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THE URUGUAY ROUND AND ITS BENEFITS TO INDONESIA

Republic of Indonesia*

This paper first reviews Indonesia's contribution to The Uruguay Round trade liberalisation as set out in its market access offer for both goods and services. It then reviews the benefits Indonesia can expect to obtain from trade liberalisation by its major trading partners, as well as the benefits which will be derived from greater security of market access through the improved and strengthened rules and disciplines of the multilateral trading system. The last section sets out results of estimations for the quantitative impact on Indonesia's trade and income arising from the Uruguay Round.

INTRODUCTION

Completion of the Uruguay Round represents a milestone in the history of the post-war international trading system, bringing the GATT to a standing it had never reached following the failure of the International Trade Organisation to be ratified in l947. The Uruguay Round surpasses the preceding seven rounds of multilateral trade negotiations in the number and scope of negotiating areas encompassed as well as in the number of participating countries. The results of the Uruguay Round, set out in the Final Act signed by Trade Ministers in Morocco in April 1994, will govern trading relations well into the 21st century.

The Uruguay Round Agreement should bring substantial benefits for Indonesia, for all other participating countries and for the international trading system as a whole. The possibilities for expanded trade offered by the commitments to liberalisation contained in the Uruguay Round Agreement will be extremely important for Indonesian exporters, anxious to continue the remarkable pace of export diversification and expansion realised over the past 15 years. Recognition of the potential benefits and the importance of these negotiations were behind Indonesia's substantive participation in the Uruguay Round.

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Gains from the Uruguay Round Agreement will come from two sources. The first is the more efficient use of domestic productive resources that will result as trade barriers are reduced. The second is the increased access to markets of other countries that will come from trade liberalisation. According to a study by the GATT Secretariat, the Uruguay Round should result in an increase of 12 per cent in the level of world trade (over what it would otherwise have been by the year 2005, the date of final implementation of the agreed trade liberalisation in the Agreement), or an increase of roughly $745 billion (in l992 dollars). The largest increases in trade are projected to occur in the export areas of interest to Indonesia, namely, clothing (60 per cent), textiles (34 per cent), agricultural, forestry and fishery products (20 per cent) and processed food and beverages (19 per cent)[1].

The increase in world income resulting from the market access parts of the Uruguay Round Agreement is projected to add around $230 billion annually as of year 2005. This contribution will grow larger with time as the effects of the Uruguay Round work their way through the various economies. Of this increase in world income, developing countries are expected to gain about one-third, or nearly $80 billion, with most of the gain attributable to liberalisation of the Multifibre Arrangement and agricultural liberalisation.

However, the full impact of the Uruguay Round Agreement will be much larger than this, as the dynamic gains from trade liberalisation will go well beyond the trade and income effects stated above. There are strong links between trade and growth, which cannot be taken into account in a comparative static framework; estimates of the additional dynamic gains from expanded Uruguay Round trade place those gains at anywhere from between one and three times the size of the static gains. A recent study by economists at the GATT Secretariat shows estimates for the income gains from liberalised world trade following implementation of the Uruguay Round Agreement twice as large as otherwise (reaching $512 billion in year 2005) when dynamic effects were included in the model, under all scenarios (both perfect and imperfect competition)[2].

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[1]GATT Secretariat. An *Analysis of the Proposed Uruguay Round Agreement, with Particular Emphasis on Aspects of Interest to Countries.* November 1993, p.45.
[2]Francois, B. McDonald and H. Nordstrom (1994). The Uruguay Round: A global General Equilibrium Assessment. Unpublished paper presented to a conference at the National Centre for Development Studies, Camberra.

Moreover, the quantitative impact of the Uruguay Round over time will be larger due to the qualitative improvement it will impart to the international trading system. Both trade rules and trade disciplines have been significantly strengthened in the various agreements contained in the Uruguay Round Final Act. Expedited and binding dispute settlement procedures will ensure that all countries receive equal treatment in resolving trade disputes.

The confidence generated in the GATT system through the success of the Round will lessen the danger of fragmentation of the trading system through competing regionalism. Trade diversion arising from the discriminatory margins of the various preferential trading arrangements (e.g., European Union and NAFTA) will be reduced through the implementation of the considerable liberalisation contained in the Uruguay Round Agreement resulting in significant reductions in the external tariff of the members of these groupings.

The creation of the new World Trade Organisation (WTO) in January 1995, after the ratification of the Uruguay Round final Act by a significant number of GATT members, will raise the multilateral trading system to equal standing with the two international financial institutions (IMF and The World Bank).

The Minister of Trade of the Republic of Indonesia signed the Uruguay Round Final Act in Marrakesh in April 1994. Legislation to enable the incorporation of the Uruguay Round Agreement into domestic law was put before the Indonesian Parliament (DPR) in September 1994. The Parliament gave its approval to the Uruguay Round Agreement on 12 October 1994 and the bill implementing the Agreement will be signed into law by the President. Indonesia attaches the highest importance to participating fully in the new World Trade Organisation as a founding member.

Indonesia has contributed to the trade liberalisation decided in the Uruguay Round, and Indonesia will benefit from the trade liberalisation of other GATT members resulting from the Round. This paper outlines both aspects, keeping in mind that a country's gain from increased trade opportunities is a combined function of the liberalisation it undertakes in its own market and the increased access it obtains to foreign markets. Stated another way, the more Indonesia reduces its own trade barriers, the larger will be the corresponding increase in its exports as domestic distortions are decreased and input costs are reduced. This will be due to the sharpened competitiveness of Indonesian exporters and their ability to take advantage of increased opportunities for sales to foreign markets, where trade barriers have also been reduced and/or eliminated.

Estimates based on a simulation of the trade liberalisation effects arising from the Uruguay Round using a computable general equilibrium model show substantial potential gains for Indonesia from the Uruguay Round, namely, an annual increase in real exports of 11 per cent and an increase in real CDP of nearly 1 per cent, once the liberalisation agreed in the Round has been fully implemented (as of year 2005). More information on this estimation is provided in the last section of the paper.

This paper first reviews Indonesia's contribution to The Uruguay Round liberalisation as set out in its market access offer (to be incorporated as a revised Schedule XXI) for both goods and services. It then reviews the benefits Indonesia can expect to obtain from trade liberalisation by its major trading partners, as well as the benefits which will be derived from greater security of market access through the improved and strengthened rules and disciplines of the multilateral trading system. The last section sets out results of estimations for the quantitative impact on Indonesia’s trade and income arising from the Uruguay Round.

1. INDONESIA'S MARKET ACCESS OFFER

Indonesia's commitments under the Uruguay Round for both goods and services are contained in its revised Schedule XXI, as attached to the Uruguay Round Final Act.

They include the following:

1. The binding of a majority of tariffs across-the-board at a ceiling rate of 40 per cent. These bindings cover 95 per cent of all tariff lines (8,878 out of 9,382 lines on an HS 9-digit basis) and 92 per cent of all imports. These tariff bindings will become effective as soon as Indonesia becomes a member of the World Trade Organisation. Indonesia’s commitment to bind nearly all of its tariff schedule demonstrates its willingness to comply with the GATT

rules and disciplines as set out in Article II and offer secure market access to its trading partners. Table 1 summarises Indonesia's Uruguay Round market access offer for goods.

The current situation in Indonesia with respect to levels of import protection is shown in Table 2. The simple average import tariff as applied is 19.4 per cent (20 per cent with import surcharges included) and the import-weighted tariff is 12 per cent (13 per cent with surcharge). The lowering of a few pre-Uruguay Round tariff bindings higher than 40 per cent to the agreed ceiling level of 40 per cent will have no effect on import duties charged nor will it change the import protection provided to domestic producers because, as Table 2 shows, all existing duties (including import surcharges) are applied at 40 per cent or lower.

An analysis of the proportion of tariff lines and 1992 imports by existing applied tariff rates for those manufactured products shows that more than half of the new bound items already receive an applied tariff rate of 20 per cent or less. Imports under those lines totalled $13,125m in 1992 or almost one-half of the value of total imports in that year. Nearly one-quarter of Indonesia's imports ($3, 826m) entered the Indonesian market duty free.

2. <u>The tariffication and binding of all agricultural items</u>, with a reduction in the tariff of at least l0 per cent per line item (24 per cent overall), to be carried out over 10 years. A guaranteed access threshold for rice imports of 70,000 tons annually (at a 90 per cent tariff) will be immediately effective. Subsidisation of rice exports is to be kept within a band of between $27.6m (1995) and $21.5m dollars (2004) annually, covering a volume of between 295 and 257 thousand tons, respectively.

A comparison of the level of applied tariffs with the level of tariff bindings agreed in the Uruguay Round for agricultural products is shown clearly shows that the new bound rates for agricultural items are well above the existing applied tariff rates. A substantial proportion of agricultural imports into Indonesia receive duty-free treatment. As a part of the Uruguay Round offer, BULOG's status as a state-trading enterprise dealing in strategic food stuffs has been notified under the provisions on “green box measures” (i.e., permitted domestic subsidy and intervention practices).

3. The removal of all non-tariff barriers (NTBs) on tariff items included in Indonesia's market access offer. These NTBs are to be removed within a ten-year time period. At the time of Indonesia's signature of the Uruguay Round Final Act (April 1994), this commitment affected 179 tariff lines (out of a total of 269 tariff lines with NTBs). Of these NTBs, 81 apply to agricultural items for which NTBs must be removed immediately and 98 apply to manufactured items. The non-tariff barriers to be removed covered $358m or 6 per cent of imports in 1992.

Following the Deregulation Package of June 1994, Indonesia removed 27 outstanding non-tariff measures. Eleven (11) of these applied to manufactured items in Indonesia's market access offer; another 87 NTBs still remain which must be phased out over the coming 10 years as a result of the Uruguay Round offer (comprising the total of 98 NTBs on manufactured items).

The most common NTB to be removed is the Import Producer (IP) licenses which apply to the following products: flat-rolled iron and steel; iron and steel tubes and pipes; engine and engine parts: forklift trucks; bulldozers; tractors; and electronic musical instruments. The other major form of import licensing to be removed is the Approved Importer (IT) license which applies to: sugar substitutes; certain hand tools; and disposable gas-filled cigarette lighters. The Approved Sole Agent (AT) license to be removed is for locomotive engines, and the Pertamina licenses to certain lubricants.

Product items on the list of exceptions to Indonesia's market access offer, for which licenses will not have to be removed, included 504 items covering $2,285m of imports in 1992 or 5.4 per cent of total tariff lines. *Chart 3* shows the product exceptions to Indonesia's market access offer. Of these, only 61 items (or 12 per cent of total exceptions) were subject to applied tariff rates higher than 40 per cent in 1993.

Under the Deregulation Package of June 1994, 16 of the 504 NTBs on the list of exceptions were removed as the result of unilateral trade liberalisation. The remaining NTBs outside of Indonesia's offer therefore number 488 at present and include import licensing affecting: salt, radio-active products, certain organic and inorganic chemicals; certain pharmaceuticals; explosives; certain plastics and rubber products; certain iron and steel products; aircraft and aircraft parts; certain ships; certain instruments: arms and ammunition: and works of art and antiques.

4. The elimination of all import surcharges on items included in Indonesia's market access offer. Indonesia committed itself to carry out this elimination during a ten-year period. However, Indonesia has in fact accelerated its trade liberalisation in this area. At the time of Indonesia's signature of the Uruguay Round Final Act (April 1994), surcharges were applied to 220 tariff lines, of which 159 were included in Indonesia's market access offer. In 1992 imports under those lines totalled some \$838m. Prior to June 1994, the large majority of surcharges were applied at rates of 5 per cent, with a few applied at rates of 10 or 20 per cent, while the trade-weighted average of the surcharges was 15 per cent.

As a result of the Deregulation Package of June 1994, surcharges were removed from 108 tariff lines and reduced on a further 13 lines. Thus surcharges are presently applied to only 112 tariff lines. Most of the surcharges removed were on the items included in the market access offer.

5. Commitments to liberalisation or to the binding of existing market access opportunities for five sectors in the area of services: telecommunications; industrial services; tourism; financial services; and banking.

Table 3 outlines the areas in which Indonesia has made contributions in the area of trade in services under the new General Agreement on Services. These commitments represent the binding of existing levels of market access in these service sectors. The Government of Indonesia has not placed any limitations on cross border supply of various service activities under these sectors (with the exception of commercial banking) nor on the consumption abroad of such services.

Indonesia has placed certain market access qualifications or limitations in its schedule of commitments on Trade in Services. Most of these qualifications or limitations involve the requirement of the establishment of a local joint venture company or service partner or insurance company or securities broker/dealer, depending upon the service in question. There are also qualifications on the admission of natural persons (e.g., managers, professionals) into Indonesia. National treatment in the area of banking activities is qualified by a requirement that involves a capital investment requirement of a minimum of 25 years in order to establish a commercial presence.

2. ENHANCED MARKET ACCESS FOR INDONESIA'S EXPORTS RESULTING FROM THE URUGUAY ROUND

Indonesia's main export markets are in the industrialised countries. The United States, the European Union and Japan together accounted for 54 per cent of Indonesia's total exports in 1992. These countries are also Indonesia's major import suppliers, providing again more than half of Indonesia's total imports. In terms of developing markets, the largest single outlets for Indonesia's exports are Singapore and South Korea.

The Uruguay Round results will expand access for Indonesian exporters to all major markets. The main areas making up the market access areas of the Uruguay Round are those of tariffs, agriculture, textiles and clothing and services. Substantial trade liberalisation has been agreed in these important areas.

2.1. Tariff and Non-tariff Liberalisation

The Uruguay Round resulted in substantial tariff liberalisation, although the depth of reduction varied a great deal as between product sectors. However, considerable emphasis in the Round was also placed on the removal of non-tariff barriers and much was accomplished.

For Indonesia, the tariff reductions agreed will provide greatly enhanced market access for exporters in many key product areas. Global tariff barriers on manufactured products of exports interest to Indonesia will be reduced by around 42 per cent. Tariffs in industrial countries will decline to an average of around 4 per cent. Only 5 per cent of tariffs on manufactured items will be higher than 15 per cent following the Uruguay Round. Tariff reductions agreed in the Uruguay Round are to be implemented in equal annual instalments by developed countries over a period of six years, probably beginning in January 1995 (as stated above), and by developing countries in equal annual instalments over a period of ten years from this date.

Table 4 shows the tariff levels pre- and post-Uruguay Round which will face exporters of agricultural and industrial products into Indonesia's three main industrial markets, namely Japan, the European Union and the United States. The resulting simple average tariff facing Indonesia's exports (all products except petroleum) will fall to 4.4 per cent in Japan, 6.0 per cent in the European Union and 6.5 per cent in the United States. Much higher levels of average tariffs will face Indonesian exports to developing country markets following the implementation of Uruguay Round tariff liberalisation.

Tariff escalation will also be reduced for some product areas as a result of the Uruguay Round Agreement. This is true for the following products in which Indonesia has an export interest: wood products; pulp and paper; tobacco; copper; nickel; aluminium; lead; and tin. However, tariff escalation in other product areas remains a concern.

Many of Indonesia's most important export items will face larger than average tariff cuts in their major markets. The largest cuts apply to wood, pulp, paper and furniture items (69 per cent), mineral products and precious metals (59 per cent), oil seeds, fats and oils (40 per cent) and coffee, tea, cocoa and sugar (34 per cent). Indonesia’s export earnings from the items in these groups comprise between 21 and 50 per cent of total export receipts. Substantive tariff cuts will also apply to certain export items in which Indonesia has a moderate exports interest at present, namely fruits and vegetables (36 per cent).

However, lesser than average tariff cuts will apply to other products of export interest to Indonesia. These include: leather and rubber footwear and travel goods (18 per cent average tariff reduction only); textiles and clothing (22 per cent); and fish and fish products (26 per cent).

Following the Uruguay Round a substantial proportion of Indonesia's exports will enter duty free to its major markets. This will be true for three quarters of Indonesia's exports to Japan (77 per cent) and for nearly half of Indonesia’s exports to the United States (47 per cent) and to the European Union (40 per cent). This is a marked increase in duty-free access to major markets as compared with the situation prior to the Uruguay Round and should provide a large boost to exports.

Indonesia will benefit from the various aspects of trade liberalisation and deregulation agreed for agricultural products. Improved market access in this area will involve not just reductions in tariffs but the elimination of quantitative restrictions and commitments on a broader range of government interventions including a 20 per cent reduction in domestic aggregate support measures to agriculture by developed countries (other than those allowed under the "Green Box"); and reductions of 36 per cent in budget terms on export subsidies and 21 per cent in quantity terms of subsidised exports, by developed countries. These reductions are to be carried out over a six-year period. For developing countries, the reductions are two-thirds of the figures indicated. Along with comprehensive bindings of tariffs on agricultural items, these reductions are the beginning of GATT discipline and liberalisation in a sector which has been subject to highly protectionist intervention for many years. The Uruguay Round Agreement on Agriculture also foresees the review of the implementation of the agreed liberalisation, with possible further negotiations, after five years.

Indonesia will also be a major beneficiary of the trade liberalisation agreed in the area of textiles and clothing. This sector will be integrated into the normal GATT rules and disciplines after more than thirty years of institutionalised bilateral restraint agreements which grew into the Multifibre Arrangement (MFA) in 1974. The Uruguay Round Agreement on Textiles and Clothing will result in the elimination of the MFA after a ten-year transition period, through a three-stage process[3]. Products that remain under quota restrictions during the transition period will benefit from a progressively larger quota allowances which could, in theory, render some of the quotas non-binding even before they are formally eliminated. At the end of the ten-year period, all trade in textiles and clothing will be brought under GATT disciplines and the only trade restrictive measures in place will be bound tariffs. From that point onwards (after year 2005), developed GATT members that are unhappy with import competition in their domestic markets must seek relief under GATT rules, normally the safeguard clause of Article XIX.

Critical to the potential growth of textiles and clothing during the ten-year phase-out period of these restrictions is the product schedule that will be implemented under the three phases of the agreed timetable, as well as the

[3]The 3-stage schedule is as follows. In the first year (1995) quotas will be removed on 16% of textile and clothing products subject to MFA restraints. After 3 years, quotas will be removed on 17% of the products subject to MFA restraints and after 7 years, on 18% of the products under MFA restraints. After 10 years, all remaining quota restrictions will be eliminated.

base levels of quotas that are contained in the bilateral restraint agreements effective as of January 1995. Indonesia renegotiated its base rate of allowable quota growth in the bilateral MFA agreement with the United States in September 1994, obtaining an increase in this rate from 6 to 9 per cent.

2.2. Greater Security of Market Access

In addition to tariff reduction, the Uruguay Round has resulted in greater security of market areas through an expanded number of tariff bindings (see Table 5). Tariff bindings, which amount to commitments to the GATT not to raise tariff levels above a certain percentage level, are a basic cornerstone of the obligations of the multilateral trading system, as contained in GATT Article II and provide for security of market access for all agreed trade liberalisation. For the first time in the history of the GATT, the coverage of tariff bindings will be comprehensive as concerns agricultural products and nearly comprehensive as concerns manufactured items (for developed countries)

Table 5 shows the increase in the coverage of tariff bindings by both developed and developing countries following the Uruguay Round for manufactured and for agricultural items. For developed GATT members, bindings will cover 99 and 100 per cent of trade in manufactured and agricultural items, respectively. For developing countries the corresponding percentages are 59 per cent and 100 per cent. The guarantee that tariff bindings provide for market access is important. Industrial countries have bound their tariffs at annually applied levels so that the bound tariff levels following the implementation of the Uruguay Round will be those actually in effect after the agreed tariff reduction is carried out.

Besides substantial trade liberalisation and a greater security of access to the markets of trading partners in the GATT, the Uruguay Round has also achieved major improvements in the scope and disciplines of multilateral trade rules under the GATT. This is especially the case in the following areas:

1. An improved safeguard system for Article XIX or 'escape clause' action contained in the Agreement on Safeguards;

2. Institutionalised monitoring of GATT members' trade policies and practices through the Trade Policy Review Mechanism (TPRM); under the TPRM the trade policies of major developed countries are reviewed every two years, while the policies of other GATT members are reviewed at four or six-year intervals; this monitoring mechanism aims to achieve greater transparency in, and understanding of, the trade policies and practices of the GATT Contracting Parties as well as to review the impact of these policies on the functioning of the multilateral trading system.

3. Improved disciplines over export subsidy practices and over domestic subsidy practices affecting trade, as contained in the Agreement on Subsidies and Countervailing Measures;

4. Strengthened and binding dispute settlement procedures as contained in the Uruguay Round Understanding on Rules and Procedures Governing the Settlement of Disputes (or the “Integrated Dispute Settlement Procedures). This system is the cornerstone of the multilateral trading system. The new rules will include greater automaticity in decisions on the establishment, terms of reference and composition of panels so that these decisions are independent of the consent of the parties to a dispute. It will also guarantee that panel reports will be automatically adopted within 60 days of their issuance unless a consensus of WTO members disagrees with the report. Implementation of the panel decision will then be obligatory, or the suspension of concessions can be authorised within 30 days. These rules and procedures are to be reviewed within four years after the entry into force of the WTO to make sure of their adequate functioning.

3. IMPACT OF THE URUGUAY ROUND ON INDONESIA

The Uruguay Round will be expected to have a positive impact on the trade and income of all members of the multilateral trading system. This impact on Indonesia should be substantial and should result in an expansion of Indonesia's trade as well as help to diversify Indonesian exports. It should also contribute to the realisation of the objectives for GDP and per capita income growth contained in Repelita VI.

Table 6 sets out a rough estimation of the potential expansion of Indonesia’s trade as a result of the Uruguay Round. The figures in that table were obtained on the basis of the following.

Assuming that full implementation of the trade liberalisation agreed in the Uruguay Round is carried out by the year 2005, the impact on world trade in that year should result in an additional $270 billion worth of additional exports, according to the estimates of the GATT Secretariat (including only static and not dynamic effects, which could easily double this figure). This figure was obtained, assuming a projected growth rate for world trade of 4.5 per cent annual, similar to the growth of the past five years.

Indonesia's exports represented about 0.85 per cent of world exports in year 1992. If Indonesia were to share proportionally in the increment to trade, then on a prorata basis, <u>Indonesia should receive around $2.3 billion in additional exports as of the year 2005 as a result of the Uruguay Round liberalisation. This would represent an annual increase in its exports of 7.5 per cent.</u>

However, this is a conservative estimate. Taking into account the ongoing deregulation of trade, investment and financial policies, Indonesia should be able to achieve a rate of export growth well beyond the 4.5 per cent base figure (Note: Indonesia’s rate of real average annual export growth over the decade 1980-89 was above 8 per cent; that of non-oil exports was a striking 15 per cent).

If Indonesia is able to increase its share of the world export market between now and the year 2005 through a judicious use of deregulation and export-neutral policies, then the quantitative benefits in additional trade and income that it will gain from the Uruguay Round package of trade liberalisation will be correspondingly larger.

<u>Assuming a growth rate for exports identical to that Indonesia achieved during the 1980s (around 9 per cent, or double that on which the above projections were based), then Indonesia should realise an increase of $3.7 billion of additional exports annually as a result of the Uruguay Round by the year 2005. This is a substantial amount, nearly 15 per cent of current exports.</u>

The relative reliability of the above projections has been confirmed at the Ministry of Trade by the use of the GTAP model or the Global Trade

Analysis Project model. This is a computable general equilibrium model which allows for the carrying out of simulations in which changes in trade policies (and other economic policies) can be modelled and their effects on various economic variables such as output, trade flows, prices and welfare examined. The GTAP model was developed from the SALTER-III model of the Australian Industry Commission but was further refined and extended by a team of economists at Purdue University in the United States.

The 1994 data base for the GTAP model is composed of 24 countries/regions and 37 industries consisting of both agricultural and industrial items and six service sectors. The trade data are from 1992 and the data on trade barriers from 1994. Together they represent the most comprehensive and up-to-date data base among those used by general equilibrium modellers at present. The protection data incorporates both the current levels of tariff as well as the tariff equivalents of certain non-tariff barriers, especially those constituted by the Multifibre Arrangement. Agricultural and domestic subsidies are also included in the data base, as are anti-dumping duties.

For the purpose of the Uruguay Round simulation, the trade liberalisation agreed in the Round was introduced into the GTAP model in the form of policy shocks and the impact of this liberalisation examined for Indonesia. Three aspects of trade liberalisation were modelled: tariff reduction for industrial and agricultural items; reduction in agricultural export subsidies; and complete elimination of the quantitative restrictions under the Multifibre Arrangement[4]. Results of the simulation are set out in Table 7.

Estimates by the GTAB model of the resulting stimulus to trade and income which the full implementation of the liberalisation agreed in the Uruguay Round could bring to Indonesia are substantial. Indonesia's exports are estimated to increase by 11 per cent annually. This figure is midway between the estimates set out in Table 6 of additional export growth of 7.5

[4]The percentage reductions of tariff and non-tariff barriers which should result from the Uruguay Round were applied across very broad sectors, namely: 38% reduction in tariffs on industrial items by developed countries; 22% reduction in tariffs on agricultural items by both developed and developing countries; 36% reduction in export subsidies on agricultural items by developed countries (24% by developing countries); 100% removal of the tariff-equivalents for the quotas under the Multifibre Arrangement.

per cent (based on conservative export growth for non-oil and gas exports) and that of 15 per cent (based on moderately rapid export growth for non-oil and gas exports).

In terms of increased income, implementation of the Uruguay Round is estimated to add around $856m of additional income annually to Indonesia's GDP, over and above what it would otherwise have been. This represents nearly 1 per cent (0.8) of Indonesia's gross domestic product.

Large possibilities for export opportunities for Indonesian firms will result from Uruguay Round liberalisation, especially in the two markets of North America and Western Europe, where Indonesian exports of manufactured products are estimated to increase by as much as 65 per cent and 69 per cent, respectively (see Table 7). Other large export opportunities are shown to result for Indonesian exports of agricultural products in the markets of other ASEAN members and South Korea.

The increase in Indonesia's exports will not come about at the expense of its trading partners. All countries stand to gain from the trade and income expansion offered by the trade liberalisation contained in the Uruguay Round. The extent to which a country will benefit will depend not only upon reduction of barriers in the markets of its trading partners but upon its own liberalisation measures as well.

Overall trade expansion will involve an increase in imports as well as exports. Increased imports will make possible a cheaper, more efficient supply of not only consumer goods but of investment goods, including "high technology" items which can spur the growth of output and exports in turn.

Lastly, the gains to be realised from the Uruguay Round liberalisation go far beyond the trade flows and income effects estimated above. Strong linkages exist between trade and investment, and in turn between investment and growth which the Uruguay Round will help to stimulate. This positive link will serve to introduce dynamic effects into the impact the Uruguay Round will have on members of the world economy and will serve to strengthen and accelerate this effect over time.

Table 1

Summary of Indonesia's Uruguay Round market access offer

	TARIFF LINES		IMPORTS 1992	
	NO.	%	US $ mill.	%
A. TARIFF BINDING				
1. Total bound manufactures	7,537	80.3	22,529	82.6
Existing bindings	823	8.8	6,227	22.8
New bindings	6,714	71.6	16,302	59.8
2. Total agriculture (all bound)	1,341	14.3	2,464	9.0
3. Exceptions	504	5.4	2,285	8.4
TOTAL ABOVE	9,382	100.0	27,279	100.0

Table 1 (Continued)

Summary of Indonesia's Uruguay Round market access offer

B. AGRICULTURE 1. Tariffication and binding of all items 2. Duty reduction of 10% by tariff line over 10 years 3. Elimination of local content requirement for milk products 4. Agreed access of 70,000 tons of rice imports annually
C. REMOVAL OF NON TARIFF BARRIERS ON BOUND TARIFF ITEMS NTBs on 98 industrial tariff lines affecting $358m of imports to be removed within 10 years
D. ELIMINATION OF IMPORT SURCHARGES ON BOUND TARIFF ITEMS Surcharges varying between 5 and 25 per cent on 159 tariff lines affecting $838m of imports to be removed within 10 years.

Source: Ministry of Trade.

Table 2

Trade protection in Indonesia

	TARIFFS					
	1986	**1988**	**1990**	**1991**	**1992**	**1993**

Unweighted average tariff:	27	24	22	20	20	20
Weighted average tariff:						
- by import value	13	14	11	11	11	12
- by domestic production	19	18	17	15	13	13
	NON-TARIFF BARRIERS					
NTB coverage as:*						
% of CCCN items	32	16				
% of HS items			17	10	5	3.5
% of import value	43	21	17	13	13	12

*) It was estimated that NTBs protected 30% of manufacturing and 35% of agriculture in 1993, though their importance in terms of import coverage has fallen.
Source: Ministry of Trade and World Bank.

Table 3
Uruguay Round commitments on trade in services by Indonesia
Indonesia's Uruguay Round commitments on trade in services cover five (5) sectors as follows:

	LIMITATIONS ON INDONESIA'S COMMITMENTS	
	A. MARKET ACCESS	B. NATIONAL TREATMENT
I. TELECOMMUNICATIONS Voice mail service; Electronic mail services; Computer time sharing services; Videotex services; Electronic mail box; File transfer services; Home telementing alarm; Entertainment services;	(3), (4) to all	(3), (4) to all

Management information services. II. INDUSTRIAL SERVICES Advisory and consultative; Engineering design services; Project management services; Consultancy services related to computer hardware; Software implementation services; Interdisciplinary R&D for industrial services; Technical testing and analysis services; Services of manufacturing; Equipment maintenance and repair; Architectural services; Engineering services; Integrated engineering services; Urban planning services; Construction work for building and for civil engineering & for pre-fabricated building; Renting services for construction activities.	 (3), (4) to all	 (3), (4) to all

Table 3 (Continued)

Uruguay Round commitments on trade in services by Indonesia

Indonesia's Uruguay Round Commitments on trade in services cover five (5) sectors as follows:

III. TOURISM SERVICES Hotel; Travel agent and tour operator; Tourist resort.	(3), (4) to all	(3), (4) to all
IV. FINANCIAL SERVICES Non-life insurance services; Reinsurance services; Life insurance services; Insurance brokerage services; Re-insurance brokerage services;	(3), (4) to all	(3), (4) to all

Financial lease services; Factoring services; Credit card business; Consumers finance services; Securities business. V. BANKING Commercial banking business; * Bank lending of all types; Payment & money transmission services; Guarantees & commitments Trading (Money market investments, foreign exchange, exchange rate instruments, transferable securities); Asset management.	(3), (4) to all	(3), (4) to all

KEY

(1) Limitations on Cross Border Supply.
(2) Limitations on Consumption Abroad.
(3) Limitations on Commercial Presence (right of establishment).
(4) Limitations on the Presence of Natural Persons.

* Limitations (1) also applies.

Table 4
Tariffs facing Indonesian exporters in major industrial markets before and after Uruguay Round liberalisation
(Tariff rates and percentage reduction)

		1. Agricultural Products			**II. Industrial Products**			**III. All Products***		
		Pre-UR	Post-UR	% Re-duction	Pre-UR	Post-UR	% Re-duction	Pre-UR	Post-UR	% Re-duction
Japan	Simple arg. (Weighted arg.)	11.4	7.9	-30.6	6.9	3.6	-47.7	7.8 (4.4)	4.4 (1.5)	-43.0 (-66.4)
US	Simple arg. (Weighted arg.)	8.8	6.4	-28.3	8.8	6.5	-26.8	8.8 (8.4)	6.5 (7.6)	-27.0 (-10.0)
EU	Simple arg. (Weighted arg.)	12.2	8.2	-33.1	8.1	5.6	-31.5	8.7 (7.2)	6.0 (4.8)	-31.9 (-32.6)
Canada	Simple arg. (Weighted arg.)	2.4	1.5	-39.5	16.8	11.0	-34.6	14.9 (7.9)	9.7 (5.1)	-34.7 (-35.9)

Source: GATT Secretariat.
* Excluding petroleum.

Table 5
Uruguay Round Tariff Bindings

Pre- and post Uruguay Round scope of bindings for industrial products (excluding petroleum)

(Number of lines, billions of US dollars and percentages)

Country group or region			Percentage of tariff lines		Percentage of imports under bound rates	
	Number of lines	Import Value	Pre-	Post-	Pre-	Post-
By major country group:						
Developed economies	86.968	737.2	78	99	94	99
Developing economies	157.805	306.2	72	72	14	59
Transition economies	18.962	34.7	73	98	74	96
By selected region:						
North America	14.138	325.7	99	100	99	100
Latin America	64.138	40.4	38	100	57	100
Western Europe	57.851	239.9	79	82	98	98
Central Europe	23.565	38.1	63	98	68	97
Asia	82.245	415.4	17	67	36	70

Note: The data on developed economies cover 26 participants; those 26 participants account for approximately 80 per cent of the merchandise imports and roughly 30 per cent of the tariff lines, of the 93 developing country participants in the Uruguay Round.

Pre- and post Uruguay Round scope of bindings for agricultural products

(Number of lines, billions of US dollars and percentages)

Country group or region			Percentage of tariff lines		Percentage of imports under bound rates	
	Number of lines	Import Value	Pre-	Post-	Pre-	Post-
By major country group:						
Developed economies	14.976	84.2	58	100	81	100
Developing economies	23.615	30.4	18	100	25	100
Transition economies	2.841	4.8	51	100	54	100
By selected region:						
North America	2.297	19.6	92	100	96	100
Latin America	8.867	5.6	36	100	74	100
Western Europe	11.345	38.4	45	100	87	100
Central Europe	3.502	5.7	45	100	50	100
Asia	12.660	49.1	17	100	40	100

Note: The data on developed economies cover 26 participants; those 26 participants account for approximately 80 per cent of the merchandise imports and roughly 30 per cent of the tariff lines, of the 93 developing country participants in the Uruguay Round.

Table 6

Potential impact of Uruguay Round trade liberalisation on Indonesia's exports as of year 2005

With non-oil/gas export growth of:	RESULTS ARE:	
	Increased amount of exports	Additional exports as percentage of current exports
4.5%	$ 2.3 billion	7.5%
9.0%	$ 3.7 billion	15.0%
15.0%	$ 4.60 billion	18.1%

Source: Estimations by Ministry of Trade.

Table 7

Computable general equilibrium estimates of Uruguay Round impact on Indonesia

Increase in exports	10.94%
Increase in income	$856 m or 0.8% of GDP
Change in terms of trade	0.03
Major export market opportunities	Potential export increase
Manufactures	
1. Western Europe	68.67%
2. North America	64.65%
Agricultural items	
1. Thailand/Philippines	18.64%
2. Malaysia/Singapore	14.35%
3. South Korea	13.10%

Source: Estimates from GTAP Model, Ministry of Trade.