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TRADE POLICIES, STRUCTURAL ADJUSTMENT AND ECONOMIC REFORM: TRADE POLICY REFORMS IN DEVELOPING COUNTRIES AND THE INTERNATIONAL SUPPORT REQUIRED

Report by the UNCTAD secretariat

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SUMMARY AND CONCLUSIONS

1. Under item 3 of the provisional agenda for the second part of the thirty-ninth session, the Board will consider trade policy reforms in developing countries and the international support required for their successful implementation. This report has been prepared to facilitate the Board's deliberations on the topic.

2. The consideration of the issue is well timed. An increasing number of developing countries have embarked upon far-reaching economic reforms in their continued quest for economic development. In the launching of many of these reforms there has been active collaboration from international financial institutions. The programmes involved considerable sacrifices on the part of developing countries in order to bear the costs of structural adjustments.

3. Trade policy reforms have usually been important components of the broader reform efforts. The key features of trade policy changes have been increasingly directed towards liberalization. The reforms were, inter alia, expected to help developing countries to reap the benefits of dynamic comparative advantage through an expansion and diversification of exports, particularly of manufactured products.

4. While some progress has been made, many of the reforms have yet to achieve their objectives. A few developing countries, mainly the more advanced developing economies, have managed to increase their exports and investments significantly on a sustained basis. In this, besides their own domestic policies, external support played an important role.

5. Hence, increasing the number of successful reforms can be one of the main objectives for the international economic cooperation and external support. The promotion of efficiency, mutual interests and equity in the international economy are the major reasons for expanding external support. This report identifies the required external support, with a focus on trade expansion and gains from trade-related policy issues.

6. Such support can, in particular, be provided through the assurance of unhindered access to export markets and the development of an equitable, secure and predictable international trading system, through the promotion of competitive market structures by trading partners and through incentives and assistance conducive to technology transfer and foreign direct investment in developing countries. Technical cooperation can be a further important means of external support.

7. Experience shows that there is no standard or blueprint trade policy approach applicable to all developing countries. Hence, international support should allow for policy pluralism and flexible approaches towards trade policy reforms.

Support through improvements in market access and structural adjustment

8. The reduction or elimination of tariff and non-tariff barriers in the developed countries could make a significant contribution to the success of trade policy reform efforts of developing countries. Moreover, structural adjustment in developed countries in line with shifts in international competitive positions would open up new market opportunities for developing countries. Hence, the design and implementation of effective adjustment assistance measures in the developed economies would provide a further important element of external support for developing countries.

9. National transparency mechanisms are important instruments for liberalizing domestic economies and promoting positive structural adjustment. Such mechanisms, by revealing the costs and benefits of protection in an economy-wide perspective, contribute to knowledge-based trade policy decision-making and to better understanding of trade policy initiatives. Hence, these mechanisms need to be encouraged in all countries and economic groupings.

Support through security of market access

10. The achievement of security of market access calls for an international trading system that is based on clear and effective multilateral rules and disciplines, rather than on economic and trade weight. International support for trade-policy reforms in developing countries should inevitably include consensus-building aimed at strengthening the rule-oriented international trading system and a reduction of trade conflicts.

11. Agricultural measures and the trade-distorting effects of subsidies are important sources of trade conflicts. Furthermore, in many cases anti-dumping measures, which are still adopted unilaterally and selectively, have become a preferred instrument for harassing the trade of competitive exporters. Finally, trade-related environmental measures represent another area where the potential for trade conflicts has been growing.

12. Solutions to trade conflicts require specific approaches and actions both within and outside the GATT framework. Most of these issues have been the subject of in-depth negotiations in the Uruguay Round. Moreover, many of these issues have been addressed in the context of a number of regional trade arrangements such as the European Economic Area Agreement and the North American Free Trade Agreement. However, further significant and continuous international consensus-building at the multilateral and regional levels seems to be urgently required in traditional, new and potential areas of trade conflicts in order to reduce trade frictions and strengthen a rule-oriented international trading system.

13. UNCTAD's role in this exercise would be fully consistent with its functions and mandate, such as policy analysis, identification of problems and their efficient resolution, including an early-warning perspective as specified in paragraph 52 of the Cartagena Commitment. Such work will be distinct from the mainly rule-oriented and legal activities of GATT and its dispute settlement mechanisms; in fact, it could usefully complement the

latter. To explore the issues further, the Board may wish to consider the setting up of an intergovernmental ad hoc working group to develop early-warning perspectives and other appropriate proposals to mitigate trade conflicts.

Support for competitive market structures

14. Effective action needs to be taken at the multilateral level to ensure competitive market structures which are essential for the success of trade policy reforms. There is an urgent need for much greater consistency between trade and competition policies in many areas. Moreover, at the interface between RBPs and intellectual property protection there is the question of how the protection of rights can be balanced with free trade and competition. Existing inconsistencies are a potential source of trade conflicts.

15. Policy makers have reacted to such issues in various ways. For smaller trading partners and developing countries in particular, external support in the form of multilateral principles and disciplines would be preferable to unilateral action. Thus, it has been suggested that GATT rules be examined to see how they could be applied to competition policy to take into account the increasingly global context for the implementation of such policy.

16. A closer relationship between the regimes governing the areas of trade and competition would have advantages for both regimes. Meanwhile, the full implementation of the provisions of the Set of Multilaterally Agreed Equitable Principles and Rules for the Control of Restrictive Business Practices would be a step towards strengthened multilateral norms linking competition to trade.

17. For developing countries carrying out economic reforms, the adoption of conscious competition policies in line with those of the developed countries, which have all implemented competition legislation and established RBP control authorities, is of vital importance. Again, external support is helpful in this regard.

18. For further progress in these areas, the Trade and Development Board, through the Intergovernmental Group of Experts on Restrictive Business Practices, may wish to undertake exploratory discussions on the appropriateness of, and modalities for, progressively strengthening multilateral cooperation in the area of competition, using the consultations machinery provided for by the Set of Principles and Rules.

Support through transfer of technology

19. Increasing, technological mastery is a crucial ingredient for sustaining trade reforms, structural adjustments and long-term economic development. In formulating strategies for achieving the most beneficial interface between local capabilities and external technology, a paramount consideration is the degree of technological sophistication of the host country.

20. Home countries' policies can facilitate the transfer of technology to developing countries. To this end, one mechanism of international support deserving attention is the employment of market-based price incentives aimed at promoting the transfer of specific, critical technologies to developing countries.

21. There is a mounting tendency for industrial and technological collaborations to be in the form of strategic alliances. Very little is known about the resulting impacts on access to new technologies. Possible policy actions need to be explored to promote strategic alliances between enterprises in developed and developing countries that will lead to beneficial transfer of technology.

22. The least developed countries are in most danger of suffering from technological marginalization. Much more needs to be learned about criteria for selecting in situ technology-related projects in countries with low incomes and an underdeveloped technology base, and about how external resources can be persuaded to participate in a productive fashion.

Support for foreign direct investment (FDI)

23. Many developing countries have deregulated and liberalized FDI to attract such investment and, thereby, to improve their international competitiveness and expand their export capacity. Despite these efforts, the issue remains whether, and under what conditions, FDI could be attracted by a wider range of developing countries, including smaller and low-income countries. Both host and home countries can contribute to these objectives.

24. Host countries should strive to improve their policies for strengthening the capabilities of domestic enterprises in order to make them fit and attractive as partners for foreign investors.

25. Some major FDI home countries have done little more than provide for a liberal framework for outward FDI. Some other home countries have, however, adopted more wide-ranging promotional measures. These schemes would need to be reviewed to ascertain whether their benefits can be extended to developing countries at large, and to ensure that their provisions do not disadvantage, implicitly or explicitly, FDI in developing countries. There appears to be scope for improvement in this regard.

26. The emphasis in international investment relations is shifting from traditional investment protection and guarantee agreements towards effective investment cooperation between developed and developing countries. Experience shows, however, that in order to be effective, such bilateral cooperation agreements need to incorporate commensurate financial provisions.

27. In addition, various international organizations and multilateral development finance institutions provide substantial support to investment, joint ventures and industrial cooperation activities in developing countries. One objective - among others - is the strengthening of the export orientation of these activities.

28. While all these measures have been important, they have seemingly been insufficient to attract FDI to a larger number of developing countries. There remains a need for specific policy initiatives which target particular groups of potential investors and particular sectors and host country enterprises, as well as for closer cooperation between investment promotion and finance institutions of home and host countries to that effect.

Technical cooperation

29. Technical cooperation by UNCTAD can make an important contribution to the successful formulation and implementation of trade policy reforms.

Chapter I

TRADE POLICY REFORMS IN DEVELOPING COUNTRIES: RECENT TRENDS

A. Introduction

30. In the 1980s, an increasing number of developing countries embarked upon far-reaching economic reforms in their continued quest for accelerated economic development. By 1990, reforms had been launched by most developing countries. Most of the reform programmes have been bold and involved considerable sacrifices in order to bear the costs of structural adjustments. Trade policy reforms have in most cases been a key feature of the reform efforts besides macroeconomic and structural adjustment programmes.

31. The source of the reforms has been varied. For some, it signalled a new phase of development. China is a notable example of this. For many countries, the reforms were undertaken as a part of macroeconomic stabilization in response to economic crises faced by these countries. Latin America and Africa have a number of countries in these categories. In launching these reforms there was active collaboration of the Bretton Woods Institutions, i.e. the International Monetary Fund and the World Bank. The common element among all these countries has been the outstanding efforts of their Governments to launch these reforms. These countries have not necessarily followed the same mix of policies or the same policy phasing. In fact, policy approaches have varied given the differences in initial conditions, potential political coalitions, institutional capabilities, policy preferences and degree of international support. Regrettably, many of them have not always received sufficient external support such as development finance, better commodity prices or improved market access. For all these reasons, the experience and outcome have also been varied.

32. UNCTAD VIII, which specifically dealt with these issues, recognized that a growing number of developing countries have adopted courageous policy reforms involving ambitious and autonomous trade liberalization. It concluded inter alia that the international community should facilitate, in a timely way, the integration of all countries, including the developing ones, into the world economy and the international trading system. Since then, trends in trade policy reforms have been studied intensely in UNCTAD more than once, as in the TDR 92, in a number of country studies or in the background documents prepared for the first session of the Ad Hoc Working Group on Expansion of Trading Opportunities for Developing Countries. 1/ This report looks at these issues with the aim of identifying required international support with a focus on trade expansion and gains from trade-related policy issues. Global macroeconomic issues as well as important support issues in other fields, e.g. development finance and commodities, are not addressed.

33. The report is divided into two chapters. Chapter I discusses the objectives and the working of the trade policy reforms. Chapter II deals with important policy issues relating to desirable external support and focuses on the following areas: improvements in, and security of, market access, competition policy, transfer of technology, foreign direct investment and the role of technical cooperation.

B. The objectives of trade policy reforms

34. As mentioned, trade policy reforms launched by the developing countries in recent years have usually been a part of their broader economic reform programmes consisting of stabilization, deregulation of the domestic economy, privatization, liberalization of the financial sector, promotion of foreign direct investment and improving the flexibility of labour markets. The fundamental aim of these reforms has been to accelerate the development process through improved international competitiveness, increased efficiency in the allocation of resources, stimulating domestic savings and investment, and the strengthening of endogenous technological capabilities to reap the benefits of new technologies and of dynamic comparative advantage. In almost all these cases, the trade policy reforms have occupied a central and strategic place.

35. The trade policy reforms involved substantial liberalization, foreign exchange reforms and devaluations, reforms of export incentives and other promotional measures, and the adoption of international standards. More specifically, liberalization consisted of measures such as reductions in export controls and state trading, the removal of import quotas, import licensing and other qualitative restrictions (sometimes replacing them by their tariff equivalents); and reductions of the level and the variability of import tariff rates. 2/ These measures have sought to reduce the bias against exports as opposed to domestic sales and distortions in the allocation of resources, to increase competition and to bring about a closer realignment of domestic prices for tradeables with international prices, leading to increased participation in the international division of labour through export expansion and the diversification of exports into higher value-added manufactured goods and services. The expansion of exports was expected to give a new impulse to economic activities, raise foreign exchange proceeds to service debt and mitigate the often severe constraints on import capacities, to expand investment at a more rapid pace and thus accelerate their economic development.

C. The working of the reforms

36. The extent of the trade policy reforms carried out by developing countries in the 1980s has been impressive, in terms of the elimination of quantitative restrictions (or their conversion into tariffs), the rationalization of tariff structures and the reduction of tariff levels. 3/ Some developing countries - in fact so far the only countries to do so - have even bound their entire tariff schedules at very low levels. By 1990, about three-quarters of the countries in a sample of 34 developing economies, for which data are available in UNCTAD's data base on trade policy measures, had achieved a degree of liberalization from quantitative restrictions exceeding 90 per cent, while more than half of these countries had virtually freed their import regimes from such restrictions, with only few exceptions. Some 40 per cent of the sample countries had achieved both substantial degrees of liberalization from quantitative restrictions and average tariffs of less than 25 per cent. A few countries, such as Chile and Bolivia, unified their tariff rates across-the-board. Similarly, the extent of devaluations accompanying the trade policy reforms has been extensive. For example, between 1980 and 1987, out of all developing countries for which data are available the

exchange rates depreciated against the United States dollar in 73 countries in nominal terms, although not all of these countries succeeded in translating the nominal depreciation into a real one.

37. In evaluating these reforms it is important to take into account that the developing countries vary a great deal in their economic and political characteristics. Further, the trade liberalization of developing countries has been undertaken in very special and difficult circumstances. First, the pace of the world economy has slowed down in recent years and so has the demand for exports from developing countries. Besides, the price of primary commodities declined substantially in the 1980s not only in real terms, but also in nominal terms. As a result, the import capacity of developing countries has severely deteriorated. Secondly, protectionist pressure in industrial countries against products of export interest to developing countries has increased in a situation when a large number of developing countries changed their trade strategy towards outward orientation. Thirdly, the debt burden has forced many developing countries to intensify their import compression; they have had to run surplus in the balance of trade. Finally, even net financial flows of international financial institutions to developing countries have been negative in recent years. 4/ These factors have an important bearing on the content and outcome of the reforms.

38. A number of international institutions such as the World Bank, IMF, ILO and OECD, as well as many scholars, have studied the working of the reform programmes of developing countries. These studies have brought out very valuable insights about the reforms. These insights relate to both domestic and international policy measures. For instance, the OECD study 5/ highlights the importance of the appropriate timing of reforms and of the political economy of the reform programmes, e.g. the dynamics of political groups and coalitions that can support or retard the programmes. The study, inter alia, concludes that while the outcome of reforms has been diverse, the risk of not achieving progress may be higher in low-income developing countries. Accordingly, these countries would require longer time periods and larger support for a successful completion of their reform programmes. The study also emphasizes the importance of adjustment costs associated with the reforms and recommends ways particularly such as development finance, market access, etc. by which OECD countries could extend their support to the developing countries.

39. Major trade and economic performance indicators for a number of developing countries which embarked on structural adjustment and trade policy reforms around the mid-1980s show that some progress has been made, but reveal also important weaknesses (see annex tables 1 and 2). 6/ Many of the reforms have yet to achieve their objectives.

40. While it is true that the great majority of these countries recorded accelerated real export growth in the second half of the 1980s as compared to their respective annual average growth for the decade as a whole, their faster export growth occurred at a time when the developing countries as a group had also experienced an accelerated pace of export expansion in no small part due to the relatively stronger economic growth of the world economy in 1985-1990 following the recession in the early 1980s. In fact, the 14 reform countries in the sample recorded slower export growth in 1985-1990 than the developing

countries as a group; in most of these reform countries export growth rates were significantly below the rate achieved by the group of all developing countries. Furthermore, four reform countries (Mexico, Senegal, Sri Lanka, Turkey) recorded in 1985-1990 slower or even negative export growth as compared to the decade as a whole. For most of the 14 reform countries, including all the sub-Saharan countries in the sample, the shares of their exports in world exports had been smaller in 1990 than in 1985.

41. Progress in the building of industrial export capacity has not been too encouraging either. While for the developing countries as a whole, the share of manufactures in total exports increased by 16 percentage points in 1985-1990, only two of the reform countries in the sample (Mexico, Morocco) recorded increases in excess of 10 percentage points over this period. 7/ The shares of manufactures in total exports stagnated in the sub-Saharan countries. As regards world market shares in manufactured exports, only half of the sample countries for which such information is available could expand their shares, but again none of the sub-Saharan economies recorded increases in this regard. Rather, two of them suffered significant declines (Côte d'Ivoire, Senegal).

42. Growth of GDP of the 14 reform countries presents a more favourable picture as many of them achieved in the 1980s GDP growth close to the average performance of the developing countries as a group over the past decade. Moreover, most sample countries recorded an acceleration in GDP growth in the second half of the 1980s. In comparison, growth of manufacturing value added was much less satisfactory. Only three of the sample countries (Turkey, Sri Lanka, Senegal) achieved in the 1980s growth rates of manufacturing value added comparable to the rate recorded by the developing countries as a group; and growth of manufacturing value added was in the case of all the 14 reform countries in the sample significantly slower than in the case of the successful exporters of manufactures in East and South-East Asia.

43. Investment performances in some of the sample countries (Chile, Jamaica, Ghana) improved significantly in 1985-1990 as compared to the decade as a whole. In some other reform countries, growth of investment accelerated only slightly, while in two countries (Côte d'Ivoire, Nigeria), it continued to decline. Hence, the picture is mixed. Evidently, the reform process requires more time and more support to bring about significant improvements in production, trade and investment, in particular in low-income countries.

44. In the design and implementation of the trade policy reforms two important issues are (i) the level and incidence of the economic costs and benefits of reforms, and (ii) the time paths of these costs and of the benefits that flow from the reforms. Usually the costs are felt immediately, while gains accrue only over a longer period. The level, nature and incidence of these costs and benefits depend upon a number of factors, endogenous and exogenous. A recent study prepared by the ILO has the focus on the social costs of reforms. 8/ The study is based on the experience of 55 developing countries that adopted structural reform programmes which included trade policy reforms under the auspices of the World Bank and the IMF during the 1980s, and documents, inter alia, the declines in per capita incomes in many

reform countries, in particular in low-income economies. The study concludes that there was a case for attaching high priority to those reforms that would provide the greatest complementarity between efficiency and equity.

45. Further, in the low-income countries trade liberalization did not always stimulate exports of manufactured goods, and was frequently accompanied by inflation, output failure and in many cases by de-industrialization. In the particular case of African and other least developed countries the information in annex table 3 indicates that the 1980s have witnessed stagnation, or a decline, in the share of the manufacturing sector in over half of the countries for which data are available. Similarly, in over 60 per cent of the countries for which data are available the rate of growth of this sector has declined during the 1980s as compared with the 1970s. For these reasons, the low-income countries would require even greater international support.

46. In countries with a higher level of development, a significant industrial base and no severe import compression, pursuing policies with a mixture of import substitution and export promotion and "selectivity" in protection and trade liberalization, the results have been, on balance, more favourable. The successful Asian NICs comprising both first and second tier countries figure prominently in this group. The record of their trade policies indicates that they have followed a skilful mix of markets and State intervention. In particular, the use of targeting in industrial and trade policies, including targeting of export subsidies, tax holidays and credits and the promotion of technological capacity building, has been among the crucial factors in the success of these countries in achieving sustained export expansion. 9/ Conversely, countries suffering from import compression due to lack of foreign exchange resources failed in their attempts to stimulate exports and to gain from policy reform. Moreover, they experienced considerable social costs due to inflation and slow or negative output growth.

47. There is on the other hand evidence of a strong association between investment and exports and economic performance of developing countries. 10/ Investment is required for the development of supply capacity, the transformation of production capacity to export production, training, marketing and other aspects of export expansion. Experience shows that increased investments and achieving rapid expansion in exports seem to be of central importance to initiate a virtuous circle of development and thus achieve the objectives of trade policy reforms.

48. To summarize, a large number of developing countries have undertaken trade policy reforms including import liberalization in the 1980s, but a relatively small number, mainly the more advanced developing economies, succeeded in achieving the objectives of the trade policy reforms by inter alia expanding their exports, particularly manufactured exports on a sustained basis, by acquiring technological capabilities and by accelerating capital formation. To this end, besides their own coherent and imaginative domestic policies, availability of external support played a critical role. To enlarge the number of such successful countries can be one of the major objectives of international economic cooperation in the coming years. This will require intensification and expansion of external support. Chapter II discusses this aspect in order to identify the relevant policy issues.

Chapter II

REQUIREMENT OF EXTERNAL SUPPORT: IMPORTANT POLICY ISSUES

A. Introduction

49. This chapter begins with a brief discussion of the rationale and major elements of external support. It then analyses a number of essential requirements of external support in greater detail as well as policy actions to enhance the scope and effectiveness of such support.

50. The costs associated with the reforms being undertaken by developing countries will occur in the near term whereas the benefits will be realized later. Thus, external support will be required to help many of these countries to minimize the consequent adjustment costs and to ensure that they can reap the potential benefits.

51. There are at least four other major reasons for such external support. The first is efficiency. The reforms being carried out by developing countries are aimed at improving allocative efficiency and at exploiting dynamic comparative advantage through increased participation in the international division of labour. They are the result of a new blending of government policies and market forces. To achieve the full potential of this requires consistent policies by their partner countries, i.e. the developed countries. Mutuality of interest is the second major reason for external support. The benefits of reform in the developing countries accrue first of all to the developing countries themselves. However, the reforms will enhance the efficiency of the world economy, which in turn will benefit all countries. As markets expand in developing countries in the wake of successful reforms, the growth in developed countries which depends in no small part on such market expansion will also benefit. Equally, reform efforts in the successful developing countries will benefit others that are proceeding with reforms at a slower pace. Thus, as the reform process successfully proceeds, the growth in the world economy will gain further impetus. Further, these successful countries will also be able to adopt more comprehensive programmes of environmental protection, thus benefiting all other countries. The third rationale is equity. The developing countries, particularly low-income and least developed countries, are least able to afford the economic and social costs of reform. Hence, the international community should extend much greater support to these countries.

52. Finally, it may be noted that a large number of developing countries are undergoing dramatic economic reform simultaneously. Hence, if lack of adequate external support threatens the pace and momentum of the reform process, it will increase the risk that some reforms may fail. The reforms that fail will have to be restarted at a later date and, in all likelihood, under conditions of greater cost to the country and to the world economy. Expanded external support can help to avoid costly failures.

Elements of external support needed

53. The elements that are discussed herein stress the medium and longer-term needs. The emphasis is consequently on measures that enable developing

countries to improve economic efficiency and productivity on a sustained basis and reap the benefits of international division of labour and of dynamic comparative advantage. There are of course important near-term issues. For instance, a vibrant and growing world economy would provide more open and expanding markets for exports of developing countries. In the present climate of recession or sluggish growth in many developed countries, policy makers face the task of supporting economic recovery in the short-run while improving conditions for stronger growth over the medium term. Towards this objective, a more coordinated growth-oriented macro-management of the developed economies would be of significant benefit as the policies of larger countries have significant spillover effects on others. 11/

54. Similarly, an essential element of external support is the provision of official development finance and debt relief programmes to augment domestic resources for investment and to ease import constraints. In the initial stages of reform, support to ensure a smooth flow of imports to developing economies required for the utilization of existing export capacity and for investment in new capacity and infrastructure is of particular importance.

55. However, over the medium and longer-term access to foreign markets is the critical source of external support. Market-oriented reforms cannot succeed without coordinated measures being taken by trading partners since protectionism would interrupt exports and place the reforms at risk. In this regard, a successful completion of the Uruguay Round is of the utmost importance. An accelerated implementation of Uruguay Round concessions would further strengthen external support. Significant additional support can come from preferential trading arrangements, including GSTP, that stimulate exports from developing countries. Moreover, external support will need to be provided through the development of an equitable, secure and predictable international trading system, through the promotion of internationally competitive market structures and through incentives and support by developed countries for the transfer of technology and foreign direct investment in the developing economies. Technical cooperation can be a further important means of external support.

56. Owing to lack of space, the measures discussed below are not exhaustive; and some issues will be given more complete treatment than others. The measures discussed are enhancement of market access, safeguarding the security of market access, transfer of technology, improved operation of markets through competition policy, foreign direct investment to strengthen supply capabilities, and the role of technical cooperation.

B. Improvements in market access

57. While tariffs imposed by developed countries have diminished somewhat in importance as barriers to trade, a wide range of non-tariff measures continue to restrict severely the market access for developing countries.
If all significant trade-restricting measures of the industrial countries (including agriculture, textiles and clothing) were to be removed, export earnings of the developing countries would increase by more than $100 billion. 12/

58. Furthermore, the radical process of economic reforms in Central and Eastern Europe has so far resulted in an important shift of this region's trade away from developing countries. Therefore, concerted and coherent action is needed to revive and to give new dimensions to East-South trade flows.

59. The Uruguay Round has been considering ways to give practical credit for developing countries' tariff bindings and non-tariff liberalization, as well as for their autonomous liberalization measures in the context of trade policy reforms. Operative guidelines were elaborated to this effect by the Chairman of the Market Access negotiating group. This approach, representing a direct measure of support to developing countries while stimulating their fuller integration into the trading system, should be supported by all developed countries. In this context, the need for extending special and differential treatment to the developing countries continues to be important.

60. Though tariffs may not be the most serious barriers, there are a number of areas in which the modification in tariff treatment could improve the market access for developing countries and, therefore, provide external support.

Tariffs

61. There are three primary issues regarding tariffs. 13/ First, some important products of export interest to developing countries currently face high tariffs, i.e., tariffs in excess of 10 per cent. UNCTAD has estimated that developing countries' exports of products facing high tariffs amount to $60 billion. Clearly, successful negotiations to reduce the levels of these tariffs would enable developing countries to substantially increase their export earnings.

62. Second, many developed countries have escalated tariff structures that discourage countries from processing indigenous raw materials into higher value intermediate or final goods. 14/ The introduction of flat tariff structures and wider preferential treatment of agricultural products and processed raw materials under the generalized system of preferences (GSP) would support efforts of developing countries to diversify their exports.

63. Third, preferential tariff programmes such as GSP schemes have provided important trade expansion opportunities for developing countries. The success of the GSP depends critically on market signals, including both open access to donor country markets and smooth functioning markets with beneficiary countries themselves. These programmes are, therefore, fully consistent with the market-oriented reforms being undertaken by many developing countries. Thus, by meeting the tests of the market place, more than $72 billion of developing country exports benefited from GSP treatment in 1991. Since 1976, the average annual growth in GSP preferential trade (14.5 per cent) is about double the growth in total exports from the beneficiary developing countries (8.0 per cent). Improvements in these programmes would provide meaningful increases in the levels of external support for developing countries.

Non-tariff measures

64. There are a multitude of non-tariff measures that hinder the export interests of developing countries. Among the most important to developing countries would be the GATT Multifibre Arrangement (MFA) for textiles and apparel, import quotas and variable levies on agricultural products, voluntary export restraint agreements, and anti-dumping and countervailing duty actions.

65. Under the MFA, exports from more than 30 developing countries are limited by export quotas negotiated bilaterally with one or more importing developed countries. The trade involved is roughly $40 billion. The United States has bilateral agreements with more than 30 countries covering more than 80 per cent of United States' imports of textiles and apparel from developing countries. The EC has bilateral agreements with more than 25 countries.

66. The Uruguay Round proposals include a phase-out of the MFA over a 10-year period. The full elimination of the MFA would provide significant export expansion opportunities for the developing countries. The estimated benefits to developing countries as a group from the elimination of the MFA range up to $50 billion in increased export earnings. 15/ This represents a doubling of export earnings derived from the textile and apparel sectors.

67. The UNCTAD secretariat has recently completed a study on the effects of other non-tariff measures which hinder the exports of developing countries. 16/ The most significant cases identified in that study include seafood products in Japan; sugar in the EC, Japan and the United States; tuna and steel products in the United States; and agricultural products, consumer electronics, footwear and steel products in the EC. This study also estimated the losses to developing countries of these trade restraints. The largest losses include the following cases: seafood in Japan and steel products and consumer electronics in the EC.

68. These results must be qualified, as pointed out in the study, because in several cases estimated losses arising from trade restrictions are low because the trade volumes themselves are low. A few examples of concern would include rice in Japan; dairy products in the EC and the United States; and peanuts and cotton in the United States. Undoubtedly there are other examples as well.

Structural adjustment

69. The process of reform in developing countries will bring their economies more in line with the market-oriented incentives of international comparative advantage. While such reforms are encouraged and welcomed by the developed countries, they are likely to be the source of import-competition problems. Of central importance, the developed countries will have to adjust their economies to facilitate the changes occurring in the developing countries. These adjustments can lead to a pattern of costs and benefits where the costs are concentrated in terms of firms and regions while the benefits are much more diffused in terms of consumers. This can become the source of protectionist pressures.

70. These pressures must be alleviated in order to provide open and secure markets for exports from countries in reform. However, few developed

countries have comprehensive and effective adjustment assistance programmes. Consequently, political pressure to avoid adjustment is strong. The design and implementation of such programmes would provide an important element of external support by the developed countries in favour of the developing countries undergoing economic reform.

Transparency mechanisms

71. Secure and open world markets is an important element of external support for countries in the process of reform. National transparency mechanisms are one of the instruments for liberalizing and securing access to markets. Such mechanisms, by revealing the costs and benefits of protection in an economy-wide perspective, contribute to knowledge-based trade policy decision-making and to better public understanding of trade policy initiatives. Hence, such institutions need to be encouraged and nurtured in all countries and economic groupings. Transparency is an important weapon against narrow-interest protectionism. It is also important for countries in reform that the benefits that will emerge from the process are known to those groups who suffer in the interim. Otherwise, those bearing the costs of reform might become a political force for a return to the old ways.

C. International trading system: issues relating to security of market access

72. In paragraph 126 the Cartagena Commitment of UNCTAD VIII clearly spells out that a major objective of the international community in the area of international trade should be "to provide for an equitable, secure, non-discriminatory and predictable international trading system". The critical importance of security of market access, in particular for developing countries, as well as for other smaller and weaker trading partners, would call for an international trading system that is based on clear and effective multilateral rules and disciplines, rather than on economic and trade weight. Thus, international support for trade policy reforms in developing countries should inevitably include a further strengthening of the rule-oriented international trading system and a reduction of trade conflicts. Trade conflicts are one of the important sources of insecurity in the international trading system with a particularly adverse effect on the trade interests of developing countries. Hence, in this section an attempt is made to illustrate and explain the issue of security of market access by looking at examples of traditional, new and potential areas of trade conflicts, and through the examination of their causes and the approaches sought multilaterally in the Uruguay Round and some regional trading arrangements. 17/ The areas discussed are agriculture, subsidies, anti-dumping, intellectual property rights and environmental measures. Competition policy is yet another important issue in this regard and the issues relating to competition are taken up separately in the following section.

Agriculture

73. The application of multilateral rules and disciplines to trade in agricultural products has been unravelled through a process beginning in the early years of GATT. Agricultural trade issues, whether relating to domestic

support, export subsidies, border measures, state trading, or health and sanitary regulations, became the dominant theme of trade disputes. 18/

74. The Uruguay Round draft Final Act attempts to build upon a consensus that market forces and the price mechanism should be allowed to operate in the agricultural sector, but that agricultural subsidies which do not distort trade should be permitted (the "green box"). New disciplines on health and sanitary regulations should also serve to reduce the protectionist actions and trade conflicts.

75. Provisions on trade in agriculture within regional trade arrangements have also reflected the absence of clear multilateral disciplines. For example, the European Economic Area (EEA) Agreement takes the approach of simply excluding trade in agricultural goods from its disciplines, but provides a regular review of the conditions of trade in agricultural products. On the basis of this review, the parties can decide on an eventual liberalization of any type of barrier in this area.

76. On the other hand, the North American Free Trade Agreement (NAFTA) provides in principle for an extensive liberalization of trade in agriculture, but common "trilateral" provisions are restricted to domestic support for agricultural goods and to agricultural export subsidies. There are separate bilateral undertakings on trade in agricultural products between Canada and Mexico and between the United States and Mexico. Each NAFTA country will endeavour to move towards domestic support policies that are not trade distorting.

Subsidies

77. As trade liberalization led to the intensification of economic relations, the trade-distorting effects of subsidies became more apparent. In these circumstances, increased emphasis was given to defining rules on countervailing measures, which probably reflected the realities of national trade legislations of some major trading countries. The Tokyo Round "Subsidies Code" contained more elaborate rules and procedures on countervailing measures than on subsidies, but marked the first elaborate attempt to establish a link between the obligations on subsidies and the right to take countervailing measures. This link was interpreted differently by the parties to the Code (to which many developing GATT contracting parties did not subscribe) and its implementation in the 1980s did not reduce tensions in the area of subsidization.

78. In the Uruguay Round a new Agreement on Subsidies and Countervailing Measures will link obligations on subsidies and the right to take counteraction in a more clear and effective manner, and thus become a major substantive outcome of the negotiations in the rule-making area. In addition, it incorporates a more flexible regime for different categories of developing countries.

79. The EEA Agreement is oriented to the "trade impact" approach in that, any aid granted by EC or EFTA member States which distorts or threatens to distort competition by favouring certain undertakings or production of certain goods is, in so far as it affects trade between the parties, considered incompatible

with the Agreement. However, there are exclusions to the general rule. 19/ The NAFTA does not contain any specific rules on subsidies, concentrating, instead, on their trade impact through countervailing duty proceedings. A special panel mechanism is provided to ensure that countervailing duties are not used to harass trade. However, the existence of such a mechanism in the Canada/United States FTA did not prevent subsidy-related issues from being brought up by the parties in the multilateral GATT dispute settlement process. 20/ On the other hand, the bilateral panel approach, which is also applied to anti-dumping measures, is an interim measure pending elaboration of more detailed rules on subsidies and competition policies.

Anti-dumping

80. In recognition that anti-dumping duties were being used to harass and restrict trade, efforts were undertaken to establish more precise and stringent disciplines than those included in GATT Article VI, through the negotiation of an Anti-Dumping Code in 1967, which was renegotiated in the Tokyo Round (1979), and again in the Uruguay Round. All these attempts were aimed at introducing more predictability and reducing arbitrariness in the application of anti-dumping duties.

81. Anti-dumping measures, which are in many cases adopted unilaterally and selectively, have become a preferred instrument for trade harassment of competitive exporters. Such measures cause particular problems for new entrants to the market, particularly from developing countries.

82. While the implementation of the Uruguay Round Anti-Dumping Agreement provisions is a step in the right direction, general or systemic aspects of anti-dumping measures and their relation to market-oriented competition policies would still need to be considered in the context of multilateralization of competition rules, 21/ which would also contain sufficient disciplines on "unfair trade practices".

83. The Canada-United States FTA provided that the two Governments will work towards establishing a new regime, regulating problems of dumping and subsidization, to come into effect no later than at the end of the seventh year after the coming into force of the FTA. The goal of the regime is to obviate the need for border remedies. Until then, the parties will review bilaterally any changes in existing anti-dumping and countervailing law and regulations to be consistent with the GATT. The judicial review by domestic courts of anti-dumping and countervailing final orders is replaced in the FTA by a bi-national panel. The panel's decision is binding and will not be reviewed by either party under their domestic judicial review procedures. This unique panel review process is retained and strengthened in the NAFTA.

84. The EEA Agreement does not contain special provisions on anti-dumping measures between its members. These matters, however, may fall under the competition rules of the EEA Agreement.

Intellectual property rights

85. The trade impact arising from the differences in national intellectual property regimes and the stringency of their implementation began to become

more evident as more countries became actively involved in international trade in manufactures. The first concern was with counterfeit goods, which prompted attempts during the Tokyo Round to negotiate without success a Code on Counterfeiting. The trade implications of lack of adequate protection at the national level for such items as pharmaceuticals, software, integrated circuits, etc., led to a series of trade tensions and, in certain cases, retaliation. In fact, the United States legislation was modified to facilitate such retaliation against countries deemed unilaterally not to be respecting such rights (so-called "special 301" cases). In the Uruguay Round, negotiations on the protection of intellectual property rights (TRIPS) aimed, for the first time, to link intellectual property rights to multilateral trade rights and obligations as a component of the international trading system. The draft Agreement on TRIPs tends to provide minimum substantive standards and norms for the protection of intellectual property rights, in particular through the application by all countries of relevant international instruments. Some flexibility is provided to developing countries, particularly in sectors where no previous protection existed. The test of whether these new multilateral rules are in fact founded upon a strong international consensus will be in their implementation.

86. The NAFTA requires that member countries "provide adequate and effective protection of intellectual property rights on the basis of national treatment", as well as "effective enforcement of these rights against infringement, both internally and at the border". In the EEA Agreement, protection of intellectual property, including industrial and commercial property, is provided on the basis that it will not constitute a means of arbitrary discrimination or a disguised restriction on trade between the members.

Environmental measures

87. Trade-related environmental measures represent another new area, where a potential for trade conflicts has been growing. 22/ Basically, there are three emerging situations of tension: (a) where imported goods are judged to be incompatible with environmental protection standards; (b) where measures are taken against imports produced by methods deemed destructive of the world environment; and (c) where countries maintaining lower environmental standards are deemed "pollution havens", providing producers located there with the equivalent of an export subsidy. The Uruguay Round has not addressed these issues, although the existing GATT rules were recognized as insufficient to deal with them. International consensus-building seems to be urgently needed before environmentally-motivated trade conflicts begin to proliferate. In this context, much will depend on the implementation of guiding general principles, adopted by the United Nations Conference on Environment and Development, particularly those on environment, trade and development (principles 11 and 12).

88. EC-EFTA cooperation in the field of environment in the EEA Agreement is under the horizontal provisions relevant to the four freedoms (goods, services, capital, persons). The main objectives are to preserve, protect and improve the quality of the environment, to contribute towards protecting human health, and to ensure a prudent and rational utilization of natural resources. The NAFTA recognizes the increasing importance of ensuring that the trade

rules are consonant with domestic and international environmental objectives. The Agreement allows Governments to take steps to protect the environment, even when these steps conflict with their trade obligations, as long as such steps do not involve unnecessary discrimination or introduce disguised restrictions on trade.

Emerging issues

89. An international economic system consisting of nation States but without a world government requires conscious efforts to create and maintain rule-based systems and procedures, i.e. to create "public law and order" for harmonious and expanding international economic relations. Within a nation State, a "public good" is provided by the national Government. 23/ Historically, experience shows that such a "public good" tends to be underproduced in the international economy. 24/ Of course, there have been long periods where economic hegemony of one power facilitated this task. However, in the context of present world economy, the international community will have to make determined efforts to expand supply of such "public goods" via international institutions, as otherwise, economic conflicts, including trade conflicts, will tend to rise. In the present-day world, there are, of course, many potential sources of economic conflicts, e.g. divergences in macroeconomic policies, divergences in consumption styles, technological competition, etc. Consequent trade conflicts will have unfavourable implications for all countries and be particularly severe for the developing countries. A recently published study shows, as an example, how trade conflicts can, especially, adversely affect developing countries. 25/

90. Solutions to trade conflicts would require specific approaches and actions both within and outside the GATT framework. UNCTAD's role in this exercise would be fully consistent with its functions and mandate, such as policy analysis, identification of problems, consensus-building aiming at better understanding of the reasons for trade conflicts and their efficient resolution, including an early warning perspective, as specified in paragraph 52 of the Cartagena Commitment. Such work will be distinct from mainly rule-oriented and legal activities of the GATT and its dispute settlement mechanism and, in fact, could usefully complement the latter. Emphasis would be placed on an in-depth consideration, in a non-negotiating context, of problems and developments in this area and consensus-building. On the other hand, these activities will be in line with the United Nations new approaches in achieving peace, security and development, in particular aimed at conflict prevention. To examine these issues further, the Board may wish to consider the setting up of an intergovernmental ad hoc working group to develop early warning perspectives and other appropriate proposals to enhance economic security.

D. Competition policy

91. The assurance of competitive market structures is crucial for the success of trade policy reforms. External support is essential in this regard.

92. Current economic reforms in developing countries, including trade liberalization measures, have very important competition-related implications as market incentives are not effective for monopolistic producers unless the

reform process involves the creation of competition in domestic markets. For instance, privatization of State monopolies, one of the measures commonly envisaged in recent economic reforms of developing countries, might create only private monopolies or dominant positions of market power and consequent abuses unless specific competition policy measures are taken.

93. Furthermore, the progressive reduction of cross-border or external trade barriers has brought out the importance of reducing or eliminating private barriers to international trade, such as restrictive business practices at both national and international levels. Equally, rapid or sudden trade liberalization may increase import competition to such an extent that domestic firms' survival might be endangered. Similarly, the adoption of liberal foreign direct investment regimes in developing countries may attract strong competition from foreign firms, destabilizing weaker local production facilities. These developments can potentially reduce competition in domestic markets instead of enhancing it.

94. Foreign firms establishing themselves in developing countries are likely to be large powerful firms, compared to local suppliers. Hence, for countries undergoing economic reforms, the adoption of conscious competition policies in line with those of the developed countries which have all implemented competition legislation and established RBP control authorities is of vital importance. In fact, a rapidly growing number of developing countries have adopted competition laws, 26/ as called for by the United Nations Set of Multilaterally Agreed Equitable Principles and Rules for the Control of Restrictive Business Practices 27/ (the RBPs Set), and several more are considering their adoption. Similarly, it is not surprising that many former centrally-planned economy countries adopting market-oriented economic reforms are highly conscious of the importance of competition policy and have adopted or are in the process of adopting related legislation and establishing RBP control authorities.

95. External support is essential in this area. UNCTAD is assisting the efforts being made, as provided for in the RBP Set, through its technical assistance, advisory and training services on RBPs; the elaboration of a model law or laws for the control of RBPs; and the facilitation of exchanges of information, and consultation procedures, in the context of the Intergovernmental Group of Experts on Restrictive Business Practices. The magnitude of the need for technical cooperation in the area of competition is such that concerted efforts by UNCTAD with other organizations, as well as individual countries and regional groupings of States having experience in this area, should be made and encouraged. Financial contributions and substantive expertise from countries having experience in this area are essential inputs to these efforts.

96. It should be noted, however, that while the establishment of a domestic competition policy, adoption of national competition legislation and creation of an RBP authority are essential steps in the control of RBPs, effective action needs to be taken at the multilateral level in order to bring about harmonious relations in the application of national legislation to cases

involving more than one national jurisdiction, to facilitate the settlement of disputes arising from RBP cases originating from abroad, and to evolve common understanding and principles in the interface between competition and international trade.

97. In recent years, competition issues have come to the forefront of trade discussions, for example in the Structural Impediments Initiative (SII) talks between the United States and Japan. Competition issues have also surfaced in connection with distribution monopolies in some countries, and the procurement practices of private monopolies in the telecommunications and transportation industries in a wide range of countries. The question of consistency between trade rules against "dumping" and national competition rules relating to predatory pricing is also becoming an issue, since two totally separate regulatory regimes using different methodologies are applied to the same phenomenon, with the more stringent anti-dumping regime applied only when it occurs in cross-border trade.

98. Another area where there is room for more consistency between trade and competition policies is with respect to export and international cartels. Countries with RBP control laws usually do not deal with any adverse effects of export cartels on the import trade or domestic markets of foreign countries, and sometimes provide specific statutory exemptions for them. Export cartels, however, directed at third markets as they are, may have considerable adverse effects on developing countries and their trade, as agreed unanimously in the RBP Set. Usually they result in higher prices having to be paid for imports, in stifling developing countries' export capabilities and access to markets, in deteriorating their terms of trade, and affecting these countries' technological capabilities. These developments can only negate the gains from trade policy reforms undertaken by the developing countries. Further, export cartels have often bred countervailing import cartels and hence, a potential for conflict in this area.

99. At the interface between RBPs and intellectual property protection, the question of the balance between the protection of rights and free trade and competition has arisen particularly in cases relating to market allocation through exclusive dealing, exhaustion of intellectual property rights, parallel imports, and the scope of copyright protection in the informatics industries. Attempts have sometimes been made to distinguish between the existence of a right and its exercise, but there is room for clarification of this distinction.

100. Policy makers have reacted to such issues in various ways. In the United States, for example, the Justice Department has recently issued a policy statement re-extending the possibility of antitrust enforcement action by the Department to conduct occurring overseas that restrains United States exports, if certain conditions are met. 28/

101. For smaller trading partners and developing countries in particular, external support in the form of multilateral principles and disciplines would by far be preferable to unilateral action. Sir Leon Brittan, the European Commissioner responsible for the Directorate-General for Competition, speaking in his personal capacity, has suggested 29/ that GATT rules be examined to see how they could be applied to competition policy, to develop minimum rules

and enforcement standards, as this would take into account the increasingly global context for the implementation of competition policy, ensure the continuing development of the international trading system, as conceived in the Havana Charter, and prevent domestic competition policies (or their non-existence or non-enforcement) from distorting trade.

102. A closer relationship between the regimes governing the areas of trade and competition would have a number of advantages for both regimes. As regards the multilateral trading regime, not only would it be better able to deal with "internal", non-tariff and/or private firms' barriers to trade, thus reflecting the realities of global competition and ensuring a "level playing-field" for firms from different countries, but it also would have the possibility of borrowing from competition concepts and philosophies as a means of elaborating balanced and equitable rules to mitigate protectionist behaviour.

103. Conversely, competition regimes would benefit from links with trade through the adoption of multilateral norms involving the application of GATT basic principles, such as the MFN, and the availability of the GATT dispute settlement machinery. At the national level, competition considerations could be given a higher profile and priority in government policies. Competition authorities of different countries would also be better placed to cooperate and consult; to obtain information from overseas; to avoid tensions arising from concurrent or extraterritorial exercises of jurisdiction, and to allocate jurisdiction in respect of the increasingly frequent cases where more than one authority have an interest in a transaction; to undertake coordinated enforcement in appropriate cases; and to enforce decisions against firms based overseas.

104. The full implementation of the provisions of the RBPs Set - including Article E.4, which provides that States should seek appropriate remedial or preventive measures to prevent and/or control the use of restrictive business practices within their competence when it comes to their attention that such practices adversely affect international trade, and particularly the trade and development of the developing countries - would be an important step towards any elaboration of strengthened multilateral norms linking competition to trade.

105. To prepare the ground for further progress in this area, the Trade and Development Board may wish to undertake, through the Intergovernmental Group of Experts on Restrictive Business Practices, exploratory discussions on the appropriateness of, and modalities for, progressively strengthening multilateral cooperation to promote competition in domestic and international markets using, inter alia, the consultations machinery provided for by the RBPs Set. The aim might be to attempt to identify trade-related aspects of competition law and to seek greater convergence and improvement in these aspects.

E. Transfer of technology

106. The accumulation of technological capacities and successful trade reform are interrelated in important ways. Trade liberalization increases access to technology through both formal and informal channels. Increasing technological mastery, a product of both domestic efforts and external sources, leads to increased productivity and bolsters international competitiveness and exports and is, therefore, a crucial ingredient for sustaining lasting trade reforms, structural economic adjustments and long-term economic development in developing countries.

Interaction between technology transfer and domestic technology capacities

107. While it is true that strengthening domestic technology capacities can lead to a more positive contribution to development from technology transfer, there are a number of other actions that individual home and host nations and the global community can take to improve the interface between external technology and local ability to deploy and absorb technology effectively. It is the appropriate blending of building national technology capacity and measures ensuring the endogenization of imported technology that leads to what has been referred to as "technological dynamism", 30/ a source of fostering dynamic comparative advantage. More efficient acquisition of technology could result (i) if the sources of FDI and other conduits for transferring technology were expanded; (ii) if receiving firms and Governments were more conversant with the advantages and shortcomings of the various legal instruments for facilitating technology transfer; and (iii) if enterprises and Governments became more skilled and adept in seeking, evaluating, selecting and negotiating the best terms during the process of acquiring technology from abroad.

108. External sources of funds should be encouraged to direct some financial resources to technology-related venture capital projects. Foreign affiliates can strengthen domestic and international inter-firm learning linkages, perhaps the most prominent being upstream flows of technical knowledge stemming from subcontracting and other supplier arrangements. Foreign-owned enterprises can contribute through training programmes at all levels - a benefit that, with worker turnover, tends to spread to the entire economy. As some multinationals are beginning to conduct selected R & D projects in host countries, ways should be found for encouraging and reinforcing this trend. Local firms should be encouraged to evolve from short-term "exchange" dealings with foreign enterprises to a more lasting and fruitful (for technical learning) "relational" status.

109. In formulating strategies for achieving the most beneficial interface between local capabilities and external technology, a paramount consideration is the degree of technological sophistication of the host country. Unfortunately, as one moves from newly industrializing economies towards the least developed countries, less and less is known about domestic capacity-building and methods for attracting and effectively absorbing technology from abroad.

110. Progressively, the stock of requisite knowledge and understanding shows gaps, crevasses and large canyons as one scans from the more advanced

developing nations toward the least developed countries. There is, therefore, an absolutely pressing need to learn much more about how external and domestic efforts can upgrade the technological capabilities of lower-tier-technology nations of the world.

111. In addition, FDI is only potentially a source of technology. Some FDI is virtually devoid of technological content, while some incorporates a great deal of embodied and disembodied technology. It is not yet fully known whether the technology component of FDI has been positively affected by the recent progression to liberalization and privatization.

Intellectual property rights

112. The growing realization that technology is a source of competitiveness in international markets has led to greater sensitivity to the legal environment and intellectual property protection (IPP). IPP, however, does not have the same importance and effects in different sectors, given the varying intensity of R & D, the speed of technological change, the relative significance of formalized and tacit knowledge, and the type of producer/user relationship, among other factors. The link between intellectual property, investment and technology flows differs according to the specific types of intellectual property, the sectors involved, and the level of technological sophistication of the country applying IPP.

113. This indicates the need for in-depth sectoral and country studies in which an analysis is made of the relationships between intellectual property rights (IPRs) and foreign direct investment, transfer of technology and technological capability-building. Moreover, the role of intellectual property would need to take into account the different IPR categories (e.g. patents, trade marks, utility models, etc.). Experience indicates that there may be considerable room for experimentation in terms of these legal instruments and, when possible, variations in what intellectual property protection is stipulated. In this respect, the examination of the practical experiences of developed countries in the use and administration of new mechanisms of intellectual protection, and their effects on the development of technology, may be of particular relevance to developing countries. In addition, research is needed to determine the appropriate policy options and instruments for IPR policies of developing countries in the new atmosphere of a more liberalized and open world economy (see earlier discussion in paras. 85-86). These studies could pave the way for consensus-building regarding an international framework for cooperation on promoting technology transfer and technology capacity-building.

Market-based price incentives

114. Home countries' policies can contribute to the technology transfer to developing countries. Towards this end, one mechanism of international support deserving attention is the employment of market-based price incentives aimed at the promotion of transferring specific, critical technologies to developing countries. Intervention would be in the form of a "price wedge" separating the supply and demand prices from the market price to be applied when the specific technology is sold in developing countries. A variation on this theme could be, for example, financial assistance through paying

royalties owed for technologies purchased by developing countries. The price wedge device could be expected to have several advantages vis-à-vis other methods for assisting technology transfer. As the implicit subsidy is linked to the marketability of technology, only efficient technologies will receive incentives. Further, such a measure will increase the demand for technology exchange and also improve for suppliers the profitability of such an exchange. Consequently, the firms in the developed countries will have new incentives to develop technologies that are more suitable to the developing countries, particularly in the fields such as agriculture, health, small-scale industry and environmental protection. The primary focus is on technology per se and it would afford international financial institutions the opportunity and motivation to become more knowledgeable about technology-related projects and more sensitive to the role of technology in the development process.

115. The idea is to ascertain whether market-based price mechanisms, employed in isolation, or in concert with other aid measures, can lead to effective concessional assistance. It would attempt to do for technology flows to developing countries what the very successful GSP arrangements have done for the movement of goods from developing countries. This new initiative requires some investigation at the theoretical level, followed by a review of the practical aspects of implementation. If promising, the programme could be introduced on a limited, experimental basis. Illustrative candidates for consideration would include food and nutrition technologies, health-related technologies and environmentally sound technologies. The Board might decide to initiate an investigation on market-based price mechanisms as a means of assisting technology transfer to developing countries.

Strategic alliances

116. Yet another area where policy initiatives can be expanded is how strategic alliances can be promoted between enterprises in developed and developing nations. Many R & D projects are tremendously costly and require a multi-disciplinary range of human specialities and capabilities. This accounts for a mounting tendency for collaborations to be in the form of strategic alliances. 31/

117. What is not clear at all are the consequences that strategic alliances may have on the general availability of the new technology they generate. First, there is the fear that, if the new technologies are sold through commercial channels, the market for technology will be subject to monopolistic distortions. Second, the science-based, interdisciplinary nature of R & D has encouraged alliances to perform fundamental research: there is thus some fear that this trend will diminish the flow of scientific knowledge available as public goods. Third, the worst outcome of all is that technology might remain closely held inside the alliance.

118. The rise of strategic alliances is a relatively new phenomenon. Very little is known about the resulting impacts on access to new technologies. The Board may wish to explore such questions as (i) what effect will these new cooperative structures have on the generation of new technologies; (ii) what will be the consequences for the general availability of these new technologies; (iii) what reasonable ameliorative measures seem appropriate;

and (iv) what is the possible role for home country enterprises in forming collaborations with developing-country entities that will lead to beneficial transfer of technology?

Technological marginalization

119. Developing countries vary in their level of technological capabilities or economic development, and past trends show that the technological gap between advanced developing countries and least developed countries is widening. Since new and emerging technologies increasingly affect the volume, composition and direction of world trade, countries that are unable to gain access to these new technologies, and successfully absorb them, will find themselves progressively disengaged from the global economy. It is important to recognize that frontier technology not only dominates new and exotic processes and products; they now penetrate traditional economic activity as well. Therefore, comparative advantage resting on inexpensive labour is no longer immune from international competition.

120. The least developed countries are in most danger of suffering from the consequential technological marginalization. The classic avenue for technology transfer, FDI, has been virtually closed to these countries since the debt crisis of the early 1980s. FDI is further depressed by an increasing tendency to locate in areas with an adequate technological base. Data on technology flows confirm the seriousness of the situation. During the 1980s, capital goods imports by least developed countries fell from US$ 6 billion to US$ 5 billion, a drop that would be even more pronounced if stated in real terms. FDI ended the decade at US$ 200 million, down from US$ 300 million in 1980. 32/ Africa is the region with most nations that are at risk of suffering technology marginalization. FDI going to non-oil-producing sub-Sahara developing countries never reached US$ 500 million during the 1980s. The capital stocks of developing African countries actually shrank from 1982 to 1988. 33/

121. Access to technology may be further restricted if strategic alliances among enterprises and major regional trading blocs exclude those left outside the collaborative arrangements. In addition, the creation of telecommunications networks threatens to exclude non-members from an extremely rich source of information.

122. Much more needs to be learned about criteria for selecting in situ technology-related projects in countries with very low incomes and an underdeveloped technology base, and about how external resources can be persuaded to participate in a productive fashion. Regarding the latter, market-based price inducements (discussed above) could be structured to the advantage of least developed countries. The Board may find it timely to initiate a systematic investigation of efforts being made by the least developed countries to upgrade their technologies, and of the means used to engage external technology sources in this endeavour.

F. Policy reforms and foreign direct investment

Recent trends in FDI and developing countries' policies

123. A dynamic investment performance is an important prerequisite for the long-run success of trade policy reforms. Many developing countries have attempted to attract direct foreign investment (FDI) to improve their international competitiveness, modernize their industries and develop their export capacity.

124. However, recent FDI boom followed rather traditional patterns and even increased concentration on developed country locations, whereas the share of developing countries dropped from 25 per cent to 17 per cent over the 1980s. In developing countries the FDI boom concentrated on the most dynamic markets of South-East Asia, whereas in the regions with the most intensive reform programmes - Latin America and Africa - most countries remained unaffected (see annex, graph 1). None the less, some smaller and medium-sized developing countries were also able to attract more FDI in recent years. Likewise, some relatively small but high-income countries also recorded comparatively high shares of FDI in their overall investments of more than 20 per cent, but foreign investors remained prudent in engaging in new investments in manufacturing industries of countries engaged in intensive reforms. It remains therefore a major issue whether and under what conditions FDI could be attracted by a wider range of developing countries, including smaller and low-income countries, or contribute more directly to the adjustment process.

125. Where FDI has played a significant role, it frequently made a considerable contribution to export development. Changes in strategies of international enterprises and diversification of the types of investing firms also contribute to higher flexibility and export orientation.

126. These new trends point to new opportunities for developing countries to approach FDI. However, policies in home and host countries need to be strengthened to facilitate and reinforce such newly emerging trends. On the one hand, new types of investors would frequently require logistical support, information and active financial and fiscal encouragements and guarantees before relocating production in a developing country or embarking on a joint venture or subcontracting agreement.

127. On the other hand, host countries can improve their policies for strengthening the capabilities of their domestic enterprises to make them fit as partners for foreign investors. The availability of potent domestic suppliers of materials, components or services has also become one of the most important criteria for location of foreign investments. Government assistance to that end may range from fiscal and financial measures to advisory, contact and related services, as well as the establishment of special support programmes for SMEs. Furthermore, Governments of some "success countries" have assumed an active role in marketing their country as host for FDI in negotiations with foreign Governments. They have also teamed up with their enterprises in negotiating and supporting their initiatives and negotiations with foreign investment partners.

128. Governments of smaller and medium-sized countries could extend such efforts to trying to diversify types and origins of foreign investors to improve the match with the type and size of their investment projects.

Policies of FDI home countries

129. Some major FDI home countries have traditionally left it to their large-scale transnationals to take care of FDI on their own, without providing for anything more than a liberal framework for outward FDI and eventually the negotiation of a number of bilateral investment protection and guarantee agreements to protect their transnationals against nationalization and related political risks abroad. 34/ Such agreements are frequently accompanied by double-taxation agreements.

130. Some other countries have, however, adopted specific measures to promote foreign investments including the provision of logistical and information services, support for the identification of investment projects and for matching partners; funding for missions, project preparation and development of feasibility studies and start-up support; 35/ long-term finance and equity financing; special tax measures in favour of enterprises investing abroad; national schemes for insuring political risk involved in foreign investments and export credits and guarantees for capital goods exports.

131. While some national schemes have a developing-country focus, others are frequently applied on a general basis. But care should be taken so that their provisions do not disadvantage implicitly or explicitly investment in developing countries or raise their cost. For example, some countries' risk guarantee schemes do not cover investment financing guarantees in least developed countries or put tight ceilings on medium to longer-term credits for certain debtor countries. Others make investment guarantees conditional on the conclusion of bilateral investment guarantee agreements or stipulate other requirements. Some countries' national tax laws do not allow for the application of investment allowances or compensation of losses of affiliates incurred during the start-up period by later profits. Countries of FDI origin can nullify the effects of tax concessions granted by developing countries to pioneer industries, if they tax their revenues instead. Positive examples demonstrate that it is feasible to agree on the effective application of such incentives in both host and home countries for initial start-up periods. 36/

From investment protection to investment cooperation

132. There is an emerging shift of emphasis in international investment relations from traditional investment protection and guarantee agreements towards effective investment cooperation between developed and developing countries. Specific examples include the EEC-ACP Lomé Convention, with elaborate provisions for promoting investment and industrial cooperation, which led *inter alia* to the creation of the Centre for Industrial Development in favour of ACP States. Investment and industrial cooperation also occupy a large place in several bilateral agreements concluded by the European Community with various developing country groupings, such as ASEAN, the

Andean Group, the Central American Common Market or the Caribbean Community, as well as with individual developing countries in Latin America and other regions. 37/

133. Another example is the long-standing investment and industrial cooperation of Japan with ASEAN, which included substantial financial support to large-scale ASEAN industrial investment projects and the establishment of an ASEAN Promotion Centre on Trade, Investment and Tourism in Tokyo. A complementary New Asian Industries Development Plan was launched in the mid-1980s, to favour industrial development in joint collaboration between ASEAN and the Japanese Government. It covers technical cooperation, financing aids, investment promotion, and promotion of imports of ASEAN industrial products into Japan. The country and sectoral programmes for each ASEAN country put major emphasis on the development of export industries, including the development of new industrial development and export processing zones. 38/

134. This change in the direction towards active investment and industrial cooperation deserves to be further encouraged. Experience indicates, however, that in order to be effective, such bilateral cooperation agreements need to incorporate commensurate financial provisions for the actual implementation of their objectives.

135. Lastly, various international organizations and multilateral development finance institutions are also substantially supporting investment in developing countries, joint ventures and industrial collaboration, as well as their export-orientation. Productive investments are specifically supported by investment finance from the International Finance Corporation. Investment loans are also available under other programmes of the World Bank organizations and regional development banks. The Multilateral Investment Guarantee Agency (MIGA) provides for guarantees to foreign investors against political risks, mainly for larger-scale projects. The above-mentioned as well as several other multilateral organizations provide advisory services and technical assistance on foreign investments, and arrange negotiations with TNCs as well as contacts between prospective investment and cooperation partners.

136. Yet, while all these efforts have been important and provided concrete results in several instances, neither the deep policy reforms in developing countries, nor the extensive international and bilateral support activities were able to reverse the concentration of foreign investments on developed countries, a small number of highly dynamic developing countries and some of the countries in transition. Hence they were insufficient to boost the export development of developing countries at large. It appears that more specific policy initiatives are required, including closer cooperation between investment promotion institutions of home and host countries, targeted to particular potential investor groups, sectors and host country enterprises, to ensure that FDI has a wider impact on industrial and export development of developing countries.

G. Role of technical cooperation 39/

137. It was agreed at UNCTAD VIII that the UNCTAD secretariat should strengthen its technical cooperation activities in the area of trade with the objective of strengthening national capacities for trade and development and enhancing the participation of developing countries in the international trading system. Such activities should encompass trade policy reforms (see para. 163 of the Cartagena Commitment).

138. Technical cooperation by UNCTAD can make an important contribution to countries in the process of reform. Such cooperation can assist with the design and implementation of policy reforms and the monitoring of their impact on economic performance, including exports. A prerequisite of policy design, implementation and monitoring is an information base about the structure of the economy, linkages among industry sectors, and linkages with the world economy. Technical cooperation can help to establish information bases, to analyse the information stored and to determine the likely outcomes of competing policy packages. A further role of technical cooperation is to provide assistance to the Government in dealing with the outside economic environment. For example, bilateral and multilateral negotiations might be important in securing and liberalizing access to foreign markets, including foreign capital markets. Assistance in dealing with nuts-and-bolts type issues might be appropriate, including such issues as the administration of trade laws of trading partners (e.g. anti-dumping and countervailing duty laws) and with the negotiation of covenants governing international loans. Finally, technical cooperation can also generate a two-way flow of information. As an example, the GSP project has provided the stimulus, ideas, and data for a research effort leading to improvements in the programme and to the linkage of the GSP to market-oriented trade policy reform.

Notes

1/ See "Expansion of trading opportunities of developing countries", note by the UNCTAD secretariat (TD/B/WG/4/2); "Measures and incentives for enhancing the competitiveness of sectors with export potential in developing countries: evidence and lessons from experience", report by the UNCTAD secretariat (UNCTAD/ITP/90).

2/ For more details see UNCTAD, Trade Policies, Investment and Economic Performance of Developing Countries in the 1980s, ITP/30, (1990).

3/ For the extent of changes, see UNCTAD Trade and Development Report, 1991, and Trade and Development Report, 1992.

4/ See also UNCTAD, Expansion of Trading Opportunities for Developing Countries, op. cit.

5/ See F. Bourguignon and C. Morrisson, Adjustment and Equity in Developing Countries, OECD Development Centre, Paris, 1992.

6/ Chile and Sri Lanka, which are included in the sample of 14 countries, launched their reform programmes already in the 1970s.

7/ i.e. Mexico 17 percentage points and Morocco 12 percentage points.

8/ A.R. Khan, Structural Adjustment and income distribution: A review of issues and experiences, World Employment Programme Research, Working Paper No. 31 (December 1991), ILO, Geneva.

9/ See UNCTAD, Trade and Development Report, 1992 and UNCTAD, Measures and Incentives for Enhancing the Competitiveness of Sectors with Export Potentials in Developing Countries: Evidence and lessons from experience, op. cit.

10/ See for example UNCTAD, "Trade Policies, Investment and Economic Performance of Developing countries in the 1980s", op. cit.

11/ See also UNCTAD, Trade and Development Report, 1992, United Nations Publication sales No. E.92.II.D.7.

12/ This measure alone would provide support to developing countries that is double the value of official development assistance provided by all OECD countries. This estimate, and the comparison with OECD official development assistance, is reported in OECD, Development Cooperation, 1992 p. 18. The World Bank estimates that a 50 per cent liberalization of all trade barriers would stimulate developing country exports to the EC, Japan and the United States by $50 billion. World Bank, Global Economic Prospects and the Developing Countries: 1992

13/ These issues will be treated very briefly here. For more details see "Expansion of trading opportunities for developing countries," TD/B/WG.4/2, October 1992.

14/ Tariff escalation means that tariff rates are positively correlated with the level of processing. Thus, raw materials are cleared through customs duty-free or subject to low tariffs; semi-manufactures and intermediate components and materials are subject to moderate rates of duty; the highest rates apply to finished goods.

15/ This represents the estimated increase in export earnings and includes the losses in quota rents. See W. Cline 1990, op. cit.

16/ A survey of this issue is reported in UNCTAD, "Costs and consequences of non-tariff measures which adversely affect exports of developing countries," (TD/B/1284), 26 December 1990.

17/ This document was completed in early December 1992 and it draws upon the Uruguay Round's draft Final Act.

18/ For example, nearly half of dispute settlement cases brought before the GATT and its bodies since 1948 have concerned agricultural products. Since 1987, the proportion of agricultural disputes has particularly increased. See GATT Press Release, 1543, 3 June 1992, p. 9.

19/ For example aid for the areas with low standards of living or serious unemployment; remedies of a serious economic disturbance in a member State; facilitation of development of certain economic activities or areas where such aid has no adverse effect on trading conditions of common interest.

20/ In 1989-1992 there were four subsidy-related dispute cases, brought either by Canada or the United States, before the GATT Council or Committee on Subsidies and Countervailing Measures. These cases involved such products as pork, grain corn, softwood lumber and magnesium.

21/ See also section D below "Competition policy".

22/ For example, the GATT dispute settlement case on the United States restrictions on imports of tuna from Mexico, and a very recent case, brought by the ASEAN countries to the GATT, on mandatory labelling of tropical timber and timber products by Austria.

23/ "Public goods" are a class of goods and services where exclusion of consumers may be impossible and consumption by one consumption agency or unit does not exhaust its availability for others.

24/ See C.P. Kindleberger, "International public goods without international government", American Economic Review, March 1986.

25/ C. Peterson, Trade conflicts and resolution methodologies, American Economic Review, May 1992.

26/ Such countries include Argentina, Brazil, Chile, Côte d'Ivoire, Gabon, Kenya, India, Pakistan, Peru, Republic of Korea, Sri Lanka, Thailand and Venezuela.

27/ The Set of Multilaterally Agreed Equitable Principles and Rules for the Control of Restrictive Business Practices was adopted in General Assembly resolution 35/63 of 5 December 1998 (see TD/RBP/CONF.10/Rev.1).

28/ See Department of Justice Press Release, No. 92-117 of 3 April 1992.

29/ See "Brittan urges role for GATT in competition enforcement", Financial Times, 3 February 1992, and "EC Commissioner urges examination of global antitrust rules", Antitrust and Trade Regulation Report, Vol. 62, 19 March 1992, p. 357.

30/ UNCTAD VIII: Analytical Report by the UNCTAD secretariat to the Conference (TD/358), 1992.

31/ See L.K. Mytelka, Strategic Partnerships: States, Firms and International Competition (London: Pinters, 1991).

32/ See UNCTAD, Handbook of International Trade and Development Statistics, United Nations Sales No. E/F.90.II.D.I, September 1990.

33/ UNCTAD VIII, op. cit. For a more comprehensive treatment of technology flows to least developing countries, see UNCTAD "Transfer and development of technology in the least developed countries: an assessment of major policy issues" - report by the UNCTAD secretariat in cooperation with L.K. Mytelka (UNCTAD/ITP/TEC/12), August 1990.

34/ See "Bilateral Investment Treaties" (ST/CTC/65), United Nations Centre on Transnational Corporations, United Nations, New York, 1988, and "Bilateral Investment Treaties, 1959-1991" (ST/CTC/138) United Nations Centre on Transnational Corporations and International Chamber of Commerce, United Nations, New York 1992.

35/ See Therese J. Belot and Dale R. Weigel, "Programs in Industrial Countries to Promote Foreign Direct Investment in Developing Countries", World Bank Technical Paper Number 155, The World Bank, Washington, 1991.

36/ See Dr. O. Hobler, "Steuer als Hindernis" (Taxes as an obstacle to Foreign Investments), in Industrie, 5.9.1990, Vienna, Austria; and Dkfm. Dr. J. Schram, "Garantiert im Ausland" (Guaranteed if investing abroad), in Industrie, 4.7.1990; and Helene Deval, "Les investissements privés et publics en Afrique", in Marchés Tropicaux p. 2203, 21.7.89.

37/ A pilot scheme "EC International Investment Partners" provides inter alia for co-financing of preparations and launching of joint ventures between European firms with local firms within the framework of specific bilateral financial cooperation agreements with a number of developing countries.

38/ See "Japan stabilisert Einflusszone in Asia" (Japan stabilizes zone of influence in Asia) in Nachrichten für den Aussenhandel, 16.5.1991.

39/ See also "Policies for human resource development, with special reference to technical cooperation activities for trade and development", report by the UNCTAD secretariat.

ANNEX

Table 1

Economic and trade performance of developing countries with comprehensive and lasting reform programmes: foreign trade

Regions/Countries	Years of reforms	Total exports				Exports of Manufactures					Imports	
		Real Growth	in % p.a.	Share in World exports 1980=100		Share in country exports			World market shares Index 1980=100		Real growth in percentage	
		1980-90	1985-90	1985	1990	1980	1985	1990	1985	1990	1980-90	1985-90
LATIN AMERICA/CARIBBEAN		4.8	5.6	85	78	27	43	51	149	114	0.0	6.2
Bolivia	1985	0.1	0.9	67	52	3	0	5	INS	INS	-2.2	-6.4
Chile	1975/76	3.7	4.7	85	108	9	7	9	55	98	0.9	19.9
Costa Rica	1983/84	2.5	4.2	94	82	28	22	24	68	52	0.9	8.0
Jamaica	1985	2.0	4.1	59	84	6	14	15	INS	INS	0.5	-0.6
Mexico	1985	5.2	-1.4	163	102	12	27	44	331	282	2.2	6.5
Uruguay	1983	3.9	7.5	83	95	38	35	39	69	72	-2.4	10.7
AFRICA SOUTH OF THE SAHARA		0.8	4.8	68	43	4	7	15c/	97	116	-2.9	2.4
Côte d'Ivoire	1984	1.3	1.8	93	51	9a/	11	11	95	46	-2.9	-0.3
Ghana	1986	-0.6	6.8	59	47	3	1	3b/	INS	INS	1.1	6.3
Guinea c/	1985	6.5	7.4	136	111	0	0	0b/	0	0	2.9	3.9
Nigeria	1986	-2.4	4.2	54	32	0	1	1	INS	INS	-10.3	-8.3
Senegal	1985	4.9	1.5	112	92	18	24	23	132	90	3.7	6.8

ANNEX

Table 1 (continued)

Economic and trade performance of developing countries with comprehensive
and lasting reform programmes: foreign trade

Regions/Countries	Years of reforms	Total exports				Exports of Manufactures					Imports	
		Real Growth	in % p.a.	Share in World exports 1980=100		Share in country exports			World market shares Index 1980=100		Real growth in percentage	
		1980-90	1985-90	1985	1990	1980	1985	1990	1985	1990	1980-90	1985-90
MEDITERRANEAN COUNTRIES												
Morocco	1983	5.8	8.5	93	104	24	40	52	93	104	3.6	6.0
Turkey	1984	11.0	-3.5	282	262	27	61	68	572	496	7.3	3.7
Developing countries in East, South and South-East Asia		10.9	14.2	131	161	49	59	77	141	190	10.3	14.0
Indonesia	1985/88	3.3	6.3	88	69	2	11	35	...	...	6.3	11.6
Sri Lanka	1978/79	7.7	4.2	124	107	13	18	25	114	265	0.5	0.8
Developing countries total		4.5	9.9	85	78	22	38	54	133	147	5.0	9.2
World		4.1	5.6	100	100	53	59	70	100	100	4.6	6.7

INS = Insignificant shares

a/ 1981
b/ Excl. SITC 667 (diamonds)
c/ Partner country reports

Table 2

Economic and trade performance of selected developing countries with comprehensive reform programmes: production and investment

Regional Countries	GDP Real growth in % p.a.		Manufactured value added in % p.a.		Gross Domestic Investment Real growth in % p.a.	
	1980-1990	1985-1990	1980-1990	1985-1990	1980-1990	1985-1990
LATIN AMERICA AND THE CARIBBEAN:	1.6	1.8	1.7	...	-2.0	...
Bolivia	0.1	0.9	-1.3	3.3	-11.1	3.4
Chile	2.8	6.1	-10.6	...	0.5	12.9
Costa Rica	2.5	4.6	2.2	4.3	2.7	4.8
Jamaica	2.0	4.1	2.8	4.3	5.1	11.8
Mexico	1.6	1.3	1.9	2.6	-3.7	3.6
Uruguay	-0.2	3.4	-1.1	4.0	-9.4	0.8
AFRICA SOUTH OF THE SAHARA	2.1	2.7	3.1	...	-4.3	...
Côte d'Ivoire	0.5	-0.7	-0.7	-1.8	-8.1	-9.6
Ghana	2.2	4.6	0.8	2.6	6.8	15.6
Nigeria	0.8	3.7	1.8	4.2	-9.4	-0.4
Senegal	3.1	3.3	5.4	5.1	8.2	8.9
MEDITERRANEAN + ASIAN COUNTRIES						
Indonesia	3.3	6.3	11.8	10.7	7.2	5.1

Table 2 (continued)

Regional Countries	GDP Real growth in % p.a.		Manufactured value added in % p.a.		Gross Domestic Investment Real growth in % p.a.	
	1990-1990	1985-1990	1980-1990	1985-1990	1980-1990	1985-1990
MEDITERRANEAN + ASIAN COUNTRIES (continued)						
Morocco	3.6	3.9	3.8	3.1	3.6	3.9
Sri Lanka	4.2	3.2	6.2	6.7	0.3	2.8
Turkey	5.3	5.9	7.1	6.4	2.7	1.5
DEVELOPING COUNTRIES IN EAST AND SOUTH-EAST ASIA AND THE PACIFIC	7.8	9.1	12.4	...	10.6	...
Developing countries TOTAL	3.2	3.6	6.0	...	2.3	...
World	3.2	3.6	4.0	...	3.8	...

Source: World Bank Data Base.

Table 3

Distribution of African and other least developed countries according to the performance of the manufactured sector (1970-1989)

	Share of manufacture in GDP 1980-1989	Growth of manufacturing sector in the 1980s as compared with the 1970s
Increases	44	39
Decreased	26	61
Unchanged	29	0
Total	100	100
Total number	34	23

Source: Based on UNCTAD, The Least Developed Countries 1991 Report, Table 5.

Table 4

Annual average growth rates of import volumes of various groups of developing countries 1970-1991

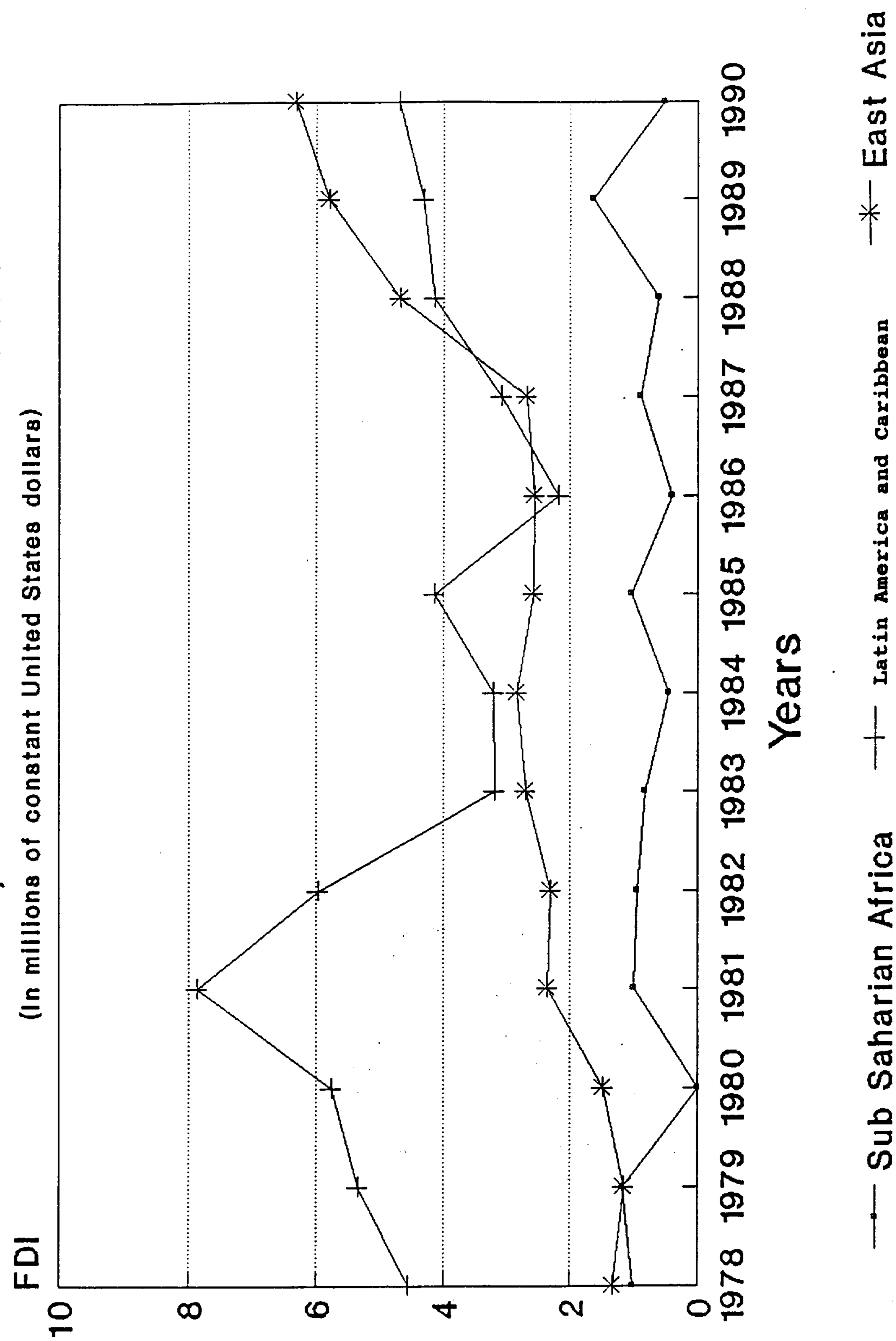
Country groups	1970-1980 (1)	1980-1991 (2)	Difference (2) - (1)
America	5.1	-1.6	-6.7
North Africa	8.8	-1.8	-10.6
Other Africa	6.3	-2.8	-9.1
West Asia	16.3	-1.9	-18.2
South and South East Asia	7.6	9.8	2.2
All developing countries of which:	7.8	3.9	-3.9
Least developed	3.1	1.4	-1.7
Heavily indebted	7.0	-1.3	-8.31

Source: Based on UNCTAD Handbook of International Trade and Development Statistics, 1991, Table 2.2

GRAPH 1

FDI IN AFRICA, LATIN AMERICA AND EAST ASIA

(In millions of constant United States dollars)



Source: IFS, IMF December & July 92

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