THE NEW MULTILATERAL TRADE NEGOTIATIONS: A CHALLENGE FOR LATIN AMERICA AND THE CARIBBEAN

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ABSTRACT

When they gather at the third Ministerial Conference of the World Trade Organization (WTO), the Ministers of 132 countries will be deliberating upon the future programme of work for the Organization. The guidelines for their discussions have been set by the agenda incorporated into the Uruguay Round agreements, which covers three main sets of issues: (i) the implementation of those agreements; (ii) the agenda that forms part of them, i.e., substantive negotiations aimed at carrying forward the reform of the agricultural sector, intensifying the liberalization of trade in services and clarifying some of the disciplines established by other agreements; and (iii) the possible introduction of new issues for analysis as a basis for further proposals and negotiations. It should be borne in mind that, with the creation of WTO, a new forum has been established in which trade negotiations have been converted into an ongoing process.

The Governments of the developing countries, in general, and those of Latin America and the Caribbean, in particular, are striving to ensure that these negotiations will constitute a "development round" in which their interests are taken fully into account and, to that end, have drawn up a positive agenda for pursuing matters of common interest.

Five years after the entry into force of the multilateral trade agreements, the developing countries, in general, and the Latin American and Caribbean countries, in particular, have realized that there is a serious imbalance between the cost of carrying out their obligations and the benefits they will receive from the industrialized countries' fulfilment of their commitments. This view is supported by a number of academic appraisals of the impact of the Uruguay Round, which show that the industrialized countries have benefited the most from the liberalization of trade in goods and services. Their greater negotiating capacity has enabled these countries to establish a multilateral framework of disciplines for trade in services and for the protection of intellectual property rights, to bring up issues such as investment and competition policies in regard to TRIMs and the telecommunications agreement, and to move forward with the liberalization of financial services, telecommunications, electronic commerce and information technology. In addition, the provisions pertaining to liberalization of the agricultural, textile and apparel markets has had the effect of giving the more advanced economies more time to carry out their internal restructuring than the developing countries have had to make the necessary changes in their legislation, rules and institutions to fulfil the commitments they made as part of the Uruguay Round agreements.

Although they feel that they now enjoy more predictable and more secure market access thanks to the greater transparency of national trade rules and policies associated with the Uruguay Round agreements, the countries of the region are nonetheless aware that formidable barriers to their exports still exist in major import markets.

The Uruguay Round agreements failed to resolve a number of questions relating to market access for developing countries —issues whose settlement would entail political costs that the Governments of the more advanced economies are unwilling to pay— which had been left pending from earlier rounds. In the industrialized countries, the tension generated by market integration and the growing interdependence of nation-States has been mounting, and the impacts of these circumstances on the labour market are being felt at a time when technological change is also making its influence felt on the demand for labour. There is a widespread belief that economic integration and liberalization have destabilizing effects that will need to be counteracted if Governments want to ensure that society will continue to support the idea of global interdependence.

From the standpoint of Latin America and the Caribbean, these negotiations are being undertaken within a framework that differs in both positive and negative ways from the context in which the Uruguay Round was held. Some of the factors on the positive side of the equation are: (i) WTO is a universal organization whose membership includes all the countries of the region that have been actively participating in the negotiation process; (ii) as part of the commitments made by these countries in the Uruguay Round, they have adopted an export-oriented development model, have implemented a rigorous macroeconomic reform programme and have bound their tariffs at low levels; (iii) all the countries are participating in simultaneous bilateral, plurilateral and multilateral negotiations at which they analyse the same issues and establish similar —but not identical— rules, and these countries' negotiators are learning from these experiences; and (iv) although they have had very severe impacts, recent financial crises have not been as devastating or as politically debilitating as the external debt crisis of the 1980s.

The performance of the region's economies has demonstrated, however, that the necessary macroeconomic reforms have not yet been completed in many countries, since their stability is still largely determined by the behaviour of external capital flows. The external sectors of Latin America and the Caribbean are still vulnerable, both because of the countries' difficulties in obtaining reliable access to long-term capital markets (which affects their exchange policies and their economies' investment and growth rates) and because of their specialization in exports of labour- and natural-resource-intensive goods and services. As a result, their export performance hinges on their ability to gain reliable market access and on the existence of economically worthwhile international prices.

I. TRADE NEGOTIATIONS AS AN ONGOING PROCESS

The World Trade Organization (WTO), which began operations on 1 January 1995, is one of the most significant outcomes of the Uruguay Round. With WTO, multilateral trade negotiations have become an ongoing process.[1] At the regular sessions of the Ministerial Conference, the highest body of the Organization, representatives of member countries decide on the programme of work of WTO and assess compliance with the commitments undertaken in the context of the Uruguay Round agreements and with the schedule for implementation of the work programme implicit in those agreements. They also consider other issues on which there is consensus among member countries.

The new institutional panorama was discussed at the First Ministerial Conference, held in Singapore in December 1996. At that session, for the first time ever, the liberalization of a sector was agreed on outside the context of a round of trade negotiations (the Information Technology Agreement), and new working groups were created for purposes of future negotiations (ECLAC 1997, p. 33).[2]

The Governments of the developing countries were concerned about the prospect of entering into negotiations before they had had time to familiarize themselves with the proposed topics and to evaluate the potentially positive and negative effects of the liberalization of specific markets, as well as of the adoption of new rules and legal procedures.[3] They felt that although the system was supposed to be governed by rules rather than by power relations, the negotiations were not being proposed as an exchange of mutually beneficial concessions in which the export specialization of individual countries would be borne in mind.

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[1] The Marrakesh Agreement (articles II and III) provides that the World Trade Organization, in addition to facilitating the implementation, administration and operation of the agreements arising from the Uruguay Round, shall constitute a forum for negotiations among its members concerning their multilateral trade relations in matters dealt with in previous agreements and such other matters as may be decided by the Ministerial Conference (GATT, 1994, p. 7).

[2] Three working groups were created in Singapore: one to examine the relationship between trade and investment; another to study issues relating to the interaction between trade and competition policy, including anti-competitive practices, and the third, to undertake a study on transparency in government procurement practices, taking into account national policies, and, based on that study, to develop elements for inclusion in an appropriate agreement. The Ministers also directed the Council for Trade in Goods to undertake exploratory and analytical work on the simplification of trade procedures (trade facilitation) in order to assess the scope for WTO rules in that area (see the Singapore Ministerial Declaration on the WTO Web page [http://www.wto.org].

[3] According to Ambassador Rubens Ricupero, Secretary-General of the United Nations Conference on Trade and Development (UNCTAD), the system of negotiating rounds was better for the developing countries, since a Round was preceded by negotiations on the structure and composition of the agenda, thus allowing countries to promote issues that were important to them (UNCTAD, 1997, p. 7).

At the Second Ministerial Conference, held in Geneva from 18 to 20 May 1998, the ministers agreed on a schedule for achieving full implementation of the existing agreements and preparing for their next session. At that same meeting, the ministers also adopted the Declaration on Global Electronic Commerce and reaffirmed that they would continue their current practice of not imposing customs duties on electronic transmissions (moratorium) until the Third Ministerial Conference. The Declaration also establishes a comprehensive work programme to examine all trade-related issues relating to global electronic commerce.

Thus, negotiations are under way following an agenda based on the ministerial agreements and decisions of the Uruguay Round and the Ministerial Declarations adopted at the different sessions of the Ministerial Conference. Future negotiations should address issues such as implementation of the agreements, the agenda for new negotiations on agriculture and services, and review of the agreements on trade-related investment measures (TRIMs) and on trade-related aspects of intellectual property (TRIPs). The new questions being taken up by WTO (trade and environment; trade and investment; trade and competition policy; transparency in government procurement, trade facilitation and electronic commerce, etc.) will be negotiated once a consensus has been reached by all members of the organization. The great challenge is to produce a balanced agenda in which the interests of countries with different levels of income and economic development will be adequately reflected.

Five years after the entry into force of the multilateral trade agreements, the developing countries, in general, and the Latin American and Caribbean countries. in particular, have realized that there is a serious imbalance between the cost of carrying out their obligations and the benefits they will receive from the industrialized countries' fulfilment of their commitments. This view is supported by a number of academic appraisals of the impact of the Uruguay Round, which show that the industrialized countries have benefited the most from the liberalization of trade in goods and services. Their greater negotiating capacity has enabled these countries to establish a multilateral framework of disciplines for trade in services and for the protection of intellectual property rights, to bring up issues such as investment and competition policies in regard to TRIMs and the telecommunications agreement, and to move forward with the liberalization of financial services, telecommunications, electronic commerce and information technology. In addition, the provisions pertaining to liberalization of the agricultural, textile and apparel markets has had the effect of giving the more advanced economies more time to carry out their internal restructuring than the developing countries have had to make the necessary changes in their legislation, rules and institutions to fulfil the commitments they made as part of the Uruguay Round agreements.

In light of the above, the future work programme of WTO should be defined from the standpoint of the developing countries in order to correct the imbalances of the past. Since the First Ministerial Conference in Singapore, and considering the experience of the Uruguay Round negotiators, the United Nations Conference on Trade and Development (UNCTAD) has stressed the need to develop a positive agenda for the developing countries (UNCTAD 1997, 1999). ECLAC has also conducted studies and sponsored expert meetings as a contribution to the analysis of ways to help the countries of the region formulate well-reasoned proposals aimed at improving the terms on which they gain access to goods and services markets and enhancing flexibility in the design and management of policies for changing production patterns (ECLAC 1996, 1997, 1998a, 1998b, 1998c, 1999, and others).

The Latin American and Caribbean countries should capitalize on their own particular circumstances as they approach the current negotiations. This includes their unilateral liberalization, deregulation and privatization measures, their Uruguay Round commitments on liberalization of trade and capital flows, and their macroeconomic reforms. It is important, on the one hand, that their effort to liberalize goods, services and capital markets be recognized by the other WTO member countries and, on the other hand, that the Latin American and Caribbean Governments appreciate the importance for other countries of having access to their markets and negotiate accordingly.

What has not changed is the fact that the region specializes in exports of labour- and natural-resource-intensive goods and services which compete with sensitive sectors in the industrialized countries. This is the main obstacle standing in the way of substantive changes. Two clarifications are in order, however. In the first place, although the region still specializes in natural-resource-intensive industries, the companies involved in these industries have implemented significant technological and organizational changes. In the second place, the entrepreneurial growth that occurred under the import-substitution regime enabled many countries of the region to transfer the benefits of their trade liberalization efforts to markets within the region itself and to set a successful regional integration process into motion. In other words, there was some degree of market diversification, and that in turn allowed for the growth of exports of more sophisticated manufactured products.

In 1947, Brazil, Chile and Cuba were the only Latin American and Caribbean countries to sign, along with 20 other countries, the General Agreement on Tariffs and Trade (GATT). By the end of the Uruguay Round, almost all the Latin American and Caribbean countries were members of GATT or were in the final stages of the accession process and were thus able to participate in the negotiating process. Their representatives played an active part in the Uruguay Round negotiations and worked to ensure that all members would have essentially equivalent rights and obligations and that the agreements would allow for the liberalization of those sectors that were important to the region. In the context of the external debt crisis of the 1980s, they waived the non-reciprocity rights they had obtained in previous Rounds, and bound virtually all of their tariffs.[4] Although the bound levels are higher than those actually applied, analysts have concluded that the developing countries made more significant concessions than the industrialized countries.[5] Moreover, while the reduction of industrial tariffs of the more advanced countries was implemented gradually throughout the various Rounds, the opening of the Latin American economies took place over a much shorter period of time (see chapter III).

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[4] Several countries (including Bolivia, Costa Rica, El Salvador, Mexico and Venezuela) bound their tariffs of them before the end of the Uruguay Round because this was one of the steps require membership in GATT (Jara, 1991, p. 17).

[5] Finger and Schuknecht (1999, p. 3) have emphasized that the degree of market access afforded by a 50% reduction in a 40% tariff is obviously greater than the degree of access obtained from a 50% reduction in a 2% tariff.

The Marrakesh Ministerial Declaration states that the global economic cooperation inherent in the establishment of WTO arises out of the "the widespread desire to operate in a fairer and more open multilateral trading system for the benefit and welfare of their peoples." 'rade liberalization is thus conceived of as a means to increase people's welfare rcther than as an end in itself. The preamble to the Marrakesh Agreement recognizes the need to make "positive efforts designed to ensure that developing countries, and especially the least developed among them, secure a share in the growth in international trade commensurate with the needs of their economic development".[6] These statements, however, were not forged into binding obligations.

Over the last 15 years the Governments of Latin American and Caribbean ries have made far-reaching changes in their trade and foreign exchange regimes. These changes have been set within the framework of sweeping macroeconomic reforms undertaken to improve the workings of domestic markets, reorganize the system of incentives for the private sector, eliminate anti-export bias, and help to increase the international competitiveness of the production units located within their national borders. Average tariffs have been lowered, and the degree of dispersion around the average tariff rate has been reduced.[7] Most of the administrative and non-tariff measures affecting imports have been discontinued, and the number of different tariff levels has been reduced, thereby making it possible to adopt more uniform tariff structures. This trade liberalization process was carried out unilaterally throughout the more than seven years of the Uruguay Round negotiations.

As a result of these policy changes, economic growth in Latin American and Caribbean countries has come to depend on the degree, intensity and quality of their integration into an economy that has become both globalized and regionalized. The recent international financial crisis and the dramatic collapse of commodity prices have served as eloquent testimony to the importance of expanding and diversifying exports in order to make it possible for an export-led wevelopment strategy to generate sustained growth. Reliable access to goods and services markets, and dynamic external demand, are essential factors in raising the effective level of exports for any given supply of exportables, assuming efficiency in domestic production. The recent crisis has drawn attention to the external vulnerability of most of the region's economies, in both financial and productive terms.[8]

Information on the commitments assumed by industrialized countries in WTO and a review of their trade policies suggest that the export-oriented sectors of the region's countries are being opened up slowly and that this process is often accompanied by measures that undermine earlier obligations. Liberalization is taking place in sectors where Latin American and Caribbean countries have insufficient productive and export capacity. Against this, the capacity of public

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[6] GATT, 1994, pp. IV and 6.

[7] For further details, see ECLAC, 1998b.

[8] Ambassador Rubens Ricupero has oted that the financial crisis hit the more advanced developing economies with more successful export records particularly hard, such as Chile and the countries of East Asia (Ricupero, 1999). owever a striking difference has been seen between the recovery capacity of Chile s external sector and that of the Republic of orea, which could be explained by their different export composition. Chile s exports are dominated by primary and agroindustrial products, whereas orean exports are made up of manufactures with varying degrees of technological content.

and private agents to increase and enhance the diversification of their exports is being hampered by the broader changes taking place in the international economy and in the global organization of production. This capacity is further diminished as a result of the leading role played by transnatkonal companies and the lack of transparency in their internal markets, together with the limited bargaining power of national government in dealing with these companies owing to the constraints of multilateral commitments.

There is a very pressing need for a strategic approach to the future work programme for multilateral negotiations, firstly because there is an overlap between closely related negotiating forums, in which rules and regulations on the same topics are negotiated simultaneously. This multiplicity of forums and topics is one of the elements that distinguishes the present context from the preceding one, which provided the backdrop to the Uruguay Round negotiations. Another distinguishing feature is societies' rejection in developing and industrialized countries alike of the socially disintegrating forces associatgd with the liberalization of trade in goods, services and of technology and capital flowsOrganized civil society has pointed to the need to cosrect the socially destabilizing impacts of globalization so that the benefits of liberalization can spread.

In recent years, a large number of books and articles have been published analysing the determinants of the tensions generated by globalization, the conflicts arising from the asymmetry
nd labour, and between capital, between groups of workers with the skills and mobility to take
advantage of the opportunitie p 1 s opened up by the lowering of barriers and the creation of "global" markets. Some authors have warned that the world economy needs to face the challenge of making international economic integration compatible with national and international social integration (Rodrik, 1997). It has also been argued that the widening gap between industrialized and developing countries, and between different income groups within the same
from the legitimacy of a growth model that excludes large segments of society, and even gsoups of countries, fsom the benefits of globalization (UNCTAD 1999). A strong current in the globalization literature has attempted to compare the present wave of market integration with what occurred between 1820 and 1914. These studies highlight the unresolved tensions of
of the 1914-1945 period, Victorian liberalism, raising which resulted in the great global crise
questions about the capacity of international economic cooperation to respond to the pressures imposed by globalization today (see chapter III).

Other analysts consider that the change in the nature of the trade agenda that began with the Tokyo Round, and the steady shift from tariff negotiations centred on reciprocal benefits to negotiations about rules, policies and legislation, whose costs and benefits are difficult to

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In an article published in the *Financial Times*, Robert Reich refers to a survey carried out in early 1999 in which 58% of Americans agreed with the statement that external trade was "bad for the economy of United States because cheap imports had a negative in effect on wages." Only 32% felt that trade was "good for the economy of United States because it created external demand, economic growth and jobs." The columnist expressed surprise at
the trade of sentiment in a period of unprecedented expansion for the United States economy, when
unemployment rates are at their lowest els for 30 years. As Reich put it, "If free trade inspires this much antipathy now, when the economy is surging, what will happen when the economy slows, as it inevitably will?" ("Trading insecurities" *Financial Times*, 20.05.1999, p. 14).

transparency of government procurement and governance in general.

evaluate and which increasingly meddle in countries' domestic rules and institutions, may explain some of the tensions associated with global liberalization. These authors stress the fact that the success of the postwar economic architecture arose precisely because it was founded on a guarantee that international regulations would leave space for national autonomy (Agosin and Tussie, 1993; Ruggie, 1982).[10] This tacit commitment made it possible for the goals of national policy and international co-operation to come together to preserve and expand economic liberalization. The growing demand for greater convergence between policies, institutions and legislation upsets the equilibrium between the national domain and international cooperation, generating mistrust from civil society in the most advanced countries, and hostility towards the external regulatory system. As Ostry (1999, p. 6) argues, the common thread running through several topics on the trade agenda (technical, sanitary and phytosanitary barriers; services trade; policies in defence of competition; antidumping; subsidies; trade-related aspects of investment and the protection of intellectual property rights) is that all of them affect the economy's institutional infrastructure. Entry barriers faced by service providers have their origins in national legislation, regulations and administrative actions, while the agreement on the protection of intellectual property rights, apart from standards for national laws to adhere to, also contains procedures for putting them into effect.

Against the backdrop of these concerns, Latin American countries, like other developing nations, are in a particularly disadvantageous position, given the magnitude of tkeir existing social deficits, the weakness of their economic, legal and social institutions (which is associated with their underdevelopment), and the increasingly fragile State apparatus that is partly a result of ave adopted fiscal austerity programs; the final analysis, there is a risk that the entry conditions faced by these countries to access international markets for goods,wservices and capital will be raised. Societies in advanced economies are thus posing a dilemma that is difficult to resolve, since to enter their markets, developing countries have to establish sophisticated and effective legal institutions and enforce adequate systems for protecting property rights, particularly as regards intellectual property. In addition to this, while not neglecting the environment, p 24 they must also improve labour conditions in their countries, and increase the

Governments and societies in Latin American and the Caribbecn desire the highest normative and institutional standards for their countries, but building them takes time and requires human resources and a financial and technical capacity that they do not possess. The experience of European integration since its inception, the incorporation of Spain, Greece and Portugal into the European Community, and the recent experience of integration between the former German Democratic Republic and the Federal Republic of Germany, show that convergence between the normative and institutional patterns of different countries and regions has a high-cost which can only be met by collective and redistributive action.

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[10] The term "embedded liberalism" was coined by Ruggie (1982), in an outstanding paper on the topic of multilateralism, to explain the success of the international economic order p 9 of the postwar period in United States. According to Ruggie, the GATT trade regime was successful because the historical situation allowed th United States to associate its political power with a legitimate social purpose: employment and investment policies. The postwar liberalism was thus set in a framework of domestic policies and was legitimized by them.

The international community of nations must face up to the challenge of correcting the socially destabilizing impact of globalization, while acknowledging legitimate demands for the right to work and for environmental protection. They must also prevent new obstacles from being placed in the way of a more balanced integration into world markets by developing countries, in general, and by the Latin America and Caribbean countries, in particular.

way (UNCTAD, 1997, pp. 9-15).

II. THE INTERNATIONAL POSITION OF LATIN A ERICA AND THE CARIBBEAN IN TH OF NEGOTIATIONS

At the close of the Uruguay Round, a number of studies were conducted in an attempt to quantify how the agreements reached there would affect income and, to a lesser extent, the trade activity of the various groups of countries involved. Based on a number of theoretical assumptions, general equilibrium models were used in an effort to determine what inds of shifts might occur in production and trade activity as the measures required for full implementation of these agreements were introduced.[11] The first studies to be completed projected static aggregate gains of between 1% and 1.5% of gross world product. Later on, these results were revised, and the estimated gains turned out to be less than 0.5% of gross world product, with most of this sum going to industrialized countries (Perroni, 1998).[12]

These studies suffer from two main shortcomings. First, they focus on the measurable effects of these agreements (e.g., reductions in tariffs on manufactured products, tariffication of non-tariff barriers and other commitments relating to agriculture, and the Multifibre Arrangement) while ignoring other important qualitative components that cannot be modeled. Second, it is impossible to separate out the effects of the Uruguay Round agreements from the impacts of the overall globalization, liberalization and privatization processes currently under

In addition, as noted earlier, the creation of WTO has engendered an ongoing liberalization process which is gradually spreading to new sectors at the same time that existing commitments are being intensified. No static model can capture the chain reactions associated with this liberalization process, a process based on contractual arrangements and the creation of multilateral disciplines and rules for industries which until recently were not even regarded as belonging to the tradables sector. Iw is also very difficult to measure the impact of a number of different agreements on a single sector, as, for example, when trying to gauge how trade-related investment measures (TRIMs), trade-related aspects of intellectual property rights (TRIPs) and ement on the textiles and wearing apparel may have affected trade in these products.

Despite the absence of any definite figure that would sum up the "virtuous-circle" effects of the Uruguay Round, the trends seen in the international economy during the time span covered

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[11] See François, McDonald and Nordström (1996) forwa review of the major studies on this subject.

[12] Finger and Schuknecht (1999, p. 3) believe that the tariff reductions for manufactures resulting from the Uruguay Rou d will not exceed 1% of what exporters pay in industrialized countries and 2.3% of what they pay in developing countries; this is a far cry from the 40% reduction annou ed in the economic press at the Round s conclusion.

ıe existence of those negotiations and in the five years since their conclusion point to
positive loop between regulatory systems and trade institutions, on the one hand, and structural changes in the world economy and trade, on the other. The process of adapting multilateral trade rules and mechanisms to changes in production patterns and in the role of the State began even earlier, with the Tokyo Round (1973-1979), but it was not until the Uruguay Round that it began to make dramatic inroads. The past two decades have been marked by far-reaching changes in international competition and in the way production is organized, and these changes have, in turn, been reflected in the degree of interdependence existing among countries and markets, in the convergence of production and consumption patterns, and in the di p-1 ffusion of technological knowledge.

As the increasing convergence of production and consumption patterns in countries of differing levels of development has begun to bring about significant changes in international competition, multilateral trade negotiations have become increasingly complex. Trade

negotiationh

applied at border crossings and towards regulations, legislation and policy tools that govern virtually all of a nation-State's economic activities. However, the harmonization of laws, policies and institutions across nation-States in order to permit the market to function better and to guarantee capital and property rights also raises concerns in society and points up the need for a more balanced distribution of the costs and benefits of such a shift, whether across countries or within individual nations.

1. Th tr ns or tion o th int rn tion l cono y

There is a growing consensus among the experts that the sweeping process of change in the technology, institutions and orientations of the international economy seen in the 1990s —the process that has come to be known as "globalization"— is part of a long-term historical shift. The recent literature presents an interesting debate concerning the similarities and differences between the pre-1914 process of economic integration that occurred among the advanced economies and the sort of integration p 3 process observed during the 50 years following the Second World War. However, even though the growing interdependence fostered by trade and investment is not a new phenomenon, ever since the first signs were seen in the 1960s of a resumption of the integration process —a process interrupted by years of economic and social instability that had encompwssed two tragic world wars— it was clear that this trend was emerging within a new and different context and that it therefore signified something more than
In each country, the Government and society are faced with new
problems that stem from a combination of more ambitious international and national objectives; at the same time, the unprecedented degree of economic interdependence existing among States considerably limits the autonomy of national policy management (Cooper, 1968/1997).

The current stage of the internationalizatio process has a number of new features, but it is nonetheless part of a much lengthier historical process which has given rise to the conditions needed in order for the world economy to gradually make the transition from an aggregation of

national economies linked by trade and investment flows into a single market and production network. This aspect of the globalization process is still far from complete, however, since
arkets— [illegible]
financial markets are the only ones that come close to fitting that description (IMF, 1997).

The financial gl[illegible]balization process does generate instability, however, which adversely affects international trade and national production activities. Indeed, financial instability has been the most conspicuous and worrisome feature of the world economy in recent years. The slump in world growth seen in 1998, which also slowed the expansion of trade activity, was the fourth time that the world economy had contracted in the last 25 years (IMF, 1999a).[13] There is a
cognition[illegible] increasing frequency of international financial crises during recent
decades is a reflection of the fact that an appropriate level of institutional development has not yet been reached atwthe global level (Ocampo, 1999, p. 9).

( ) r t lob liz tion

[13] The growth rate registered for trade, measured by volume, in 1998 (3.25%) was the lowest since 1985 (IMF, 1999a).

mix of economic activities in each country has changed radically owing to the growth of services, which include the economic activities of the public sector. In other words, the percentage of private economic activity that is exposed to international competition is much greater now than it was during the globalization process of the Victorian era (Baldwin and Martin, 1999, p. 15), and the level of exports, measured as a percentage of total output of goods, is therefore higher now as well (see the figures on the United States given in table II.1). In addition, trade and investment have exposed non-tradables sectors to international competition, especially in the case of services (Bordo, Eichengreen and Irwin, 1999, pp. 6-10).

Table II.1

GLOBALIZATION MEASURED BY EXPORTS AS A PERCENTAGE OF GDP, 1820-1990

Year	World exports of goods and services as a percentage of GDP	World exports of goods as a percentage of GDP	United States exports of goods as a percentage of GDP	United States exports of goods as a percentage of output of tradable goods
1820	---	1.0	---	---
1850	5.1	---	---	---
1870	---	5.0	---	---
1880	9.8	---	5.6	14.3
1913	11.9	8.7	6.1	13.2
1929	---	9.0	5.2	13.9
1950	7.1	7.0	3.6	8.9
1970	11.7	11.2	4.2	14.1
1985	14.5	---	8.3	29.2
1990	17.1	13.5	7.0	31.4

Source: Mathew J. Slaughter and Phillip Swagel, 1997, "The Effect of Globalization on Wages in the Advanced Economies", *Staff Studies for the World Economic Outlook*, Washington, D.C., International Monetary Fund, table 1, p. 79.

Trade patterns have also been altered substantially as manufactures come to represent an increasing share of both exports and imports for most countries. This trend is directly related to the convergence of production methods and organizational patterns in countries having differing income levels (although no such convergence of national income levels has been observed).

During the earlier periods there was either no sign at all or only the first glimmerings of the phenomenon that Krugman has called the "dismemberment of the value chain". This process consists of the segmentation of the production of any given product into the various stages at which value is added and the distribution of these segments among various countries based on their differing factor endowments. These kinds of production activities, which are coordinated by large transnational corporations or conglomerates, heighten the interdependence of different countries' markets (Krugman, 1995). Whereas in 1913 a given finished product might come from a single trade flow, today that same product may, because of the new organizational structure of production at the international level, correspond to a number of different streams and transactions among various countries. Hence, a close relationship exists between the "dismemberment" of the value chain and the expansion of the volume of trade that has been occurring in recent years (Krugman, 1995, pp. 333-337).

(b) Th rowth o s rvic s

As viewed from the standpoint of industrialized-country workers, the current trend towards market globalization is associated with the de-industrialization of these economies. i.e., a decline in the number of jobs in manufacturing and their replacement by jobs in services industries. The expansion of the services sector is also associated with the stagnation of real average wages in low-skill occupations, the widening of the income gap in the United States since 1973 and steeply rising unemployment in most of Europe since the early 1970s. The parallel increase in trade with developing countries has prompted the belief that a causative relationship exists between the advanced economies' labour problems and their increasing integration into the international economy. However, the evidence suggests that North-South trade has very little to do with the de-industrialization process, which is chiefly the result of the fact that productivity has been rising faster in the manufacturing sector than it has in services (Rowthorn and Ramaswamy, 1997).[14]

A portion of the increase in services is due to the outsourcing of tasks that used to be performed within the principal production company but that are now provided by specialized firms. However, a large part of the expansion of the services sector is attributable to the appearance of new activities, including both producer services (e.g., product and process quality control and data processing) and consumer services (e.g., tourism, health care and recreational activities). This process also exhibits a high degree of historical continuity, even though the services sector's share of total job creation and value added has now reached exceptionally large proportions (in all economies but especially in the industrialized ones), as is shown in table II.2.[15]

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[14] The Rowthorn and Ramaswamy (1997) study concludes that: (i) de-industrialization is a characteristic feature of economic development; (ii) North-South trade is not a cause of de-industrialization; (iii) the advanced economies pattern of specialization accounts for the striking differences between one and another s employment structure; (iv) the percentage of expenditure devoted to manufactured products has held steady in real terms and the main cause of de-industrialization is the fact that productivity has consistently risen more rapidly in the manufacturing sector than in services; and (v) the growth of the services sector can be expected to affect people s lifestyles, just as industrial relations influence industrialized economies.

[15] In her analysis of input-output tables for the United States between 1936 and 1961, Carter (1970, pp. 51-83) refers to the increase in the share of "non-material inputs" in the total inputs used by various industries.

Table II.2

SHARE OF LABOUR FORCE, BY ECONOMIC SECTOR, IN THE UNITED STATES, 1970-1997

(Thousands and percentages)

Economic sector	1970	1980	1990	1995	1997
Total	76,678	99,303	118,793	124,900	129,558
Agriculture	4.5	3. 4	2. 7	2. 7	2. 6
Mining	0. 7	1.0	0. 6	0. 5	0. 5
Construction	6.3	6. 2	6. 5	6. 1	6. 4
Manufactures	(20,746) 27.0	(21,942) 22.1	(21,346) 18.0	(20,493) 16.4	(20,835) 16.1
Transport, communications and other public utilities	6.9	6.6	6.9	7.0	7.1
Commerce	19.6	20.3	20.7	20.8	20.7
Financial services, insurance and real estate	5.1	6.0	6.8	6.4	6.4
Services	(20,385) 26.6	(28,752) 28.9	(39,267) 33.0	(43,953) 35.2	(46,393) 35.8
General government	5.8	5.4	4.7	4.8	4.4

Source: United States Bureau of the Census, *Statistical Abstract of the United States: 1998, Web page* [www.bea.doc.gov], table 675.

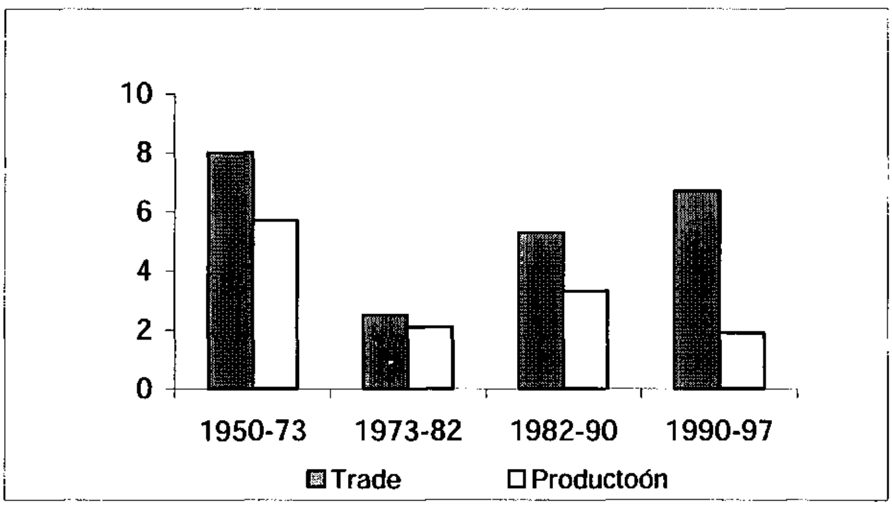
In the United States, the percentage of the total workforce employed in the production of goods (manufactures, agriculture, mining and construction) shrank from 38.5% in 1970 to less than 28% in 1990 and to almost 25% in 1997 (see table II.2).[16] Between 1980 and 1995, the number of persons employed in some service industries (including business, personal, professional and recreational services) jumped from 28.7 million to almost 44 million, and by 1997 this segment represented nearly 36% of total national employment. Although the expansion of employment in services would seem to herald a transition towards an information-based economy, personal services are the category that has grown the most. Two sets of figures are of interest in this connection: (i) professional and related services represented 69% of the total in 1980 and 67% in 1995; and (ii) employment in business services rose from 3.8 million people to 7.5 million, whereas the increase in industries directly related to computers and data processing was from 456,000 to nearly 2 million people during the same time span (United States Census Bureau, 1998). Thus, the expansion of services is associated with the sweeping changes occurring in the technological capabilities that form the foundations for the world's economies. This process is transforming them into knowledge-based economies, which means that their growth potential comes to be based on the production, distribution and use of information and knowledge. This structural change tends to gather momentum with the spread of the "digital economy", whose development has been made possible thanks to the new opportunities opened up by the Internet.

[16] The construction industry may also be categorized as a services activity.

2. Ch n s in th dir ction nd p tt rn o tr d

The fact that trade has been expanding more rapidly than production activities is nothing new either. In fact, the available data indicate that trade, as estimated on the basis of exports, has had a higher growth rate than the world economy ever since the first few decades of the eighteenth century. The one major exception to this occurred during the period that began with the First World War and ended with the reconstruction effort that followed the Second World War (WTO, 1998, chapter I, pp. 39-40). In 1950 the growth rate of trade reverted to its historical trend and thanks, as noted earlier, to the increasing use of production-sharing arrangements, the significance of trade in relation to national economic activities has been growing ever since. Recent trends in this regard differ, however, from those seen in the years between the end of the Second World War and the crisis of the 1970s, when both trade and production were growing at a brisk pace. In these "golden years" (1950-1973) of growth for the industrialized economies and, hence, for the world economy as a whole, the total volume of merchandise trade climbed at an annual rate of over 8%, while world output expanded by an average of 5% per year. The figures recorded between 1973 and 1995 were much lower, with annual growth rates of 4.2% for merchandise trade and 2.7% for output (see figure II.1).

Figure II.1
WORLD MERCHANDISE PRODUCTION AND EXPORTS, 1950-1997
(Annual growth rates, volume)



Source: World Trade Organization (WTO) (1998), *Annual Report 1998, International trade Statistics*, Geneva, WTO, table II.1, p. 11.

Three aspects of recent trends in trading activity merit discussion: the structure of trade by region and by product and the relative importance of trade within economic areas.

Europe's relative position in terms of its share of trade flows improved considerably in the years up to 1973 and then resumed this trend following several years of disequilibria in oil prices; as a result, by 1997 this continent's exports represented nearly 43% of the world total (see table II.3). Industrialized countries as a group accounted for close to 61% of total exports in 1953 and 68% in 1997 (WTO, 1998, chapter III, table III.1, p. 20).

Table II.3 illustrates the importance of intraregional trade within the context of total trade flows (for our purposes here, intraregional trade is defined simply as the sum of trade flows within any single region, rather than within a defined preferential trade area). For example, intraregional trade flows in Europe —the largest integrated economic area composed of independent nations— represent nearly 30% of world trade. WTO figures show that in 1997 more than 50% of world merchandise trade took place between countries belonging to the same geographic region. Broken down by regions, the figures are: 36.2% for North America if only the United States and Canada are taken into account, but this rises to almost 45% when Mexico —the third party to the North American Free Trade Agreement— is included; 20.5% for Latin America; 67% for Europe; 18.6% for Central and Eastern Europe; and nearly 51% for Asia.

Table II.3

INTRAREGIONAL AND INTERREGIONAL TRADE IN GOODS, 1997

SHARE OF INTRAREGIONAL AND INTERREGIONAL TRADE FLOWS IN WORLD GOODS EXPORTS

(Percentages)

	North America	Latin America	Western Europe	Central and Eastern European countries[a]	Africa	Middle East	Asia	World total
North America	6.2	2.6	3.2	0.2	0.2	0.4	4.2	17.0
Latin America	2.7	1.1	0.8	0.1	0.1	0.1	0.5	5.3
Western Europe	3.6	1.1	28.7	2.4	1.1	1.2	4.0	42.9
Central and Eastern European countries	0.2	0.1	2.0	0.6	0.0	0.1	0.3	3.4
Africa	0.4	0.1	1.2	0.0	0.2	0.0	0.3	2.3
Middle East	0.4	0.1	0.7	0.0	0.1	0.2	1.6	3.1
Asia	6.2	0.7	4.3	0.3	0.4	0.7	13.2	26.0
World total	19.6	5.6	40.8	3.6	2.2	2.7	24.1	100.0

Source: : World Trade Organization (WTO) (1998), *Annual Report, 1998, International Trade Statistics*, Geneva, WTO, table III.3, p. 20.

[a] Includes the Baltic countries of the Commonwealth of Independent States (CIS).

Tables II.4 and II.5 indicate that between 1953 and 1973 Latin America's position as both an exporter and importer weakened steadily, whereas Asia's (excluding Japan) export share shrank between 1953 and 1963, but nonetheless remained above 9% during the period 1963-1973 and thereafter exhibited a sustained upward trend. This decline in Latin America's export share was directly related to the decrease seen in commodity sales as a percentage of world trade flows. Between 1973 and 1983, Latin American exports gained a point, rising to almost 6% of the world total, but they then began to decline and bottomed out between 1983 and 1993; in recent years the region's position has been growing stronger once again. Two points should be underscored here: (i) the region's significance as an importer, since almost 6% of world imports were acquired by Latin America and the Caribbean in 1997; and (ii) the considerable expansion of Latin American exports between 1993 and 1997 (see table II.4). As will be discussed in more detail later on, because of the region's increasing heterogeneity the averages tend to be skewed by the performance of the larger exporting economies.

Table II.4

SHARE OF THE VARIOUS REGIONS IN WORLD EXPORTS, 1948-1997

(Billions of United States dollars and percentages)

	1948	1953	1963	1973	1983	1993	1997
World	58.0	83.0	157.0	578.0	1,835.0	3,635.0	5,303.0
World (%)	100.0	100.0	100.0	100.0	100.0	100.0	100.0
United States and Canada	27.5	24.6	19.4	17.2	15.4	16.8	17.0
Latin America	12.3	10.5	7.0	4.7	5.8	4.4	5.3
Europe	31.0	34.9	41.0	44.8	39.0	43.8	42.9
Central and Eastern Europe	6.0	8.2	11.0	8.9	9.5	2.9	3.4
Africa	7.4	6.5	5.7	4.8	4.4	2.5	2.3
Middle East	2.1	2.1	3.3	4.5	6.8	3.4	3.1
Asia	13.8	13.2	12.6	15.0	19.1	26.3	26.0
Japan	0.4	1.5	3.5	6.4	8.0	10.0	7.9

Source: World Trade Organization (WTO) (1998), *Annual Report, 1998, International Trade Statistics*, Geneva, WTO, table II.2, page 12.

Table II.6 provides information on growth trends in some segments of trade which, according to WTO data, outpaced many others in 1990-1997. The share of agricultural and food products slipped from 21.5% to under 20% but continued to be a major component of trade flows. In 1997, the value of trade in processed food products amounted to US$ 458 billion, which was just slightly less than the value of the automotive industry's total merchandise exports and quite similar to the value of trade in all other consumer goods (see table II.5).

Table II.5

SHARE OF THE VARIOUS REGIONS IN WORLD IMPORTS, 1948-1997

(Billions of United States dollars and percentages)

	1948	1953	1963	1973	1983	1993	1997
World	66.0	84.0	163.0	589.0	1,879.0	3,743.0	5,469.0
World (%)	100.0	100.0	100.0	100.0	100.0	100.0	100.0
United States and Canada	19.8	19.7	15.5	16.7	17.8	19.9	20.1
Latin America	10.6	9.3	6.8	5.1	4.4	5.0	5.8
Europe	40.4	39.4	45.4	47.4	40.0	43.0	41.4
Central and Eastern Europe	5.8	7.6	10.3	8.9	8.4	2.9	3.5
Africa	7.6	7.0	5.5	4.0	4.6	2.6	2.3
Middle East	1.7	2.0	2.3	2.8	6.3	3.2	2.6
Asia	14.2	15.1	14.2	15.1	18.5	23.5	24.2
Japan	1.0	2.9	4.1	6.5	6.7	6.5	6.2

Source: : World Trade Organization (WTO) (1998), *Annual Report, 1998, International Trade Statistics*, Geneva, WTO, table II.2, page 12.

Table II.6

GROWTH AND SHARE OF VARIOUS PRODUCT CATEGORIES IN WORLD EXPORTS CLASSIFIED BY GROWTH RATE, 1990-1997

(Billions of United States dollars and percentages)

Product	Value	Percentage of total		Annual growth rate			
	1997	1990	1997	1990-1997	1995	1996	1997
Total[a]	5,305	100.0	100.0	7	20	4	3
Manufacturing	3,927	70.6	74.0	7	19	4	4
Agricultural products	580	12.2	10.9	5	17	1	-1
Mining and quarrying industries	598	14.3	11.3	3	18	14	1
Office machines and telecommunications equipment	673	8.8	12.7	12	27	5	7
Automotive products	496	9.4	9.3	7	14	5	5
Other machinery and transport equipment	929	17.6	17.5	7	18	5	4
Chemicals	490	8.7	9.2	7	21	2	3
Clothing	177	3.2	3.3	7	12	5	6
Other consumer goods	468	8.9	8.8	7	15	5	4
Textiles	155	3.1	2.9	6	15	0	3
Other semi-manufactures	399	7.8	7.5	6	21	2	1
Foodstuffs	458	9.3	8.6	6	15	4	-1
Non-ferrous metals	103	2.1	1.9	5	34	-7	5
Iron and steel	141	3.1	2.7	4	26	-8	2
Raw materials	121	2.9	2.3	3	22	-8	-1
Fuels	435	10.5	8.2	3	13	23	0
Minerals	60	1.6	1.1	2	26	-3	4

Source: World Trade Organization (WTO) (1998), *Annual Report, 1998, International Trade Statistics*, Geneva, WTO, table IV.1, page 73.

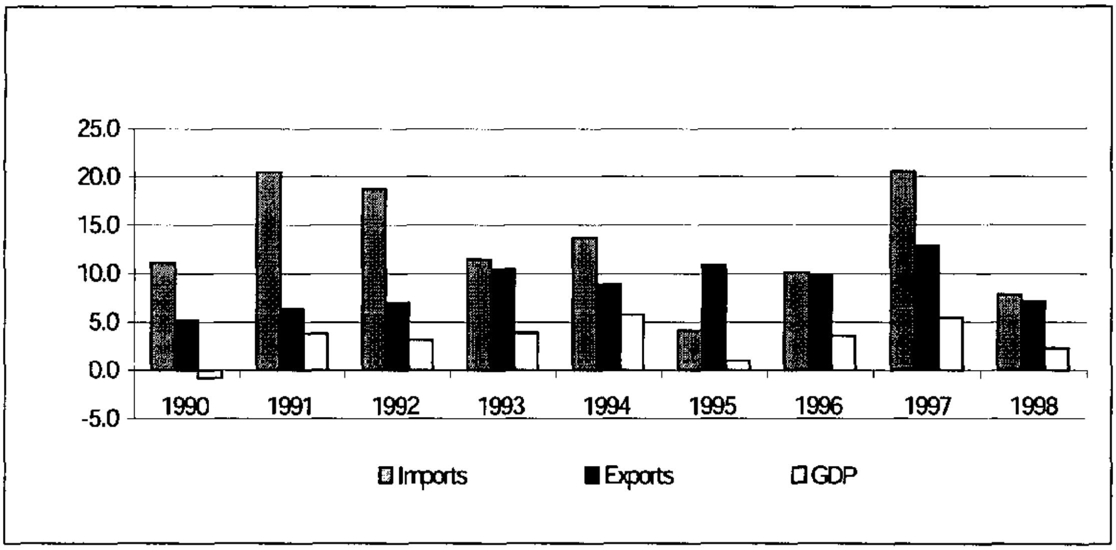
[a] Includes unspecified products, which made up almost 4% of world goods exports in 1997.

3. L tin A ric nd th C ribb n: xport p r or nc

As can be seen in figure II.2, trade growth in Latin America and the Caribbean in the 1990s has considerably surpassed GDP growth. However, it should be noted that GDP growth in the 1990s has not been very high, and that import growth has far exceeded export growth. Between 1992 and 1998, estimated average GDP growth was 3.6%, while export growth was over 9% and the average rate of growth in imports exceeded 12%.

As we will see below, the regional averages conceal growing discrepancies; the exports of one country, Mexico, make up over 40% of total external sales for Latin America and the Caribbean, and Mexico's export growth throughout the decade has been higher than the average for the rest of the region. Between 1992 and 1998, Mexico's exports grew at an average rate of 13.7% compared to just over 7% for the rest of the region.

Figure II.2
GROWTH OF TRADE AND GROSS DOMESTIC PRODUCT IN LATIN AMERICA AND THE CARIBBEAN, 1990-1998
(1995 prices)



Source: ECLAC, on the basis of official statistics.

In the 1990s, the region as a whole has shown one of the world's highest growth rates for trade in goods in both volume and value, subject to the aforementioned qualification. WTO figures show that between 1990 and 1997, Latin America's exports grew at average rates of 9% in volume and 10% in value. These rates were exceeded only by China and the six highest-growth economies in Asia (see table II.7).

Table II.7

GROWTH IN VOLUME AND VALUE OF WORLD TRADE IN GOODS, 1990-1997

(Percentage growth)

	World	Latin America	North America	Europe	Economies in transition	Asia			
						Total	Japan	High-growth economies	China
Exports									
Volume	7.0	9.0	7.5	6.0	5.0	7.5	2.5	10.5	
Value	7.0	10.0	8.0	5.0	7.0	9.0	6.0	11.0	17.0
Imports									
Volume	7.0	13.0	8.0	5.0	4.5	9.0	5.5	10.5	
Value	7.0	15.0	8.0	4.0	7.0	9.0	5.0	11.0	15.0

Source: World Trade Organization (WTO), *Annual Report, 1998, International Trade Statistics*, Geneva, tables I.2 and I.3, pp. 1-2.

As a result of the high levels of import growth for the 1990s, compared with the contraction of the previous decade, the regional average import coefficient in relation to GDP, measured in constant 1995 dollars, has maintained its historical upward trend; in 1998 it stood at more than 21.1%, more than double the 1989 figure. These figures contrast with the much lower levels recorded in the 1980s, when the share of imports in the region's economies averaged less than 10%, following the economic adjustments imposed by the external debt crisis (see table II.8). Slower export growth also meant that the coefficient for exports in relation to GDP was lower than that for imports, standing at 18.8% in 1998, which compares favourably with its 1989 level, which was under 12% (see table II.9).

Table II.8

IMPORT COEFFICIENTS FOR LATIN AMERICA, 1989-1998

(Value of imports as a percentage of GDP, calculated in United States dollars at 1995 prices)

Country	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
Argentina	3.6	3.8	6.3	9.4	10.4	11.1	10.1	11.3	13.6	13.9
Bolivia	23.7	25.0	26.7	28.9	27.5	26.1	27.2	28.1	30.6	32.2
Brazil	3.4	4.0	4.2	4.4	5.6	6.8	9.5	9.6	11.4	11.5
Chile	21.0	20.8	20.4	23.2	24.1	24.7	27.9	28.9	30.8	30.1
Colombia	8.5	8.9	9.0	12.3	16.3	18.9	19.7	19.9	21.6	21.6
Costa Rica	33.6	35.9	34.0	40.3	43.8	42.8	43.3	45.4	46.3	51.9
Ecuador	26.0	24.7	27.3	26.8	26.4	26.8	28.6	26.3	27.6	28.8
El Salvador	17.5	23.9	24.5	26.8	30.5	33.1	37.8	34.8	36.5	37.4
Guatemala	18.9	16.4	17.8	23.6	24.2	24.9	25.4	23.1	26.6	30.9
Haiti	10.7	11.3	11.2	10.6	17.4	17.0	28.8	28.8	29.6	32.6
Honduras	45.5	44.3	45.8	46.5	46.5	47.9	48.1	47.4	44.3	45.2
Mexico	15.8	18.0	20.4	22.8	23.5	26.0	22.6	26.8	30.9	33.7
Nicaragua	47.1	45.0	54.0	55.9	50.2	55.5	58.9	65.6	70.2	72.6
Panama	89.9	97.2	131.3	113.4	97.9	91.7	98.1	92.1	101.8	99.5
Paraguay	17.9	29.0	32.4	33.2	42.0	50.3	55.1	51.2	48.0	41.6
Peru	8.0	9.7	11.5	13.0	12.7	14.3	16.4	16.4	17.0	17.1
Dominican Republic	27.3	22.7	24.6	28.8	51.0	50.9	51.4	53.6	58.1	66.7
Uruguay	13.2	12.3	13.8	16.2	18.6	20.4	20.5	21.6	22.7	23.5
Venezuela	18.6	17.5	23.1	26.8	25.0	20.8	23.9	20.7	25.0	27.0
Latin America	9.3	10.4	12.1	13.9	14.9	16.0	16.5	17.5	20.0	21.1

Sourc : ECLAC, on the basis of official figures.

Table II.9

EXPORT COEFFICIENTS FOR LATIN AMERICA, 1989-1998

(Value of exports as a percentage of GDP, calculated in United States dollars at 1995 prices)

Country	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
Argentina	6.5	8.8	7.7	7.3	7.3	7.5	9.7	10.1	10.6	11.0
Bolivia	18.1	19.2	19.6	19.5	19.7	21.6	22.5	22.5	20.8	20.4
Brazil	7.2	7.1	6.9	7.9	8.6	8.3	7.9	7.6	8.2	8.7
Chile	24.3	26.6	27.0	28.1	27.1	28.6	29.5	31.5	32.6	33.5
Colombia	11.7	13.3	14.6	14.9	15.2	14.2	15.1	15.5	16.2	17.5
Costa Rica	32.2	33.6	35.8	37.5	39.5	40.8	42.7	47.3	47.6	51.0
Ecuador	22.5	24.5	25.8	27.4	28.0	29.1	29.7	30.1	30.2	28.9
El Salvador	14.1	16.8	16.3	16.1	19.7	20.2	21.6	23.1	26.7	26.3
Guatemala	20.9	17.3	16.1	16.9	17.3	18.0	19.1	20.0	21.3	22.3
Haiti	9.1	10.3	11.2	6.8	7.2	6.6	9.5	12.7	13.2	15.6
Honduras	48.1	48.4	46.2	47.1	43.5	39.9	43.7	45.5	43.8	42.9
Mexico	15.4	14.8	16.1	16.4	18.0	19.7	24.6	28.0	30.6	32.2
Nicaragua	23.1	27.7	23.6	28.1	29.4	30.9	34.2	44.9	44.2	39.9
Panama	99.8	108.3	138.6	117.3	99.8	93.5	100.7	91.9	96.7	89.1
Paraguay	21.0	24.4	25.6	24.1	32.4	36.0	37.4	32.7	30.1	28.2
Peru	10.6	10.4	11.4	11.5	11.1	11.6	11.4	12.4	12.9	13.4
Dominican Republic	17.5	20.0	18.2	18.1	46.6	46.9	48.0	49.5	53.4	54.7
Uruguay	15.5	16.4	16.2	18.0	18.5	19.7	20.2	20.8	21.9	21.1
Venezuela	25.7	27.2	25.0	23.2	25.5	28.9	29.3	31.8	32.3	33.0
Latin America	11.7	12.4	12.7	13.1	14.0	14.4	15.8	16.8	17.9	18.8

Source: ECLAC, on the basis of official figures.

The gap between export and import performance has resulted in increasingly large trade deficits; these, together with disbursements for interest payments and profit remittances, caused worsening current account balances. Current account deficits gradually increased from the late 1980s to the mid-1990s, from 0.18% of GDP in 1990 to 3.18% in 1994, the year of the Mexican financial crisis; they then declined over the following two years and turned upwards again from 1997 onwards, approaching 3.4% between 1996 and 1998. The worldwide financial crisis which began in mid-1997 had negative effects on the volume and cost of foreign capital flows to the region, and ECLAC estimates that the current account deficit reached 4.5% of GDP in 1998 (ECLAC, 1999). In order to manage these external imbalances, Governments had to apply severe adjustments, controlling fiscal expenditure and raising interest rates, which led to a heavy fall in growth rates among the region's economies.[17]

The services account makes up an increasingly large proportion of the overall trade deficit in goods and services. As can be seen in table II.10, balance-of-payments figures compiled by ECLAC show that between 1992 and 1997 the deficit of the commercial services account stood at an average level exceeding 90% of the overall trade deficit in goods and services. This was especially true in 1995 and 1996 when, following the Mexican crisis, the countries of the region showed increasing surpluses on the goods account, and service deficits were at levels between 130% and 170% of that surplus.

Table II.10

LATIN AMERICA AND THE CARIBBEAN: GROWTH OF TRADE IN GOODS AND SERVICES, 1980-1997

(Millions of United States dollars at current prices)

Year	1990	1991	1992	1993	1994	1995	1996	1997
Goods exports (A)	136.282.7	137,150.0	146.419.6	160,811.1	188,120.0	227,937.7	254,948.1	283,233.7
Services exports (B)	251,13.7	26,793.7	29,460.4	31,349.4	35,139.2	36,838.2	40,768.6	42,986.7
Goods imports (C)	105,158.6	123,798.4	151,344.7	168,959.3	200,620.4	224,875.4	249,168.6	295,638.8
Services imports (D)	33,273.3	36,085.3	40,239.5	44,503.6	47,779.9	48,624.8	54,504.2	61,533.1
B/A	0.184	0.195	0.201	0.195	0.187	0.162	0.160	0.152
D/C	0.316	0.291	0.266	0.263	0.238	0.216	0.2187	0.208
(D-B)/((A+B) – (C+D))	-0.355	-2.289	0.686	0.617	0.503	-1.351	-1.726	0.599

Sourc : ECLAC, *Statistical Yearbook of Latin America and the Caribbean* (LC/G.2043-P), United Nations publication, Sales No. E/S.99.II.G.1, February 1999, tables 129 and 260.

The Latin American and Caribbean region includes countries of differing sizes, levels of development, population density and growth patterns. Although there are still similarities in some of the problems facing the various countries, recent decades have seen growing differences

[17] It should be emphasized that according to the IMF the countries of Latin America and the Caribbean continue to show the highest coefficients of all the developing countries in terms of interest payments on external debts in relation to the value of their goods and services exports. The figure was close to 16.6% in 1998, increasing to almost 18% in 1999, or almost twice the average for the developing countries (8.5% and 9.1%, respectively) (IMF, 1999, table 42, p. 205).

in terms of growth rates, factor productivity and business development; these in turn have caused great disparities in the individual performances of the countries of the region. Foreign trade is an example of the region's growing diversity, owing to the relative size of two large exporting countries, Brazil and Mexico, which have adopted different strategies for their integration into the world economy, with results that affect the average values of indicators for the region as a whole.

In 1998, the value of Mexico's exports was practically equivalent to total exports from the rest of the region. In 1998 Mexico exported almost 45% of the total value of Latin America's external sales, whereas in 1988 the figure had been no more than 28% of the total, including *maquila* exports in both cases. The growth of Mexico's exports and their composition in terms of products and markets therefore have a considerable impact on the average figures for the region as a whole.[18] As shown in table II.11, the value of Mexico's exports almost quadrupled between 1988 and 1998, while total exports for the rest of the region were not even doubled. At the end of the 1980s, Brazil stood out as the biggest exporter in Latin America and the Caribbean; however, over the following 10 years it has not managed to double its exports, which stand at just over 43% of Mexico's in value terms.

Table II.11

INCREASING CONCENTRATION OF TRADE IN LATIN AMERICA AND THE CARIBBEAN - GOODS EXPORTS

(Millions of United States dollars at current prices)

Year	Mexico		Latin America	Argentina	Brazil	Chile	Venezuela	Nicaragua
	Total exports	*Maquila* exports						
1988	30,691	10,146	109,628	9,134	33,788	6,794	9,758	221
1998	117,500	52,864	255,540	25,309	50,732	14,566	16,976	521

Source: ECLAC, on the basis of official figures; for Mexico, Banco de México.

Both export concentration and the difference between the largest exporter and one of the smallest have also increased in the course of this decade, although the level of concentration among the four largest exporting countries was already quite high in 1988 (76%). The share of those four countries in terms of the region's total exports has increased to almost 83%. Between 1988 and 1998, the ratio of the highest value and one of the smallest increased from 152:1 to 226:1.[19]

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[18] In 1965, Venezuela was the largest exporter in Latin America, making up about 26% of the total, while Argentina and Brazil each had a 15% share and Mexico made up only 10%. The total for these four exporting countries was 64%.

[19] In 1965, the ratio of the value of exports for the largest exporting country (Venezuela) and the smallest (Paraguay) was about 50:1.

The fastest-growing component of Mexico's exports consists of *maquila* activities: labour-intensive industries using relatively unskilled labour, strongly oriented towards the United States market. In 1988, according to figures from the Banco de México, the *maquila* sector already accounted for almost 33% of Mexico's exports and 28% of its imports. The continual growth of this segment of the country's exports over the course of the 1990s raised its share of total export value from 1988 until the entry into force of the North American Free Trade Agreement (NAFTA) in 1994, when the figure stood at 43%. The share of the *maquila* industry declined slightly between 1994 and 1996, and then increased again between 1996 and 1998, when it reached more than 45% (see table II.12).[20]

Table II.12

SHARE OF THE *MAQUILA* SECTOR IN MEXICO'S EXPORTS AND IMPORTS

(Percentages)

Exports	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
Total	30,691	35,171	40,711	42,688	46,196	51,886	60,882	7,9542	96,000	110,431	117,500
Maquila sector	10,146	12,329	13,873	15,833	18,680	21,853	26,269	31,103	36,920	45,166	52,864
Percentage	0.33	0.35	0.34	0.37	0.40	0.42	0.43	0.39	0.38	0.41	0.45

Source: Banco de México.

There have been major changes in Latin American exports over the past 10 years, with the share of industrial goods increasing at the expense of primary goods. From 1988 to 1998, primary goods fell from 35% to about 23%, so the proportion of industrial goods rose from 65% to 77%. Among industrial goods, the share of traditional products (foodstuffs, beverages and tobacco, textiles and metals) increased slightly from 21% to 22% (with a decline in the case of the foodstuffs, beverages and tobacco category) and an increase in the others (particularly textiles and clothing). Lastly, there were falls in the proportions of goods classified as scale-intensive and natural-resource intensive goods; and the share of durable goods and those goods classified as sources of technical progress increased significantly. Again, the changes are much less pronounced when the figures for Mexico are factored out (see table II.13).

In fact, only in the category of durable goods and those goods classified as sources of technical progress can significant changes be seen for the rest of Latin America, where these averages are strongly influenced by the export structure of the region's other major exporter, Brazil.

[20] *Maquila* enterprises, which pay no import taxes on goods and components for re-export, are due to lose this incentive as of 1 January 2001. owever, most analysts believe that this will not put an end to *maquila* activities.

Table II.13
LATIN AMERICA AND THE CARIBBEAN: EXPORT STRUCTURE, 1988-1998
(Percentages)

Category	Latin America		Latin America excluding Mexico		Mexico	
	1988	1998	1988	1998	1988	1998
Primary goods	35.52	22.86	33.61	33.85	42.93	9.99
Agriculture	17.21	11.70	18.88	18.18	10.74	4.12
Minerals	4.92	2.91	5.47	5.08	2.77	0.36
Energy	13.39	8.25	9.25	10.59	29.42	5.50
Industrial goods	63.88	76.63	65.74	65.29	56.68	89.93
Traditional	21.32	22.43	24.05	24.48	10.76	20.02
Foodstuffs, beverages and tobacco	11.80	8.60	13.83	13.98	3.93	2.30
Other traditional	9.52	13.83	10.22	10.51	6.83	17.72
Scale-intensive goods	29.47	17.68	31.75	25.68	20.60	8.31
Durables	5.37	14.81	4.12	6.97	10.18	24.00
Sources of technical progress	7.73	21.72	5.81	8.15	15.13	37.61
Other goods	0.50	0.50	0.55	0.86	0.31	0.08

Source: ECLAC, on the basis of official figures.

4. L tin A ric nd th C ribb n: str t i s or incr sin int rn tion l lin s

( ) Op n r ion lis : ultil t r lis nd r t cc ss

Throughout the 1990s, the countries of Latin America and the Caribbean have associated their unilateral liberalization with active participation in multilateral negotiations in the framework of the WTO and bilateral, multilateral and interregional free-trade agreements. Trade liberalization and the deregulation of investment in national economies have led to growth in trade and investment in the region and, for the first time, moves towards regional integration — through new subregional arrangements such as the Southern Common Market (Mercosur) or the strengthening of other schemes such as the Andean Community (formerly the Andean Group), the Central American Common Market (CACM) and the Caribbean Community (CARICOM)— have ceased to be of interest solely to political and academic forums and have become part of the business strategies of corporate groups present in Latin America.

At the same time, the United States signalled its support for trade liberalization at the regional level, initially in the 1980s when it began to negotiate free-trade agreements with Israel and Canada, and later when NAFTA was concluded with Canada and Mexico. During the period that elapsed while NAFTA was being ratified by the legislatures of the three countries, the Government of the United States was beginning to define a strategy for the rest of Latin America and the Caribbean which began with the previous administration's Americas Initiative and would later take shape with the current negotiations for a Free Trade Area of the Americas (FTAA).[21]

In a document published in 1994, ECLAC launched the concept of "open regionalism" in Latin America and the Caribbean. This concept was used to describe the trend which existed at the end of the Uruguay Round, when the dynamism of subregional movements was combined with unilateral liberalization and the movement towards hemispheric integration. Open regionalism is defined as interdependency between preferential agreements and "de facto" integration in response to market signals, resulting from a broad and generalized liberalization (ECLAC, 1994).[22] Unilateral liberalization does not guarantee openness in buying markets. In an international context which is still mercantilist, Governments maintain their role of defining and implementing property rights and negotiating access to their territory for persons, goods, capital and technology, with low tariffs but also with new restrictions such as technical barriers or anti-dumping measures.[23] In this way, in an economic environment where globalization and profound regionalization are taking place at the same time, States are seeking to define market integration strategies to ensure more reliable access for their products to import markets.

Mexico has consolidated its move towards closer relations with the United States through NAFTA in order to attract investments and thereby to ensure more stable access to the United States market. As a result of that decision, the United States has grown in importance as a destination for Mexican exports while the role of the Latin American export markets has diminished. The share of the United States, already large in 1988 (66%), has increased still further (nearly 87% in 1998), while Mexico's exports to Latin America and the Caribbean total less than 5%.

For all South American countries and some of the countries of Central America, such as Costa Rica, sales in to the region's markets account for more than 30% of exports. In addition, as has been emphasized in the economic literature, intraregional trade tends to include a larger

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[21] A series of interrelated events in 1994 demonstrated the increasing complexity of trade liberalization processes. In January, NAFTA came into force. In March, the Uruguay Round agreements were formally signed in Marrakesh by more than 120 members of the former General Agreement on Tariffs and Trade (GATT), leading to the subsequent creation of the World Trade Organization in January 1995. At the Summit of the Americas, held in Miami in December 1994, a schedule of meetings was agreed with a view to the setting up of FTAA. Also in December 1994, a meeting at Ouro Preto set the time period for the setting up of the Mercosur free trade area, and the partial customs union stage was begun. The countries of the Asia-Pacific Economic Cooperation (APEC) forum were also making progress with their trade liberalization plans.

[22] The expression "open regionalism" was originally proposed in the late 1970s by Prime Minister Masayoshi Ohira of Japan, to define open regional cooperation which is consistent with the interests of the world community (Palacios, 1995).

[23] Sáez and Valdés (1999, p. 89) point out, in the case of Chile, "Clearly, unilateral liberalization does not necessarily entail liberalization of the markets of Chile s trading partners. For example, it has no effect on their customs practices or the way in which technical barriers are established or implemented; and other countries restrictive practices are not eliminated through the adoption of anti-dumping measures. Agreements between countries can lead to reliable and predictable forms of preferential market access, facilitating the development of export projects."

proportion of manufactured goods and of technology- and/or skill-intensive products, together with trade in such services as tourism, transport, professional services, and others.

Table II.14 shows that, although the region (excluding Mexico) was the destination of just over 33% of exports from the other Latin American and Caribbean countries in 1998, 41% of exports of industrial goods were to other countries of the region, and the figure was 74% for durable goods and more than 50% for goods classified as sources of technical progress, most of which were capital goods. It is noteworthy that in the case of Mexico, although about 90% of its exports to the United States in 1998 were industrial goods, the figure is higher for exports to Latin American and Caribbean countries, averaging about 93%.

Table II.14

LATIN AMERICA AND THE CARIBBEAN: EXPORT STRUCTURE (EXCLUDING MEXICO)

(Percentages)

Product	Latin America and the Caribbean		United States		Japan		European Union		Asia	
	1988	1998	1988	1998	1988	1998	1988	1998	1988	1998
Primary goods	8.7	17.5	28.5	24.1	7.0	8.5	34.4	33.1	3.3	6.8
Agricultural	6.8	16.1	25.8	23.7	6.3	6.8	42.9	3.6	3.6	5.5
Minerals	11.2	10.9	10.5	5.9	20.3	20.9	40.7	6.6	6.6	14.4
Energy	11.2	32.3	44.6	49.0	0.4	0.2	13.3	0.7	0.7	2.8
Industrial goods	17.9	40.7	28.1	18.0	5.5	3.1	24.8	20.7	7.8	6.5
Traditional	11.6	33.6	25.6	17.9	3.2	3.7	34.6	5.6	5.6	6.6
Foodstuffs, beverages and tobacco	7.7	27.9	15.6	9.0	3.2	4.4	5.5	7.9	5.5	7.9
Other traditional	16.8	41.2	39.2	30.0	3.1	2.7	5.7	4.9	5.7	4.9
Scale-intensive goods	18.6	34.4	28.8	16.8	8.7	4.3	20.3	10.4	10.4	10.0
Durables	29.7	74.3	24.0	9.0	0.1	0.1	18.2	4.3	4.3	0.6
Sources of technical progress	31.9	50.5	36.9	28.6	2.0	0.5	14.2	5.2	5.2	2.1
Other goods	7.9	7.5	8.2	4.8	1.2	0.6	4.6	6.6	0.3	0.6
Total	14.8	33.2	28.1	19.7	6.0	4.7	27.9	24.4	6.3	6.5

Source: ECLAC, on the basis of official figures.

(b) Subr ion l int r tion

During the current decade, integration in Latin America and the Caribbean followed a course and displayed a dynamism that would have been difficult to foresee in earlier years. The agreements signed by Argentina and Brazil in 1986 for the establishment of a preferential trade zone, and which preceded the attempts at liberalization referred to above, heralded the resurgence of integration. In 1991, with the accession of Uruguay and Paraguay, the bilateral agreement was converted into the Treaty of Asunción establishing the Southern Common Market (Mercosur). The late 1980s saw the revival of the Andean Group (later superseded by the Andean Community of Nations), the Central American Common Market (CACM) and the Caribbean Community (Caricom). As a result of these subregional integration schemes, trade within the subregions has for the most part been liberalized and tax break programmes have been offered to third parties with a view to implementing, in the medium term, the common external tariffs which enable them to operate like customs unions, albeit imperfect ones.

Changes in the policies of countries in the region contributed to a strong revival of intra-regional trade following the sharp setback suffered in the 1980s with volumes soaring in the following years and growth rates exceeding those recorded for exports to third countries; by 1998, intra-regional trade accounted for more than one fifth of total exports from countries of the region (see table II.15).[24] The opening up of the economies in the region and consolidation of the process of integration brought home to countries the advantages of proximity and enabled them to maximize the potential of their natural markets in the region, above all for the sale of manufactures and services. Aggregate data show that there was genuine trade creation between member countries of the integration schemes and preferential arrangements, while trade diversion was limited on account of the general lowering of tariffs.

Trade liberalization and stable monetary conditions also contributed to an increase in intra-regional investment, which, although modest in terms of volume —between 3% and 5% of total foreign investment flowing into the region— is significant given its dynamism and other qualities which make it particularly important for the effective integration of the productive and trade systems in the region. Stimulated initially by privatizations, this investment, which had been practically non-existent in the past, took off in the early part of the decade; investors subsequently sought to consolidate their foothold in subregional markets which were integrating through binding agreements such as Mercosur and the Andean Community. Investments of this type have been facilitated by the geographic proximity and cultural closeness of participating countries, have relied on the knowledge acquired by those countries which have made headway with privatizations and initially targeted certain basic services (electricity generation and distribution in Argentina and Peru), the financial system (banking sector in Colombia and Venezuela) and more recently the automotive and food-processing sectors (Argentina, Brazil and Chile).

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[24] If Mexico is excluded, the proportion is significantly higher, since, as already pointed out, its trade ties with the other countries of the region are inclined to be weak.

Table II.15

LATIN AMERICA AND THE CARIBBEAN: TOTAL EXPORTS AND EXPORTS BY SUBREGIONAL INTEGRATION SCHEMES

(In millions of current dollars and percentages)

		1990	1994	1995	1996	1997	1998
	LAIA						
1	Total exports [a]	112,694	167,192	204,170	229,164	255,390	249,363
	Percentage of annual growth		10.4	22.1	12.2	11.4	-2.4
2	Exports to LAIA	12,302	28,168	35,552	38,449	45,484	43,358
	Percentage of annual growth		23.0	26.2	8.2	18.3	-4.7
3	Percentage of intra-LAIA exports (2:1)	10.9	16.8	17.4	16.8	17.8	17.4
	Andean Community						
1	Total exports	31,751	33,706	39,134	44,375	46,609	37,856
	Percentage of annual growth		1.5	16.1	13.4	5.0	-18.8
2	Exports to Andean Community	1,324	3,472	4,859	4,698	5,621	5,414
	Percentage of annual growth		27.2	39.9	-3.3	19.7	-3.7
3	Percentage of intra-Community exports (2:1)	4.2	10.3	12.4	10.6	12.1	14.3
	Mercosur						
1	Total exports	46,403	61,890	70,129	74,407	82,596	79,758
	Percentage of annual growth		7.5	13.3	6.1	11.0	-3.4
2	Exports to Mercosur	4,127	12,048	14,451	17,115	20,478	19,995
	Percentage of annual growth		30.7	20.0	18.4	19.7	-2.4
3	Percentage of intra-Mercosur exports (2:1)	8.9	19.5	20.6	23.0	24.8	25.1
	Central American Common Market (CACM)						
1	Total exports	3,907	5,496	6,777	7,332	9,275	10,465
	Percentage of annual growth		8.9	23.3	8.2	26.5	12.8
2	Exports to CACM	624	1,228	1,451	1,553	1,863	2,135
	Percentage of annual growth		18.4	18.2	7.0	19.9	14.6
3	Percentage of intra-CACM exports (2:1)	16.0	22.3	21.4	21.2	20.1	20.4
	CARICOM [b]						
1	Total exports	3,634	4,113	4,511	4,595	4,687	---
	Percentage of annual growth		3.1	9.7	1.9	2.0	---
2	Exports to CARICOM	469	521	690	775	785	---
	Percentage of annual growth		2.6	32.4	12.3	1.2	---
3	Percentage of intra-CARICOM exports (2:1)	12.9	12.7	15.3	16.9	16.7	---
	Latin America and the Caribbean [c]						
1	Total exports	120,572	177,336	216,031	241,648	269,996	265,206
	Percentage of annual growth		10.1	21.8	11.9	11.7	-1.8
2	Exports to Latin America and the Caribbean	16,802	35,065	42,740	46,562	54,756	52,030
	Percentage of annual growth		20.2	21.9	8.9	17.6	-5.0
3	Percentage intrarregional/total (2:1)	13.9	19.8	19.8	19.3	20.3	19.6

Source: ECLAC on the basis of official data.

[a] From 1992 on, includes Mexico's *maquila* exports.

[b] Includes Barbados, Guyana, Jamaica and Trinidad and Tobago.

[c] Includes LAIA, CACM, Barbados, Guyana, Jamaica, Panama, and Trinidad and Tobago.

In late 1994, Mercosur became a free trade area with some exemptions and member countries pledged to establish a common external tariff which is expected to become fully effective in 2006.[25] For their part, the Andean countries have liberalized trade within the region, although the common external tariff has been fully implemented only by Colombia and Venezuela (in 1992) and has been partially applied by Ecuador.[26] Free trade has been practised within the Central American Common Market since the mid-1990s, although each of the countries still maintains numerous reciprocal safeguards.[27] There is an agreement to the effect that the common external tariff will enter fully into force by the year 2005 and it is hoped that the rapprochement between Guatemala and El Salvador will act as a catalyst for Central American integration (Tavares, 1999, p. 7).

Similarly, the member States of Caricom had pledged to achieve full trade liberalization within the region by the mid-1990s, while plans for convergence of the tariff structure of member States towards the common external tariff should have been implemented by the end of 1998. However, the Caricom secretariat has indicated that only six of the 14 member States had completed the last phase of convergence within the established time-frame.[28] The smaller countries have difficulties in reducing their tariffs owing to the impact this measure would have on their tax revenues. As regards the free movement of goods within Caricom, about seven countries require import licences on a few items and impose tariffs on sensitive products, such as edible oils, rum and other alcoholic beverages, vehicles and fresh dairy products.

At the same time, there has been a proliferation of partial agreements, almost all bilateral, which are termed "new generation" agreements, since they set demanding goals for trade liberalization of goods and incorporate commitments in complementary areas, such as liberalization of services, ad-hoc mechanisms for the settlement of disputes, the promotion of mutual investments and commitments relating to physical infrastructure. These agreements were promoted by new commitments and areas covered under the North American Free Trade Agreement (NAFTA), which are part of the bilateral and plurilateral agreements in which Mexico plays a pivotal role. Some 10 such agreements were signed within the framework of the Latin American Integration Association; in addition, agreements were signed by Mexico with Costa Rica and Nicaragua, and a number of agreements were concluded between LAIA countries, on the one hand, and the countries of Central America and the Caribbean, on the other, under which the latter generally receive preferential treatment.

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[25] The deadline for Argentina and Brazil is the year 2001 and for Uruguay and Paraguay, the year 2006.

[26] Bolivia and Peru continue to apply their respective national tariffs, while Ecuador applies the common external tariff to close to 60% of its tariff structure.

[27] The Guatemala Protocol, signed in 1993, identifies as its objective, the achievement of economic union through voluntary and consensual agreement between States.

[28] The achievement of the unified Caricom market is being pursued through implementation of nine complementary protocols covering areas ranging from institutional issues to rules of competition. Protocols 1, 2, 3 and 5, which deal with institutional issues, rights to establishment, provision of services, industrial policy and agricultural policy have been ratified. Protocol 4, relating to trade liberalization, and the common external tariff are being implemented provisionally by 10 of the 14 members.

In this respect, it should be recalled that the ultimate objective of the four imperfect customs unions existing in the region is to establish a common market. Apart from liberalization of trade in goods and the establishment of a common external tariff, the realization of this goal would also facilitate capital movements, liberalization of trade in services and the free movement of persons. Only through the implementation of these complementary disciplines can the four subregional integration arrangements fulfil their purpose and ensure their survival within a free trade zone which would encompass the entire western hemisphere, as contemplated under the proposed Free Trade Area of the Americas (FTAA).[29]

The region has become an important destination for foreign investments generally, which are drawn by economic liberalization, privatizations, high profit rates and the prospects offered by an integrated market of considerable potential, such as Mercosur. According to estimates, foreign direct investment flows into the region expanded from approximately US$ 10 billion at the beginning of the decade to almost US$ 60 billion in 1998 (ECLAC, 1995). Investments, moreover, account for an increasingly large proportion of total foreign capital flows into the region, although until 1997, financial capital still represented close to 40% of investments. These foreign resources have, overall, facilitated the process of liberalization in general and helped to provided the liquidity necessary for the take off of intra-regional trade.

However, this positive trend towards greater integration among Latin American economies was not immune to the effects of the international financial crisis, which unsettled the region in the last years of the decade. Until mid-1998, the integration process seemed able to withstand the unfavourable external climate, but estimates now point to a slump in intra-regional trade in 1999. Available data for the year suggest that imports originating within the region will show a sharper decline than those from third countries.[30] This contraction confirms that intra-regional trade ties are still fragile and may be affected by lack of financial liquidity.[31]

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[29] The Ministerial Declaration of San José (Costa Rica) establishes one important principle: "FTAA can coexist with bilateral and sub-regional agreements, to the extent that the rights and obligations under these agreements are not covered or go beyond the rights and obligations of the FTAA."

[30] According to incomplete data provided by the LAIA secretariat on exports from some of its member countries to the subregional market, exports have declined by 27.3% in the case of Colombia, 20.6% for Chile, 24.7% for Ecuador, 19.8% for Peru, 36.4% for Uruguay and 49.0% for Venezuela. Conversely, exports from this sample of countries to the rest of the world have declined by as little as 2.8%. If we examine the trend for imports from these same countries, substantial declines can be seen for all, ranging from 49.4% (Colombia) to 0.6% (Mexico), with an overall average for the LAIA grouping of 30%. Values seem, moreover, to be closely linked to the depth of the recession experienced in each of the 11 member countries and specific measures applied by several of them to slow imports.

[31] As a direct result of the 1982 financial crisis, intra-regional trade shrank by 35% in the period 1982-1983 and this decline was not reversed until 1990.

The repercussions of the international financial crisis in the region triggered debate on the relevance of coordinating key macro-economic policies, such as foreign-exchange and fiscal policies, in particular those geared to attracting investments[32] Both the Mercosur countries and those of the Andean Community have reached agreements aimed at achieving a gradual convergence of their key macro-economic policies. Nevertheless, whereas the demands of coordination have increased markedly, these countries' actual ability to accept specific disciplines in these areas have diminished in the same proportion as their national policies have become increasingly ineffective in protecting their economies against external shocks. Furthermore, in a climate of economic contraction, doubts persist as to the feasibility of imposing regional and subregional agreements on economies whose trade linkages within the subregion remain weak.[33]

[32] Currently, the two major countries in Mercosur, namely, Argentina and Brazil, apply diametrically opposite foreign-exchange policies: a fixed exchange rate in the case of Argentina and a floating rate in the case of Brazil.

[33] This is the case of Brazil and of the member countries of the Andean Community.

III. ACCESS TO ARKETS OF GOODS AND SERVICES

1. Th notion o r t cc ss

No precise definition of the widely-used term "market access" seems to appear in the literature on trade and trade policy (Harris, 1998, p.263). The intuitive notion of the nature and degree of market access encompasses elements introduced by public and private stakeholders as conditions for competing on national markets in order to give national goods the edge over imports. Policy instruments, regulations and government and corporate practices affect the costs and prices of imports vis-à-vis those of national products and may even physically limit the entry of specific products on markets.

Moreover, the instruments that influence market access have become more sophisticated, and a number of policies on production and marketing have been added to customs duties and other border barriers in each country. Hence, the traditional notion of market access, relates to tariff and non-tariff measures imposed at the border, but market access also depends on changes in competitive conditions in target markets, following the introduction of measures to assist import-competing production or the adoption of contingent protection measures, technical standards or cultural barriers, to name a few.

On the other hand, as already pointed out, a substantial proportion of international trade takes place in non-transparent intra-company markets. Such markets are part of a hierarchical structure of decision-making and corporate contractual arrangements and are international in scope, since they represent cross-border transactions between companies geographically distant from each other. The determining factors for access to this intra-company system, consisting in complex associations between affiliates located in different countries, are not clear, but in order to approach such markets, countries must attract major transnationals and have them set up productive operations on their territories.

The Uruguay Round achieved major advances in terms of the negotiated opening of some markets of interest to Latin America, both in the more traditional form of this process, and in the acceptance of disciplines for the use of domestic policy instruments through commitments on tariff reduction for industrial products, tariffication of various non-tariff measures, reduction of subsidies granted for agriculture and the gradual roll-back of quotas under the Multi-Fibre Arrangement. Similarly, the Marrakesh Declaration included the Agreement on Subsidies and Countervailing Measures, the Agreement on Implementation of Article VI of the General

Agreement on Tariffs and Trade (1994) (Anti-dumping Code), the Agreement on Technical Barriers to Trade and the Agreement on the Application of Sanitary and Phyto-sanitary Measures.

Latin American and Caribbean countries are aware that the limitations on their productive capacity can be a more severe constraint than actual conditions of access to target markets, since an undiversified supply will fail to turn an open market into trade opportunities. However, within the framework of the Uruguay Round, Governments of the region approved the Agreement on Trade-Related Investment Measures (TRIMs), which severely restricts the bargaining power of Governments in their dealings with transnational corporations, while omitting to define any rules or codes for regulating the ability of such corporations to determine trade conditions on international markets. By contrast, there is no reason to believe that the costs of adopting a more effective protection for intellectual property rights, arising from the implementation of the Agreement on Trade-related Aspects of Intellectual Property Rights would necessarily be offset by better access to the internal markets of major corporations.

2. Th cts o th Uru u y Round r nts on cc ss to rch ndis r ts

( ) A r nts on op nin up o r ts

Tariffs

The eight rounds of multilateral trade negotiations progressively lowered tariffs on industrial goods from industrialized countries to very low levels. The Kennedy Round (conducted between 1963 and 1967 and involving 82 nations) was the first to present an agreement on effective tariff reductions (close to 35% of overall reductions which included 80% of dutiable trade) (Winham, 1986, p. 60). Despite the difficulties on non-tariff issues, the Tokyo Round (1973-1979) made it possible to move forward with the lowering of tariffs on non-agricultural products, with the exception of textiles and garments, and resulted in very low average tariff levels, which were cut even further at the Uruguay Round (see table III.1).

It should be pointed out that in 1996, tariff structures in Canada, United States, Japan and the European Union had the following characteristics: (i) Tariff-free lines varied between 11% (European Union) and 35% (Japan); (ii) specific and compound tariffs still accounted for a substantial proportion —and in the case of the United States as much as 18%— of total tariffs, and (iii) the import-weighted average tariff rate was between 3.5% (Japan) and 6.6% (European Union) (Laird,1998, pp. 19-20)[34] (see table III.2 and chapter IV).

[34] Tariff reductions applied by developed countries to industrial products as the outcome of the Uruguay Round amounted to 40%. That is to say, the trade weighted average tariff moved from 6.3% before the Round to 3.8% after it (GATT, 1994, p.14).Following the Round and as a result of plurilateral agreements, additional reductions were granted for pharmaceutical products, distilled alcohol and information technology products (Finger and Schuknecht, 1999).

Table III.1

GATT ROUNDS OF TRADE NEGOTIATIONS REDUCTION OF UNITED STATES TARIFFS

Year	Round/Legislation	Average tariff [a] (%)	Average tariff [b] (%)
1930	Hawley Smoot Trade Act	53.0	18.0
1956	First four GATT rounds	25.0	9.0
1961	Dillon Round (concluded)	22.5	8.1
1967	Kennedy Round (concluded)	12.0	7.0
1979	Tokyo Round (concluded)	8.3	6.2
1987	Tokyo Round (implemented)	5.8	4.3
2000	Uruguay Round (consolidated)	3.5*	

Source: Whalley, Richard (1985), *Trade Liberalization Among Major World Trading Areas,* MIT Press, Cambridge (for all figures except those relating to the Dillon Round); Winham, Gilbert R. (1985), *International Trade and the Tokyo Round,* Princeton University Press, Princeton, p. 60 (for the Dillon Round), Oye, Kenneth A. (1992), *Economic Discrimination and Political Exchange (World Political Economy in the 1930s and 1980s),* Princeton University Press, Princeton, table 7.1, p. 145.

[a] Tariff calculated on basis of total tax collected on the value of dutiable imports. [b] The equivalent ad valorem tariff. [c] Average for industrialized countries.

Table III.2

TARIFF STRUCTURE IN INDUSTRIALIZED COUNTRIES, 1996

(Percentages)

	Canada	European Union	Japan	United States
Tariff-free lines	31.6	11.4	34.8	17.8
Specific and compound tariffs / all tariffs	9.1	12.1	10.6	17.7
Simple average bound rate[a]	5.1	7.2	4.7	3.9
Simple average applied rate	9.2	9.5	6.7	6.2
Import-weighted average rate	5.7	6.6	3.5	3.7
Tariff peaks /all tariffs[b]	1.4	4.8	6.8	3.8

Source: Laird, Sam (1998), Multilateral approaches to market access negotiations. *Staff Working Paper* TPRD-98-02, WTO, May, pp. 19-20. 016676

[a] After full implementation of the Uruguay Round. [b] Takes into account the standard of the Organisation p+6 for Economic Co-operation and Development (OECD), which defines peaks as rates equivalent to three times the national average.

Nevertheless, tariffs continue to be important, especially in relation to certain products, and this is made particularly clear by the effect of tariff peaks, defined by the United Nations Conference on Trade and Development (UNCTAD) as tariffs in excess of 12% in ad valorem terms,[35] and tariff escalation. The problem of tariff peaks arises essentially in six sectors: (i) principal agricultural food products and basic products, in particular, meat, sugar, milk and milk products, grains, as well as tobacco and cotton goods; (ii) fruits, vegetables and fish; (iii) processed food, including orange juice and peanut butter in the United States; (iv) textiles and wearing apparel; (v) footwear, leather and travel goods and (vi) the automobile sector, ıd electro[illegible] transport equipment (see table III.3 and box III.1). Despite the rollback of the maximum tariffs since the Uruguay Round, tariff escalation still exists and may result in high rates of effective protection on products of interest to the region, including metal products, textiles and wearing apparel and wood products.

Table III.3
HIGH POST-URUGUAY ROUND TARIFFS FOR SELECTED EXPORTS FROM LATIN AMERICA AND THE CARIBBEAN
(Percentages and number of products)

Sector	European Union	Japan [a]	United States	Canada	Brazil	China	Republic of Korea	Malaysia
Agricultural [b]								
Frozen, deboned beef and veal	215							
Unsweetened milk powder			179	243				
Butter				300				
Cheese				246				
Dried peas		640						
Fresh bananas	180							
Wheat						114		
Corn						114		
Polished rice		550						
Shelled peanuts		550						
Refined soybean oil						122		
Grape juice	215							
Processed tobacco			350					350
Cigarettes								165
Smoking tobacco			310					150
Number of products with tariffs of 100% or over	5	12	7	7	0	3	0	4
ıdustrial								
Shoes with leather uppers		160						
Cars, capacity 2.500 cm^3						100		140
Number of products with tariffs of 100% or over	0	1	0	0	0	1	0	1

Source: UNCTAD (1998), *Accessing and utilizing data on trade and trcde control measures in good and services*, DITC (mimeo), 31 March 1998, pp. 42-44).
[a] Refers to the post-Uruguay round most-favoured-nation (MFN) tariffs on tariff quotas, the 1996-1997 MFN tariffs or the generalized system of preferences (GSP) tariffs, whichever are lowest. [b] Tariffs.

[35] According to the definition adopted at the Uruguay Round, tariff peaks are tariffs in excess of 15% (GATT, 1994, p. 11). The Organisation for Economic Co-operation and Development (OECD) uses a different definition of tariff peak or "spike", which refers to tariffs more than three times above the national average (Laird, 1998).

Box III.1

SECTORS OF INTEREST TO DEVELOPING COUNTRIES AND WHICH ARE SUBJECT TO TRADE BARRIERS

Sector (Most affected products)	Tariff peaks [a]	Escalation	Other barriers (d)
asic a ricultural products (heat rains dair eats)	er fre uentl resultin fro tariffication	[b]	-addi ional du ies t ariff quo as subjec o peaks or advan ages o radi ional suppliers -sani ary and phy o-sani ary s andards applying o produc s in cer ain origina ing coun ries -affec ed by coun ervailing du ies -special safeguard mechanism (agricul ural agreemen)
Frui s, vegetables and fish (bananas, peas, peanu s)	-may be higher on he major marke s	[b]	-fish: affec ed by coun ervailing du ies, an i-dumping inves iga ions, regula ions and s andards environmen al echniques and measures (con roversial cases)
Food-processing (canned foods, sugar, juices, coffee)	-high ariffs on major marke s	[b] (flour, orange juice, vegea able oils,dairy)	-an i-dumping ac ions -affec ed by coun ervailing du ies -special safeguard mechanism agricul ural agreemen)
Me als		-s ill applies	-an i-dumping ac ions -affec ed by coun ervailing du iess256 [illegible]
Textiles and garments	-high tariffs on major markets	-applies especially clothing	-quantitatives restrictions -exclusion from GSP on certain markt -anti-dumping actions (many post 199[illegible] -transition safeguards (controversis -countervailing duties
Footwear, leather and travel goods	-high tariffs in developed and developing countries	-still applies	-limited under GSP -anti-dumping actions
Pulp			-anti-dumping actions
Wood products and furniture		-still applies	
Chemicals			-anti-dumping actions -countervailing duties
Plastic and plastic products			-anti-dumping action
Construction materials			-countervailing duties
Machinery and electric equipment			-anti-dumping actio -countervailing duties
Automobile and other technological products	-high tariffs in developed and developing countries		-principal exporting developing cou[illegible] from GSP

Source: UNCTAD/OMC (1997), *Market access developmenw since the Uruguay Round: implications, opportunities and challenges, in particular for developing countries and least developed countries, in the context of globalization and liberalization;* Michalopoulos, Constantine (1999), Trade policy and market access issues for developing countries. Geneva, June, pp. 47-60).

[a] Based on post-Round tariffs on exports from developing countries. Refers to the post Uruguay Round MFN rate on tariff quotas or the rate applied between 1997 and 1998 or the GDP rate, whichever is lowest (UNCTAD/WTO, table 3 of Annex). [b] Takes into account information on anti-dumping cases in the period 1987-1997. [c] Persists as a restriction on the diversification of certain agricultural exports, in keeping with a study by the Food and Agriculture Organization of the United Nations (FAO) quoted in UNCTAD/OMC (1997). [d] The effective protection rate for footwear is almost double that for leather in United States and Canada but on the other hand is higher than the rate on leather in the Europwan Union. [e] Generalized System of Preferences.

United States

The tariff system of the United States includes ad valorem, spec seasonal tariffs in addition to preferential tariffs (SGP). According toc the WTO, the average MFN tariff applied by the United States fell from 6 1996 and 1999, with a slight increase in the range of tariffs from 2.1 general coefficient of variation. Once the tariff reductions provided fo and the Information Technology Agreement (ITA) are fully implemented, th expected to fall to 4.6% and the range to 1.86%.[36] About 35% of tarif between 0 and 5, and almost 20% showed values between 5 and 10 (see table

Table III.4
STRUCTURE OF EFFECTIVE MFN TARIFFS IN THE UNITED
(Percentages)

Indicators	1996	1998	1999	Uruguay Round[b]	Uruguay Round/ITA[b]
1. Tariff lines with exemption	[illegible]	13.8	29.7	36.4	37.8
2. Specific and composite tariffs/all tariffs	[illegible]	[illegible]	11.2	11.1	
3. Tariff quotas/all tariffs	[illegible]	1.9	1.9	1.9	1.9
5. Simple average of the bound tariff rates	[illegible]	5.9	[illegible]	4.7	4.6
6. Simple average of effective tariff rates	[illegible]	5.9	5.7	4.7	4.6
Agricultural products	10.0	10.3	10.7	8.2	8.2
Industrial products	5.7	5.0	4.7	4.0	4.0
7. Internal tariff ceilings[c]	[illegible]	4.9	5.0	6.9	7.3
8. International tariff ceilings[d]	[illegible]	7.7	7.4	5.2	5.2
9. General standard deviation (SD)	[illegible]	12.9	13.3	8.6	8.6
10. Coefficient of variation (CV)[e]	[illegible]	2.19	2.34	1.83	1,85

Source: WTO (World Trade Organization) (1999), Examen de las Polítice III.1, p 56.
[a]MFN = most favoured nation; [b]Calculated on the basis of information 1996 WTO Trade Policy Review; [c]The ad valorem equivalents (AVE) in t Round/Information Technology Agreement (ITA) columns are estimated p the 1998 nomenclature and the 1997 AVE provided by the Government of three times the general simple average of the MFN type; [d]Internation coefficient of variation is the standard deviation divided by the si standard deviation is an indicator of the absolute tariff range, the Indicators 2 and 3 take into account all tariff lines (that is, the i indicators exclude the lines applied within the tariff quota. The in effect on the indicators.

However, although general tariff levels are low, 5% of MFN tariffs times higher than the general average value (which corresponds to the i tariff ceiling). The highest tariff levels affect agricultural and food p and footwear. By the end of the transition period, the proportion of the to rise to 7.3% of tariffs, and that the percentage of tariffs exceedin 5.2%.

Observation of tariff escalation on the basis of 1999 data shows th finished products was 5.9%, slightly higher than the average tariff fo (5.7%), and the average tariff on raw materials was 4.2%. Tariff escalat

[36] The ad valorem duties levied by the United States are based on f freight costs. Most WTO Member States apply import duties ad valorem on c

the end of the Uruguay Round transition period, h levels of 5.2% for fih
2.5% for raw materials.

Table III.5
SUMMARY OF MEASURES AFFECTING THE IMPORTS OF THE IN
COUNTRIES TARIFF MEASURES

Structure	United States (1999)	European Union (1997)	Japan (
	Escalated	Escalatew	Escalated
Average tariff applied	5.7%	10%	9.4% (includes specific
Bound (% of lines)	Almost 100%, minus 2 lines (crude oil)	100%	98.6 % (non-bound: 120 l sensitive products û fish products, wood and petrol
Average tariff for manufactures	4.7%	4.9%	4.9%
Tariff for agricultural products (average and ceiling)	10.7 % 350%	20.8% 800%	26.0% 900%
Specific duties	Agriculture	Agriculture	Also sliding-s differential and alternate (agriculture).
Tariff quotas	Agriculture and textiles	Agriculture and textiles 2.3% of tariffs (in 1996)	Agriculture. Also tariff rate for industrial inputs
Seasonal	Seasonal tariffs	Maintained for about 1200 lines: mostly fruit and vegetables, the average agricultural tariff increases by 3-4 points)	Temporary tariffs
Special regimes			Special treatment for ric minimum access commitment
Preferential treatment	GSP (12.5% of imports) (149 countries and territories) Caribbean Basin Economic Recovery Act (CBERA) (0.9% of imports); Andean Trade Preference Act (1.9% of imports) *	GSP (9% of imports outside the E.U.) Multiple: within the region, the Lomθ COnvention and ACP	GSP (5% of imports with 1 countries 1995)
Bilateral	With Israel		
Free Trade Area	NAFTA	Various. Under negotiation, free trade agreements with Mercosur, Chile, and Mexico	

Source: WTO (1999), Examen de las Polφticas Comerciales de los Estados a las Polφticas Comerciales de Jap≤n, Geneva, June. WTO (1998), Examen de 1997, Geneva, March.

Note: (*) The CBERA programme began in 1984, to provide preferential t to 1995, the main imports within the CBERA framework were of machinery and tobacco and tobacco products. Costa Rica, Guatemala, Honduras and te of origin. The Andean Trade Preference Act was enacted in 1991 for a 10 of imports), followed by Peru (30% of imports), Ecuador (17%) and Boliv from Colombia and to a lesser extent from Ecuador.

European Union

The European UnionÆs tariff system includes ad walorem, specific am well as preferential tariffs based on the multiple agreements concluded d to the trade policy report, in 1997, whe average MFN Ôp+6Xtariff applied Union was 10% (see table III.6.) Between 1995 and 1997, the average tari goods was reduced from 6% to about 4.9%, while the average for agricultu tariffied products) has been reduced by 25% to 20.8%.[37] Traditionally, th structure has shown a marked escalation, especially in the fisheries,, leather, paper and metals sectors. The Uruguay Round agreements are ex gradual decline in escalation thanks to a proportionally larger reducti products. The year 2000 will see escalation eliminated for paper, and i will continue to apply to important sectors in Latin American countri processed agricultural products, and textiles.

that tariffTariff escalation and the differences between sectors has mean maintained at levels well above the average; some 4.8% of MwN tariffs re three times the overall average value in 1996 with a standard deviation[38] The average tariff is expected to increase to 7.2% in 2000, once the Uruguay Round a fully implemented. The percentage would be even higher if the Infor Agreement (ITA) were taken into account.

Tariff cuts were introduced uniformly in the industrial sector withe sharpest cuts were applied to chemicals, textile fibres, scientific i products generally. However, some higher MFN tariff categories subsi automobile and electronic consumer appliance sectors. Furthermore, tax b apply to products subject to the Information Technology Agreement (ITA)e been to cut the average tariff for industrial products to 3.7% in theh implementation of ITA, this average is estimated to be less than 3%.

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[37] It has been observed that withinÔ1X the sector there are groupe protection and high peaks have been noted for grains and, to a less ext products. Although the average level of duties applicable to oilseeds, fr lower than the agricultural average or equivalent to zero, seasonal pe protection to European Union producers at specific times of year. The hi 1,200 tariff lines and affect mostly fruits and vegetables, were not tak averages and only basic categories were used. If the maximum seasonal rat tariff would be approximately 3 to 4 percenExamen de las Políticas Comerciales (WTO, 1998) Unisn Europea, 1997, Geneva, March, p. 90.

[38] Sam Laird, ôPatterns of protection and approaches to liberalizat

Average Range Standard

Table III.6

TARIFF EwCALATION AND TARIFF RANGE IN SELECTED SE

EUROPEAN UNION, 1997 AND 2001

(Percentages)

ISIC	Product	Implemented in 1997: Frequency (Number of tariff lines)	Simple average	Range	Standard deviation	Final/ 2001 Simple average
	Primary products					
111	Agricultural and livestock production	653	15.9	0-155.1	18.6	n.a
121	Forestry	25	0.5	0-4.4	1.3	0
130	Fishing	135	9.8	0-23	5.8	9.
	Manufacturing					
311	Food manufacturing	1332	27.0	0-826	36.5	
3112	Manufacture of dairy products	93	51.4	13.156.3		
3113	Canning and preserving of fruits and vegetables.	427	23.5	0-116.1	14.2	15.3
3116	Grain mill products	95	52.2	0.3150.0	40.3	
3117	Manufacture of bakery products	30	20.3	11.7-70.1		
312	Manufacture of food products n.e.s.	145	26.0	0-1009.9		
313	Beverage industries	185p+522X	22.2	0-365.4	31.4	
314	Tobacco	8	58.8	22.9-103.0	28.4	
321	Textiles	932	9.0	0-25	3.6	7
3211	Spinning, weaving and finishing textiles	485	7.8	0-14.3	3.3	6.0
3213	Knitting mills	212	12.2	6.5-13.4	1.6	
3215	Cordage, rope and twine industries	18	13.5	5.8-25		
322	Manufacture of wearing apparel, except footwear	210	12.0	0-13.4	2.8	10.6
323	Manufacture of leather and products of leather	98	3.8	0-10.6	2.5	3.2
3231	Tanneries and leather finishing	36	3.3	0-6.7		
3232	Fur dressing and dyeing industries	33	2.8	0-4.6		
3233	Manufacture of products of leather, except footwear	20	5.6	2.7-10.6	2.9	4.4
324	Manufacture of footwear	48	7.6	3.6-18.2	3.7	

Source: Base on table AIII.1 page 150. WTO (19

Japa

The tariff system in Japan includes four types of tariff: legal tariffs, WTO-bound tariffs, temporary tariffs and preferential tariffs provided for in the Generalized System of Preferences (GSP). Japan did not bind 100 percent of its tariffs and a set of sensitive items was established (approximately 120 tariff lines of the nine-digit Harmonized System), and these have not been bound; they include, mainly, fish products (including seaweeds), which, moreover, are subject to quotas, and some wood products and petroleum derivatives (see table III.5).

The average tariff for manufactured goods was 4.9% and maximum tariffs amounted to 251%. Tariff escalation has been observed in different sectors, mainly for semi-processed and processed food products (see table III.7).

Table III.7
TARIFF ESCALATION AND TARIFF RANGE IN SELECTED SECTORS
JAPAN, 1997
(Percentages)

ISIC	Product and stage of processing	Frequency: Number of tariff lines	Average	Range	Standard deviation
	Primary				
111	Agri ultural and livestock production	373	12.2	0-923.3	67.4
121	Forestry	40	3.3	0-23.8	5.6
130	Fishing	134	5.8	0-15	3.8
	Manufacturing				
311	Food manufacturing				
	- First phase of processing	156	35.3	0-684.5	141.2
	- Semi-processed products	124	19.6	0-140.2	19.0
	- Finished products	786	25.3	0-630.2	55.0
312	Manufacturing of food products				
	- First phase of processing	32	35.1	0-781.6	136.6
	- Semi-processed products	26	36.1	4.3-85.7	17.7
	Finished products	202	64.5	0-709.2	146.3
313	Beverages, finished products	58	26.0	0-90.2	22.1
314	Tobacco, finished products	8	7.9	0-33.3	11.9
321	Textiles				
	First phase of processing	64	12.5	151.3	40.8
	Semi-products	1187	7.5	0-16	2.6
	Finished products	596	9.9	0.17.9	4.2
322	Manufacture of wearing apparel, finished products	275	12.0	3.4-18.5	3.3
323	Manufacture of leather products				
	- First phase of processing	1	3.4	3.4-3.4	....
	Semi products	86	16.8	0-48.8	16.4
	Finished products	43	12.3	3.2-20.8	6.2
324	Footwear , finished products	92	49.3	3.9-123.4	45.3

Source: Based on table AIII.1 page 182. WTC (1998), *Examen de las Políticas Comerciales de Japón*, Geneva, June.

The tariff estimates for the year 2000 that were presented by the Japanese Government to APEC in October 1996 show a reduction in the average tariffs applied; however, higher levels will be maintained, and it is estimated that of these, 5.5% will have be three times higher than the average MFN. The WTO Secretariat has estimated that the Agreement on Information Technology (AIT) will not have much impact on the Japanese tariff structure, since the articles either exempt or subject to very low tariffs.

A ricultur l products, t xtil s nd w rin pp r l

U ted States

According to the trade wolicy review, between 1996 and 1999, tariff protection increased for certain general categories of agricultural products, including live animals and meat products, prepared foods, beverages and tobacco. This means that the average MFN tariff actually applied to agricultural products in 1999 was 10.7% higher than that it was for indust ial products. The tariff increases are significant for certain products (see table III.8), including dairy products (average tariff, 22.3%), sugar (15.7%) and tobacco (53.3%). These subsectors also show the highest tariff peaks —as high as 350%, for example, in the case of tobacco.

It should be noted that a significant number of products are subject to tariff quotas. These include beef, dairy products, sugar and some sugar products, peanuts, tobacco and cotton, which account for 1.9% of all tariff lines (i.e., approximately 198 lines). Most non-quota tariffs are not *ad valorem*. Quotas are not uniformly applied, and their use varies, depending on what product is involved. Tariff quotas for products such as tangerines, peanuts and unrefined sugar were fully established between 1996 and 1998. Quotas are applied in over 90% of the cases, but in some instances, such as those of cotton, dried milk, and ice cream, they have been used very little or not at all.

Table III.8

UNITED STATES PROTECTION FOR SELECTED AGRICULTURAL SECTORS IN 1999

(*Percentages*)

Description	Average tariff	Highest tariff	Tariff peaks[a]	Specific tariffs
Dairy produce, e c.	22.3	232.2	4s.2	50.2
Sugars and sugar confec ionery	15.7	168.7	18.2	51.5
Cocoa and cocoa prepara ions	14.7	191.5	19.2	43.6
Prepara ions of cereals, e c.	19.0	151.7	30.9	26.5
Misc. edible prepara ions	14.9	109.8	22.7	44.3
obacco, e c.	53.3	350.0	25.0	51.8

Source: WTO (Worlds Trade Organization) (1999), *Examen de las Políticas Comerciales de los Estados Unidos*, Geneva, WTO, table xxx, p. xx.

Note: All indicator calculations include tariffs within each quota. (a) Tariffs three times higher than simple average MFN tariffs.

The United States reserved the right to apply special safeguards, which are permitted for 189 tariff categories. The products to which such measures may be applied fall mostly in the categories of dairy products, coffee, tea and other preparations and, to a lesser extent, cereals and cereal preparations, and animals and animal products. During the period 1995-1998, the United States applied special safeguards by price and by volume. According to its 1998 notifications, special safeguards were applied to animal products by volume.

Tariffs are high for textile products (ISIC major group 321) and wearing apparel (ISIC major group 322), to which average rates of 10.3% and 11.3% apply. WTO Secretariat figures show that different levels of protection are applied to the textile industry; the average tariff for textile inputs is 3%, while the tariff for finished articles is 10.1%. In 1998, the United States maintained quotas on exports of textile products and wearing apparel made of cotton, other plant fibres, wool, synthetic fibres and silk blends. As a result of the application of the second stage of the textile agreement, restrictions on textile products have been eliminated. Among the main categories covered are infant apparel, down articles, footwear, handkerchiefs and others, most of which are imported from Asian countries and from Brazil and Romania. It should be noted that export visas —as provided in agreements with the exporting countries— are usually required for the importation of textiles and wearing apparel.

Eu pea U

The average and maximum tariffs in the agricultural sector are substantially higher than those applied in the industrial sector (see table III.9). The European Union applies specific duties to a significant number of products. Duties that are equivalent to over 50% in *ad valorem* terms are applied to nearly 280 tariff categories of the Harmonized Commodity Description and Coding System (10 digits). Table III.9 shows the average tariffs and minimum and maximum values for a number of agricultural products for which the average tariff applied is higher than the observed mean for the sector. The highest tariffs, of over 120%, are for beef, pork, and sheep meat, edible waste of animal origin, milk and cream, certain cheeses, rice, wheat flour and bran, and manufactures of prepared feeds for animals, and animal products.

The European Union reserved the right to apply special safeguards to agricultural products covering approximately 539 tariff lines, particularly cereals, dairy products, animal products and, to a lesser extent but no less importantly, fruits, vegetables, sugar, and others. No special safeguards notification was presented in 1998; however, such measures, both by volume and by price, were applied in 1995 and 1996. Those based on volume were applied to fruits and vegetables, and those based on price, to sugar and sugar products, animals, and eggs.

Japa

Among the measures applied to protect agricultural products, in addition to *ad valorem* duties, Japan's tariffs include a considerable number of specific duties, mobile duties and others. According to estimates by the WTO Secretariat, the average level of tariffs applied by Japan in 1997 was 9.4%, including *ad valorem* equivalents of specific duties.[39] The average tariff applied to agricultural products is 26%, but maximum values may be as high as 923%. The highwst tariffs were levied on milk and dairy products and food preparations. As a result of Japan's having signed the Agreement on Agriculture, the use of specific duties increased, and they now cover between 1% and 6% of all tariff lines. However, WTO estimates that duties other than *ad valorem* are likely to be reduced once the Uruguay Round commitments are fully applied. Japan's commitments in the sector provide for reducing agricultural tariffs by 36% on average.

Table III.9

EUROPEAN UNION

AGRICULTURAL AND FOOD PRODUCTS WITH TARIFFS ABOVE THE AVERAGE FOR AGRICULTURE (1997)

Product	Number of items	Average tariff	Interval	Standard deviation
Live animals	13	78.6	0-120.2	51.3
Animal meat	6	107.5	93.9-124.7	11.5
Meat and waste	26	57.6	2.0-826.2	157.6
Milk and cream	5	59.3	6.6-134.6	57.1
Cheese and curds	37	60.2	1.3-156.3	37.4
Bananas or plantains	3	64.2	18.7-155.1	78.8
Wheat	34	76.8	17.6-106.6	29.3
Maize	16	48.7	0-95.9	48.8
Rice	33	92.3	10.6-141.2	44.0
Sugar	4	61.8	18.7-78.8	28.8
Pastas	11	29.1	11.9-57.4	14.3

Source: Estimates by the WTO secretariat, based on data provided by the Commission. WTO (1998), Examen de las Políticas Comerciales de la Unión Europea 1997, Geneva, March.
Note: Average tariffs are estimated taking into account the ad valorem equivalent of specific duties.

[39] The most recent estimates of *ad valorem* equivalents of duties applied by the Japanese Government were for fiscal 1995.

Also, as part of its WTO commitment to tarifficate quantitative restrictions on imports, Japan introduced tariff quotas for 20 groups of agricultural products. In fiscal 1995, imports above the quotas were minimal, and this has been interpreted as an indication that at international prices, the rates applied above t e quota are prohibitive. [40] Japan excluded certain fishery products from its commitments and applies quotas to such products. In addition, instead of establishing tariffs for rice imports, Japan undertook to expand the levels of minimum access, thus increasing the share of rice imports in domestic consumption. It is estimated that the share of rice imports will increase from 4% to 8% over a six-year transition period.[41]

Japan reserved the right to apply special safeguard measures for several products that are subject to tariffication. There are 121 tariff categories —mostly cereals, dairy products, animals and animal products— that are eligible for this provision. In 1995 and 1996, Japan applied special safeguards, based both on price and on volume, to cereals and dairy products. Most of the safeguards based on volume were applied, especially in 1996, to dairy products; in 1997 and, to a much lesser extent, in 1998, they were applied to animals. The use of special safeguards is an indication that some products subject to tariffication are still highly sensitive, despite the high tariffs applied on imports above quotas.

(b) Contin nt prot ction sur s

In r c nt y rs, p r ll l to th i pl nt tion o th Uru u y Round A r nts, th ov r ll nu b r o c s s or inv sti tion or pplic tion o nti du pin sur s nd count rv ilin sur s, xc ptin s u rds, di inish d, lthou h th s ctors o int r st to xport rs in th r ion w r still ct d (s t bl III.1).[42] The percentage of total trade covered by anti-dumping investigations declined in the United States from 2.3% in the period 1985-1994 to 1.6% in the years 1988-1997, and, in the European Union, from 0.6% of trade in 1993 to 0.3% in 1997 (see table III.11). At the same time, from the late 1980s, some countries in the region, such as Argentina, Brazil and Mexico, began to apply these measures intensively, although the two last countries relaxed them, once the Round of negotiations had come to an end.[43]

[40] The WTO Secretariat has expressed disappointment at the fact that, in the case of most products subject to tariffication that were imported above quota levels, actual quota commitments have not been met.

[41] The question of extending special treatment for rice will be negotiated again with Japan's trading partners in 2000.

[42] See relevant relevant background information in Laird (1998, table 5, p. 20), Michalopoulos (1999, tables 15-18, pp. 50-60), Finger and Schuknecht (1999, pp. 26-33).

[43] The number of investigations initiated between the periods 1991-1994 and 1995-1998 moved from 59 to 72 in Argentina, from 59 to 54 in Brazil and from 137 to 31 in Mexico (Finger and Schuknecht, 1999, p. 29).

Table III.10

CONTINGENT PROTECTION IN THE 1990s

	Anti-dumping	Safeguards	Countervailing measures
Period	**1987-1997**	**1991-1998**	**1990-1997**
Number of investigations	2,196	30	[a]
Permanent measures	1,034		95
Countries most active in the application of such measures	United States, European Union, Australia, Canada	India, United States, Republic of Korea	United States, Australia, Brazil
Sectors most affected (% measures)	Basic metals (30%) Chemicals (18%), Electrical machinery and equipment (15%)	Since 1995: Toys, foodstuffs (meat), chemicals	Basic metals (38%), Animal products (15%) processed foods (14%)
Pre Round	**1991-1994**	**1991-1994**	**1992-1994**
- Number of investigations	1.081	11	137
Post Round	**1995-1998**	**1995-1998**	**1995-1997**
- Number of investigations	860 [b]	19	33 [b]

Source: Vera Thorstensen, *WTO Organização Mundial do Comercio: as regras do comércio internacional e a Rodada del Milenio* (mimeo), May version (1999); Michael Finger and Ludger Schuknecht (1999), *Market access advances and retreats since the Uruguay Round Agreement*, document presented at the World Bank annual conference on development economics, Washington D.C.; UNCTAD/WTO, *Market Access Development since the Uruguay Round: Implications, Opportunities and Challenges, in Particular for Developing Countries and Least Developed Countries, in the Context of Globalization and Liberalization*, Geneva, 1997; Constantine Michalopoulos, *Trade Policy and Market Access Issues for Developing Countries*, Geneva, June 1999.

[a]Number of investigations 1987-1997 = 258 (UNCTAD/WTO, op cit., p.17) and 1992-1997 = 170 (Finger and Schuknecht, op cit., p. 36).

[b]Estimates by Finger y Schuknecht (1999, p. 27) for 250 cases for 1998 were added to the data from Michalopoulos (1999, p. 55) relating to 1995-1997.

In applying anti-dumping duties, however, developed countries have not adhered to the recommendations contained in the agreement, which invites member countries to look for constructive solutions when investigations affect developing countries[44] (Finger and Schuknecht, 1999). On the contrary, most anti-dumping measures are imposed on developing countries, which makes their exports more vulnerable and is disproportionate to their share of world trade (Michalopoulos, 1999).

As regards the sectoral distribution of contingent protection measures, the figures show that anti-dumping duties and countervailing measures are used more frequently in the more traditional sectors and can affect developing countries more intensively (see table III.12).[45]

[44] Most cases have resulted in surcharges rather than price undertakings, and these surcharges have tended to be quite high.

[45] It has been argued that two simultaneous phenomena occurred in the 1970s and 1980s: "rearguard" goods (primary products, textile industries, and iron and steel) were protected, while "vanguard" or innovative products began to be liberalized and productively integrated (Tussie and Casaburi, 1991).

Table III.11

CONTINGENT PROTECTION: NUMBER OF CASES FILED BY EACH COUNTRY (APPROXIMATE ANNUAL AVERAGES)

1989-1997

Type of measures (complainant countries)	1980-1986	1990s	Pre Round: 1991-1994	Post Round: 1995-1998
Anti-dumping	184	217[a]	270	215
- United States	50		55	24
- EEC/European Union	40		34	31
- Australia	59		53	190BMC1,240PE= CH
- Canada	33		21	10
Developed countries	184	131	175	88[b]
Developing countries	--	86	95	115[b]
- Mexico			32	8
- Argentina			15	18
- Brazil			15	14
- India			4	20
- Korea			4	8
Countervailing duties	66		46[b]	11[c]
- United States	40		20	3
- EEC/European Union	--		--	2
- Australia	3		3	--
- Chile --				
- Brazil			8	--
- Mexico			5	--

Source: Prepared by Diane Tussie and Gabriel Casaburi, "Los nuevos bloques comerciales: a la búsqueda de un fundamento perdido". In *Desarrollo Económico*, vol. 31, No. 121, April-June. IDES, Buenos Aires (1991, p. 15); Michael Finger and Ludger Schuknecht "Market access advances and retreats since the Uruguay Round Agreement", paper presented at the Annual Bank Conference on Development Economics, World Bank, Washington D.C, (1999, pp. 29 and 36) and Constantine Michalopoulos, *Trade policy and market access issues for developing countries*. Geneva, June. 1999, pp. 55-56).

[a] Anti-dumping measures reached a peak in 1992-93, and then began to grow again from 1995 onwards. Between 1990 and 1992, more than 80% of all investigations were initiated by industrialized countries. Developing countries initiated 50% of all investigations in 1994 and 51% in 1997 (Michalopoulos, 1999).

[b] Period: 1992-1994.

[c] Period: 1995-1997.

Table III.12

DUMPING AND SUBSIDY INVESTIGATIONS: MAIN SECTORS AND NUMBER OF CASES FILED BY THE UNITED STATES AND THE EUROPEAN UNION, 1995-1997

	Dumping	Subsidies
United States	62 cases: *Iron and steel basic industries – 13 *Manufacture of metal products-3140 12 *Manufacture of industrial chemicals – 6 *Manufacture all non-electrical machinery – 6	9 cases *Iron and steel basic industries – 4 *Manufacture of food products – 3 *Wood industry and wood products – 1 *Manufacture of metal products – 1
European Union	107 cases: *Manufacture of electrical machinery and appliances – 23 *Manufacture of tex *p-2 tiles – 21 *Manufacture of industrial chemicals – 10	6 cases: *Manufacture of food products – 2 *Manufacture of other chemical products – 1 *Manufacture of glass and glass products – 1 *Manufacture of metal products – 1

Source: Based on Peña and Selaive (1999, table 2, p. 78).

(c) T chnic l b rri rs to tr d

Technical barriers to trade include not only technical but also sanitary and phytosanitary standards, and their application can result in significant obstacles to market access. Technical standards include quality control on the final product, packaging and labeling requirements, environmental restrictions, or standards aimed at protecting workers in the exporting country. Standards may also be designed to achieve non-trade objectives, which are nonetheless enforced through trade retaliation under WTO rules (Whalley, 1999, p. 49).

Although the Uruguay Round has regulated the application of both sanitary and p ytosanitary and other technical barriers,[46] the growing demand for high stanwards as a condition of market access raises the possibility that importing countries are using them for protectionist motives. In particular, the divergence between mandatory and voluntary standards, and the lack of definition by the multilateral agencies responsible for recognizing and certifying technical standards (unlike what happens with sanitary and phytosanitary measures) affords a wider margin of discretion to countries in applying such measures. Several cases examined by the Dispute Settlement body have related to problems arising from the application of technical stap 1 ndards (see section 5).

By submitting national sanitary and phytosanitary measures to a multilateral regime, when their indiscriminate had become an obstacle to market access, the Agreement on the Application of Sanitary and Phytosanitary Measures might be seen as a step forward. Yet the agreement still allows each country to apply its own regulations on the basis of often flimsy scientific evidence, which means that these measures can still be used to afford undue protection to local producers (Fischer, 1997).

[46] These agreements recognize the function of standards not only in providing information and facilitating market transactions, but also in responding to the growing public demand for products that are risk-free from the health or environmental standpoints (UNCTAD, 1999a).

The map l rketing and distribution channels inside individual countries may also exert a restraining influence on imports. Complaints made in the United States against procedures in the Japanese markets for photographic products and automobiles have become notorious, for example, and recently the European Union's preferential regime in favour of banana imports from Caribbean countries was also called into question. It is interesting to note that the European banana regime was brought before the Dispute Settlement body of the WTO as an infringement against the General Agreement on Trade in Services (GATS), since the complaint was based on the preferential regime's discriminatory effects on banana marketing firms (ECLAC, 1997,). 53-54).[47]

3. Co it nts r l tin to s rvic s

( ) L tin A ric n nd C ribb n countri s

Spec f c c mm tme ts

At the end of the Uruguay Round, 34 Latin American and Caribbean countries signed specific commitments in the General Agreement on Trade in Services (GATS). Of these, 30 presented their commitment schedules at the conclusion of the Uruguay Round, and the other four submitted them when they joined the WTO.[48] At first glance these commitments suggest that the region made a significant contribution to multilateralism in services. More than the number of sectors included, the region's contribution is particularly significant for the quality and trade value of the sectors in which its commitments were made. In sectoral terms, 94% of the countries of the region have made commitments on financial services, and on tourism and trawel-related services; 76% have made commitments on business services and 70% on telecommunications and transport (see table III.13).

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[47] There are other less obvious cases of traditional and informal practices, which, although not always supported by official documentation, are equally effective in obstructing imported products (arris, 1998).

[48] The first 30 countries were as follows: Antigua and Barbuda, Argentina, Aruba, Barbados, Belize, Bolivia, Brazil, Chile, Solombia, Costa Rica, Cuba, Dominica, Dominican Republic, El Salvador, Grenada, Guatemala, Guyana, onduras, Jamaica, Mexico, Netherlands Antilles, Nicaragua, Paraguay, Peru, Saint Vincent and the Grenadines, Saint Lucia, Suriname, Trinidad and Tobago, Uruguay, and Venezuela. The four countries that joined WTO later were: Ecuador (21 June 1996), aiti (30 January 1996), Panama (6 September 1997) and Saint itts and Nevis (21 February 1996).

Table III.13

LATIN AMERICA AND THE CARIBBEAN: SUMMARY OF SCHEDULES OF COMMITMENTS

Country	Commitments by sector														
	1	2	3	4	5	6	7	8	9	10	11	12	Total	MFN	Horizontal
Antigua and Barbuda	x	x					x		x	x	x		6	x	x
Netherlands Antilles	x		x	x			x		x	x	x		7		x
Argentina	x	x	x	x			x		x				6		x
Aruba	x		x	x			x		x	x	x		7		x
Barbados	x	x					x			x			4		x
Belize	x	x						x					3		x
Bolivia		x					x	x	x	x			5	x	x
Brazil	x	x	x	x			x		x		x		7	x	x
Chile	x	x					x		x		x		5	x	x
Colombia	x	x	x	5Xx	x		x						6	x	x
Costa Rica	x				x		x	x	x	x	x		7	x	x
Cuba	x	x	x				x		x	x	x		7	x	x
Dominica		x					x		x	x			4		x
Ecuador	x	x	x	x		x	x	x	x	x	x		10	x	x
El Salvador	x	x				x	x		x		x		6	x	x
Grenada		x					x		x	x			4		x
Guatemala	x	x					x		x		x		5	x	x
Guyana	x						x		x		x		4		x
Haiti	x		x		x		x		x				5		
Honduras	x						x		x		x		4	x	x
Jamaica	x	x			x		x	x	x	x	x		8	x	x
Mexico	x	x	x	x	x		x	x	x		x	x	10	x	x
Nicaragua	x	x					x		x		x		5		x
Panama	x	x	x	x	x	x	x	x	x	x	x		11	x	x
Paraguay							x		x				2		
Peru	x	x		x			x		x	x	x		7	x	x
Dominican Republic	x	x	x				x *	p 140X	x	x			6	x	x
Saint Kitts and Nevis							x		x	x	x		4		x
Saint Vincent and the Grenadines							x	x	x	x	x		5		x
Saint Lucia							x	x	x	x	x		5		x
Suriname		x							x		x		3		x
Trinidad and Tobago	x	x	x		x		x	x	x	x	x		9	x	x
Uruguay	x	x					x		x	x	x		6	x	x
Venezuela	x	x	x				x		x	x	x	x	8	x	x
Total	26	24	13	8	6	4	32	11	32	19	24	2	201	19	32

Source: Based on the Schedules of Specific Commitments and Exceptions to Article II of the countries of Latin America and the Caribbean (WTO).

Note: The sectors correspond to:

1: Business services
2: Communication services
3: Construction and related engineering services
4: Distribution services
5: Educational services
6: Environmental services
7: Financial services
8: Health services
9: Tourism and travel related services
10: Recreational services
11: Transport services
12: Other services

Table III.14

DEVELOPED COUNTRIES: SUMMARY OF SCHEDULES OF COMMITMENTS

Country	Commitments by sector												Total	MFN	Horizontal
	1	2	3	4	w	6	7	8	9	10	11	12			
Canada	x	x	x	x		x	x		x		x		9	x	x
European Community	x	x	x	x	x	x	x	x	x	x	x	x	12	x	x
United States	x	x	x	x	x	x	x	x	x	x	x		11	x	x

Source: Based on the Schedules of Specific Commitments and Exceptions to Article II of: Canada, European Community and its members, and United States (WTO).

Note: the sectors correspond to: *p686

1: Business services
2: Communication services
3: Construction and related engineering services
4: Distribution services
5: Educational services
6: Environmental services
7: Financial services
8: Health services
9: Tourism and travel related services
10: Recreational services
11: Transport services
12: Other services

The region's countries have concentrated their schedules in the third service supply mode (commercial presence on the part of the service provider), with commitments in the other modes generally being made to support a commercial presence.[49] In Mode 4 (temporary movemep 1 nt of people), for example, binding is limited to movement of higher level staff (see table III.19).

Ex ptions ro ost F vour d N tion tr t nt

to article II (MFN) obligations that analyse the exceptio 19 countries[50] have notified, together with horizontal commitments stipulating limitations that cover all sectors included in a country's schedule.

The annex to article II of GATS concerning exemptions requires countries to provide the following information in their list of exemptions from MFN obligations: the sector or sectors in which the measure is applied, a description of the measure indicating why it is inconsistent with Article II, the country or countries to which the measure applies, the intended duration of the exemption, and the conditions creating the need for the exemption. Table III.15 summarizes the information contained in countries' exemption lists in the columns relating to measures and their justifications.

[49] Article I, paragraph 2 of GATS defines trade in services as the supply of a service: "(a) from the territory of one Member into the territory of any other Member; (b) in the territory of one Member to the service consumer of any other Member; (c) by a service supplier of one Member, through commercial presence in the territory of another Member; and (d) by a service supplier of one Member, through presence of natural persons of a Member in the territory of any other Member". Thus, mode 1 corresponds to transborder supply, mode 2 to consumption abroad, mode 3 to commercial presence and mode 4 to the presence of natural persons.

[50] Antigua and Barbuda, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, Dominican Republic, Ecuador, El Salvador, Guatemala, onduras, Jamaica, Mexico, Panama, Peru, Trinidad and Tobago, Uruguay, and Venezuela.

E emptions based on pre-existing preferential agreements have been listed in just six service sectors: business services, communications, financial services, tourism and travel-related services, and transport. Of the 19 Latin American countries, 10 have filed exemptions covering all sectors; [51] these mainly relate to agreements for the promotion and protection of investments (APPIs), movement of natural persons and free-trade agreements. The most frequently listed sectors are: maritime cargo transport, and the production and distribution of cinematographic film (eight countries); land transport (seven countries); and professional and financial services (five countries). Venezuela's list of exemptions includes services provided to the oil industry.[52]

[51] Chile, Costa Rica, El Salvador, Guatemala, onduras, Jamaica, Panama, Peru, Trinidad and Tobago, and Uruguay.

[52] These include professional distribution and transport services in the petroleum sector.

Table III.15

LATIN AMERICA AND THE CARIBBEAN: MEASURES AND JUSTIFICATIONS FOR EXCEPTIONS TO ARTICLE II

Sector	Number of countries[a]	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII	XIII
		Measure																				Justification												
All sectors	10					2	2	6	2				1			2	1			2		1	2		2	3	4		3	1				1
Business services																																		
Professional services	5																																	
Advertising services											1														1									
Communication services	1																																	
Telecommunication services				1			1																		1		1							
Mobile telecommunication services	1			1																									1					
Motion picture production and distribution	8																																	
—	1							1	2																									
Financial services	5																																	
Tourism and related services																																		
Business conventions	1								1																			1						
									1																									
Transport services																																		
Maritime freight transportation	8				3		1				1							4	1		2				1	2			3					
ecreational, cultural and sporting services																																		
Land transport (freight and passengers)			5		1		1														1		3		4									
Land transport (passengers)					1										1				1						1				1					
Land transport (freight)	1																		1						1									
Other services n.e.c.																									11									
Petroleum related services[b]	1						1																											
Total	19	9	5		15		6	8	13	1		5	1		1	3	4	3			13	5	1	1	13	8	5		10	1	1	4	1	1

Source: Based on the Schedules of Exceptions to Article II of the countries of Latin America and the Caribbean (WTO)

[a] Total number of countries which made exceptions to article II.

[b] Refers to business services, distribution and transport.

- A NT for joint production
- B NT international transport agreement
- C NT for States parties to the agreement only
- D Reciprocity in market access
- E Investment promotion agreement
- F Preferential treatment
- G Measures according to convention, treaty or agreement
- H Facilities for movement of natural persons
- I Reciprocal MFN and NT
- J Reciprocity of tax exemptions
- L Dispute settlement measures
- M Reserve for operating profit
- N Subject to capital requirements
- O MFN for States parties to the agreement only
- P Free access for capital
- Q Reserved cargo
- R Market access restrictions
- S Investment guarantee
- T Market access facilities

- I Promoting exchanges
- II Reciprocity
- III Public interest
- IV Integration
- V Promotion
- VI Maintaining preferential treatment
- VII Improving conditions for nationals
- VIII Compliance with agreements
- IX Dual nationality
- X Transparency
- XI Ensuring market access
- XII Ensuring quality
- XIII Legal security

Table III.16

DEVELOPED COUNTRIES:[a] MEASURES AND JUSTIFICATIONS FOR EXCEPTIONS TO ARTICLE II

Sector	Number of countries[b]	Measure A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	Justification I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII	XIII	XIV	XV
All sectors	3			1	1		5		8	3		1	1	2			3	1	1			3	3						1	5	6	1			1	
Business services																																				
Rental of vessels without crew	1			1																														1		
Printin andgpublishi sergices	1										1																							1		
Communication services																																				
One-way satellite transmissions	1					1																												1		
Audio-visual services	1																				1			1												
Motion picture production and distribution	2	1	1			1	1	1	1								1				1	4		1	5	1								1		
Radio and television services	1										1																							1		
Financial services	3											1													1											
All insurance and insurance-related services	1															1								1												
Non-life insurance services	1			1																						1										
Insurance intermediatioo	1																1						1													
Bankin andgother financial services	2			3													3													3				3		
ecreational, cultural and sporting services																																				
News a encg services	1										1																							1		
Transport services																																				
Maritime transportation (passen ers gnd frei ht) g	1									1													1													
Maritime frei ht tgansportation	1			1																			2													
Rental of vessels with crew	1			1																														1		
Inland waterways transport	1							2									1																			1
Air transport services	1									1													1													
Maintenance and repair of aircraft	1						1																					1								
CRS, sale and marketin of ajr transport services	3			1				1					1		1		1				1					2										1
Space transport	1																			1																
Land transport (passen ers gnd frei ht) g	2			1						1			1			1							1												1	
Land transport (frei ht) g	1			1																																
Pipeline transport	1			1									1																					1		
Other services n.e.c																																				
Fisheries related services	1						1																													
A ricugure related services	1								1																				1							
Total	3	1	1	1	1		8	4	10	6	3	4		1		10	1	1	1	3		9	3	13	4	1	1		8	6	1	1	11			

Source: Based on the Schedules of Exceptions to Article II of: Canada, European Community and its Members, and United States (WTO).

[a] Related to professiona , distribution and transport services.

[b] To al number of countries which made exc

A	NT for joint production	K	Fiscal measures. Promotin exchan es g	XI	Forei n pogicy	XII	Maintainin compgetition
B	NT European countries	L	Measures under national le islatgon	II	Reciprocity	XIII	Ensure market access
C	Reciprocity in market access	M	Less favourable tax treatment	III	Protection of nationals	XIV	Geo rapgical characteristics
D	Investment promotion agreement	N	NT subject to reciprocity	IV	Promotion, development	XV	Re ulatgon
E	Differential treatment	O	Market access restrictions	V	Compliance with a reegments		
F	Preferential treatment	P	Market access facilities	VI	Conservation		
G	Measures under a conventio , treaty or a reegp 1Xent	Q	Subfederal tax measures	VII	Security		
H	Facilities for movement of natural persons	R	Reciprocity in land use	VIII	Seasonality		
I	Reciprocity in tax exemption or abatement	S	Quantitative restrictions	IX	Maintainin pregferences		
J	Reciprocity if foreign shareholding is exceeded	T	Measures to safeguard gompetition	X	Fiscal administration		

862YLATIN AMERICA AND THE CARIBBEAN: CONDITIONS AND HORIZONTALTBB6TRIOTIONS

ON COMMERCIAL PRESENCE[a]

MA	Country		Country
Limitation on foreign capital	2	Creation of a company	10
Investm *p 1 ent registration	6	Registration of company	4
Authorization for establishment	7	Restriction of purchases in frontier areas	6
Economic necessity, no condition specified	2	Real estate purchases are regulated	7
Factors affecting the authorization:		Only specialists are permitted to work	1
Impact on productivity	2	Different meaning of a legal person	1
Impact on competition	2	Restricted investment in certain sectors or projectsp4135	7
Environmental impact	2	Tax on remittances of earnings	1
Impact on development and culture	1	Limit on remittances of earnings	2
Contribution to the country's integration	1	Exemption from start-up payment if sales >10%	1
Compliance with national legislation	1	Withholding of investment taxes	3
Impact on economic activity	2	Provisions of the law controlling foreign exchange and insurance	2
Residence	2	Majority of capital within the country, national indicated	
NT			
Work permit	1	Restriction of purchases in frontier areas	4
Only specialists are permitted to work	1	Capital transfer only after three years	1 60
for nationals	1	Tax on wages	1 Commercial prè
Tax on investments (in securities or land)	2	Real estate purchases are restricted	1
		Subsidies not bound	1

Source: Based on the Schedules of Specific Commitments of the countries of Latin America and the Caribbean (WTO).

Table III.18

DEVELOPED COUNTRIES:[a] CONDITIONS AND HORIZONTAL RESTRICTIONS ON COMMERCIAL PRESENCE

MA	Country		Country
Authorization for control of or shareholding in another enterprise	3	Training	1
Authorizations for control or investment, taking into account:		Contribution to the country's integration	1
Impact on the domestic economy and employment	3	Restriction on investment in certain projects	1
National shareholding in the enterprise	1	Restriction on purchasing agricultural land	1
Impact on productivity	1	Restriction on purchasing in frontier areas	1
Impact n competition	1	Few limitations on start-up authorization	1
Compatibility with national policies	1	Authorization for establishment if the manager is non-resident	1
Effect on for eign exchange balance	1	Limits on shareholding in other enterprises	1
Effect on introduction of technology	1	Different treatment for newly-privatized enterprises	1
Effect on reduction of pollution	1		
NT			
Subsidies on R&D not bound	3	Majority of Directors must be residents	1
Right to limited subsidy	1	Residency	1
Not binding for real estate purchasp-1 es	1	Restrictions on land sales and purchases	3
Tax exemptions for State-owned enterprises	1	Authorization for purchase of land not for industrial use	1
Limits on capital subject to certain conditions	1	Taxation on agricultural land	1
Different treatment in certain sectors	1	Taxation on direct and indirect land transfers	2
Different treatment for indigenous peoples	1	Preferential tax treatment for nationals	1
Different treatment for nationals or citizens of community countries	1	Taxation on investment	1
		Measures for disadvantaged social groups not bound	1

Source: Based on the Schedules of Specific Commitments of Canada, the European Union and its members, and the United States (WTO).
[a] The sample includes Canada, the European Union and the United States.

Table III.19

LATIN AMERICA AND THE CARIBBEAN: CONDITIONS AND HORIZONTAL LIMITATIONS ON MOVEMENT OF PERSONS

Bound only for:		Country			Country
Managers		19	Supervisors		1
Executives		24	Legal representatives		2
Specialists		16	Technical experts not available in the country		11
Directors		2	Representative of a service provider		3
Quantitative restrictions					
Staff total:	1/3	1	Staff of specialists:	20%	2
	20%	2	Ordinary staff:	10%	2
	15%	2	Salary:	30%	1
	10%	3		20%	1
	2 per post	1		15%	2
Length of stay (years)					
	One	1			
	Two	1			
	Three	1			
Additional measures					
Work permit		10	Senior staff must speak Spanish		1
Evidence of economic necessity		2	Pre-employment requirements		2
Additional requirements for certain services		1	Restrictions on trade union involvement		1
Permit is granted if specialist not available in the country		2	Subject to provisions of immigration law		6
Permit facilities subject to certain conditions		2	Membership of professional associations		4
Work permit not required for:			Permit required for company directors		2
	30-day contracts	2	Workers may only remit a certain percentage of wages		1
	Experts for 14 days	1	Reserved for nationals in certain activities		1
External staff must train nationals		6	Subsidies limited to nationals		1
May not work in senior posts		1	Subject to income tax		1
Entry of senior staff subject to amount invested		1			

Source: Based on the Schedules of Specific Commitments of the countries of Latin America and the Caribbean (WTO).

Table III.20
DEVELOPED COUNTRIES: CONDITIONS AND HORIZONTAL LIMITATIONS ON MOVEMENT OF NATURAL PERSONS

inagers 3

Bound only for:	**Country**		**Country**
Legal representatives		2	
executives	2	Representative of a service provider	3
specialists	3		
Duration of stay:			
2 years	1	90 days	2
3 years	2	Total period not exceeding 5 years	1
Additional measures			
Work permit	2	Membership of professional associations required	1
Proof of qualifications or experience	1	Temporary stay does not permit having a second job	112520
Subject to economic necessity	1	Differential treatment in some public services	1
Residence	1	No restriction on subsidies	1
Pre-employment requirements	2	Restrictions on subsidies	1
Restriction on the total number of persons entering	1		

Source: Based on the Schedules of Specific Commitments of Canada, the European Union and its members, and the United States (WTO)

[a] The sample includes Canada, the countries of the European Union (considered individually) and the United States.

The vast majority of the justifications used by the region's countries stem from pre-established agreements or arrangements between countries of the region, namely:

- The International Convention on Land Transport (signatories: Argentina, Brazil, Bolivia, Chile, Panama, Peru, and Uruguay).
- The Ibero-American Convention on Cinematographic Integration (signatories: Argentina, Brazil, Colombia, Cuba, Dominican Republic, Ecuador, Spain, Chile, Mexico, Nicaragua, Panama, Peru and Venezuela).
- The Latin American Agreement on Cinematographic Cooperation (signatories: Argentina, Brazil, Colombia, Cuba, Dominican Republic, Ecuador, Mexico, Nicaragua, Peru, Panama, Venezuela, Spain and Italy).
- The General Treaty on Central American Economic Integration (signatories: Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua).

Argentina and Nicaragua have not filed any Article II exemption, despite being parties to the agreements and conventions mentioned above.

The most frequently occurring MFN-inconsistent measures involve “reciprocal access to markets” (15 occurrences), “facilities for the movement of natural persons” (13 p 3Xoccurrences) and “market access facilities” (15 occurrences). The second of these cases mainly relate to benefits granted through agreements on cinema production (see table III.15).

Of the measures listed, those that most undermine the value of specific commitments apply MFN and National Treatment (NT) on a reciprocal basis, or restrict MFN only to countries that are signatories to the agreement. The first of these has been listed by Peru in the financial services sector; the second corresponds to the Central American exemption clause, which is applicable to all sectors but was only included in the exemption lists of El Salvador and Guatemala.

The motives most frequently cited to justify the need for exemption relate to integration (13 occurrences), reciprocity (12 occurrences) and respect for agreements (10 occurrences). Integration motives mostly relate to regional or Central American integration.

Of measures designed to encourage exchanges, 80% relate to cultural exchanges arising from the nature of conventions or agreements for producing and marketing cinematographic films.

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Of the countries of the region that submitted GATS commitments, 32 established horizontal commitments that stipulated limitations applicable to all sectors. Most of the restrictions and conditions contained in these commitments relate to the fourth service supply mode (100% of countries) and Mode 3 (90%), whereas just 16% of countries established horizontal conditions for Modes 1 and 2.

In Supply Mode 3 the most frequent conditions or limitations retained by the countries of the region relate to the following: setting up a company (10 countries); regulation of real estate purchase, restriction on investments in certain projects or sectors, and authorization for establishment (seven countries) (see table III.10).

In the case of authorization for establishment, only three countries[53] listed the factors leading them to require this, such as effects on economic activity and competition. The other countries merely state the limitation without justification. Limitations on investment or access to certain sectors or projects include:

- Restrictions on foreign investment in activities related to national defence, or the processing and disposal of toxic, dangerous or radioactive waste produced outside the country (Colombia).

[53] These were Chile, onduras and Nicaragua.

- A certain number of openings for services to small businesses reserved for local players. An example of this is the limit placed on the number of rooms in hotel construction (Dominica, St. Kitts and Nevis and Saint Lucia).
- A p 7X40 km strip of land reserved for State institutions or companies that are 100% locally owned (Honduras).
- Foreign investment reserved for nationals in certain activities, and must be carried out through neutral shares quoted on the stock market (Mexico).
- Authorization of foreign investment excludes public services such as drinking water,)stal services, asdnitayiother area that the Foreign Investment Directorate declares closed (Dominican Republic).

As regards the fourth supply mode, restrictions on the movement of natural persons can be found in horizontal commitments (see table III.19). As mentioned above, the region has mostly only bound the movement of higher level staff: for example, 24 countries only bind the movement of staff in the executive category. Restrictions on the movement of natural persons include a requirement to train local staff (six countries); Honduras also requires "company managers and supervisors to be able to speak Spanish" and six countries maintain restrictions on membership of professional bodies, mainly in the field of medical services.

The countries of the region also set quantitative restrictions on the percentage of non-nationals on a company's staff, and the percentage of the payroll that can be paid to foreign workers. Permitted length of stay varies from one to three years, but as the period tends to p 12Xbe renewable, this is not considered a significant obstacle.

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[55] (see tables III.13 and III.14), but when the sectors are analysed, their commercial value can be seen to be significant. With respect to supply modes, commitments on commercial presence are the most)des ggnsignificantly and those of Mode 4 other supply commitments, for example, mostly tend to facilitate the movement of higher level staff, and thus support Mode 3.

As mentioned above, to assess the value of a country's specific commitments, it is also necessary to review its horizontal restrictions and Article II exemptions which derogate from the commercial value of specific GATS undertakings.

[54] rizontal commitment Schedules and Article II exemp-2 ptions submitted by Canada, the European Community and its members, and the United States have been used to represent industrialized countries as a whole.

[55] Although, like Mexico, the relatively larger countries that submitted commitments after the end of the Uruguay Round included more than 10 sectors.

ll exemption lists allude to promotion and development (13 occurrences) and the need to ensure

A review of horizontal limitations shows that those imposed by developed countries are quantitatively and qualitatively more of a hindrance to trade than those imposed by the countries of Latin America and the Caribbean or by developing countries in general (see tables III.17-III.20).

The region's Article II p 18Xexceptions are mostly measures of a local type that affect the countries of the region, whereas the exemption lists of the developed countries that were reviewed mostly originate at the federal or subfederal level (in the United States), or at the national or community level (in the European Union), and are applicable to all countries (on a reciprocal basis).

As regards the nature of the measures, although in quantitative terms the measures most frequently cited by developed countries are similar to those listed by Latin American and Caribbean countries, in qualitative terms the limitations maintained by developed countries diminish the value of specific commitments still further.

The most frequent justifications for the measures included in developed countries' Article

market access (11 occurrences) (see table III.16). Apart from this, both the United States and the
ie measurEuropeatedCommunityeinclfodeatheastuntries in
adverse situations, or to support their economic development.[56]

4. Th ct o th Uru u y Round r nts on c p city to djust supply

Some of the Uruguay Round agreements, including those relating to subsidies and to trade-related investment measures (TRIMs), impose restrictions on the design and implementation of policies aimed at promoting diversification of the supply of exportable goods. In their programmes aimed at diversifying and strengthening the export sector, a number of developing countries applied, with 33Xmixed success, a broad range of fiscal and credit subsidies. The experience taught Latin American and Caribbean governments and societies a great deal about the behaviour of special interest groups and the negative effect of allowing the private sector to appropriate the State apparatus without being accountable to society. The aforementioned policy restrictions should be complemented by a positive rationalization of the design and implementation of public policy, as required by multilateral measures limiting the access of special interest groups to the limited resources of the State. By the same token, the liberalization of services under the General Agreement on Trade and Services and the relevant sectoral agreements should lead to improved efficiency in the production of goods, thus enhancing the overall competitiveness of the region's economies.

[56] Examples are tax exemption measures in the USA, "advantages foreseen in the Internal Revenue Code of the USA with respect to beneficiary countries of the Caribbean Basin Initiative" (USA), and "measures based on bilateral agreements between EU member States and other European and Mediterranean countries... admitting a limited number of workers..." (EU).

As mentioned above, however, the agreement on trade-related aspects of intellectual property rights (TRIPs) imposes additional requirements on entrepreneurs in the region which make it more costly and difficult for them to gain access to new technologies. Compliance with quality standards established by importers also adds to the cost of production.[57]

Although the agreement on trade-related investment measures (TRIMs) did not introduce specific disciplines for investment policies, it extended to companies the principles of national treatment and of prohibition of quantitative restrictions, and thus restricted the use of local measures and performance requirements. In Latin America, despite the adoption of deregulation and investment liberalization measures, programmes that apply a combination of investment p450X

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There is general consensus among analysts and government officials concerned with the issue to the effect that the new agreement on subsidies allows room for export promotion policies that include the use of preferential interest rates, with fiscal and credit instruments being geared towards activities in which externalities are involved and the promotion of small and medium-sized businesses, as well as the improvement of research and development programmes, regional development and the introduction of environmental-protection technologies. At the same time, TRIMs still allows for oegotiation of certain issues, including technology transfer, internal training and others. All such measures will pose a challenge to the institutional capacity of the countries to reorient their industrial policies.

5. Disput s ttl nt nd r t cc ss

The dispute settlement system has been widely used by WTO members to protect their rights of access to markets for goods and services. The number of claims submitted to the Dispute Settlement Board (DSB) is considerably higher than that of claims made under the GATT framework within similar time frames. Between January 1995 and the end of September 1999, 181 requests for consultation (representing 140 distinct cases)[58] were made. Of these, 135 were made by developed countries (105 cases) and 36 by developing countries (32 cases), which shows that a significant number of the latter used the system. Four cases and 10 consultation requests were submitted jointly by developed and developing countries. The requests for consultation made by developing countries referred to problems arising from trade with both developed and developing countries.[59] Table III.21, which is based on data up to July 1999, shows that 24% of the complaints were made against the United States, and 25% against the

[57] In practice, the Agreement on Technical Barriers to Trade and the Agreement on the Application of Sanitary and Phytosanitary Measures have been applied without taking into account the special needs of developing countries (WTO, 1999).

[58] Consultations are totaled by country, but individual cases may involve more thp-1 an one country. Therefore, the number of consultations may not be the same as the number of cases. For example, two members may request consultations on different aspects of the same issue.

[59] See the WTO web page [http://www.wto.org/wto/dispute/bulletin.htm].

r of complaints (11%) were brought. In Latin America, the greatest num
ıst Argentina, Brazil and Mexico.

Not all consultations, however, have led to the creation of a panel. A total of 37 cases were settled by the parties or havesremained inactive either because the parties have not pursued their case or because they have reached an agreement. One such case that affects the region is the European Union's complaint against the United States in connection with the Helms-Burton law, which affects countries that do business with Cuba and violates the basic principles of WTO.
ought by Argentina... Other examples of mutually agreed solutions are the complaint
ricultural products, against Hungary, in respect of export subsidies for
lodged against the European Communities by Chile and Peru, in connection with the trade name of the *pectinidae* molluscs. In an anti-dumping complaint brought by Mexico against Venezuela, the measure that had given rise to the claim was suspended, thus stopping the procedure.

Likewise, 24 cases have been completed under the dispute settlement procedure, including the appeals proceduse. Sixty-six cases are in the consultation stage, indicating that governments are interested in finding a solution to their claims without having to set up a panel. Finally, there are 30 "active" cases, i.e., cases that are under consideration by a panel.

Table III.21

SUMMARY OF CONSULTATIONS TO THE DISPUTE SETTLEMENT SYSTEM BY RESPONDENT COUNTRIES, JANUARY 1995-JULY 1999

Respondent country	Pending consultations (1)	Active cases (2)	Completed cases (3)	Settled cases (4)	Total (5)
Total	70	18	18	28	134
United States	14	7	4	7	32
European Union	20	2	4	3	29
Canada	3	2	1		6
Japan	3		2	2	7
Korea	2	2		3	7
India	5		2	1	8
Australia		1	1	3	5
Argentina	6	1	1		8
Brazil	5		1		6
Mexico	2	1			3
Other	10	2	2	9	23

Source: Prepared by Sáez, Sebastián (1999), *Estrategia y Negociación en el Sistema Multilateral de Comercio: Economía Internacional Aplicada*, Dolmen Ediciones, based on information provided by WTO.

Table III.22 shows that anti-dumping actions and internal measures to support production represent a substantial share of the requests brought to the Dispute Settlement Board of WTO. Agriculture is an area in which a large number of consultation requests have been made. As shown in the table, however, most consultations are not taken on to the subsequent stages of the procedure. Many of the completed cases deal with the Agreement on the Application of Sanitary and Phytosanitary Measures and the Agreement on Technical Barriers to Trade.

As regards the cases that are before the Dispute Settlement Board, it appears that the main participants, whether complainants or respondents, are those countries that have a greater flow of trade, although developing countries are also using the system. Cases that have been settled in favour of Latin American countries include the following: claim against the United States with regard to standards for reformulated and conventional gasoline, in favour of Brazil and Venezuela; claim against the United States in respect of restrictions on imports of cotton and man-made fibre underwear, in favour of Costa Rica, and claim against the European Community in respect of the regime for the importation, sale and distribution of bananas, brought by several Latin American and Caribbean countries, either as complainants or as concerned third parties.

Table III.22

SUMMARY OF CONSULTATIONS TO THE DISPUTE SETTLEMENT BOARD UNDER THE URUGUAY ROUND AGREEMENTS

JANUARY 1995-JULY 1999

Uruguay Round Agreements	Pending consultations (1)	Active cases (2)	Completed cases (3)	Settled cases (4)	Totals (5)
Total	70	18	18	28	134
Agriculture	13	2	2	4	21
Sanitary and phytosanitary measures /technical barriers	2	1	4	2	9
Textiles	2	1	3	4	10
Subsidies/Dumping	21	4	2	5	32
Safeguards	5				5
Trips	8	2	2	4	16
Trims/Automobiles	3	1	1	1	6
Services	3			1	4
Other	13	7	4	7	31

Source: Prepared by Sáez, Sebastián (1999), [illegible] Comercio: *Economía Internacional Aplicada*, Dolmen Ediciones, based on information provided by WTO.

The dispute settlement mechanism reflects the main issues that arise in trade disputes and brings to light certain areas of market access that are sensitive for our countries. In that regard, cases referring to technisal barriers or sanitary and phytosanitary measures can either help increase market access or point to the need for other countries to improve their practices. In this regard, the case in which the United States objected to the quarantine measures applied by Japan to agricultural products is interesting. The United States alleged that Japan prohibited the importation of each variety of a product requiring quarantine treatment until the quarantine treatment had been tested for that variety, even if the treatment had proved to be effective for other varieties of the same product. The Dispute Settlement Board established that Japan had acted inconsistently with the agreement on sanitary and phytosanitary measures. The Appellate Body, in its report of 22 February 1999, recommended that the DSB should ask Japan to bring its testing for varieties in line with the corresponding obligations under the agreement on sanitary and phytosanitary measures.[60]

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[60] WTO document WT/DS76/AB/R, of 22 February 1999.

IV. FUTURE NEGOTIATIONS

If the export model that the Latin American and Caribbean countries have been using during the past 15 years as they move to liberalize trade and investment flows is to result in the growth of their economies, a number of macroeconomic and microeconomic conditions are going to have to be met. One of the most important ones is reliable, predictable access to import markets. The Uruguay Round agreements have increased the transparency of national trade rules and policies and have extended the scope of multilateral rules and disciplines, which had previously been confined to manufactures, to include new areas such as services and the protection of the intellectual property rights of business enterprises, and sectors that had previously been outside the bounds of the multilateral trading system, such as trade in agricultural goods, textiles and wearing apparel. However, despite the efforts made by the developing countries during the negotiations, their outcome was extremely unbalanced in terms of the distribution of the costs and benefits associated with the agreements that were reached.

The Governments and societies of Latin America and the Caribbean will have to marshal their limited institutional capacities in order to meet the challenges posed by the present framework of international economic relations, which is influenced by the following factors: (i) multilateral trade negotiations have been converted into an ongoing process within WTO; (ii) the agenda for negotiations continues to focus on moving forward with the liberalization of product and service markets at a time when it is becoming increasingly necessary to harmonize a wide array of public policies that influence the relative competitiveness of local and foreign firms; (iii) developing countries are being required to raise the quality standards for the goods and services they produce and for their local institutions as a condition for obtaining access to industrialized markets; and (iv) the same issues are the object of simultaneous bilateral, subregional, plurilateral and multilateral negotiations

Various experts have observed that the number of items included on the multilateral trade agenda has been increasing as the average level of tariffs on manufactures declines and that the negotiations have begun to encompass aspects of domestic regulatory and policy issues. At the conclusion of the Uruguay Round, the agreements that had been reached were represented as constituting a single undertaking which the countries had to accept as such; in other words, they would not be able to sign some of the agreements while abstaining from others (Finger and Schuknecht, 1999, p. 4). Specifically, the developing countries agreed to lower their trade barriers while at the same time making a commitment to establish certain rules and institutions without having the benefit of accurate estimates of the cost of implementing such agreements as those relating to technical standards and to plant and animal health standards or of enforcing intellectual property laws.

Unlike tariff reductions, the WTO rules in these areas cannot be implemented unless the proper infrastructure is already in place and unless major investments are made in the purchase and installation of equipment, training and the establishment of legal systems or mechanisms (Finger p 1Xand Schuknecht, 1999, p. 3). Although in many cases these commitments were translated into legislation that was ultimately passed by the countries in question, their institutional capacity has not been up to the job of fully implementing those laws. Simply stated, the ability to propose, formulate and p 12Xexecute contracts effectively and economically is a basic aspect of an advanced stage of economic and social development, but it is one that many Latin American and Caribbean societies lack. These countries need to have not only a coherent and consistent body of law but also regularly staffed and funded organizations in order for them to be able to honour their commitments fully.

Consequently, most of the developing countries need more time and resources in order to implement a number of the multilateral agreements, such as the TRIMs and TRIPs and those concerning customs valuation, technical barriers, and sanitary and phytosanitary measures. The discussion concerning these agreements' implementation needs to resolve the inconsistencies p lXthat exist between the long time periods given to the industrialized countries to achieve the full integration of trade in agricultural products, textiles and apparel into the system of multilateral trade rules and disciplines, on the one hand, and, on the other, the unrealistically short periods which the developing countries have for the implementation of such complex agreements as those mentioned above. In addition, the p 1 lXnegotiations on the liberalization of agricultural trade ought to eliminate the serious distortions generated by the subsidization of agricultural exports, which should not be treated any differently than industrial subsidies have been. The fulfilment of commitments regarding the tariffcationw of internal support measures and the timing of tariff reductions should be accelerated, and both tariff peaks and tariff escalation for manufactures should be eliminated.

Furthermore, the Governments of the region demand, on the one hand, that tariff barriers to products 9Xin whic p 1Xh they havep 1X a comparative advantages should be reduced and, on the dı that they should not be prevented from increasing their export capacity by importing countries' use of new types of trade restrictions and discriminatory measures, such as antidumping provisions and discretionary safeguards, and the recent resurgence of measures similar to the now prohibited modality of "voluntary" export restraints. Finally, the Governments require that they not be barred from using policy tools to change their economies' export specializations and defend legitimate national interests, such as growth, job creation, improved wage levels, etc. Therefore, the Governments need to have a means of improving their ability to negotiate with large transnational corporations, which should be obliged to meet certain socially desirable requirements in such areas as technology transfer, training and the creation of local supply chains. Accordingly, in the talks focusing on how to improve the disciplines applying to trade in services, the region's negotiators do not want to abandon the GATS architecture, which ensures them the right to select the sector and manner in which they are to accord national treatment to services and suppliers and to demand of them, in return, that these firms help the country to improve its competitive position with regard to trade in services.

The Latin American and Caribbean countries' frustration with the outcome of the multilateral negotiations has prompted them to seek out other types of contractual arrangements that would give them access to import markets. In parallel with the creation and operation of WTO, various other initiatives have been pursued at the bilateral, subregional, hemispheric and interregional levels in an effort to liberalize important segments of trade with specific trading partners and to introduce more rigorous disciplines than those agreed to in the multilateral negotiations.

Regionalism has been chosen as a mechanism through which national Governments can direct the economic integration process without losing their policy-making autonomy and thus their ability to influence these trade and investment flows. Subregional groupings provide a clearer picture of the implications of public-policy convergence and harmonization, and the different aspects involved in the negotiation of internal rules and disciplines can be evaluated more accurately by smaller, more homogenous groups. Lately, the results of this learning process can be applied to similar negotiatoons in multilateral, hemispheric and interregional forums, and the negotiation process in each one of these forums will be enhanced by the experience gained in the others.

ECLAC has advocated the idea of open regionalism in a variety of different documents and studies. This concept is based on the view that unilateral, regional and multilateral liberalization processes can all build upon one another provided that Governments have a clear picture of the interests at stake. Although simultaneous negotiations in subregional, regional, hemispheric and multilateral forums place considerable demands on the countries' scarce technical resources and require a great deal of effort, they also provide constructive feedback and learning opportunities. Multilateral rules and disciplines establish either a ceiling or a floor for negotiations in the other forums, while some types of highly complex issues can be dealt with more successfully in smaller groups. All the Latin American and Caribbean countries are members of WTO and all are participating in subregional and regional arrangements as well.

In addition, Chile, Mexico and Peru also take part in the forum for Asia-Pacific Economic Cooperation (APEC), all the countries of the region are currently engaged in negotiations with the European Union, and intensive negotiations on WTO-related issues are being conducted at the bilateral level between countries of the region and industrialized countries.

At the second Summit of the Americas, held in Santiago, Chile, in April 1998, the Heads of State and Government of the countries of the Americas decided to begin negotiations with a view to the establishment of a free trade area for the Americas (FTAA), reaffirmed their determination to conclude the negotiation of FTAA no later than 2005, and reiterated their commitment to ensuring that the FTAA agreement would be balanced, comprehensive and WTO-consistent and that it would constitute a single undertaking. In addition, the delegates attending the fifth Ministerial Meeting, held in early November 1999 in Toronto, expressed their support for the opening of new multilateral negotiations in WTO but also stressed that the FTAA negotiations had a distinct aim, which was to create a free trade area that would function in a manner consistent with the relevant WTO provisions.

The representatives of the Governments of the region are thus striving to maintain the priority assigned to the establishment of multilateral rules before moving ahead with hemispheric commitments, on the one hand, and, on the other, to see to it that the negotiations will ensure them the manoeuvring room they need to promote economic integration at the subregional and regional oevels. Over the past few years the Latin American and Caribbean Governments have concentrated their efforts on ensuring that the negotiations in each of the various forums proceed at the differing paces required in order for the region to maintain the manoeuvring room it needs to pursue its economic integration process.

The ministers of trade of the Latin American and Caribbean countries have made a commitment to ensure that FTAA can coexist with bilateral and subregional agreements in cases where the rights and obligations established under those agreements are either not covered or exceed the rights and obligations established under FTAA. Thus, subregional arrangements should function as true customs unions, since FTAA will operate as a free trade area, and should establish more far-reaching rights and obligations than those corresponding to FTAA in specific areas such as trade in services, competition policy and intellectual property rights.

A positive loop has been formed among the multilateral, hemispheric and subregional levels and, as a result, internal relations have taken on a dynamic that is impelling Governments and organized civil society towards the definition of regulatory systems and disciplines that are in keeping with the region's interests. In order to make it possible for subregional schemes to make further headway, the participating countries have been deepening and broadening their subregional markets and reducing the costs of trade diversion inherent in small-scale schemes; this course of action is also designed to bolster the region's bargaining position vis-à-vis third parties.

For example, one of the major challenges facing Latin America and the Caribbean -one for which the FTAA negotiations have acted as a catalyst—has to do with the convergence of integration schemes, as in the case of the liberalization initiative being undertaken by Mercosur and the Andean Community with a view to setting up a joint free trade area for all their member countries.

An understanding of the positive aspects of multi-forum negotiations is essential, especially since the overriding concern of the Latin American and Caribbean countries within the context of the current multilateral process is to focus attention on its development dimension, which underscores the need to take affirmative action on behalf of the developing economies (special and differential treatment) and to rectify the asymmetries generated by the Uruguay Round agreements. The ultimate aim here is to achieve a greater balance in terms of the rules and regulations governing international trade so that the countries of the region may take an increasingly active part in international trade and to arrive at a more equitable distribution of the costs and benefits associated with liberalization and the shift to new patterns of international competition.

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