

Marrakesh Edorsement of GATT's Eighth Round and its Impact on Developing Countries

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INTRODUCTION

The long-awaited out-come of seven years of negotiations aimed at strengthening the multilateral trading system and securing further market liberalization came to the conclusion on December 15, 1993 at Marrakesh. It is hoped that conclusion of the Round would help to stem protectaionist pressures and contribute to enhancing global business confidence and the prospects for world economic growth. The more open markets would also serve as an important compliment to the structural adjustment efforts undertaken by member countries for sustainable growth.

The consensus on the contents of the final act of the Uruguay Round reached by 117 countries on December 15, 1993, in Geneva, is the eighth and most ambitious Round of multilateral trade negotiations under the auspices of the General Agreement of Tariffs and Trade (GATT). The final act would, after ratification by the relevant national authorities, cut tariffs on industrial goods by an average of more then one third, progressively liberalize trade in agriculture products and convert the GATT from a provisional agreement into a formal international organization, to be called the World Trade Organization (WTO). The Dunkel draft approved at Marrakesh unravels the knotter points of GATT. When the Uruguay Round of negotiations was on, some member nations sough to introduce new items like agriculture products, textiles and clothings in the agenda. This intially led confusion and wide spread disagreement on the new items like intellectual property rights and raised the controversial issue of patents. The normal course of talks should have been concluded in December 1990. But, in the absence of concensus and wary of inordinate delay, the then director-general of GATT Arthur Dunkel (now retired), presented a package of proposals as a compromise formula, known as Dunkel draft and signed by all members on December 15, 1993.

Ever since GATT was set up in 1947 by 23 member nation, eight rounds of negotiations have been held on trade natters. The first round was held at Havana in 1947, the second at Annecy in France in 1949, the third at Torquay in Britain in 1950/51, the fourth, fifth and sixth rounds in Geneva 19955/56,

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1960-62 and 1964-67 and the seventh in Tokyo from 1973-79. The latest round has covered seven years, 1986-1993, and took place at Punta del Este in Uruguay. It was here that the Dunkel draft came into being. It is pertinent to note that the Uruguay Round of Talks- the basis for the GATT proposals- commenced in 1998, year in which the USA was transformed from a net creditor to a net debtor nation and Japan took its place as the world's largest creditor (WDR 1988).

USA ROLES IN URUGUAY ROUND

Until the Uruguay Round, the GATT applied to goods. The USA tried to enlarge the scope of GATT treaty by including four new areas :

—Services, Intellectual property, Investment and Agriculture within its proposal. It also put pressure on the developing countries by threatening to use retaliatory measures under its highly protectionist omnibus Trade and Competitiveness Act of 1988. The Trade Act Created a new *super 301* statute empowering USA's trade representative to retaliate against the foreign practices which are unjustifiable and a burden or restrict US commerce. In April 1989, developing countries capitulated under US pressure and agreed to bring the new areas within the scope of GATT and the most crucial and important proposals for treaty came in relation to subsidies, patents and industrial technical knowhow. Thus the signed treaty attempts to restructure developing nations' agricultural production. It requires developing countries to provide market access at levels beginning with 44 percent of 1986-88 domestic consumption in order to maintain any non-tariff barriers against imports of primary or processed agricultural products. Finally, it requires reduction in domestic price support and income support provided to farmers which exceed to 10 percent of the value of production of a basic product or 10 percent of the total support given to the agricultural sector. Providing essential commodities to the common man at reasonable prices is subject of scrutiny under the final act. Part I of the agreement contains most favoured nation (MFN) clause which says that a party must treat the nations of other member countries at par with its own nationals in regard to the protection of intellectual property. This advantage must be extended to the nationals of the other member countries also.

So far as the copyrights are concerned, the computer programmes are protected as literary works under *Berne Convention*. A new right, known as *rental right* has also been introduced. Even the industrial designs are protected under the agreement for a period of 10 years. Regarding patents, patentability extended to virtually all fields of technology which will be complied for any invention of product or process in almost all fields of technology. Trade secrets and knowhow which have commercial value must be protected against breach of confidence and other acts of contrary honest

commercial practices. The vast majority of drugs in 14 therapeutic groups sold mostly in developing countries are patented under the treaty.

Thus, this upturn in the Round's conclusion came from US president Bill Clinton's big boost victory in the US congressional vote in favour of the North American Free Trade Areas (NAFTA) on November 17, 1993. Combined with likely success of the 15 nation Asia-Pacific Economic cooperation (APEC), summit on November 20, 1993, which helped sufficiently to conclude the Round. Although the APEC summit heralds a new US policy towards Asia to Europe's detriment, it had considerable positive impact on Uruguay Round because all-members insisted that the US should come to terms with European community. These APEC members needed the Uruguay Round more than did the US, because neither they had another forum to tilt the playing field of trade in their favour nor they had sufficient clout individually to impose their interests upon other countries, unlike the US.

But the conclusion of round clearly eroded the key GATT precepts;

—Most favoured nation treatment for all parties.

—And special and differential treatment for developing countries.

The Uruguay Round has been no longer about more liberal or freer trade. It turned into about fair trade, and, in particular, about gaining access to the markets of the developing countries. All it gave to developing countries is damageable limitation. If they behave as told, they will not be hit by protective measures worse than the US article 301 limits, and unilateral antidumping or safeguard measures practiced in US and EC

MANDATES OF THE AGREEMENT

The WTO, which will start functioning from January 1, 1995, will serve as a single institutional framework encompassing the GATT and all results of the Round. It will be directed by a *Ministerial Conference* that will meet at least once every two years, and its regular business will be overseen by a *General Council*. Countries must accept all the results of the Uruguay Round, without exception, to become WTO members. Thus, the GATT, which members account for 93 percent of world trade today, and many countries, including Nepal, are lining up to seek admission to it, from a provisional international gathering will turn into formal international organization as WTO.

The final act's 550 pages include about 15 separate agreements, annexes, decisions and understandings that would, among other things bring trade in agricultural products, services, textiles and clothing, and intellectual property within the ambit of the WTO.

Under the agreement, tariffs on *industrial products* are to be reduced by more than on third on average. Tariffs would be eliminated in several

sectors like steel pharmaceutical, wood and wood products in industrial countries. Developing countries would have to lower their tariff barriers significantly and should increase the *bound tariffs* which constitutes a commitment not to raise them without consultation and compensation.

Member countries have to encourage to give agricultural trade as called *stronger market orientation* by :

- Reducing export subsidies,
- Converting all non-tariff barriers to *tarrification* i.e tariffs with transparency of support and,
- Then steadily reducing this *tarrification* by about 36 percent on average,
- Reducing subsidized export volumes overtime by 21 percent,
- Both the subsidies and tariff reductions envisaged must be completed within six years for industrial countries and ten years for developing countries, without any specific mention about least developed countries.

A framework agreement includes basic obligations of all member countries on international trade in services, including financial services, telecommunications, transport, audio-visual, tourism and professional services, as well as the movement of workers. Among the obligations is the MFN obligation that essentially prevents countries, from discriminating among foreign suppliers of services, i. e. member countries must treat foreign suppliers of services like domestic suppliers under the agreement, bilateral quotas negotiated under the existing Multifiber Arrangement (MFA) are to be completely phased out over ten year period beginning with the entry into force of agreement. The quotas that remain during this period will be progressively increased to allow further market access.

The agreement provides very tough levels of protection for the rights of owners of all types of intellectual property like patents, copyrights, trade marks and trade secrets. Member countries must achieve these levels principally by :

—Granting national treatment through law to the rights of owners of "all types of intellectual property".

—Adopting certain minimum standards of protection for all types of intellectual property, by prolonging patent protection for a uniform term of twenty years.

—Instituting procedures and remedies under national laws so that foreigners can enforce their rights.

The agreement also provides provision for subsidies. It defines three categories of subsidies :

—Prohibited subsidies; those contingent upon export performance or the use of domestic instead of imported goods,

—Actional subsidies, those that have demonstrably adverse effects on the member countries;

—And non-actional subsidies, including those provided with stipulated limitations, to industrial research and pre-competitive development activity, to adopt themselves to new environmental requirements.

First two categories subsidies are to be abolished and abide by the agreement that puts restrictions on the use of countervailing measures introduced in response to competitors' subsidies.

Member countries must ensure that technical negotiations and standards, as well as testing and certification procedure, do not create unnecessary barriers to trade. The expected end of this provision is to encourage countries to use international standard, to recognise the right of countries to use international standard, to recognise the right of countries to establish protection for human, animal, or plant life; health and the environment, at levels they consider appropriate and specifies that they should not be prevented from ensuring that their desired standards are met.

Antidumping rules and trade related investment measures have also been incorporated in the agreement. It has a provision of dispute settlement panels in conflicts relating to antidumping actions taken by national authorities however, the agreement provides greater clarity and more detailed ruled concerning the method of determining dumping injury, the procedures to be followed in antidumping investigations and the duration of antidumping measures the trade related investment measures, the agreement requires the elimination of certain restrictive measures, such as local content and foreign exchange balancing requirements, which violate GATT principles of national treatment and prohibition of quantitative restrictions.

Article XIX of the GATT allows members to take safeguard actions pre-import restrictions to protect domestic industry from the negative effects of an unforeseen import surge, if a domestic industry is threatened with serious injury. The new agreement, however, prohibits the use of such actions where they constitute *grey area* measures, i. e., voluntary export restraints, orderly marketing agreements or other similar measures applied on either exports or imports. *Grey area* measures currently in effect, however, are to be phased out within four years after establishment of the WTO. Furthermore, all the member countries must be disciplined on use of all safeguard measures taken

under article XIX, including time limits, requirements for safeguard investigation, and nondiscrimination among sources of supply

EC SCENARIO IN MARRAKESH ENDORSEMENT

Since the Round's conclusion depended entirely on support for it by the EC and the US Peter Sutherland, the Director General of GATT, referred to the Uruguay Round as being about fair rather than free trade. At a press conference after the US congressional vote in favour of NAFTA on November 17, 1993., he reminded those who fear cheap third world imports that the Uruguay Round will ensure fair trade by continuing to allow safeguard actions (GATT, DGPR November 1993). This has very strong reflection in Marrakesh endorsement.

The principal goal of EC is free trade among the member countries. But, former commissioner in the EC, Willy de Clerq's "we are building a single market in order to turn it over a hungry foreigners" noted in Hamiqtol 1991) remarks put the question whether the EC will move towards liberalizing trade between the EC and the developing countries or whether it will more likely become bastion of a newly protectionist *Fortress Europe*. Thus, far from bringing the promise of reform, trading arrangements such as the EC have lowered to expectations of what GATT might have achieved, as the rhetoric of European policy makers, of which Clerq's remark gives a favour, is not reassuring. This also reinforced that the liberal multilateral trading system was degenerating into a system of regional trading blocs practicing a new form of protectionism characterized by multilateral, rather than unilateral, restrictions and by non-tariff barriers, such as technical and environmental standards. These new trading arrangements would bring profound implications for the developing countries, and have undermined clearly the GATT's free trade objectives (Schott 1991)

Quite contrast with the East Asian trading bloc, which prospectives are too dispersed and diverse in income levels, market structures, outweighing internal trade by external trade by two to one remain very dependent on access to U. S. markets, while North American trading bloc being more cohesive economically, having external trade one and a half times the internal trade, needing each bloc member to cure a persistent current account deficit consequently needing to expand its exports to the rest of the world, they have an incentive to support GATT trading rights and discipline, EC is relatively cohesive as a trading bloc and the logic of EC suggests that greater barriers will be needed against the rest of the world to ensure success on the scale foreseen. It therefore, make sense to endorse Marrakesh treaty taking EC as the single market putting highly technical and environmental standards which will bring possible threat to production and trade in the developing countries.

GATT TRADE POLICY AND WTO : A COOPERATIVE GAME

The impact of WTO on the developing countries will obviously be affected by changes in world trade policy envisaged by Marrakesh endorsement, although what changes will be is an open question. For example, if a system of national import quotas of individual country replaced will be regional bloc wide quotas, and the level of lowest quota is chosen, trade with developing countries outside the regional trading block may be encouraged, but if the level of highest is chosen trade will be suppressed. Even after the operation of WTO, as the regional trading blocs will exist under the multilateral protectionism, which have adopted limits of the movement of restricted goods among member countries, trade will contract. Nor can the use of antidumping policies, discriminatory standards, and voluntary restraints or the aggressive use of reciprocity and tighter rules of origin be ruled out. As such policy responses would worsen the position of the developing countries. So, what trade policy should we expect after the establishment of WTO, no clear pronouncements have been made. The only indicators of what might happen are the interests of the big European and North American trading blocs and their track record. That takes us into the realm of political economy and, as Wolf (1987) points out, makes greater protectionism look more likely. Wolf argues that the GATT's fragility, each country's veto on sanctions, and lack of self-enforcing controls have allowed regional integration to weaken the whole arrangement. That has happened because of the trading blocs' increasing use of trade policy as an instrument for satisfying special interest. Recently Grossman and Helpman (1993) have focused on the role of special interest groups in strengthening any tendency to protectionism. Their research has shown that the inlection between the granting of political support and economic performance will bad governments to develop higher import tariffs or export subsidies than they would have done in the absence of political interaction from special interest groups. Thus the big and strong trading blocs as a coalition with its own pressure groups within the GATT and even after emergence of WTO, would be increasingly protectionist.

Wolf argues that the postwar trading system has been a cooperative regime in which there is no advantage in unilateral liberalization, but there are advantages, for all, in multilateral liberalization so long as all *play the game*. The threat of discrimination against those who broke ranks, in particular denial of excess to the large U. S. market, sustained this process of liberalization for many years. But, as in all cooperative regimes, there are often little sanction against individuals who revert to their best non-cooperative policies, and quite possibly none at all against those who form a coalition against the rest. First, participants may judge retaliation to be uncertain, unreliable, and costly for the injured party. Second, countries may be reluctant to incur the costs of retaliating against dissidents whose unilateral actions do not affect them much. Similarly, those who would be affected will

be reluctant to afford trade benefits to those who, by putting private interests ahead of the gains from cooperation, fail to play the game. It is preferable to try to lock one's immediate trading partners into a policy of liberalization and market access by creating a mini GATT, which has the credible threat of explosion and loss of market excess, and ignore the rest, than to attempt a looser or less effective arrangement to encompass the more remote trading partners. That in itself would start to produce coalition groupings, and, once two or larger *players* are operating, the pressure for free trade would fade, because the competitive offering of access to the coalitions' markets would secure much of the cooperative gains for the coalition members, while reciprocal discriminatory trade policies would ensure that free trade in a wider sense is always denied to some group or groups. Indeed, it might be possible to form a coalition that was able to secure greater benefits for its members than would have been enjoyed under full cooperation. The cost would be worse outcomes for those outside-who might then form a coalition in self defence.

From this perspective, the WTO is just a coalition, with North America, East Asia and EC as each others rival. One should expect the EC, North America and East Asia to follow protectionist policies with respect to non-members. These regional trading blocs have been reluctant to extent most favoured nation status to competitors in certain field of preferences, and has used their commercial policy to further their special interests and the process of economic integration. This explains, why in the GATT negotiations, these regional trading blocs have been able to maintain a position ostensibly consistent with GATT while imposing restrictions that in practice are more protectionist. The standard, instruments of protection are tariffs, the GATT's main concern, quotas, voluntary export restraints and non-tariff barriers covering health, technical standards or environmental protection. These trading blocs do not use tariff very frequently, because it has been far easier to use quotas and antidumping or export restraints that can be targeted rather precisely and are otherwise invisible. Perhaps more important, the effects of non tariff barriers on taxation, redistribution or subsidies, and rent transfers are largely invisible in both inside and outside the regional trading blocs (Wolf 1987). Therefore, reducing the general barriers, while maintaining and possible increasing particular non-tariff barriers, will be of general practice as this allows these strong trading blocs to retain policies which are consistent with the theories of GATT even in WTO, while achieving rather different effects in practice. Thus it is extremely difficult to tell whether these strong trading blocs' policies would not be actually be protectionist in practice even after operation of WTO and the emergence of leading trading blocs like East Asian, EC and North American and (Table 1) their export market suggest that greater barriers will be needed against the rest of the world to ensure success that these blocs visualise

Table 1
Export Markets of the Emerging Blocs

Trading Blocs	Billions of US \$					
	1980		1986		1989	
	US \$	percent	US \$	percent	US \$	percent
<i>EC</i>						
Intraregional	309	48	451	49	678	52
North America	47	6	85	9	101	8
East Asia	26	3	36	4	66	5
Rest of the world	332	42	245	38	456	35
<i>North American Bloc</i>						
Intraregional	100	24	129	29	205	28
EC	68	16	59	13	100	14
East Asia	52	12	59	13	116	15
Rest of the world	205	48	195	44	304	42
<i>East Asian Bloc</i>						
Intraregional	90	24	116	19	224	23
EC	42	11	59	9	100	11
North America	68	17	153	24	207	22
Rest of the world	187	48	298	48	418	44

Note : EC member countries are Belgium, Denmark, France, Germany, Great Britain, Greece, The Republic of Ireland, Italy, Luxemburg, The Netherlands, Portugal and Spain. The North America bloc consists of Canada, Mexico and the United States. The East Asian bloc includes Australia Hongkong Indonesia, Japan, Republic of Korea, Malaysia, New Zealand, the Philippines, Singapore, Taiwan and Thailand.

Source : Schott (1991)

It therefore, makes sense to look these trading blocs as the single market entity, creating a mini GATT within the WTO, that poses threat to production and trade in developing countries.

WHAT IMPACT THE DEVELOPING COUNTRIES FORESEE

Developing countries are usually seen as suppliers of inputs, rather than of competing products. After the endorsement several areas, however have emerged where the developing countries could encounter significant difficulties. Firstly, nearly all contents of the treaty have focused on trades in goods, where one of the main effects is likely to be investment diversion. Economic development in the developing countries is particularly sensitive to foreign capital investment. Secondly developing countries are also painfully

aware that for every dollar unit spent on aid, roughly two units of dollar are spent on restriction to keep their exports out by major industrialised developed countries. For example, EC trade with developing countries as a whole amounts to 3.4 percent of the EC's GNP(EEC 1989). Hence, to spend two European Currency units on keeping on keeping out imports from developing countries for every ECU spent in aid would involve trade barriers amounting to 0.5 percent of the EC's GNP, or the equivalent of a 14.3 percent tariff on the prices of developing country imports. But the agriculture policies of the EC and North American trading blocs countries are estimated to have increased agricultural prices in those countries by 70 percent (Anderson and Tyers. 1990) Non-agriculture exports from developing countries face trade barrier cost upto 2 percent of the trade so they suffer equivalent of a tariff of 2 percent, and real term actually much more because trade in textiles, clothing, footwear, consumer electronics and so on are subject to much sharper restrictions than that (Winters 1991). The share of agriculture in developing country production is approximately 18 percent overall (World Bank 1989). Thus, based on these figures it can be said that average tariff equivalent on exports from developing countries is 14.2 percent, which equals, 0.5 percent of EC, GNP, or two dollar units to each dollar unit aid.

Third, developing countries are not exclusively commodity producers; trade has switched substantially to manufactures, especially in Latin America and the Newly Industrialized Economies (NIEs) or near NIEs of Asia. Their manufactures are competitive, with ten industrialized and other EC countries' products and, therefore, are subject to trade diversion, which might well outweigh any trade creation Fourth, the developing countries have already experienced how increasing protectionism an damage their prospects, not only in agriculture and food products, where liberalization is no nearer, but also in textiles, steel, and light manufacturing. The strong trading blocs stubbornness in the Uruguay Round, and the fact that East Europe was able to secure concessions on debt, which were denied to the developing countries, also suggest that the developing countries should not expect greater market access to help offset any trade diversion that may occur after WTO establishment.

SCENARIO OF TRADE AND AID AFTER WTO ESTABLISHMENT

The removal of barriers will create and direct only if no new WTO barriers are not introduced to replace old. But new restraints are likely (Silberston 1989), partly to satisfy the special interests that pressed for the original restraints and partly because the industrialised trading blocs see no reason why foreign producers should benefit as much as their producers. The barriers would be important to developing countries' products, if Eretained on textiles, clothing, footwear light manufactures, consumer electronics, cars and agricultural commodities. As pressure from French and Italian car firms has led to an Western Europe-wide restraint on Japanese cars which represents a

symbolic and economically significant barrier that could be easily extended to other sectors. More significantly, the introduction of the Short-Term Arrangement on Cotton Textiles in 1961 and subsequently extended into the MFA, even after thirty three years these restraints still exist. The source quotas here, however, are maintained by Article 115 of MFA, but that could be easily replaced by regional trading blocs wide restraint and a wide range of developing countries would be losers if restraints continued on textiles and clothing, and in this respect pressure has been already created from Southern European producers.

Trade in Services

Services is a large sector in developing countries, as 50 percent of their GDP is from this sector. But most of the output is not tradable today, so changes envisaged by Marrakesh would spill over to the developing countries. The three components that will become more widely tradable after WTO are, *financial services, government procurement and transport.* (Messertin 1990)

The market for financial services has been very fragment in Europe as well in North America and their integration would be major work, in formation of regional blocs. The opportunities for developing countries to profit from expansion in this sector may be very limited, however, because they are not big suppliers of financial services and these blocs have the tendency of enforcing aggressive reciprocity rules for market access.

Government procurement contracts are also potentially lucrative to developing countries. But sectors like water, transport and energy where developing countries could have contributed will be reserved for nationals. Local content rules may also be applied with non-regional bloc-suppliers having to demonstrate that 50 percent or more of a contract's value is locally supplied in order to qualify for government business. That may remove the incentives for producers in developing countries and may also divert investment from them to local regional bloc's plants. Finally, governments in the regional blocs may demand reciprocity for their firms before opening up access to their contracts.

Removing restrictions on transport will raise the issues of the interest of developing countries in reciprocity and equal access, particularly in relation to airlines. The regional bloc, which will take over the negotiation of routes on a bilateral basis, may not want to relax the price support given to the national carriers or to open up the already fairly extensive transport rights within the regional bloc area without concession elsewhere .

Standards

Firms outside the industrialized countries regional blocs may face the setting of standards as something over which they have no control. Standards

could be manipulated against the interests of non-bloc firms. Green way (1992) cites the case of high-definition television where no standards have yet been adopted. The advanced countries might set standards some what different from those of the rest of the world to suit their own producers and place other producers at disadvantage. Testing, particularly important for agricultural food and health products, could also be complicated, which raises transaction costs for developing countries.

Factors of Production

Removing barriers to the mobility of labour and capital i. e. harmonizing qualifications and removing capital control is an essential part of Marrakesh endorsement. This issue has two implications for developing countries. The first is that increasing capital mobility makes it easier divert investment away from advanced countries. Second, the European as well as North American blocs have absorbed large number of unskilled workers from Indian subcontinent, North and west Africa, and Turkey, so new international migration on any scale is unlikely. But with the advent of a single market due to trading bloc, and then may be a single currency, accentuating regional inequalities in unemployment, the pressure of internal migration within the bloc will inevitably grow. As that happens, bloc's citizens will presumably get priority over non-bloc migrants. Thus developing countries stand to suffer losses of remittances from their migrant workers and in a similar way, of capital.

Intellectual Property Rights (Trips)

Case in favour of TRIPS within the framework of GATT is framed on the arguments that :

—Strong Intellectual Property Rights exert an unreservedly positive influence on development of free-market economics;

—Strong Intellectual Property Rights benefit all countries regardless of their present stage of developing;

—The acquisition of non-idegeneous technologies by developing countries other than by imports of licence usually constitutes an illicit economic loss to the technology exporting countries.

First two propositions are counter intuitive and neither historical experience nor the literature support them. As regards the third proposition, unlicensed uses of foreign technologies in developing countries to some extent represent illicit losses to entrepreneurs in developed countries.

The basic norms of free competition established in the nineteenth century often induced to provide relatively weak forms of intellectual property protections. Weak intellectual property laws ensure access to

markets for second comers who provides cheaper and better products through imitation and incremental innovation. Undermining this classical nineteenth century outlook are two recent development that lead directly to the inclusion of *International Property* issues within the Uruguay Round. First, the rise of information based on, technologies radically altered the nature of competition and disrupted the equilibrium that had resulted from more traditional comparative advantages. Because such technologies are inherently vulnerable to rapid appropriation by initiators who do not share in costs of research and development. Second, the growing capacity of manufacturers in developing countries to penetrate distant markets for traditional industrial products has forced the developed countries to rely more heavily on other comparative advantages in the production of intellectual goods than in past. Market access for developing countries thus became an bargaining chip to be exchanged for greater protection of intellectual goods within a restructured global market place. The paradox posed by these demands and resistance they elicit has been characterized in the following terms :

On the one hand, the industrialized countries that subscribe to free-market principles at home to impose on highly regulated market for intellectual goods on the rest of the world, in which authors and inventors may reap *where they have sown*. On the other hand the developing countries that restrict free competition at home envision an unregulated world market for intellectual goods, one in which *competition is the life blood of commerce*. The solution of this paradox found in the Marrakesh endorsement, which envisaged the gradual integration of international intellectual property law into the larger frame work of international economic law.

Since 1986, developed countries' drive for international standards has largely ignored the competitive capabilities of developing countries with respect to intellectual goods. It has also down played both the developing countries rights to differential and more favourable treatment under existing GATT rules and the willingness of these same countries to address the principle adequate and effective protection of intellectual property rights in a manner consistent with their economic capabilities. (UNCTAD Report 1991).

At the same, the logic of multilateral trade negotiations skews the pre-existing North South conflict over intellectual property rights by introducing the prospects of trade concessions in unrelated field. Trade negotiations enabled developed countries to compensate developing countries for the social costs of TRIPS Agreement by increased market access notably in agriculture and textiles (Jackson 1992). But, imposed such standard competitive conditions, the developing countries would find with TRIPS agreement harder to compete generally to acquire technological innovation specifically in post TRIPS environment.

The TRIPS agreement goes in favour of developed countries by mandating the extension of patentability to virtually all field of technology recognised in developed patent systems; by prolonging patent protection for a uniform term of twenty years; and by securing legal recognition of the patentees exclusive rights to import the relevant products. It requires member states to protect products obtained directly from patented process and it makes patent rights enjoyable without discrimination as to the place of invention, the field of technology and whether patents are imported or locally produced. All developing countries obtained only a five year transition period during which they need not conform domestic laws to the international minimum standards. Nevertheless, one year after the agreement takes effect, all member countries must forgo patent regulations that discriminate against foreigners.

Thus, the agreement brought an adverse consequences with the dependent role of the developing countries in the international panted system with additional liabilities :

- With increased royalty payments to foreign innovations;
- With corresponding loss of investment opportunities in domestic research and development;
- Higher prices for consumer products subject to monopoly right;
- And greater dependence on imports in general.

Special problems will arise from gradual extension of patents to new technologies, especially computer programmes and biogenetic engineering. The patenting of biogenetic advances decreases the possibilities of reverse engineering and could increase the costs in key sectors of developing countries and economics, notably agriculture, because TRIPS agreement recognizes the patentability of microbiological process but not macrobiological processes.

On information technologies, computer technologies have advanced so rapidly that developing countries may find increasingly difficult to catch up. The high prices that distance suppliers charge for computer programmes sold to developing countries retard efforts to close the technological gap and inspire large scale copying in these countries and this factor encourages second comers in developing countries to acquire market shares by reimplementing known solutions with local variants or by adapting and improving known techniques to local conditions. Patents, in contrast, impede both independent redevelopment of functional equivalent and reverse engineering, with enchancing the market power to large and gaint firms (TRIPS 1992).

Aid

Two issues are important here :

- The general system of preferences;
- And aid disbursement.

The system of trading preferences is severely constrained by quotas and general reduction of tariffs. So, it will affect direct aid disbursements for the poorer developing countries in two ways; first aid may be more tied to the regional bloc as a whole rather than to a specific country. As donor countries tie aid in order to internalize some of the benefits, they are unlikely to give up the practices. Second, the peripheral regions of major trading blocs need structural adjustment to close the gap of regional inequalities, and the single market is likely to accelerate that process. It therefore, seems inevitable that more public money will be devoted to fiscal transfers and structural adjustment within the trading bloc. So it is hard to see how all this can occur without reducing the aid budgets for the developing countries.

At this point it is worth causing to consider whether WTO really will produce the increases in competitive pressure, as well as higher growth and lower prices that have been predicted. That nothing at all may happen. Key (1991) points out the removing internal barriers, harmonizing standards and mutual recognition or creating simpler financial conditions for exporting will actually make exporting and multilateral control, i. e. the regional bloc mergers and acquisitions, more attractive. The influential trading blocs import more primary than manufactured goods from developing countries. The trade creation and trade diversion effects will reinforce this tendency. Manufactured goods may well have higher-than average income elasticities, as Langhammer (1990) claims, but the relatively simple manufactures that developing countries export, like textiles, clothing, food products, consumer products, chemicals also have higher price elasticities. Moreover, competition from aggressive emerging industries in NIEs is likely to increase. So significant expansion of the trade in developing country manufactures is not likely and trade diversion will tend to offset any trade creation. The effect will be to reinforce existing trade patterns and to obstruct both those developing countries that are making a serious attempt to diversify away from dependence on one or two primary commodity markets and those Latin American and Asian countries that are trying to diversify away from dependence on the U. S or Japanese markets (Page 1991).

Davenport (1990) also concludes that most of the developing countries in manufactures will gain small in certain industries like textiles. Greater negative effects are to be expected from diverting investment and from tightening either the existing national import quotas or voluntary restraints or even from extending the restrictions to the bloc-wise basis, because that would

end the current practice of transferring unused quotas from one national import market to nother. To safeguard developed countries high-tech potential, one may expect further quota restrictions on consumer electronics, footwear and household goods.

CONCLUSION

Thus the Marrakash texts gave underdeveloped countries almost nothing. It accepted unfavorable terms on textiles and intellectual property while opening markets much more significantly to western goods. It signled that talking of the interests of developing countries is not relevant any more because each country acted on its own to bring down their own trade barriers in the Uruguay Round negotiations. Round adopted biasness towards opening developing country markets for western exports rather than the otherway round and agreement provisions on sensitive textile trade would cause developing countries to buy more from developed countries.

However, what happened in Geneva merely reflected the realities of the world trade and world economy. The fair trade has gained the upperhand over free trade. Jolted by uncontrollable unemployment and stagnant growth the critical foreign trade aim of the US and EC is to expand export markets, particularly for medium or small scale companies which collectively are their largest employers. Worrying about development is far from their minds and listening to developing countries was not in their agenda. The name of foreign trade game has been termed as, *first give us access to your markets, then we might listen to your troubles.*

The concluded round is likely to be a weak agreement which most developing countries will be expected to scrpulously obey, while to big trading blocs continue with their bickering and set aside the agreed rules whenever it suits them.

The accord will force developing countries to reduce subsidies given to their farmers, countries will have to import three percent of the domestic demand for agricultural products. It will require the developing countries for patenting of seeds, forcing farmers to buy them from multilateral firms, and it will seek product, instead of process patents in the drug sector, leading to a hike in drug prices. Footnote to the accord, categorically states the governments must procure farm products at market prices and sell then at like prices.

Technical standards may be tougher than national standards in member countries which could hurt exporters in developing countries. An increase in voluntary export restraints, a tightening of local content rules or reciprocity agreement for public sector enterprises or agriculture by developed countries could also make life more difficult for developing countries. In this

respect the present Common Agricultural Policy of EC is the most blatant example of protectionism. Local content requirement, preferential trading agreement and the increasing use of non tariff barriers against low -tech, labour intensive exports from the developing countries by the developed countries show that there lies good chance that external barriers on trade will increase even after watchdog on international trade, WTO, will operate.

Even in good faith all rules are observed and the high tariff barriers are eliminated or reduced to the low levels, a great many obstacles to trade suddenly would move to the foreground in a surprisingly variety of forms : incompatible technical standards, public health inspections, public procurement rules, taxation, corporate law, public subsidies, where the developed countries will have upperhand. Technology and growth of services in which most barriers to trade non-tariff ones, increase the challenges to remove non tariff barriers to integration or multilateral trade liberalization. Eliminating non tariff measures requires a degree of economic and regulatory harmonization that is likely to prove difficult among a large group of heterogeneous countries in WTO. Cooperation among a smaller group of likeminded countries is likely to be easier; the basic rationale for regionalism. Therefore, the bitter taste of Dunkel is covered with sugarc oat of common benefit and the developing countries are only assured against safeguard actions by their trading partners under Article XIX of Uruguay Round accorded at Marrakesh.

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