. Countries, on the other hand, do not go out of business.

5. The poorest nations do not have abundant resources for paying the humanitarian and ecological total efforts demanded by the rich nations.

6. Some Latin American and Caribbean countries have different negotiation processes still pending. As well, a lot of developing nations need to be well prepared to set priorities and choose the right negotiation themes and instruments. In this sense, it is important to pay attention to the negotiator’s organization teams; the negotiation’s strategy and the interaction between the private and public sectors.

7. The trade agreements already completed as the Uruguay Round set tasks even greater than their own negotiation process, such as the agreements administration and trade institutions reforms.

The public sector should ensure that its economic and trade policies as well as its institutional, legal and administrative structures are adequate. There is a lot of work to be done as the follow up, supervision and utilization of the agreement benefits as well as implements the agreement compromises and compensates the transitory negative effects. On the other hand, the private sector should develop its knowledge
and skill for analyzing the signed agreements in order to take advantage of the export opportunities and to face the international competitiveness.

8. The formation of a World Trade Organization, in whatever form, is likely to favour trade at the expense of national sovereignty. GATT negotiators will need to maintain a delicate balance in strengthening the rules for trade without imposing unacceptable constraints.

9. The Uruguay Round has finally concluded as a limited success, ushering in a new set of rules concerning how agriculture can be supported, but achieving only a modest degree of liberalization. Rules regarding some non-tariff-barriers will have been refined. Further liberalization will be necessary. For developing countries, reduction in tariff escalation is particularly important if they are to have access to markets for processed goods.

10. GATT has an important role in ensuring that environmental protectionism does not constrain world trade. Transboundary environmental problems can be addressed by collective international agreements without resorting to discriminatory trade policies.

11. It is important for developing countries to take a greater role in GATT to prevent rule-setting from being completely dominated by the major players. A related issue concerns the setting of the negotiation agenda. This is clearly an important determinant of the final outcome.

12. Small and open economies of many developing countries have a strategic interest in having a multilateral trade framework based in the application of effective, clear rules. In that sense, they will privilege GATT as a negotiation forum and a conflict resolution, as well as a trade negotiation learning source.

13. The goals of expanded trade and environmental protection have long been viewed as mutually exclusive. Environmentalists warn of the "scale effects" of trade liberalization, in which increased trade leads to greater demand for raw materials, overburdening natural ecosystems. Differences in environmental standards, especially between developed and developing nations, can create "pollutions havens" in the south for industries trying to evade regulations, and the proposed international harmonization of environmental standards may sacrifice protection to competitiveness.

14. Another aspect of the world economy, the arrival of flexible exchange rates, has also added to the problem. Volatility in the exchange rate can wipe you out and your only recourse may be to cry "foul" (Bhagwati, 1991). The rival who gains from the changed rate is not going to complain, leaving the floor to those who lose.

Dramatic shifts in rates underline the intensity of the problem that can arise. It is pretty obvious that unless some degree of stability in the structure of exchange rates is achieved by coordination of underlying macroeconomic policies, the rise of unfair trade allegations will be hard to contain and will lead to demands for a fixed-
quantity rather than a fixed-rule trading regime. The choice in practice may well be between managed rates and managed trade.
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