Research Paper
Impact Factor: 3.996
Peer Reviewed & Indexed Journal

IJMSRR
E- ISSN - 2349-6746
ISSN -2349-6738

DEVELOPING' COUNTRIES AFTER THE URUGUAY ROUND

Dr.P.Devaraju
Asst prof, Department of Computer Science, S.K. University, Anantapur, Andhra Pradesh.

The conclusion of the Uruguay Round (UR) was an important event for the developing countries, for a number of reasons. First, and for the first time a large number of developing countries participated actively in the negotiations comprising the Round. Secondly, the results of the Round are remarkably broad, covering issues such as. agriculture, services, and intellectual property rights, which had not previously been brought under GATT auspices. Thirdly, the Final Act of the Round imposes a range of obligations on developing country Governments that is wider and deeper than any previous GATT Round. Moreover, while "special and differential treatment" survives in principle, the Uruguay Round agreements provide few real exemptions for developing countries that are not in the "least developed" category. However, the agreements generally do provide for more generous phase-in-periods; they require the phasing out of the multi fiber arrangements (MFA), bring some clarity to antidumping and safeguard rules, and strengthen the multilateral dispute settlement procedures.

From an old-fashioned perspective where multilateral trade negotiations are viewed purely as a setting for the exchange of concessions, it can be argued that developing countries have not achieved much. They are now burdened with a wider range of obligations while their few concrete gains, such as the phasing out of the MFA, are suspiciously back-loaded. However, this is the wrong way to read the significance of the UR for developing countries.

First of all, in a number of important ways the UR agreements promise to strengthen multilateral discipline in world trade. This is especially true in the area of dispute settlement. Under the rules of the World Trade Organization (WTO), a country will no longer be able to veto a panel's decision which goes against itself. Previously, the adoption of a panel's report on a dispute required a unanimous vote, which meant that any country could block a decision that went against it. Under the WTO, a party to the dispute will be allowed to appeal the panel's decision, but the concerned party will be unable to block the decision of the appellate panel itself. Developing countries have traditionally made very little use of the GATT dispute settlement procedure, preferring to "settle out of court" by taking up offers from the developed-country importers to negotiate quantitative restrictions or price undertakings. The raised procedures should alter this situation, particularly as the new dispute settlement procedure will apply to all areas covered by the WTO and not just trade in goods.

Secondly, as Governments are increasingly coming to realize, taking advantage of international trade is a good development strategy. From this perspective, most of the developing country "concessions" need to be entered on the positive side of the balance sheet, and not viewed as a liability. Many Governments in Latin America, for example, have already chosen to undertake unilateral liberalization measures that go far beyond those which the WTO would require of them. Mexico, Argentina, Bolivia and Chile, to cite some of the more prominent cases, have accepted few (obligations that they were not willing to submit of their own accord.' For Governments in such countries, the Uruguay Round is nothing but good news. Governments in countries with more hesitant reforms may be taking on responsibilities not entirely in line with their current economic philosophies. But perhaps even the latter have come to realize that special preferences for developing countries (as in the case of the Generalized System. of Preferences) have largely not worked in the past, and are even less likely to be put to a good test in the future. The more realistic option for all but perhaps the least developed countries is to seek to participate in the WTO as full-fledged members. A good case can be made that equal participation may prove of greater value to many developing countries than special and differential treatment had proved to be in the past.

Finally, there maybe some subtle ways in which the DR agreements can help developing country governments to build better structures of governance at home so as to enhance the performance of their economies in areas that go beyond trade. The traditional pattern of state-society interactions in much of the developing world has failed miserably and is in need of rethinking and reform. This goes beyond tinkering with specific polices - such as trade protection or subsidies - and involves altering the manner in which these and other policies are exercised. Too often policy regimes are characterized by uncertainty and lack of credibility, excessive discretion, particularism and favoritism, lack of transparency, and inadequate provision for property rights. These have the effect of stunting production and investment incentives in the private sector. They are much more damaging than price distortions per se.

How can the WTO help? Wisely used, the restrictions placed on economic policy by the UR agreements can, assist· in overcoming the traditional shortcomings of governance in the developing world. For one thing, the agreements require greater transparency and predictability in many areas of trade policy. Similarly, the wider range of tariff. bindings enhance the credibility and predictability of the rules of the game. The new restrictions on the use of QRs in response to payment difficulties limit an important source of discretionary behaviour. The obligations in the areas of TRIMs make it harder for a government to play favorites by, differentiating among firms. All of these are meant to ensure that foreign firms are not discriminated against; but their potentially greater payoff may lie in leveling the playing field for domestic firms to compete.

The real threats to developing countries lie in the post-Uruguay Round agenda. Even before the Uruguay Round agreements were signed in Marrakesh, two new issues had reached the top of the trade agenda of developed countries: labour standards and the environment. The developed countries, led by the United States, are intent on seeking some "upward harmonization" in these, areas, which were left out of the Uruguay Round. Whatever the validity of such concerns, the trouble is that they threaten to hit developing countries precisely in products where their comparative a4vantage is greatest. Ultimately, at stake is nothing less than the comparative advantage of poor countries in labour-intensive and resource- using industries. The dangers are magnified by the obvious reality that both labour and environment standards lend themselves to capture by protectionist groups in developed countries. Alleged concern with labour rights and the environment promises to give such groups the moral high ground, even when their true objective may be none other than, old-style protectionism.

In resisting pressures for upward harmonization in labour and environmental standards, developing countries have many good arguments on their side. First, most careful empirical studies have found that the quantitative importance of social and environmental dumping, if it exists at all, is quite small. Secondly, as the advocates of free trade never cease to point out, nothing works in enhancing labour standards and environmental protection as well as an increase in income levels, which is of course what free trade is designed to achieve. Thirdly, trade restrictions are a very blunt and often counter productive instrument for achieving their stated moral objectives. Fourthly, the experience within the United States and the European Union demonstrates that a high degree of economic integration can coexist with widely varying labour practices and institutions at the level of States or member countries. Fifthly, many environmental concerns can be adequately covered with appropriate labeling of imported goods. Finally, since labour and environmental questions go beyond trade relations, these issues should be discussed in their own appropriate multilateral forums and not in the WTO.

These and many other arguments can be deployed to bolster the developing-country case that labour and environmental concerns do not justify trade restrictions or their inclusion in the WTO. However, it may be a mistake for developing countries to believe that the danger will recede if such arguments are repeated often enough. The issues are unlikely to disappear on their own, and developing countries will have to work towards establishing a mechanism whereby legitimate demands can be handled without being hijacked by protectionist interests.

A well-designed social safeguards clause in importing countries is not necessarily inimical to the interests of developing countries. However, such a clause will have to contain two significant provisions: (a) a mechanism to test the legitimacy of the social claim by enlisting exporting and consumer interests in the importing country in the decision-making process; and (b) compensation of the affected exporters, at least in cases where the exporting country possesses a reasonably democratic regime. Such a system will not cost developing countries much. It will have the advantage of engaging the developed countries in a constructive dialogue, and of forestalling the emergence of a new set of "grey area" measures outside of the WTO.