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IMPLICATIONS OF THE URUGUAY ROUND ON FOREIGN TRADE OF MEMBER COUNTRIES OF THE ORGANISATION OF ISLAMIC CONFERENCE

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This paper provides a comprehensive and quantified assessment of the benefits that are likely to accrue to sets of OIC member countries as a result of the implementation of the Uruguay Round Agreements. These are dealt with first in relation to agriculture and to products of export interest to the OIC countries, e.g., textiles and clothing, metals and mineral products, etc., and then in relation to dispute settlement, the General Agreement on Trade in Services (GATS) and the Agreement on Trade related Intellectual Property Rights (TRIPs). The paper ends with an introduction to the World Trade Organisation stressing its structure, functions, and methods of operation.

1. THE AGREEMENT ON AGRICULTURE

The Uruguay Round creates a global liberal trading environment with auspicious developments for members of the OIC. Economic gains from the Uruguay Round would stem in particular from liberalisation in agriculture, textiles and other industrial products. The Uruguay Round Agreements also have indirect implications for OIC members in terms of increasing demand for resource products as real growth is elevated in the global market. For OIC members that already have a large agricultural sector, the Agriculture Agreement will enable them to increase their export outlets following the gradual establishment of fair competition. In OIC members with a small agricultural sector, the Agreement on Agriculture will encourage the development of domestic production and exports and thus, savings in foreign exchange which could finance imports of goods required for the production of products with higher value added.

Minimum market access commitments on agricultural products subject to tariffication will create market opportunities for, among other products, 1.8 million tons of coarse grains, 1.1 million tons of rice, 807,000 tons of

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wheat and 729,000 tons of dairy products. Other reforms in agriculture include a 36 per cent reduction in export subsidies, from US$22.5 billion to $14.5 billion (of which one half is accounted for by the European Union), and a decline of 18 per cent, from $197 billion to $162 billion, in domestic support to agricultural producers. The Agreement also provides for a number of measures guaranteeing adequate food aid, including the provision of an increasing proportion of basic foodstuffs to net food-importing countries in fully grant form or on concessional terms. The Uruguay Round tariffication of non-tariff measures will make an important contribution to the reduction of global price and trade instability for agricultural products. The benefits for OIC members from the elimination of non-tariff measures will come mainly in the form of increases in export sales, greater predictability of market access, and greater price stability in international markets.

While the overall level of protection of agricultural products in most developed countries will remain well above the level of protection of industrial products, agricultural trade has been put squarely on the path of liberalisation. And for the first time in the history of the multilateral trading system, the level of security for trade in agricultural products will be greater than for trade in industrial products, since (i) virtually 100 per cent of agricultural product tariff lines will be bound, compared with 83 per cent of industrial product tariff lines, and (ii) there will be virtually no non-tariff barriers.

2. PRODUCTS OF EXPORT INTEREST TO OIC COUNTRIES

2.1. Textiles and Clothing

In textiles and clothing, there is a ten-year phase-out of the Multifibre Arrangement (MFA) using elevated growth rates in MFA quotas, and a sequential elimination of products covered by MFA quota restrictions, but with temporary selective safeguards. Potentially significant gains would occur for OIC members in this area. Importantly, because the principal element of liberalisation in textiles is the acceleration of quota growth and the elimination of the MFA quota regime at the end of the decade, the effect of textile liberalisation is greater than implied by examining tariff changes alone. Overtime, OIC members can obtain benefits from increased exports of clothing and other industrial products as a consequence of the Round.

Thus, a number of actions to increase market access opportunities may be articulated. Such measures include: (i) reductions by developed countries of their tariffs on industrial goods from an average of 6.3 per cent to 3.8 per cent, a 40 per cent reduction; (ii) the proportion of industrial products which enter the developed country markets under MFN zero duties will more than double, from 20 to 44 per cent. At the higher end of the tariff structure, the proportion of imports into developed countries from all sources that encounter tariffs above 15 per cent will decline from 7 to 5 per cent, and from 9 to 5 per cent for imports from developing economies; and (iii) the percentage of bound tariff lines rises from 78 to 99 per cent for developed countries, from 21 to 73 per cent for developing countries, and from 73 to 98 per cent for transition economies--results that provide a substantially higher degree of market security for traders and investors.

The trade benefits of expanded market access opportunities will be enhanced by a reduction of tariff escalation for most products in the major destination markets of Canada, the European Union, Japan and the United States, which will encourage a healthier diversification of production and exports. As far as products of export interest to OIC members are concerned, the following are of paramount importance: mineral products, precious stones and metals; textiles and clothing; electric machinery; fish and fish products; tropical products; and other agricultural products. A stimulus to OIC's manufactured exports will follow from the substantial reduction in tariff escalation for many products in the major markets as a result of the Uruguay Round. This too will encourage increased diversification of production and exports and encourage the production of higher value-added items in the OIC member-states. Moreover, concessions agreed to by other developing countries will provide an important push for increasing trade among themselves.

2.2. Metals and Mineral Products

OIC exports of metals such as aluminium, iron and steel will benefit from reductions of duties of 63 per cent in North America, 35 per cent in Western Europe, and 59 per cent in the developed economies as a whole. Major beneficiaries are Bahrain, Cameroon, Egypt, Gabon, Mauritania, Sierra Leone, and the United Arab Emirates. As regards exports of mineral products, precious metals and stones such as lime & cement, and fertilisers, the reductions of duties will be 31 per cent in North America, 22 per cent in

Western Europe, and 52 per cent in the developed economies as a whole. Some twenty OIC members fall in this category. Reductions of duties on textiles and clothing will be of 20 per cent in Western Europe and 15 per cent in North America. In the developed market economies in general, duties facing textile exports from the region will fall by 22 per cent. Bangladesh, Egypt, Morocco, Pakistan, Turkey and Tunisia stand to benefit importantly. In the case of exports of chemicals and photographic supplies by OIC members, tariff reductions are 42 per cent in North America, 35 per cent in Western Europe, and 42 per cent in the developed economies as a whole. Niger and Bahrain are among the major beneficiaries.

3.3. Tropical Beverages, Fruits and Vegetables, and Oils

OIC exports of coffee, tea, cocoa, sugar and other tropical beverages will benefit from reductions of duties of 35 per cent in North America, 29 per cent in Western Europe, and 34 per cent in the developed economies as a whole. Cameroon, Mauritania, Nigeria, Sierra Leone, Uganda, and Indonesia are the principal beneficiaries. As regards exports of fruits and vegetables, the reductions of duties will be 38 per cent in North America, 32 per cent in Western Europe, and 36 per cent in the developed economies as a whole. Reductions of duties on oilseeds, fats and oils will be of 43 per cent in North America, 34 per cent in Western Europe, and 40 per cent in the developed economies as a whole. Benin, Gambia, Indonesia, Malaysia, Senegal and Tunisia stand to benefit importantly.

3.4. Animals and Animal Products

In the case of exports of animals and products thereof by OIC members, tariff reductions are 36 per cent in North America, 25 per cent in Western Europe, and 32 per cent in the developed economies as a whole. In the United States duties on beef will be cut from 31.1 to 26.4 per cent under the tariffication process, with an increase in the non-NAFTA import quota from 552,400 tons to 656,721 tons. Canada will replace its strict import quotas with a reduced-tariff quota on up to 76,409 tons. The European Union will convert variable levies into tariffs and reduce these by 36 per cent over six years, although existing concessionary import levies will remain mostly unchanged. Among developing countries, there will be significant increases in trade opportunities in South Korea, which is to increase its beef import quota from the current 106,000 tons to 225,000 tons by 2000. The Philippines and Thailand will also make significant cuts in import tariffs.

For poultry meat, the European Union will reduce its tariff on imported turkey meat by one-half and cut most other tariffs by 36 per cent, while limiting its level of subsidised exports to 440,000 tons in 1995 (falling to 291,000 tons by 2000). Significant reductions in market protection will be implemented also in Japan, the United States, Korea and the Philippines, while Hong Kong - a major Far Eastern importer - will bind all tariffs on poultry at a zero rate. OIC exporters of other agricultural products will benefit from reductions of duties of 49 per cent in North America, 44 per cent in Western Europe, and 48 per cent in the developed economies as a whole.

For all countries, the Uruguay Round will provide more secure and more open markets for world trade in industrial products. Markets will be more open as a result of the reductions in average tariffs of developed countries (down 40 per cent), developing economies (down 30 per cent), and transition economies (down 30 per cent), with a post-Uruguay Round average tariff of 6.5 per cent on imported industrial products. The proportion in total trade of industrial products that is subject to bound rates rises from 68 to 87 per cent, mainly as a result of the substantial rise in the level of bindings in developing economies. The binding of tariff reductions provide for security of market access, foster trade expansion, and consequently industrialisation and economic growth. Broad based tariff liberalisation as achieved in the Uruguay Round provides an important stimulus to economic growth in both developed and developing countries through promoting diversification of products and markets.

4. DISPUTE SETTLEMENT

In the field of dispute settlement, the new legal framework would further provide more security and predictability for international trade relations. OIC members may achieve significant benefits if they are able to more actively use the new dispute settlement processes, including the use of special and differential treatment provisions in the Agreements, to assert their rights under the WTO legal system. To the extent that OIC members look to firm rules-based regimes for dealing with their trade concerns, strengthened dispute settlement is obviously in the interest of OIC members. In addition, the virtually automatic nature of the new dispute settlement system will prevent conclusions favourable to OIC members from being blocked by the country at fault. In further examining a complaint against an OIC member, the panel shall accord sufficient time for the developing country to prepare and present its argumentation. When one or more of the parties is a developing country, the panel's report shall explicitly indicate the form in which account has been taken of relevant provisions on differential and more-favourable treatment for developing countries. Furthermore, elements of the 1966 Decision on Dispute Settlement will continue to apply under the WTO dispute settlement procedures. This Decision contains features of specific interest to developing countries, including automatic access to the "good offices" of the Director-General of the WTO to mediate and seek a satisfactory resolution to trade disputes. Legal advice and assistance would be provided for developing countries in respect of dispute settlement by the WTO Secretariat.

5. GENERAL AGREEMENT ON TRADE IN SERVICES (GATS)

The results just enumerated cannot be seen in isolation from other Agreements in the Final Act, notably the General Agreement on Trade in services (GATS). Following the first multilateral negotiation of its kind, most developed countries have made market access commitments on the great majority of the most important traded services--the main exceptions being telecommunications and maritime transport, which are both the subject of ongoing negotiations, and the audio-visual sector. On a sectoral basis, the highest level of commitments is found in service activities related to tourism (hotels and restaurants), travel agencies and tour operators (tourist guides), reflecting the numerous developing countries that have inscribed this sector in their schedules, and financial services. The GATS may be viewed as embodying two broad types of benefits for OIC members. First, it provides a body of legally binding multilateral concepts, principles and rules with which to pursue the progressive liberalisation of trade and investment in services. A second benefit of the GATS lies in its potential to raise the economic efficiency of Members' service industries, a process that can be achieved through improvements in domestic resource allocation and improved access to lower-cost and higher-quality service inputs. Opportunities for both imports and exports of services will, in part, be a function of the specific liberalisation commitments undertaken by WTO Members and inscribed in their schedules of services commitments. The liberalisation of trade in services would further allow the services enterprises of OIC member countries to develop export activities, in particular in the labour-intensive sectors (construction and tourism); encourage competition and hence bring import prices down for OIC service importers; and promote national and regional development if the services concerned are aimed at basic sectors such as road building to improve distribution systems, basic telecommunications, and financial services.

From the perspective of an individual OIC member, the increase in access to its own market is as important as the increases in access to the markets of its trading partners. When other countries increase access to their markets and make that access more secure, the OIC member's export industries benefit directly. When the OIC member increases access to its own domestic market and makes that access more secure, the beneficiaries include not only domestic consumers and domestic firms that depend on imported inputs to remain competitive, but also (indirectly) the entire export sector.

6. TRADE RELATED INTELLECTUAL PROPERTY RIGHTS (TRIPs)

This leads me to the agreement on trade-related intellectual property rights (TRIPs), which provides for improved levels of protection for the rights of owners of all types of intellectual property (for example, patents, copyrights, trade-marks, and trade secrets). The TRIPs Agreement has the benefit of establishing equal standards for all countries, while requiring great discipline from developing countries, including OIC member countries. It is also considered that the disciplines of the Agreement are essential for foreign companies to make a real transfer of technology, thus paving the way for partnerships between intellectual property and raw materials and labour (broadly speaking developed countries/developing countries). Under the new rules, exporters would be able to protect their brand names and image. Better protection would enable them to develop new markets with confidence. In addition, the new rules will promote creative invention and innovation, and safeguard the value of intellectual property investments. The global coverage of these rules should give a strong boost to trade in technology and technology-intensive products.

One of the most important gains for OIC members from the TRIPs agreement could be better access to advanced technologies. Such access is essential if OIC members are to foster new industries that can compete in liberalised international markets. For the most part, these technologies cannot simply be counterfeited: high-tech firms must build local plants or share their know-how with local producers. But such sharing will be a rarity unless firms become convinced that their ideas are safe from copiers. The TRIPs Agreement also has the potential of protecting consumers from counterfeit goods. Other potential benefits include a framework more conducive to domestic research efforts and to technology transfer and foreign direct investment. Better access to the world market and a global framework for the protection of intellectual property rights will further increase the incentive to invest in Research & Development.

7. THE WORLD TRADE ORGANISATION

The proposal for the creation of a World Trade Organisation was made by Uruguay Round participants in mid-1991, for the purpose of ensuring a "single undertaking approach" to the results of the Uruguay Round. The results take the form of a single package which includes a revised and modernised text of the GATT, a General Agreement on Trade in Services (GATS), an Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPs) and a number of legal instruments. The official signing of the Uruguay Round Agreements took place at a Ministerial Meeting in Marrakesh on 15 April 1994, giving way to the creation of the World Trade Organisation (WTO) on 1 January 1995.

The WTO provides an institutional framework for the conduct of trade relations on the basis of the three agreements and the other associated legal instruments that resulted from the Uruguay Round negotiations. The benefits of the Uruguay Round results shall become available only to those countries which become members of the WTO. Countries which remain outside the WTO will be unable to share fully in the results of the Round, and will have no voice in the new organisation that provides the framework for multilateral trade relations.

The Uruguay Round Agreements establishing the WTO entered into force on 1 January 1995, and shall remain open for acceptance for a further two years. Already **110** out of 128 contracting parties to the GATT 1947 have become original Members of the WTO. The remaining 18 countries which have not yet joined the WTO shall become original Members of the WTO as soon as they assume the obligations provided for in the Agreements on Goods, Services and Intellectual Property Protection, and submit Schedules on Concessions on Agricultural and Industrial products, and Schedules on Commitments in Services. An ultimate prerequisite for these 18 countries is the deposit of their instrument of ratification. This ensures a "single undertaking approach" to the results of the Uruguay Round, since membership in the WTO will entail accepting all the results of the Round without exception. Countries and territories possessing full autonomy in the conduct of external commercial relations may accede on terms agreed between them and the General Council. Accession of new members would be approved by a two-thirds majority of the Members of the WTO.

The WTO has five main functions: (i) to provide the framework that will facilitate the administration and operation, and further the objectives, of the Uruguay Round agreements, including GATT 1994; (ii) to provide the forum for negotiations concerning multilateral trade relations of its members; (iii) to administer the Understanding on Rules and Procedures Governing the Settlement of Disputes; (iv) to administer the Trade Policy Review Mechanism; and (v) to co-operate with the IMF, the International Bank for Reconstruction and Development (IBRD), and affiliated agencies with a view to achieving greater coherence in global economic policy-making.

The WTO is directed by a Ministerial Conference that meets at least once every two years, and its regular business is overseen by a General Council. This General Council itself enacts as a Dispute Settlement Body and a Trade Policy Review Body, and has established subsidiary bodies such as a Goods Council, a Services Council, and a TRIPs Council.

Regarding decision-making, the WTO will continue the practice of decision-making by consensus followed under GATT 1947. Decisions of both the Ministerial Conference and the General Council shall be taken by a majority of votes cast, while the decision to adopt an interpretation shall be taken by three-fourths majority of the Members. In exceptional circumstances, the Ministerial Conference may decide to waive an obligation imposed on a Member provided that any such decision is taken by three-fourths of the Members. Any Member of the WTO may initiate a proposal to amend the provisions of the WTO Agreement or the Multilateral Trade Agreements by submitting such proposal to the Ministerial Conference.

After the Decision taken at the mid-term Review of the Uruguay Round in 1988, a new Trade Policy Review system, under which the WTO Council conducts regular reviews of the totality of trade policies for each WTO member, became operational in 1989. The objective of this trade policy review mechanism is to examine, on a regular basis, the trade policies of WTO members and to assess their impact on the multilateral trading system generally, thereby increasing the transparency of trade policies and practices, and assisting understanding of them.

As at end October 1995, close to forty developing countries (of which twelve were OIC members) have had their national trade policies reviewed by the GATT/WTO Council. In these trade policy reviews, the GATT/WTO

Council welcomed the thrust and direction of economic and trade reforms underway in many developing countries in spite of significant economic internal difficulties and obstacles to trade in external markets. Questions or concerns were raised about aspects such as: remaining high tariffs, tariff escalation, the level of tariff bindings, the gap between applied and bound tariff levels, and remaining non-tariff measures. In the course of the reviews, it was also emphasised that market-opening reforms in developing countries required the support of an open international trading environment. In the end, it must be emphasised that trade liberalisation efforts of OIC members have to be matched by their trading partners through improved market access in areas of major export interest to them, including agriculture, textiles & clothing, and petroleum products.