LESS DEVELOPED COUNTRIES AND MARKET ACCESS FOR
MANUFACTURED EXPORTS: NORTH-SOUTH
BARGAINING AND THE QUEST FOR REFORM

by

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This study examines the evolution of international negotiations between the developed and developing countries in connection with the attempts of the latter to obtain improved access to the markets of the rich industrial countries for exports of manufactured products. The primary focus is on the bargaining which has taken place in two distinct institutional settings—the General Agreement on Tariffs and Trade (GATT), and the United Nations Conference on Trade and Development (UNCTAD). Although the period covered by the study is the entire thirty-five years since the end of the Second World War, most of the discussion relates to the period since 1964, the year of UNCTAD's creation. In seeking to explain both the successes and failures of the developing countries in their efforts to obtain improved market access, use is made of several different analytical approaches currently employed by international relations scholars. A major concern of the study is to analyze how valuable or insightful these various approaches appear to be with respect to the particular case under examination here. Some schools of thought ascribe considerable bargaining power to relatively weak actors in international politics, but in case of manufactured exports the developing countries, who lack influence in this issue area, are shown to possess little leverage in negotiating for better access to the markets of developed economies. It is the vulnerability and weakness of developing countries that must be stressed in seeking to portray how they are situated in relation to this important area of international political and economic relations.
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INTRODUCTION

Future historians may decide to characterize the decade of the 1970s as a watershed in the evolution of modern international politics. During that period, the global agenda underwent a remarkable change and came to be increasingly dominated by various problems associated with growing international economic interdependence on the one hand and escalating tensions in relations between the developed countries (the North) and the developing world (the South). Some scholars, taking stock of the transformation in not only the global agenda of issues but also the topics and interests of academic students of international affairs, wondered whether all this didn't signify the dawn of a "new international politics." Deteriorating superpower relations in the late 1970s and a renewed concern with military aspects of international relations served to warn scholars and statesmen that it would be premature to discard the analytical and conceptual approaches to the study of world politics developed in the 1950s and 1960s. Yet there can be little doubt that a redefinition of what questions and topics are worthy of examination by analysts of international politics is a legacy of the decade just past.

Among the most significant results of this trend has been the rapid growth of several interesting literatures dealing with various aspects of the "political economy" of North-South relations. In the past few years a large number of studies have appeared which address such North-South issues as commodity stabilization schemes, debt relief for the Third World,
use and control of the resources of the oceans, and the role of multi-
national corporations in host developing countries. In this study, a
critically important North-South issue that has received rather little
recognition in most of the current literature--access to the markets of
Northern economies for exports of manufactured products from the developing
countries--is examined in some detail. Several reasons justify selection
of this particular issue from among the many important ones on the North-
South agenda. First, improved access for their exports of manufactures to
the North is seen as an increasingly critical issue by a growing number of
developing countries. Since the eclipse of the former development
orthodoxy of import substitution industrialization, more and more Third
World countries have come to regard the exporting of manufactures to the
North as a key element in their development strategy. Another reason for
examining this particular issue is that most academic experts and Northern
governments recognize that mutual interests can be served by liberalizing
access for manufactured products exported by the South. Specifically,
while certain import-competing sectors and interest groups may be harmed by
an expansion of exports from developing countries (or elsewhere for that
matter), Northern economies as a whole may gain by virtue of lower prices
for imported products compared with protected domestic products and
through more efficient domestic resource allocation. Thus a perception of
mutual interests has existed during the bargaining over market access that
is discussed later in the study.

Finally, examination of Third World efforts to further and protect
their interests in world manufactures trade provides an opportunity to
compare and evaluate critically some of the various approaches to the study
of North-South political economy that have recently developed. Selection of this North-South issue seems especially appropriate given that manufactured exports are increasingly perceived to be the cutting edge of Third World industrialization and economic development more generally. What various schools of thought have to say about developing countries' efforts to improve their position in the international division of labor highlights the contrasting intellectual assumptions and world-views that underlie various analytical and ideological traditions.

This study consists of three chapters, and each has a distinct task to perform. The first chapter attempts to survey and classify the diverse literature on North-South relations and political economy in order to determine the essential features of various approaches to the subject. Chapter Two then provides a long and quite detailed treatment of the efforts of the less developed countries (LDCs) to improve their position in the international trade system. Here the focus is on the bargaining that has gone on within international institutions concerned with trade--and especially trade barrier--matters. A survey of the changing composition and volume of LDC manufactured exports during the postwar period is also offered in this chapter. Finally, the third chapter reflects back on the political economy literature surveyed in the first in light of the patterns of events and outcomes in the manufactured exports issue area. A critical evaluation of the several schools of thought is really only possible through examination of "real world" experience; this study seeks to force them to confront the record in a very important area of contemporary North-South relations.
Notes


2. This is the conventional argument, or part of the argument, in favor of free trade generally offered by liberal economists. Their views will be surveyed in more detail in the first chapter. For a strong statement of the view that North and South have mutual interest insofar as the manufactured exports issue area is concerned, see Roger Hansen, "Trade, the Developing Countries, and North-South Relations," in Hansen et al, *Tariffs, Quotas, and Trade: The Politics of Protectionism* (San Francisco: Institute for Contemporary Studies, 1979).
CHAPTER ONE

NORTH-SOUTH POLITICAL ECONOMY

I. Addressing the North-South Economic Relations Literature

The decade of the 1970s witnessed the development and refinement of several interesting literatures dealing with various aspects of the political economy of relations between the industrialized capitalist countries (the North) and the less developed or Third World countries (the LDCs or the South). In part, the growth of scholarly interest in North-South economic relations stemmed from a belief that economic matters more generally were becoming much more important in world politics. Also contributing to the increasing popularity of North-South economic issues as topics for investigation was the widespread perception, shared by both Marxist and many liberal analysts, that global inequality and poverty were not being remedied by the operation of the international economy. These two intellectual tendencies together helped to generate an enormous outpouring of arguments, theories and prescriptions on North-South political and economic problems.

How to categorize this varied literature poses several difficulties for the student of international politics. Since much of it mixes prescription with analysis, it is often difficult to know whether a particular scholar's argument is based primarily on a detached analysis of North-South economic relations or, alternatively, on a more normative conception of how these relations ought to evolve. A more serious problem stems from the
marked diversity of conceptual approaches, ideologies, and research methodologies employed by the several groups of scholars who have contributed to these literatures. This intellectual heterogeneity makes it impossible to discern any significant degree of consensus in the writings on North-South political economy, and thus the articulation of a "synthetic" perspective is precluded. At best, certain distinctive and competing schools of thought can be identified. Fortunately, a number of political scientists have endeavored to come to grips with and classify the vast literature on contemporary North-South issues.

R.D. Walleri identifies four "major approaches to the study of international political economy in general," and North-South political economy in particular. These four approaches, or schools, differ both analytically and prescriptively in the way they address what Walleri calls the central "dilemma" of North-South relations—the simultaneous development of "increasing global interdependence" and "increasing inequality between and within nations."

A belief in the efficacy of the market as a mechanism of resource allocation characterizes the liberal approach. According to Walleri, liberal analysts exhibit a basic faith in the market in regard to both the domestic economic development of LDCs and their external economic strategies. The view that domestic inequality is a secondary problem to that of capital accumulation—the "trickle-down" theory of economic development—has its counterpart in the liberal analysis of international equality:

Liberal international economic theory remains grounded in the law of comparative advantage and continues to promote the doctrine of free trade. Combined with the unrestricted movement of capital, free trade would maximize world production
through optimal efficiency in resource allocation. Any maldistribution resulting from global economic transactions, conducted according to liberal principles, is considered to be only minor.5

Most Western international and development economists can be associated with the liberal school. Walleri also places Nye and Keohane, Morse, and other political scientists in this tradition.6 Most of these scholars advocate "further incorporation and integration of the Third World countries into the global economy" as the most effective way to enhance development;7 many also suggest that the optimal path of "reform" of the international economy involves improving the operation of the market so that it more closely approximates the liberal economic model.8

A different approach to international political economy is evidenced by scholars sympathetic to an economic nationalist/mercantilist perspective. According to this view, national economic development for Third World countries requires stiff protective trade barriers to foster indigenous industrialization and a strong state role in the economy. Walleri notes that Germany's economic development in the nineteenth century, as well as the history of American and Japanese industrialization, all provide some support for the economic nationalist thesis. Many Latin American states, under the influence of Raul Prebisch of the UN Economic Commission for Latin America, experimented with economic nationalist development strategies during the 1950s.9 At present, few writers analyze North-South issues from this perspective.

Walleri terms the third approach to North-South political economy "internationalism." Like the economic nationalist school, analysts associated with this perspective are critical of the liberal model and its attendant prescriptions. They seek to reduce international inequality by
promoting global market intervention in order to provide a better bargaining position for LDCs, since it is argued that the unregulated market is far more detrimental in its effects on the South than is believed by the liberal school. Creation of international organizations and regimes highly sensitive to the needs and problems facing the South is a central prescription of this school, which includes both political scientists (e.g. Gosovic) and economists (e.g. Myrdal). These analysts are in effect advocating reform of the international economic system through extensive market intervention under the aegis of strengthened international and regional institutions. The type and extent of reforms they seek are qualitatively different than those stressed by liberal analysts, but like the latter they believe that the South can (and really has no choice but to) mature economically through continued participation in the Northern-dominated global economy. The recent report of the so-called "Brandt Commission" should be located within this tradition, since it embraces several distinctly "interventionist" strategies in the search for solutions to Third World economic problems.¹⁰

Walleri suggests that the last approach to the study of North-South political economy incorporates both earlier Marxist and current dependency theories. Dependency theory emerged in the wake of the failure of original Marxist analysis to account for what is perceived to be a persisting alliance between the Southern bourgeoisie and international capitalism, which alliance explains the impossibility of genuine "nationalism" and "anti-imperialism" among LDC middle classes.¹¹ Although there are significant differences among scholars grouped under the dependency label, they all tend to: 1) portray Third World states as basically integrated into an international capitalist system which consigns them to the least rewarding and
least profitable economic tasks (exporting raw materials, producing manufactures with low amounts of value added, etc.); and 2) argue that economic surplus is channeled, 'via trade, investment and other economic linkages, from the South (the "periphery") to the North (the "core"), often with the help of multinational corporations. Many dependencia analysts advocate socialist revolution among the LDCs and their disengagement from the capitalist international division of labor.

A somewhat different classificatory scheme is put forward by Robert Cox. In examining recent literature dealing with LDCs' efforts to create a comprehensive new international economic order, Cox detects five distinct "opinion clusters"--an essentially liberal "establishment perspective"; a reformist "social democrat variant of the establishment view," which shares with the latter "a basic commitment to ... a world economy with relatively free movement of capital, goods, and technology"; an indigenous Third World perspective that encompasses diverse viewpoints but is basically reformist with regard to current North-South economic relations; a "neo-mercantilist" perspective which contains both right- and left-wing variants; and an "historical materialist current of thought" that includes the various neo-Marxist dependency approaches.

Cox's categorization of the political economy literature is somewhat unique in that he distinguishes between an "America-First" school of neo-mercantilism, represented by Robert Tucker, and a more radical school which stresses (and applauds) the decline of American hegemony and the growth of West European and Third World economic independence from the United States. However, one is entitled to doubt whether "right-wing neo-mercantilism" can be said to constitute a distinct approach to North-South political economy, since only a single author (Tucker) is identified as
falling under this rubric. Moreover, Cox himself seems to suggest that Tucker ought to be placed in the liberal establishment camp when he labels Tucker a proponent of "old liberalism," which after all bears a close resemblance to the perspective of most establishment economists (e.g., Cooper, Bergsten, Bhagwati). Also curious is Cox's third "opinion cluster," the indigenous Third World perspective. He includes in this category both reformist and neo-Marxist Third World scholars whose analytical and prescriptive points of departure differ markedly. It seems more sensible to place a scholar like Mahbub ul Haq, who Cox discusses extensively, within the "social-democratic reformist" tradition, since it is clear that Haq favors reform of the global economy, albeit fairly extensive in nature, rather than the revolutionary-disengagement strategy advocated for in the South by the dependency school. Radical Third World scholars more properly belong in the historical materialist "opinion cluster."

In examining these various attempts to come to grips with the burgeoning literature on international political economy, it is important to recognize that the "models," "schools," and "approaches" suggested by Walleri, Cox and others are meant to imply only a general orientation on the part of scholars grouped under these labels. Individuals often exhibit views difficult to categorize in this way. Still, it is both useful and legitimate to engage in an effort to classify the many points of view found in the literature under a small number of headings. As Robert Gilpin has commented in regard to the international political economy literature:

- Each model constitutes an ideal type. Perhaps no one individual would subscribe to each argument made by any one position. Yet the tendencies and assumptions associated with each perception . . . are real enough; they have a profound
influence on popular, academic, and official thinking on trade, monetary, and investment problems.\(^\text{17}\)

In order to acquire a general sense of how these diverse approaches to North-South political economy differ from one another, the assumptions made by various contributing scholars regarding matters of critical importance for North-South relations warrant close scrutiny. In particular, the answers provided by (or assumed by) these schools to two central questions should be stressed:

1) Are economic transactions and linkages between the capitalist North and the LDCs mutually beneficial? If so, to what degree?

2) Given their currently extensive integration into the Northern-dominated international capitalist economy, how much bargaining power does the South enjoy vis-a-vis that economic system and Northern governments?

One way of portraying the relationships among these competing schools is to conceive of them as arrayed along a continuum according to the answers they provide to each of the above questions. Thus, with respect to the first question, liberal analysts stress the mutuality of benefits deriving from North-South economic relations, while most adherents to a dependency perspective emphasize the exploitative, even zero-sum, nature of such linkages. The following diagram, intended solely for illustrative purposes, may assist in understanding how the different schools are arrayed.

**Figure 1:** Extent of Mutuality of Gains From North-South Economic Links

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<table>
<thead>
<tr>
<th>liberals</th>
<th>dependency writers</th>
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<tr>
<td>absolutely reciprocal gains</td>
<td>&quot;liberal reformers&quot;</td>
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Clearly, while few analysts are likely to subscribe to either extreme polar view, students of North-South political economy will cluster into different groups that occupy quite different places along the dimension of mutuality of benefit. Those sympathetic to a liberal (including liberal-reformist) perspective tend to perceive a high degree of reciprocal gain in North-South economic relations, or at the very least argue, as many reformists do, that the South stands potentially to gain a great deal from participating in the global capitalist economy given certain changes in rules. While liberal writers obviously hold varying views on the extent to which LDCs benefit from current North-South economic linkages, they do tend to share, as will be discussed below, a basic belief in the wisdom of Southern participation in the international economic system. Many scholars labelled "internationalists" by Walleri and "Third World intellectuals" by Cox also evince this view.

At the other end of the spectrum are located scholars who are skeptical of or reject altogether the view that significant economic benefits accrue to the South by virtue of its involvement in the global capitalist economy. Certain radicals or neo-Marxists labelled "internationalists" by Cox can be subsumed under the general dependency rubric and located near this pole, as perhaps can some "mercantilists," although the latter are difficult to classify insofar as North-South political economy is concerned because of the paucity of current mercantilist contributions to the literature on most North-South issues.

A second dimension along which students of North-South relations can be arrayed relates to the extent of bargaining power attributed to the LDCs
in the capitalist economic system. Obviously this varies with the specific issue area under consideration. The degree of bargaining leverage enjoyed by LDCs in the manufactured exports issue-area, which will be a central concern of this study, need not be equivalent to their bargaining power in other issue-areas in international economic relations. But insofar as the international economy as a whole is concerned, the several schools on North-South political economy clearly make different assumptions about Southern power within the international capitalist system. This variation among the different scholarly "opinion clusters" can also be portrayed diagrammatically.

Figure 2: Degree of Bargaining Power Possessed by South in Global Economy

<table>
<thead>
<tr>
<th>liberals</th>
<th>&quot;symmetric interdependence&quot;</th>
<th>&quot;liberal reformers&quot;</th>
<th>&quot;global reformers&quot;</th>
<th>dependency writers</th>
</tr>
</thead>
<tbody>
<tr>
<td>&quot;reformers&quot;</td>
<td>no Southern bargaining power in capitalist world economy</td>
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In this figure liberal analysts, as well as "reformers" who fall under the "internationalist" or "Third World Forum" headings suggested by Walleri and Cox respectively, are placed toward the pole of "symmetric interdependence," while Marxists and dependency scholars are definitely arrayed closer to the pole of absolute dependency. It should be noted that even the most sanguine liberal observer of North-South relations would hardly suggest that an absolute symmetry in bargaining power prevails in the global economy. However, as will be discussed below, scholars associated
with the liberal approach to North-South political economy do tend to ascribe considerable influence to the LDCs, especially in relation to certain key issues on the global agenda. Authors grouped under the dependency heading, on the other hand, tend to perceive the South as essentially impotent in terms of shaping its own development and exercising policy choices within the context of international capitalism.\textsuperscript{20}

II. Dependency, Interdependence, and North-South Economic Relations

That the South is generally highly dependent on external economic forces and has limited "autonomy" with respect to its developmental evolution is probably accepted by most students of contemporary world politics. It is when these students assess the degree of this dependence and in their interpretation of this state of affairs that sharp differences emerge. James Caporaso has examined the North-South political economy literature in some detail, and he suggests that there are in fact two very different "modal" approaches to the analysis of North-South relations.\textsuperscript{21} Caporaso's point of departure is the concept of dependence (or "relational inequality") and the different meanings attributed to this concept by various groups of scholars. He argues that in the diverse "literature on dependence, one can abstract two predominant images: dependency as the absence of actor autonomy and dependence as a highly asymmetric form of interdependence." According to the second image, which accords with a liberal approach to political analysis, "the opposite of dependence is interdependence—not autonomy. While autonomy rests on the idea of self-control, interdependence rests on the notion of mutual control."\textsuperscript{22}

These two different images of "relational inequality" reflect
sharply contrasting assumptions about the correct analytical focus in the study of North-South relations. Caporaso argues that these varying assumptions in turn generate two distinct approaches in the literature—the "bargaining" and the "structural" approaches. In its essential features the bargaining perspective is actor oriented and leads to a careful analysis of specific contests among actors based on clashes of consciously held interests. The outcomes of bargaining contests may be due to differences in capabilities but they are not an automatic function of these. Outcomes may also be affected by putting a greater amount of resources into the effort, by being willing to suffer higher costs, or through the skill of . . . negotiators.\textsuperscript{23}

A very different approach involves focusing on "structural power," which is concerned not so much with bargaining outcomes as with "the ability to manipulate the choices, capabilities, alliance opportunities, and payoffs that actors may utilize." The structural analysis situates an LDC within the totality of the global capitalist system, and explains political and economic outcomes in terms of this larger context. According to this view, dependence is not a position of inferiority from which to bargain with the North, but rather "the process of incorporation of the less developed countries . . . into the global capitalist system and the . . . distortions resulting therefrom."\textsuperscript{24} This conception of relational inequality bears little resemblance to that found in the works of most non-Marxist students of North-South relations.

In what follows, the bargaining and structural perspectives are studied by examining several contemporary literatures on international relations; these are divided into two groups, one of which centers on the dependency literature, and the other being an amalgam of the writings
of liberal economists, students of interdependence, and those who favor extensive global reform and a New International Economic Order. The latter group is obviously less coherent because of the different topics and issues studied by its diverse contributors, but it is argued that the three schools that make up this second group accept the "metaphor" of interdependence in their analyses of North-South relations. Later in this study the insights that can be gleaned from these various approaches to North-South political economy insofar as the manufactured exports issue area is concerned will be discussed, and the competing explanations of different schools examined. In the remainder of this chapter, the main goal is simply to indicate how these various "opinion clusters" conceive to the North-South relationship more generally.

1. North-South Relations: The Dependency Metaphor

The majority of writings within the dependencia tradition have focused on Latin America's political and economic development within the world economy. Most adherents to the dependency school have been concerned to explicate the ways in which the external capitalist order has affected specific LDCs, but a general model of how this order determines Third World development has also been articulated by authors writing within the dependency tradition. Dependency theorists are by no means in unanimous agreement in their analytical approaches and prescriptions, but there are certain themes and arguments which are ubiquitous in the literature. Virtually all dependency writers agree that the way in which international capitalism "has molded the domestic class structures and
external relations of the periphery states precludes the possibility of genuine national development in the Third World within the context provided by the present international order." They agree as well that economic linkages between North and South are inherently "unequal" and in fact serve as transmission belts by which economic surplus is appropriated by advanced capitalist "metropoles." Most proponents of dependency theory argue that the South ought to disengage from the international capitalist system in order to promote what is for the dependency school the most important "value"—autonomous, egalitarian national development.

Interestingly, although dependency theorists tend to devote the bulk of their scholarly attention to the analysis of the political and economic characteristics of Southern societies, their explanations are largely systemic and transnational in nature. Andre Gunder Frank, a major contributor to the literature, provides an excellent example of the dependency theorist's systemic bias:

We consciously follow the general rule of social theory that states that when seeking to explain (or change) a part of something, in this case underdevelopment, one must look for and refer systematically to the whole in terms of which that part can be understood.

This structural, systemic explanatory perspective is strongly informed by Marxist traditions of social analysis. Dependency theorists are not narrow economic determinists, but they differ from other schools in their devotion to explaining outcomes by referring to the "imperatives" of the system—in this case the international capitalist system that includes the LDCs as subordinate members. Dependency writers would no doubt agree with the eminent Marxist theoretician George Lukacs that "it is not the primacy of economic motives that constitutes the decisive difference between
Marxist and bourgeois thought, but the point of view of totality."^{29}

In addition to exhibiting a clear preference for systemic explanations, the dependencia analysis of Southern development and underdevelopment also takes a transnational approach. The central unit of analysis is not the state, but class. Classes in the international capitalist system are linked across national boundaries and constitute the cement which binds the subordinate peripheral Southern nations to the exploitative international division of labor as a whole. In the typical dependency analysis, within an LDC a local "comprador" bourgeoisie intimately tied to foreign capital and strongly oriented toward export to the international market occupies a central position. This class may be industrial, commercial, or even agrarian, depending on the period under examination; the main point is that it is "outward-looking," and it shapes the evolution of the economy according to this imperative. It will usually be supported by a small, privileged labor "aristocracy" which has a similar interest in maintaining these ties to the world capitalist system. The outward-looking classes will control the political apparatus, and their policies, while promoting their own material interests, will retard or even reverse the development of the nation's economy as a whole and will exacerbate inequality and poverty in the society. Decisions and strategies with respect to the nation's economic development are made with the international capitalist market in mind, not according to the real needs of the society and masses. International capitalism, ruling through the domestic "comprador" class elements, stymies the evolution of a mature, egalitarian economy and polity.^{30}

Thus the dependency explanation of Southern underdevelopment and
dependence points to "both the transnational fusion of class interests and the systemic structure of the international capitalist system." In this world-view, "dependency is equated with a particular species of non-autonomy, springing from the lack of interdependence of domestic economic sectors on the one hand and their corresponding dependence on external economic activity on the other." "Dependency, then, is Janus-faced. It has an internal anatomy manifesting itself in fragmentation and an external anatomy realized through its responsiveness to foreign economic activity."31

As noted above, dependency theorists argue that few economic benefits accrue to the LDCs as a result of North-South trade and investment linkages. Many exponents of the dependency model are in broad sympathy with the thesis of Emmanuel, who argues that trade between the advanced capitalist countries and the LDCs is inherently unequal. In his influential book, Unequal Exchange: The Imperialism of Trade, Emmanuel sets forth an interesting explanation of why trade between North and South benefits the former and impoverishes the latter. Reasoning on the basis of a modern version of the Marxist labor theory of value, Emmanuel posits that the "true value" of labor's contribution to production in the South is not reflected in the prices of Southern exports because of the institutional and political weakness of labor. Southern imports from the capitalist core countries are in fact priced above their true worth because of the ability of Northern labor to obtain high wages and of Northern capital to extract profits, both of which are "paid for" with the surplus extracted, via trade, from the Southern workers.32 Moreover, this existing disparity portends an even greater inequality in wealth and development between North and South:
Once a country has got ahead . . . this country starts to make other countries pay for its high wage levels through unequal exchange. From that point onward, the impoverishment of one country becomes an increasing function of the enrichment of the other, and vice versa. 33

While not all dependency theorists are in complete agreement with Emmanuel's analysis, they do accept the metaphor of unequal exchange in their discussions of North-South trade. In fact, rejection of the neoclassical liberal doctrine of comparative advantage—which insists that all nations regardless of level of development can gain through trade if each concentrates on production and export of those commodities in which its factor endowments provide it with a comparative (not absolute) advantage 34—is a hallmark of all writings in the dependencia tradition. For Samir Amin, "if the international division of labor is unequal, the argument of comparative advantage loses its validity." 35 Immanuel Wallerstein suggests that trade ties constitute a crucial part of the new "technology" of modern imperialism which allows the North to pillage the South without constant and costly resort to direct military action:

> It is the social achievement of the modern world . . . to have invented the technology that makes it possible to increase the flow of surplus . . . from periphery to the center, from the majority to the minority, by eliminating the "waste" of too cumbersome a political superstructure. 36

Johan Galtung echoes this view with his comment that the "mechanisms" of modern imperialism are indicative of the superiority of "structural rather than direct violence." 37 And Andre Gunder Frank observes that North-South trade exchanges (and the associated ideology of free trade) are the central means by which the North "expropriates economic surplus from its satellites and appropriates it for its own economic development." 38
In the writings of dependency theorists, one constantly encounters the argument that not only is North-South trade unequal, but it is structured so as to prevent the emergence of mature industrial Southern economies capable of generating self-sustaining growth, creating a mass domestic market for goods, and providing for the bulk of their food requirements. Instead, the "outward-looking" nature of Southern economies dictates a different set of priorities: export of raw materials and unsophisticated manufactures to Northern economies; promotion of economic policies highly detrimental to the goals of equality, participation, self-sufficiency and national autonomy; and maintenance of privileged externally-oriented classes in control of the state apparatus. But how do these writers explain the fact that over the past twenty years a number of LDCs have become major producers and exporters of manufactured products and have developed economies which are clearly industrializing at a rapid pace?

That some Southern economies have become newly industrialized and markedly increased their exports of manufactures does not, according to dependency theorists, invalidate the dependencia thesis of unequal exchange, because it is still the case that "the industrial development of these countries is dependent on the situation of the export sector, the continued existence of which they are obliged to accept." In other words, this industrial development is in a sense "illegitimate," precisely because it is externally-induced. As dos Santos puts it, this "new phase" in the international capitalist division of labor presupposes an increase in the industrialization of raw materials and of products of a low degree of technological development, and export of these products to the dominant centers . . . which . . . specialize in the production of goods and services for export which have a high techno-
logical content, and the export of capital, thus raising the parasitism typical of the imperialist powers to its highest level.\textsuperscript{40}

Thus the growth of manufactured exports from the South, far from vitiating the \textit{dependencia} thesis, merely confirms that imperialism has attained a higher, and for dos Santos more exploitative, level. Within the dependency literature, Southern industrial development is portrayed as non-autonomous "dependent development": it is export-oriented; it is conditioned by the technological and financial-capital monopolies enjoyed by Northern capitalism; in short, "it must insert itself into the circuit of international capitalism."\textsuperscript{41} Even though some LDCs have evolved to the point where they no longer simply export raw materials and import manufactures—the classic image of dependency which in fact still obtains for much of the South—they remain reliant on the structure of global capitalism; in dos Santos' phrase, the "productive system" remains "essentially determined by these international relations."\textsuperscript{42} The more advanced LDCs "have now within their borders an increasingly diversified industrial capacity. At the same time, the penetration of international capital into their social and economic life is increasingly thorough." International forces are therefore still "an integral part of the ... political and social order."\textsuperscript{43} The newly-industrializing LDCs (the so-called "NICs") are woven ever more tightly into the fabric of international capitalism, and poverty, inequality and above all non-autonomy continue to persist or, in some formulations, even worsen.

This highly pessimistic analysis of the experiences of the industrializing South is confirmed for dependency theorists by the recent history of
Brazil, a classic case of export-led growth and industrialization. The sharp increase in the volume and technological sophistication of Brazilian exports of manufactures has, it is argued, in no way permitted that country to exercise meaningful national independence, since the privileged class elements continue to look outward and domestic problems that confront the bulk of the people go untreated:

If domestic Brazilian industry is ever more dependent on the imperialist metropolis, then so is the Brazilian bourgeoisie. If the development of capitalism in the world and in Brazil renders a truly national industry ever less possible, then it similarly precludes the development or even the continuance of a national industrial bourgeoisie.44

More complex treatments of the Brazilian case ascribe a greater scope for national autonomy and national industrial and capital interests, but still portray the resulting development as distorted and largely dependent on the vicissitudes of international capitalism.45 Thus, the conclusion that follows from the dependency analysis of Southern industrialization is simple: such "development" is based on continued or increased incorporation into the web of international capitalism; as such it prevents the assertion of national autonomy, skews and distorts domestic social and economic structures, continues the process of surplus-appropriation by technologically advanced and capital-rich center capitalist states, and utterly fails to address the vast problems of poverty and basic human needs in the LDCs.

A final aspect of the dependency analysis of North-South economic relations that needs to be briefly examined relates to the question of Southern bargaining power (see figure 2). Not surprisingly, the notion that the South enjoys significant bargaining leverage within the world
capitalist system is regarded with skepticism by dependency writers. Given that, as dos Santos puts it, the capitalist order dictates that the dominant economies "can expand and be self-sustaining, while other countries (the dependent ones) can do this only as a reflection of that expansion," how can one assert that the South possesses bargaining power? Outcomes are determined by the dynamics of a totality against which any particular power resource possessed by one or more LDCs pales into insignificance. Moreover, as Samir Amin has argued, any "reforms" which Southern governments are able to achieve will not augur any basic improvement in the economic maturity of their societies, nor promote the goals of equality, basic human needs, and national independence. This is because, in an overall sense, "external demand would still be the main motive propelling this still dependent type of development." In a structural world-view in which the economies of North and South form a "system" and are closely related, North-South inequality simply cannot be reduced significantly through bargaining and negotiating for reforms and changes in principles and institutional arrangements. In the global capitalist system, the prosperity of the North is dependent upon and has a structural counterpart in the plight of the Southern periphery; they are two sides of the same coin.

In the dependency analysis, then, it is folly to expect the governments of the capitalist "metropoles" to bargain seriously over structural change with the South, for the very preservation of their privileged positions in the international division of labor requires system-maintenance, not system-transformation. The North will not—perhaps even cannot—agree to the types of changes required to tackle poverty, underdevelopment and inequality in the South for to do so would necessitate a direct assault on
national and international capitalism on a wholesale basis. The only way for the South to acquire "real" bargaining strength—to bargain from a position of strength as it were—is through its disengagement from the global capitalist system, for it is only through such disengagement that the parasitical linkages with the "market" that undermine autonomy and fragment the Southern economies can be severed.

2. North-South Relations: The Interdependence Metaphor

The dependency literature paints a stark picture of structurally determined exploitation and hierarchy in the international system. A rather different view of the nature and dynamics of international politics and economics is held by most non-Marxist students of North-South relations. For this study, three groups of non-Marxist scholars have been identified and will be examined below. The first group consists of liberal economists who, unlike the dependency writers, conceive of North-South trade and other economic exchanges as mutually beneficial, although not necessarily equally so. A second group of analysts—mostly political scientists in terms of academic specialization—has focused on changes in the international political system in the context of growing interdependence, especially in the economic sphere; these writers suggest that the current "interdependent" international order affords small and weak countries considerable latitude to bargain with stronger actors over a wide range of economic and non-economic issues. Finally, some of the non-Marxist literature which advocates extensive reform of the extant global economy and which supports current Southern efforts to structure a New International Economic Order will be examined. The authors associated with these three groups do not necessarily
represent distinct positions along any particular spectrum; instead, differences in intellectual focus may account for some of the variation in the views among them. In any case, it is argued here that all the scholars discussed below share certain fundamental assumptions about the global political economy which need to be kept in mind when assessing their approaches to North-South issues and which sharply differentiate them from the dependency theorists. Specifically, they all agree that the South can derive economic benefits and further its development through participation in the global capitalist order; that the international economic system has grown increasingly interdependent in the postwar years; and that, partly as a consequence of this, the South now enjoys significant political and economic leverage with which to engage in "global bargaining" with the North.

Liberal economic theory, which has strongly influenced much academic scholarship on economic development, exhibits a well-known intellectual preference for markets "as more or less desirable mechanisms for handling economic interdependence among nations." This market-orientation flows from the belief that markets, both nationally and internationally, are inherently the most efficient means of allocating scarce resources. Insofar as its approach to global economic issues is concerned, liberal economic theory holds that all nations stand to gain from trading with each other, especially under competitive market conditions. According to the famous doctrine of comparative advantage, which remains the central assumption underlying conventional international economic analysis, "It will pay a country to produce more of those goods in which it is relatively more
efficient and to export these in return for goods in which its . . .
advantage is least. Nations will tend to be "relatively more efficient"
in the production of goods which make intensive use of those factors of
production (or resources) which are in relatively abundant, hence cheap,
supply. From this analysis it follows that international trade patterns
and the composition of traded goods will be strongly affected by comparative
factor endowments in various countries, and this is exactly what the modern
Heckscher-Ohlin theory of trade predicts. It is important to note both the
original Ricardian doctrine of comparative advantage and the modern Heckscher-
Ohlin theory stress the fact that all countries, regardless of level of
economic development, stand to gain from trade and will usually maximize
their gains by specialization according to comparative advantage. That is,
if they follow the discipline imposed by the "neutral" international market,
they will enhance their welfare to the maximum extent, especially if they
are small countries without the diversity of indigenous resources that
large economies enjoy.

Liberal economists argue that although much international trade in
the "real world" takes place under conditions which in important respects
fail to accord with the orthodox competitive model, in general the LDCs
can still benefit tremendously from trade with the North. Several such
benefits are usually identified. An increase in national income will, it
is held, result from the specialization of production and export occasioned
by engaging in trade. In addition, consumers and industry will gain through
lower prices for imports that would be more costly or, in many cases, simply
unavailable if an effort were made to produce them domestically. Competition
in domestic markets will receive a healthy fillip as a result of exposure to international market forces. Furthermore, trade links with advanced industrial economies will serve as "conduits for the transmission from abroad of ideas and technical knowhow which can be applied or adapted to the domestic economy." In fact, production of goods for export to the international market can greatly contribute to the health of the entire economy through "linkage" effects:

Production of goods for export may induce an expansion in the industries furnishing inputs to the export sector—so-called "backward linkages." Moreover, the output of export industries usually is not entirely exported but partly remains in the local economy. To the extent that the output is an input to other domestic industries—for example, a cotton export industry furnishing inputs to a domestic clothing industry—there are "forward linkages."  

Because of their faith in the positive effects participation in the international economy will have on a country, liberal economists are strongly convinced that the optimal path to development and industrialization for most LDCs requires their incorporation into the global capitalist system.

Contemporary liberal economic theory seems to favor a two-pronged strategy for facilitating Southern economic development through more extensive external economic linkages, and this current policy prescription is of particular relevance for the present study. First, many liberal development economists advocate export-oriented industrialization for a large number of LDCs, and this involves a heavy emphasis on the production of manufactures, semi-manufactures and processed agricultural commodities for export to the world market. (This is of course almost the precise opposite of a central prescription articulated by dependency writers—namely, disengagement from
the capitalist economic system and "self-reliant" development.) The second part of this strategy for Southern development calls for changes in Northern trade policies and in the operation of certain international markets so that they will function more in accordance with liberal principles. Here the focus is on making international markets more competitive, and on exhorting Northern governments to eliminate tariff and non-tariff barriers that inhibit the expansion of LDC exports of products, especially manufactured products, in which they enjoy a comparative advantage. Sometimes it is also suggested by exponents of this development strategy that the LDCs themselves ought to reduce their high trade barriers on industrial products erected during the period when import-substitution was perceived as the key to economic development. This approach, it is argued, will not only promote efficiency in South economies, but also expand the trade opportunities for other industrializing LDCs.

While liberal economists stress the existing and potential economic benefits available to the South through trading with the North and by following export-led industrialization policies, many political scientists have argued that increasing international (including North-South) interdependence, especially economic interdependence, has fundamentally altered the international political system in ways that may enhance the political influence of small and weak states, most of which of course are LDCs. According to this view, the nature of world politics has been transformed by the various processes of "modernization"—the advent of rapid and widespread industrialization, the revolution in communications and transportation technologies, the emergence of "consumer" societies and of "mass" politics,
and the astonishing growth in the number of nation-states in the international system, most of which are in the Third World. These trends, it is argued, have greatly contributed to the increasing degree and growing political salience of interdependencies among nations, and especially among their economies.

For many scholars, this modern international interdependence has created a "new type of international politics that cannot be understood or described by using the concepts and categories of traditional international relations analysis." The basic analytical assumptions traditionally employed by (non-Marxist) students of world politics are no longer valid for the study of much of contemporary international relations. Contrary to the older "realist" approach, Keohane and Nye argue that in analyzing political outcomes in conditions characterized by extensive interdependence the scholar must make the following assumptions: 1) "multiple channels" connect societies, so states are not "coherent units," and non-state and bureaucratic actors wield considerable influence; 2) no clear hierarchy among international issues exists; and 3) military force, the ultimate arbiter among conflicting interests in the realist world-view, is not really a plausible policy instrument. The merits of these "new" analytical assumptions for the study of world politics have been noted by numerous contributors to current international relations scholarship.

Many students of contemporary North-South relations have employed some of the arguments and assumptions put forth by theoretical analyses of modern interdependence. Authors who stress the interdependence of North and South are inclined to offer "a much more egalitarian assessment" of political
and economic relations among them than do dependency writers. As North and South grow more interconnected economically, the nature of their political relationship will evolve in a direction of greater equality. According to Haas, the South will benefit from the fact that the "kinds of systems change associated with rising interdependence . . . imply a tendency toward strengthening weaker actors against strong states as the web of relationships increases perceived sensitivities, vulnerabilities and opportunity costs for the stronger." In part, this rather egalitarian prognosis is rooted in the belief that the elements of power in the international system are "more widely dispersed than perhaps at any time in the world's history." Moreover, the ability to predict outcomes by examining relative power resources is decreasing as issues become more complex, national decision-making becomes more fragmented, and the roles of international organizations and non-state actors grow more important. Keohane and Nye suggest that the "overall power structure" model, which is akin to the realist model and predicts outcomes according to states' relative overall power resources, is often a highly misleading framework for analyzing contemporary world politics. They argue that the most persuasive explanations of how issues are dealt with in international relations are frequently based on the distribution of power in a particular issue-area, on the imperatives associated with technological and economic processes, and on the increasingly significant roles of international institutions in mediating clashes of interests between nations and facilitating their collaboration in pursuit of common goals.
Thus, according to this increasingly popular interpretation of international politics, interdependence has become a better "metaphor" than dependency for understanding North-South relations. "Bargaining and negotiations" have replaced "command and force" in the inventory of concepts which the analyst brings to bear on North-South issues. Interdependence, by reducing the advantages that accrue to the North by virtue of its superiority in "overall" power, has improved the relative bargaining position of the LDCs. The more the international political system and the global economy can be characterized as interdependent, "the harder it becomes to maintain qualitatively unequal (i.e. superordinate-subordinate) relations among the units of the system." As economic interdependence grows and the South experiences accretions in its power, the bargaining process, which "is essentially a form of interdependent behavior," becomes ever more central to North-South relations. Southern bargaining positions have improved thanks to such "systemic" changes as "the diminishing utility of force in North-South relations, the growing constraints on Northern foreign policies linked to growing welfare state demands, and enhanced Southern capacities to use international organizations and linkage strategies to achieve their own goals." In addition, many LDCs are able to improve their technical, intellectual and bureaucratic capabilities as they learn from past experiences with the international marketplace and foreign capital. Thus a developing country's bargaining position may be enhanced through the acquisition of knowledge, as Moran has demonstrated in his analysis of Chilean policy toward foreign-owned copper corporations.
In short, although power asymmetries and variation in degrees of dependence and vulnerability continue to favor the North, much of the recent literature on the international political system suggests that weaker actors can often exploit their asymmetric status in conditions of economic interdependence, that such asymmetries will in any case tend to be reduced as interdependence increases between North and South, and that the process of bargaining and the fora in which it takes place are of critical importance in analyzing North-South issues.  

The third group of non-Marxist students of North-South relations can perhaps be labelled the "global reformers," in order to distinguish them from the market-oriented liberal reformers discussed above. These scholars are strongly supportive of the Third World's attempts to obtain extensive reform of the global economic system and its institutions and its current effort to institute a New International Economic Order. Although they are by no means satisfied with the South's current place in the international division of labor, the global reformers do accept two propositions of critical importance to this study. First, they agree that North-South trade can benefit the South and help it to develop, even within the context of a capitalist international order. Second, they perceive that the LDCs enjoy sufficient economic and political power to make the process of bargaining to achieve reforms a feasible and meaningful strategy.

The global reformers offer a harsh critique of contemporary global trade and economic relations, including the North-South trade component. The chief target of this critique is not, as for the liberal reformers,
trade restrictions and the lack of competition in certain markets, but rather the notion that the unregulated market itself will operate so as to reduce the staggering global inequality that faces the international community. According to Myrdal, "Unregulated market forces will not work toward reaching any equilibrium which could imply a trend toward an equalization of incomes" in the world. In large part this is due to the role of technology in the modern international economy, which receives considerable attention from the global reformers. According to Singer and Ansari, the North's monopoly over technology "explains more of the maldistribution of benefits from trade and investment" than do the pattern of Southern factor endowments or the alleged misallocation of resources by ineffective Southern governments stressed by liberal analysts. Thus, the LDCs "cannot overcome the problem of underdevelopment as long as efforts are not made to bridge the technological gap that separates them from the richer countries." 

In general, the global reformers argue that "the so-called market mechanism is weighted heavily against the interests of the poor nations and that they are often denied an equality of opportunity" in the current international economic order. The solutions favored by adherents to this view involve the creation of new and the strengthening of existing international economic organizations in order to provide the LDCs with a kind of counter-weight to the international market processes that have allegedly failed to promote sufficiently their economic development and industrialization. Walleri succinctly summarizes the global reformers' prescription:
Since there is no world government to intervene in the international market to correct the uneven development among nations, it is essential that international institutions be created to deal with problems arising for the periphery states.77

These international institutions, presumably dominated by the more numerous LDCs, would seek to promote such global economic policies as automatic technology transfers to the South to reduce the technological gap, stricter controls on the activities of multinational corporations (MNCs), stabilization of commodity prices and earnings, improvement in the existing Generalized System of Preference (GSP) schemes that grant the LDCs preferential tariff treatment for their exports of manufactures and semi-manufactures, and a general reduction of Northern trade barriers that harm LDCs' export possibilities.

It is important to recognize that the various reform proposals put forward by supporters of a New International Economic Order aim not to destroy the market (i.e. capitalist) system, but rather to mitigate some of its perceived deleterious effects on the South. Indeed, the very notion that the Northern-dominated capitalist system can be "reformed" betrays a belief that the LDCs can benefit from participating in that economic order, especially of course if the preferred reforms are enacted. That the global reformers continue to evince a basic faith in the South's ability to develop within an essentially capitalist international economy is made all the more clear by examining their views about the revolutionary/disengagement strategy enunciated by the dependency school. Mahbub ul Haq, a key figure among the global reformers, charges that the disengagement prescription is highly "idealistic" and that the South stands to gain much more from
cooperation and bargaining than from revolution and self-reliance.\textsuperscript{78} Development economists Singer and Ansari concur with this view.\textsuperscript{79} Another sympathizer with the Third World's plight characterizes the disengagement strategy as "an elusive dream," inasmuch as the international capitalist system will continue to exist even if a large number of LDCs opt out of it and the latter are not likely to survive without external economic linkages in any case.\textsuperscript{80}

Rather than exploitation and revolution, the metaphors of bargaining and interdependence are invoked by many global reformers. According to one eminent spokesman,

it is essential that whatever proposals we formulate balance the interests of both rich and poor nations. It is easy to formulate partisan positions. But we live in an interdependent world. If we are to live without major confrontations, we should think of proposals which, while benefitting the Third World, do not hurt the interests of the world as a whole and which can obtain more willing cooperation from the rich nations.\textsuperscript{81}

This is hardly the type of utterance one would expect to hear from a Gunder Frank, an Amin, or a Galtung. The Third World Forum, an influential group of Third World intellectuals concerned with development issues, expresses its faith that "it is possible to evolve proposals which balance the longer-term interests of the developed countries and the Third World and . . . are acceptable to the entire international community."\textsuperscript{82} However, while it is true that the global reformers tend to see both North and South embedded in a structure of interdependence, they deplore the asymmetry which continues to exist between them, and argue strongly for

a deliberate "tilt" toward developing nations. Such a tilting would require: a) removal of those aspects of
international economic relations which act as restraints on the development of the South, and b) willingness on the part of the North to make "interdependence"... not a mere "cover" for protecting its own interests, but rather a means to bring about a genuine complementarity of Northern and Southern interests.83

It should be noted that the reformers' belief that such a "complementarity" of interests between North and South is possible in the context of an international capitalist system (albeit a "reformed" one) sharply distinguishes them from dependency writers.

In connection with North-South trade relations concerning manufactures, the global reformers stress the need for more liberal and assured access to developed country markets for LDC exports of manufactured goods; for continuous adjustment on the part of developed countries; and for tighter international control and surveillance over the use of safeguards by industrial countries. These prescriptions are quite compatible with the views of liberal economists. But the global reformers go on to advocate trading preferences for LDCs and other forms of "market intervention" that are anathema to many liberals. They also argue in favor of a greater measure of "collective self-reliance" (i.e. intra-LDC trade in manufactures) as a conscious policy choice, in spite of the fact that exporting to the North is typically more profitable. Finally, the global reformers are quick to point to the alleged shortcomings characterizing existing institutional arrangements and suggest that a new universal global regulatory institution should replace the Northern-dominated GATT and largely consultative UNCTAD.84

A final aspect of the global reformers' analysis of North-South political economy that requires brief examination concerns the question of
Southern bargaining power raised earlier. It is of course true that the whole thrust of the vigorous intellectual advocacy of global reforms on the part of these scholars presupposes some sort of faith in the workability and potentialities of political bargaining from the perspective of the LDCs. Like the students of international interdependence discussed above, the global reformers argue that the South possesses significant bargaining power and that it will likely enjoy even more leverage in the future. One proponent of "poor power" suggests that the concept of "collective bargaining" is enlightening: "the basic objective of the emerging trade union of the poor nations is to negotiate a new deal with the rich nations through the instrument of collective bargaining." Not surprisingly, those who conceive of the LDCs as constituting a kind of fledgling global trade union stress the importance of Southern political solidarity while negotiating with the Northern "employer."

The type of power the South enjoys in negotiating with the advanced capitalist countries is, according to the global reformers, largely political in nature. Mahbub ul Haq notes that demographic trends, the possible spread of nuclear weapons, the need to secure Southern support or at least acquiescence for global common property regimes, and the fact that "the developed countries are likely to need the Third World in the future . . . to sustain the effective demand for their expanding production," all point to an augmentation of Southern political power in the international system. This power essentially rests on an increasing ability "to disrupt the lifestyles of the rich. In any confrontation, the rich have far more to lose and are generally far more willing to come to a workable compromise."
Thus, while they differ in their analytical foci somewhat, the global reformers appear to share with students of interdependence the belief that an interdependent international system heralds a growth in weaker states' capacity to exercise political influence over the ways in which international economic issues are dealt with.

III. Conclusion

Different intellectual approaches to the analysis of North-South relations flow from contrasting perceptions concerning the scope for meaningful negotiations between rich and poor and the extent to which a "system" still largely dominated by the former can nonetheless provide benefits for the latter. It is contended here that the dependency school comes to quite different conclusions regarding these matters than do the authors grouped under the interdependence rubric. Even though the "interdependence" scholars are a diverse lot and there is certainly no consensus among them on the need for reform or the precise nature of the South's economic afflictions, they do share enough common strands of a general political-economic world-view to justify categorizing them under a single label, at least for the purposes of the present study. Unlike that of the dependency theorists, this more liberal world-view does not see the poverty of the South as an inevitable product of the prosperity of the North; does not portray the non-socialist developing countries as locked into a world capitalist order that perpetuates their problems; and does not believe that weaker actors are bereft of bargaining power within the international capitalist system.
Evaluating the merits of the arguments of the various schools of thought discussed above is not an easy task. For one thing, the author can scarcely lodge a claim to perfect "objectivity" in his confrontation with the North-South political economy literature. A more serious difficulty derives from the fact that the conceptual bases of the dependencia analysis, which are traceable to Marxist traditions of thought and inquiry, have little in common with the basic intellectual assumptions underlying most of the writings here grouped under the interdependence label.

But while it is undoubtedly impossible to prove that one scholarly approach to North-South political economy is "right" or definitively "superior" to others, one can hope to gain some insights into how they differ and discover whether one "metaphor" might be more persuasive or accurate than another by selecting a particular aspect of North-South relations for close examination. In the next chapter, a fairly detailed, largely descriptive account of North-South bargaining over access to Northern markets for LDC exports of manufactures is provided. The purpose of this lengthy treatment is to answer the following questions: 1) What have been the major priorities of the LDCs in their relations with the developed capitalist countries insofar as the issue of market access for manufactured exports is concerned? 2) How has the bargaining proceeded? 3) What outcomes have eventuated from this bargaining? 4) How has the position of the LDCs in world manufactures trade evolved during the postwar period? An attempt to analyze the events and trends outlined in Chapter Two is offered in the third chapter, where a primary concern will be to evaluate the dependency and interdependence "metaphors" in the light of the manufactured exports case study.
Notes to Chapter 1

1. Among non-Marxists, a very important early statement of the growing salience of economic issues in world politics was Richard Cooper, The Economics of Interdependence (New York: McGraw-Hill, 1968).


4. Ibid., p. 587.

5. Ibid., p. 594.


7. Walleri, p. 595.


9. Walleri, pp. 596-97. See the discussion in section one of the next chapter.


14 Tucker, ch. 1.

15 Cox, p. 287.


18 That many critics of the existing international economic system nonetheless are adherents to the view that LDCs can gain a great deal from participation in that system will be demonstrated later in this chapter.

19 As Walleri notes, the major mercantilist (or economic nationalist) writings have focused on political-economic relations among the Northern states. In the early 19th century, mercantilist analysts advocated policies to foster domestic industries in the then "newly industrializing" countries--Germany, Japan, and the United States. More recent mercantilist writers have traced the establishment of the postwar liberal economic system to America's political and military hegemony, and the decline of that system to the erosion of that American power. See David Calleo and Benjamin Rowland, *America in the World Political Economy* (Bloomingdale: Indiana University Press, 1973). It is unlikely, given the small number of citations provided by Walleri and Cox, that there is an important perspective on North-South relations that can be said to employ a mercantilist framework for analysis of issues.

20 Since this study attempts to analyze a particular North-South economic issue area, and not to elaborate on the various ways in which scholars differ from one another in their approach to North-South political economy as a whole, it seems justifiable to focus on a small number of groups of scholars rather than on delineating the often subtle differences between analysts who nonetheless share a similar basic set of views. Thus, in what follows, both more conservative economists and many reformers who favor some degree of market intervention in the global economy are grouped within the interdependence perspective, because they tend to share a belief in the efficacy of LDC involvement in the international capitalist economy. It is primarily this that sharply differentiates them from their radical (as opposed to "reformist") dependencia colleagues.


27 Walleri, p. 611.

28 Frank, "Introduction," in Frank, Cockcroft and Johnson, Dependence and Underdevelopment, pp:x-xi.


30 This is the essential picture that emerges in the various works cited in fn. 25 and in the work of Amin and Fagen. Wallerstein and Galtung have utilized somewhat different analytical approaches, and have focussed more on the international structure as a whole.

31 Caporaso, "Dependence, Dependency and Power," pp. 41, 23.

32 Emmanuel, pp. 60-64 and 76-80.

33 Ibid., p. 13.


38 Frank, Capitalism and Underdevelopment in Latin America, p. 9.


41 Cardoso, p. 163.

42 Dos Santos, "The Structure of Dependence," p. 234.

43 Evans, p. 9.

44 Frank, Capitalism and Underdevelopment in Latin America, p. 214; emphasis added. See also the discussion in Walleri, pp. 606-08.

45 Evans, passim.

46 Dos Santos, "The Structure of Dependence," p. 231.

Advocacy of disengagement is widespread in the dependencia literature, as is support for revolutionary upheaval in the Third World. See for example Amin, "Self-Reliance," passim; the articles by Fagen cited above; and Frank, Latin America: Underdevelopment or Revolution, pp. 371-409. Emmanuel takes a more conventional Marxist view, arguing that revolution in the South is not really possible until a higher stage of economic development has been attained -- and this requires continued participation in the capitalist world economy. See the exchange between Emmanuel and Charles Bettelheim at the end of Unequal Exchange, and the discussion of Emmanuel in Cox.


Kindleberger, p. 33.

Delbert Snider, Introduction to International Economics (Homewood, Ill.: Irwin, 1975), ch. 2.

See ibid., ch. 5, and pp. 427-35.

Ibid., pp. 429-30.

Ibid., p. 430.


The literature advocating export-led Southern industrialization and an increase in Southern exports of manufactures and semi-manufactures is vast. For this study, the following were consulted: Keesing; Jaleel Ahmad, "Third World Exports of Manufactures," in William Tyler, ed., Issues and Prospects for the New International Economic Order (Lexington, Mass.: D. C. Heath, 1977); Thomas K. Morrison, Manufactured Exports From Developing Countries (New York: Praeger, 1976), ch. 1; Fishlow, pp. 26-32; Bela Balassa, "Trade Policies in Developing Countries," American Economic Review 61 (May 1971): 178-87; and Richard Blackhurst, Nicolas Marian and Jan Tumlir, Adjustment, Trade and Growth in Developed and Developing Countries (Geneva:
Among the liberal economists who discuss the need to make markets more competitive and who seem to suggest the LDCs will benefit from doing so, consult Fishlow; Jagdish Bhagwati, "Market Disruption, Export Market Disruption, Compensation, and GATT Reform," in Bhagwati, ed., The New International Economic Order; G. K. Helleiner, "World Market Imperfections and the Developing Countries," in William R. Cline, ed., Policy Alternatives for a New International Economic Order (New York: Praeger, 1979); and Ahmad. Among those who stress the need to reduce Northern trade barriers against LDC exports of manufactures and semi-manufactures are Morrison, chs. 1 and conclusion; Ahmad; Fishlow; and Bhagwati.


Morse, ch. 1, is the best exposition of this view.


Robert O. Keohane and Joseph S. Nye, Power and Interdependence: World Politics in Transition (Boston: Little, Brown, 1977), pp. 24-28. This study has had more impact on the way in which many students of contemporary world politics conceive of their subject than perhaps any other since Morgenthau's classic realist work. In addition, it is the most judicious statement of the interdependence perspective among students of the international political system.


Holsti, p. 523.


Keohane and Nye, pp. 42-57.


69 Morse, p. 123.

70 Hansen, p. 284.


72 Ibid., conclusion; Hansen, pp. 283-87; Morse, pp. 140-41; Keohane and Nye, pp. 29-37.


74 The Programme of Action on the Establishment of a New International Economic Order (Resolution 3202, S-VI), passed at the Sixth Special Session of the United Nations General Assembly in 1974), declares, inter alia, that: "All efforts should be made: To formulate an international code of conduct for the transfer of technology corresponding to the needs and conditions prevalent in developing countries; To give access on improved terms to modern technology and to adapt that technology, as appropriate to specific economic, social and ecological conditions and varying stages of development in developing countries. To expand significantly the assistance from developed countries to developing countries in research and development programmes and in the creation of suitable indigenous technology; To adapt commercial practices governing transfer of technology to the requirements of the developing countries and to prevent abuse of the rights of the sellers." Cited in Ervin Laszlo et al., *The Obstacles to the New International Economic Order* (New York: Permagor Press, 1980), p. 113.


76 Haq, p. 142.

77 Walleri, p. 600.

78 Haq, pp. 142-43; and also Haq, *The Third World and the International Economic Order* (Washington: Overseas Development Institute, 1976), pp. 52-53.

79 Singer and Ansari, pp. 57-58.

81 Haq, The Third World, pp. 52-53.


84 North-South, ch. 11.


86 Ibid., p. 181.

87 Ibid., pp. 172-73.

88 Ibid., p. 179; North-South, p. 267.
CHAPTER TWO
THE STRUGGLE FOR MARKET ACCESS

I. Introduction

In this chapter, the efforts of the developing countries to improve their position in world manufactures trade will be described in some detail. The primary focus will be on the negotiations and bargaining that have taken place in international institutional settings--basically the General Agreement on Tariffs and Trade (GATT) and, since 1964, the United Nations Conference on Trade and Development (UNCTAD). The necessary background information, particularly empirical data on LDCs' production and export of manufactured goods, will be provided as the discussion of the negotiations and bargaining proceeds. Brief descriptions of two economic "orthodoxies"--import-substitution industrialization and export-oriented industrialization--that have proved quite influential in shaping the outlook of Third World policymakers at various times with respect to the whole issue of manufactured exports will be offered at the appropriate time.

The discussion below proceeds chronologically. An initial and quite brief section deals with the early postwar period, beginning with the establishment of GATT and ending in 1963, just before the birth of UNCTAD. During this period, few LDCs were capable of exporting manufactures on any significant scale, because of both the lack of technical maturity characteristic of Southern economies and the fact that those countries capable of industrial production tended for the most part to adhere to the doctrine of
inward looking, import-substitution industrialization. The issue of access to the markets of Northern capitalist states for Southern manufactures was thus not a major topic of negotiations at this time.

In the second section, the efforts of the LDCs to enhance their opportunities in international trade in manufactures by changing the Northern-sponsored rules and norms that had hitherto prevailed in international trade relations are discussed. This section covers the period 1964-73, during which time major negotiations dealing with the rules, norms and institutional arrangements in international trade relations occurred in both GATT and UNCTAD. This decade witnessed a crucial change in the approach of most Third World governments to the world economy. The previous strategy of import-substitution was either discarded or downgraded in importance by most Southern governments, and for many countries a belief in the critical role of manufactured exports as a catalyst to industrialization and general socio-economic progress became the new orthodoxy (thanks in part to the enthusiastic espousal of this doctrine by Northern economists). Rapid growth in the volume, value and diversity of LDC manufactured exports was registered in the late 1960s and early 1970s.

The rising tide of Northern protectionism after the 1973-74 oil crisis and the subsequent global recession had an especially severe impact on developing countries that sought to expand their exports of manufactures to the North, and threatened virtually to choke off greater access to Northern markets for certain products in which many LDCs enjoyed a global comparative advantage. The third section will elaborate upon the increasingly salient issue of selective Northern protectionism and discuss LDCs' efforts in GATT
and UNCTAD to protect themselves from this unfavorable trend. In addition, the South's proposals for global economic reforms and a New International Economic Order, which were exhaustively discussed in UNCTAD and other United Nations bodies beginning in 1974, will be analyzed insofar as they relate to the issue of LDCs' manufactured exports.

A final introductory point concerns the definitional problems that inevitably arise when a broad descriptive category such as "manufactured exports" is employed in a study such as the present one. Unfortunately, several definitions of what constitutes "manufactures" can be located in the works of economists and publications of international economic organizations. The degree of processing which a commodity undergoes is the basic criterion, but such a measure must be chosen in a necessarily arbitrary way. Broadly speaking, the most important categories of manufactures are clothing and textiles, machinery and engineering products, iron and steel, chemicals, consumer durables, and transportation equipment and vehicles. These products fall within sections 5-8 of the revised Standard International Trade Classification (SITC). In its recent publications, GATT has classified as manufactures all products falling within SITC sections 5-8, including non-ferrous metals (SITC 68). Although adoption of this definition means that some barely processed minerals and metals are included as manufactures, it does seem to be a more plausible definition than that often employed by UNCTAD, which includes certain crude petroleum products and processed agricultural products as manufactures. The more restrictive GATT definition will be used in this study. Recent GATT studies have identified the following broad product categories and sub-categories in discussing LDC manufactured exports:
Table 1: Manufactured Export Categories

A  non-ferrous metals
B  iron and steel
C  chemicals:
D  consumer goods
E  plastics
F  wood semi-manufactures and paper
G  other semi-manufactures
H  engineering products:
I  agricultural/industrial/machinery
J  machine parts
K  office/telecommunications equipment
L  power-generating machinery
M  other engineering products
N  road motor vehicles
O  other transport equipment
P  household appliances
Q  textiles
R  clothing
S  other consumer goods

In the discussion that follows, an effort will be made to use this classificatory scheme whenever possible.

II  Phase I: Import-Substitution and North-South Trade Relations

Introduction

Writing in 1949, the influential Latin American economist Raul Prebisch asserted that for the underdeveloped world, "Industrialization has become the most important means of economic expansion." Prebisch believed that poor countries could not rely on the expansion of exports of primary
products as the basis for their future economic growth and development. Because of the price instability characteristic of international primary commodity markets, the fact that the earnings and export growth potential of commodities were extremely limited, and the inherent inability of raw material extraction processes to stimulate broadly-based economic growth in an underdeveloped society, Prebisch argued that the production of manufactures had to replace the exporting of commodities as the central economic activity in countries seeking to develop mature economies. 4

The type of industrialization advocated by Prebisch and actually practised by most industrializing LDCs in the 1950s was oriented toward replacing imported manufactures and industrial goods with domestic production; interest in manufactured exports was minimal. Hirschman has suggested that four "impulses" contributed to the popularity of import-substitution industrialization in the South, and especially Latin America, during the early postwar period. First, the two World Wars and the Great Depression undermined "acceptance of traditional ideas about the international division of labor between advanced and backward countries ...." The "sudden deprivation of imports" caused by wartime conditions and economic crisis led certain underdeveloped countries to exploit their own capacities to produce industrial and consumer goods. Second, the critical need to conserve scarce foreign exchange felt by LDCs provided a second, structural impetus to replace foreign with indigenous industrial production. Third, a certain amount of natural import substitution occurred "in response to the growth of domestic markets," as incomes in several countries attained a level "at which domestic production became profitable ... without the need of external shocks or governmental intervention." Finally, and most
importantly, import-substitution industrialization was undertaken in many countries as a matter of deliberate government policy, carried out ... by means of protective duties ... through a wide array of credit and fiscal policy devices, through pressures on foreign importing firms to set up manufacturing operations as well as through direct action: the establishment of state-owned industries ... 5

In the late 1940s and early 1950s, virtually all LDCs which enjoyed political independence favored economic development policies that were predicated on the assumption that import substitution was the route to industrialization and growth. 6 However, by the late 1950s a number of developing countries had decided that import-substitution was inappropriate given their economic position and goals; and by the late 1960s, a new orthodoxy embraced by many industrializing LDCs stressed the superiority of export-oriented industrialization strategies. This important transition will be discussed later in this chapter. For now, it need only be noted that the vast majority of countries constituting the "underdeveloped world" of the late 1940s exhibited a manifestly inward-looking focus in regard to their future industrialization potential. Not surprisingly, this orientation strongly shaped their approach to the negotiations launched in 1946 aimed at creating a comprehensive international trade order based on the doctrine of free trade.

The Creation of GATT

During the latter phase of World War II, United States government officials developed an ambitious scheme to construct a postwar global trade order based on the principles of nondiscrimination, reciprocal tariff
reductions, and the outlawing of quantitative restrictions on trade. This liberal trade order would be presided over by a new international organization, to be called the International Trade Organization (ITO), which would be a specialized agency of the proposed United Nations. In 1945, the U.S. published its Proposals for Expansion of World Trade and Employment, which were based on bilateral wartime discussions held with the British. From 1946 to 1948, multilateral negotiations involving upwards of fifty countries were undertaken, and the end result was the Havana Charter for the ITO, signed by 53 countries in March 1948. The Charter was a comprehensive document indeed, consisting of nine chapters and 106 articles. Included among the many trade-related policies of national governments which the ITO was to regulate were the use of trade barriers, restrictive business practices, commodity policies and the negotiation of intergovernmental commodity agreements, and trade bargaining arrangements.

For a variety of rather peculiar reasons which need not detain us here, the Havana Charter was not ratified by the United States, and the ITO was stillborn. All that remained after years of negotiations was an October 1947 "trade agreement designed to record the results of a tariff conference that was envisioned at the time as being the first of a number of such conferences to be conducted under the auspices of the ITO." This conference had been held at the urging of United States officials anxious to take advantage of the President's Congressionally-granted tariff-cutting authority before it expired. The results were codified in a General Agreement on Tariffs and Trade (GATT), which consisted of the tariff concessions negotiated by the participants and most of the commercial policy provisions
later included in the Havana Charter, the latter having been added "to assure that the tariff concessions ... recorded would not be undercut by other trade measures."\(^{10}\) Through this strange turn of events GATT "accidentally" emerged as the global trade institution that was the basis for the liberal trade order so fervently sought by the United States.

The underdeveloped countries actually constituted a majority at the Havana negotiations in 1948, and they succeeded in inserting a chapter that dealt largely with economic development into the Charter. Led by the Latin American countries and India, underdeveloped countries attacked the notion that in the new trade order all countries ought to be treated alike.

"They opposed the commitment to negotiate on tariffs and the need to obtain prior \[\text{ITQ}\] approval before establishing preferences, as well as the ban on import quotas and other restrictive measures."\(^{11}\) Because of their keen interest in protecting their fledgling domestic industrial and manufacturing base, the underdeveloped countries insisted on their right to raise tariffs bound in previous agreements and to use freely quantitative restrictions and other non-tariff measures in accordance with their import-substitution strategies. Although the Charter contained numerous provisions relating to economic development and certain exceptions for LDCs, the underdeveloped countries failed to secure acceptance of the principle of special treatment.\(^{12}\)

Similarly, the commercial policy provisions inserted into the General Agreement in 1947 did not grant underdeveloped countries significantly greater latitude in the use of trade barriers than enjoyed by other GATT members. Underdeveloped countries were particularly unhappy that industrial countries succeeded in excluding agriculture and fisheries from the general
ban on quotas because these were deemed "special cases," yet vehemently opposed the argument that manufacturing was a "special case" for a non-industrial country. The Cuban delegate, referring to industrial countries' approach to "special cases," proposed that "where they talk of import restrictions on agricultural or fisheries products, we simply want to add one word, that is, to include . . . industrial products."\(^{13}\)

Not only did the underdeveloped countries fail to significantly modify the text of the General Agreement, but they also suffered from the fact that, unlike the Havana Charter, the GATT contained no chapters dealing with economic development or commodity agreements, the two issues that most concerned them. GATT was essentially addressed to trade barrier regulation, not to broader trade-related economic issues. Thus, although 10 of the 23 countries that signed the General Agreement were underdeveloped, they did so with little enthusiasm.\(^{14}\) Their lack of interest in bargaining over tariffs on manufactures ensured that the underdeveloped countries were little more than observers during the initial tariff negotiations in 1947. In fact, the Latin American countries wanted to negotiate increases in their industrial tariffs, but discovered that the nascent GATT was distinctly inhospitable to this idea.\(^{15}\) Non-industrial countries simply did not perceive any benefits accruing to them through the reduction of industrial country tariffs on manufactures negotiated at Geneva, even though these lower tariffs applied to all GATT signatories as a result of the most-favored-nation rule set out in Article I of the Agreement. Instead, they saw the whole GATT thrust toward freer trade in manufactures as a threat to their entire economic strategy, based as it was on high tariffs and
other barriers to promote a wide array of "infant industries" in the manufacturing sector. Promotion of their own manufactured exports was not a goal of those underdeveloped countries embarking on industrialization in the late 1940s, and their approach to GATT at this time could perhaps best be termed "damage limitation."

Trade Bargaining and Political Influence in GATT

Throughout the 1950s, the developing countries in GATT were primarily concerned with three matters: obtaining for themselves exceptions from the quite stringent and precise GATT rules regarding the use of quotas; obtaining commitments from industrial countries to permit more liberal access to their markets for LDC exports of agricultural and to a lesser extent mineral commodities; and gaining the approval of GATT members to discuss in that body the issues of commodity price instability and surplus disposal. Evidence of LDC concern over access to developed country markets for manufactures is hard to locate in GATT documents for most of the 1950s. The roles and priorities of the LDCs in GATT during this period would provide an interesting study inasmuch as such an examination would reveal that the Third World's dissatisfaction with the postwar economy is by no means of recent origin. However, because the focus of this study is on LDCs and issues related to their manufactured exports, these other topics can not be dealt with here. Instead, a brief discussion of how negotiations have been conducted and influence wielded in GATT will provide the background for subsequent analysis of LDC efforts to bargain over improved access for their manufactured exports.
The most important negotiations in GATT occur in the context of trade "rounds" or conferences, of which there have been seven (1947, 1949, 1951, 1956, 1960-61, 1963-67, and 1973-79). It is during these "rounds" that the real bargaining among GATT members takes place. Prior to the 1963-67 negotiations (known as the Kennedy Round), the process of tariff bargaining proceeded as follows: countries presented "request lists" of tariff concessions sought for individual products of which they were the principal (or a major) supplier to various importing countries; the latter would follow with "offer lists," and bargaining would begin. In order for any two countries to have a substantial reason to engage in bargaining, each had to be the principal supplier to the other of several individual items, for only then could meaningful trade-offs be made. For example, if country A was the principal supplier of product Y to country B, its ability to obtain a reduction in B's tariff on Y was crucially dependent on the extent to which B was a major supplier of, say, X to A; in the absence of such a mutuality of interests in reduced tariffs, a sound basis for commercial bargaining simply did not exist. Since LDCs tended to be neither principal (or even major) suppliers of manufactures (or most other products) to developed countries, nor the most important import markets for developed country exports of any products, their ability to participate in this type of market-based, tariff bargaining was impaired. (It should be noted that while this negotiation process was largely bilateral or limited to perhaps three or four countries for each individual product, a certain degree of multilateralism, or at least transparency, was ensured by the fact that the multitudinous pairs of request and offer lists were distributed to all countries.)
Prior to the 1956 Conference, it was decided that countries could band together and request tariff concessions, and to some extent this assisted the LDCs in that they could now make joint requests for negotiations on "products of which they individually or collectively are, or are likely to be, the principal suppliers to the countries from which the concessions are asked." It was still the case, however, that the developing countries in GATT remained distinctly disadvantaged by this negotiation process, since they lacked the essential "bargaining chip"--namely, large domestic markets. Needless to say, the import-substitution doctrine further hindered their capability to play the game of trading improved access to their markets for better access to those of developed countries.

A second and closely related aspect of GATT trade bargaining that has caused the LDCs much consternation is the role of the principle of reciprocity, "the core of the international trade system as it has evolved since 1947 . . . ." In simplest terms, reciprocity refers to the inclination of trade negotiators to seek to balance an expected increase of imports from a trading partner into their country by expanding their country's exports to that trading partner by at least an equivalent amount. Although it is nowhere defined in GATT documents, the centrality of reciprocity is illustrated by the ubiquitous appearance of such key phrases as "balance of advantages," "substantially equivalent concessions," and "compensatory adjustment" in GATT records.

One very basic reason for the prominence of reciprocity in GATT derives from the origins of postwar American trade policy. In 1939 Congress, which ultimately controls U.S. trade policy, passed the first Trade Agreements Act. This law restricted the Executive to negotiating reciprocal
tariff concessions with other countries; what constituted reciprocity was not specified, since this crucial question could be determined by Congress after the negotiations had concluded.\textsuperscript{25} Successive extensions of the Trade Agreements Act, which provided authority for U.S. participation in the first five GATT trade "rounds," continued to insist on reciprocity in tariff concessions, and also mandated that negotiations occur on an item-by-item basis. This effectively ruled out, at least from the U.S. perspective, both preferential treatment of LDCs during negotiations and the adoption of general, across-the-board tariff cutting formulas.\textsuperscript{26} Instead, American negotiators were required to reach reciprocal bargains with each trading partner.\textsuperscript{27} As a result, the bargaining process in GATT was essentially bilateral, for the tremendous influence of the U.S. ensured that Washington's approach to negotiating on tariffs determined the approach adopted in GATT as a whole.

As equally important and more general impetus for reciprocity in GATT bargaining stems from the particular political calculus that attends trade negotiations. The simple reality is that, regardless of the fact that economic theory nowhere suggests that reciprocal trade barrier reductions are economically optimal (and, indeed, strongly suggests that unilateral reductions will benefit a country),\textsuperscript{28} governments feel compelled to defend their trade "concessions" by pointing out that others have made at least equivalent "sacrifices." The political assaults that governments face from businessmen and workers in import-competing sectors when trade barriers are lowered are well-known. The result is that the increase in export potential associated with GATT trade bargaining is stressed by governments, while the expansion of imports will necessarily occur (because of other
countries' need to obtain reciprocity) is frequently perceived as a source of political embarrassment.29

As will be discussed later in this chapter, LDCs have succeeded in obtaining acceptance of the principle of non-reciprocity in trade negotiations, and thus to some extent have been able to improve their bargaining position in the GATT system. But the principled acceptance of non-reciprocity vis-a-vis the developing countries has not necessarily translated into measurable economic gains, for industrial countries continue, in an almost instinctive fashion, to seek "balanced advantages" in commercial negotiations with LDCs. The absence of any consensus on how to assess reciprocity in quantitative terms has made the whole debate quite mysterious. As the Curzons note, "Each country remains free . . . to judge reciprocity for itself. All attempts to introduce predetermined formulas . . . have failed."30 LDCs' efforts to secure special, non-reciprocal treatment for their exports, especially manufactured exports, have also been hindered by the non-discrimination principle of GATT, which requires that tariff and non-tariff barriers be applied equally to all members.31 In their attempts to obtain approval for the principle of non-reciprocity, LDCs have had to escape from this requirement as well, and this struggle will be explored in connection with the discussion of preferences below.

Developing countries' influence has been limited in day-to-day GATT affairs by the relative unimportance of formal voting in the organization. On the surface, GATT appears to be a highly "democratic" institution in that there is no provision for weighted voting according to economic or trading importance (unlike the International Monetary Fund or World Bank). There are three categories of GATT members: full members, known in GATT
lexicon as "Contracting Parties"; countries which have provisionally acceded; and former colonies "to whose territories GATT has been applied since 1948 and which now, as independent States, maintain a de facto application of the GATT pending final decisions as to their future commercial policy." Only countries in the first category are eligible to vote and entitled to take part in all GATT activities. Beginning in the early 1960s, LDCs constituted a majority of the Contracting Parties, and theoretically they should have been able to wield considerable influence as a group since most decisions (excepting amendments, waivers of GATT obligations, accession, and approval of customs union and free trade area schemes) require only a simple majority of votes cast. However, a consensual and rather informal style of decision-making normally prevails in GATT, and "the votes of particular contracting parties are generally not recorded . . . except on special occasions and, even then, they usually are not published." Moreover, it is crucial to recognize that the most important agreements reached in GATT--namely, the tariff concessions and non-tariff accords negotiated during the trade rounds--are not formally subject to the approval of the GATT membership as a whole. Thus, if a majority of members, say the LDCs, disapproves of certain trade agreements reached by, say, the industrialized GATT members, they cannot block such agreements by voting against them in the organization. Indeed, the tariff concessions negotiated between, for example, the United States and the European Economic Community, become a legal part of the General Agreement itself through incorporation into the tariff schedules provided for by Article II (which requires unanimity to amend). Similarly, non-tariff barrier accords negotiated by a particu-
lar group of GATT members cannot be altered or disapproved by the GATT membership as a whole, although countries not party to such accords are not of course required to adhere to their provisions. Thus, developing countries are generally unable to influence the nature of trade bargains struck by industrialized GATT members, despite their majority in the organization, and the paucity of formal voting in GATT deprives them of some of the influence that their numbers would warrant in day-to-day affairs as well.

Increasing Complaints of Developing Countries

The late 1950s witnessed an intensification of developing countries' concerns that the GATT trade regime was failing to accommodate their interests. In addition, for the first time a few LDCs began to take note of the effect of developed country trade barriers on their exports of manufactured products. As noted above, from the very start developing countries in GATT expressed dissatisfaction with the organization, but this view largely derived from the continuing absence of effective GATT regulation of industrial countries' agricultural trade policies and the fact that many GATT rules were regarded as incompatible with LDC development strategies. In the late 1950s, however, developing countries in GATT began to argue more generally that the basic norms and procedures that guided trade bargaining and decision-making were unfavorable to them.

One result of this increasing unhappiness was a stagnation in the membership of LDCs after the third GATT tariff conference in 1951. By 1954, three of GATT's original ten developing countries (Syria, Lebanon, and
China) had left the organization; in 1957, the total number of developing
countries in GATT remained the same as in 1954, namely fourteen. \(^{36}\) Ghana
and Malaysia became Contracting Parties in late 1957, and Nigeria in late
1960, making a total GATT membership of 38, of which 17 were LDCs. \(^{37}\)
Linder also notes that the number of tariff agreements made by LDCs after
the 1951 Conference declined sharply. \(^{38}\) The following table indicates the
pattern of individual tariff concession agreements between LDCs and
industrial countries up to the fifth Conference. Note that certain
countries were negotiating for membership, but were not yet members; some,
e.g. the Philippines, were not to join until the 1970s.

As Table 2 reveals, LDC interest in negotiating tariff agreements,
both with industrial countries and with each other, in the framework pro-
vided by GATT Conferences declined markedly throughout the decade (note
that 11 of 29 tariff agreements at the 1960-61 Conference related to Israel's
negotiation of accession). In spite of the MFN rule, which automatically
provided for the general application of the entire GATT membership of
tariff concessions negotiated by any two Contracting Parties, developing
countries derived few economic gains from tariff liberalization at the first
five Conferences. Because of the tendency of developed countries to agree
to significant tariff reductions only on those products of which they were
each other's major suppliers and to eschew broadly-based tariff liberali-
zation for agricultural products, the LDCs largely failed to benefit from
the operation of the MFN rule. This fact, in addition to the principal
supplier rule and the reciprocity norm, made the LDCs peripheral to the GATT
negotiating process. Insofar as manufactures were concerned, unless they
became either the major suppliers of, or major markets for, a given product,
## Table 2: Number of Tariff Agreements Entered Into by LDCs at GATT Conferences, 1947-61

<table>
<thead>
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<th></th>
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<th>1949</th>
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<th>1960-61</th>
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</tr>
<tr>
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<td>-</td>
<td>-</td>
<td>-</td>
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<td>8(1)</td>
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<td>Philippines</td>
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<tr>
<td>Sierra Leone</td>
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<td>-</td>
<td>-</td>
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<td>0*</td>
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<tr>
<td>Uruguay</td>
<td>-</td>
<td>14(3)*</td>
<td>4(2)*</td>
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</tr>
<tr>
<td>Total</td>
<td>72(14)</td>
<td>76(10)</td>
<td>42(4)</td>
<td>9(0)</td>
<td>29(0)</td>
</tr>
</tbody>
</table>

*At Conference but not yet Contracting Party
-Not in GATT or at Conference
Number in parentheses—tariff agreements with other LDCs.
their bargaining leverage was extremely limited; and until they were prepared to offer reciprocal concessions for industrial countries' reductions of barriers on those few manufactured and semi-manufactured products of which they were, or soon might be, major suppliers, their "requests" were not going to be treated seriously.

In the autumn of 1957, ministers from the GATT Contracting Parties met in Geneva, and the complaints of developing countries were major topics of discussion. By now, virtually all of the industrial market economies were in GATT, but the membership of LDCs were stagnating. In addition, the Soviet Union was rapidly expanding its commercial relations with the Third World and calling for creation of a new global trade organization within the UN system. These facts contributed to the industrial countries' concurrence with the suggestion that a Panel of Experts be appointed to examine the trade relations of LDCs. Their findings, published by GATT as Trends in International Trade (the "Haberler Report," after the Panel's Chairman), concluded that developed country policies of agricultural protectionism and high trade barriers imposed on certain mineral commodities, as well as the price instability of primary commodity markets, were the major trade problems affecting developing countries. The experts urged modification of industrial countries' policies in these areas, but also criticized import-substitution development strategies in the Third World as inefficient and inappropriate.

Although the Haberler Report only briefly mentioned the need for greater Third World exports of manufactures, it did mark an important shift in GATT's response to the issue of development, in that "by emphasizing the export side of the problem, attention was drawn to the ...
approach in the General Agreement of relying on the import side only. From the late 1950s onward, the GATT membership, and indeed the international community generally, became increasingly preoccupied with expanding LDCs' export earnings. Developing countries continued to insist that they were entitled to special dispensation insofar as GATT rules governing import barriers were concerned, but they also began to emphasize the crucial role of trade liberalization on the part of industrial countries in improving the Third World's export potential, both for "traditional" primary products and, increasingly, for manufactured products as well. As Table 3 reveals, the LDCs' share of world manufactured exports was not only small, but actually declined over the 1955-63 period.

<table>
<thead>
<tr>
<th></th>
<th>1955</th>
<th>1963</th>
</tr>
</thead>
<tbody>
<tr>
<td>LDCs</td>
<td>3.05 (6.7%)</td>
<td>4.9 (5.7%)</td>
</tr>
<tr>
<td>Industrial Market Economies</td>
<td>37.65 (83%)</td>
<td>69.50 (81%)</td>
</tr>
<tr>
<td>World</td>
<td>45.35 (100%)</td>
<td>85.60 (100%)</td>
</tr>
</tbody>
</table>

If the product composition of LDC manufactured exports during this period is examined, the importance of two product categories, non-ferrous metals and textiles, is noteworthy, especially given that many economists exclude the former from their definition of manufactures. Table 4 provides a breakdown.
Table 4: Product Composition of LDC Exports of Manufactures

(in per cent)

<table>
<thead>
<tr>
<th></th>
<th>1955</th>
<th>1963</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-ferrous metals</td>
<td>40</td>
<td>29.1</td>
</tr>
<tr>
<td>Iron and steel</td>
<td>1.3</td>
<td>2.8</td>
</tr>
<tr>
<td>Chemicals</td>
<td>8.2</td>
<td>8</td>
</tr>
<tr>
<td>Wood semi-manufactures and paper</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Other semi-manufactures</td>
<td>9.5</td>
<td>9.6</td>
</tr>
<tr>
<td>Engineering products</td>
<td>5.6</td>
<td>9.3</td>
</tr>
<tr>
<td>Textiles</td>
<td>21.6</td>
<td>22.4</td>
</tr>
<tr>
<td>Clothing</td>
<td>2.6</td>
<td>6.1</td>
</tr>
<tr>
<td>Other consumer goods</td>
<td>10.1</td>
<td>10.4</td>
</tr>
<tr>
<td><strong>Total</strong>*</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td><strong>($3.05 billion)</strong></td>
<td></td>
<td><strong>($4.90 billion)</strong></td>
</tr>
</tbody>
</table>

*Will not add up to 100% due to rounding.

Clearly, developing countries were insignificant as exporters of manufactured products in both an absolute and a relative sense in the early 1960s. Moreover, almost two-thirds of what little they did export in 1955 was accounted for by two products, one of which could, arguably, be excluded from the definition of manufactures; and in 1963, textiles and non-ferrous metals still constituted over half of LDC manufactured exports.

However, in spite of the very limited volume of LDC exports of manufactures, and the continued reliance of most industrializing Third World countries on import-substitution strategies, certain LDCs began to evince a growing concern with the issue of access to developed country markets for their manufactured exports. In GATT, a new committee (known
as Committee III was created in 1959 in the wake of the Haberler Report, with the following terms of reference:

To consider and report to the Contracting Parties regarding other measures for the expansion of trade, with particular reference to the importance of the maintenance and expansion of export earnings of the less-developed countries to the development and diversification of their economies.48

Detailed examination of developing countries' export problems and potential was undertaken in the next few years by Committee III, and although much of the attention was focused on impediments to LDC exports of primary products, particularly agricultural commodities, trade in manufactures and semi-manufactures was also discussed. The Committee's first report included a brief analysis of developed country trade barriers in relation to cotton and jute manufactures, and suggested that high tariffs for these increasingly important LDC exports be lowered forthwith.49 In March 1960, a second list of products to be examined with a view to determining LDCs' export interests and the effects of trade barriers was agreed to and, significantly, three of the five product categories chosen were manufactures—light engineering goods (bicycles, sewing machines, electrical fans, diesel engines, and electrical motors), finished leather and leather goods, and sporting goods.50

The procedure followed with respect to manufactures (as well as other products) identified as important for developing countries involved an examination, by GATT Secretariat staff, of "tariffs, quantitative restrictions, revenue duties and internal fiscal charges . . . and other measures in force in relation to imports of these commodities"; this information was then "submitted to individual contracting parties for comment/amendment."51 Discussion at subsequent meetings of the Committee was focused on the degree of progress made by Contracting Parties, especially industrial countries,
in removing or reducing the enumerated obstacles to the expansion of LDC exports of these products. A third list of products for which an examination of trade barriers would be undertaken was agreed to in 1961; coir manufactures, steel furniture, and copper rollings were among the products in this list.

By 1962, Committee III had made sufficient progress in its investigations that several broad conclusions could be made. First, developed country tariff barriers often harmed LDC export possibilities, not only because of the high levels of protection afforded certain sectors where LDCs were competitive, but also because of discrimination in tariff rates according to the degree of processing. This latter issue, "one of the major themes of the reports of Committee III," arose as a result of the tendency of many developed countries to levy small or zero duties on imports of raw materials, but much higher tariffs on processed forms of such commodities. Clearly, this widespread practice made it more difficult for developing countries to industrialize, that is, to contribute greater amounts of "value added" to primary commodities through processing and manufacturing. As the Committee noted, "it had to be recognized that the maintenance by many industrialized countries of traditional tariffs which were less liberal towards semi-processed goods than towards raw materials was a factor retarding the development of processing industries in less-developed countries." This was especially true in the cases of cotton, jute, coir, copper and certain ferro-alloys, which were often admitted duty-free in raw but not semi-manufactured form by industrial countries.

Another finding of the Committee of relevance for LDC manufactured
export opportunities related to the continued resort, by certain developed countries, to quantitative import controls on a wide range of products of interest to the Third World. In spite of the general dismantling of quotas and other controls during the latter 1950s and early 1960s, quantitative restrictions on cotton, jute and coir manufactures, sewing machines, and bicycles were common in a number of developed countries. Fortunately, quotas did not (yet) appear to be significant in affecting trade in leather goods, footwear, sporting goods, or most other semi-manufactures of interest to LDCs.

A third problem area for LDC exports to industrial countries arose in connection with the latter's internal fiscal and revenue charges levied on products not produced domestically, especially tropical agricultural commodities, but this practice had little effect on exports of manufactures.

Activities in the UN

This GATT examination of LDC trade prospects and how they were affected by developed country trade policies was quite useful in that a fairly detailed inventory of key issues and problems was established; in subsequent years, developing countries in GATT would continue to emphasize these points, and grow increasingly concerned with impediments to their manufactured exports in particular. Meanwhile, within the United Nations greater interest in the LDC position in world manufactures trade was also evident beginning in the late 1950s. In February 1957 the General Assembly endorsed, with the Soviet bloc dissenting, an earlier resolution of the Economic and Social Council that, inter alia, called on developing countries to "make every effort to diversify the markets for their products . . . by
such measures as the acceleration of their industrialization, the development of new markets, and the expansion of their range of production.\textsuperscript{57}

In 1961 the General Assembly initiated the first UN Development Decade (Resolution 1711 (XVI).) The resolution stated that an annual GNP growth rate of at least 5 percent was necessary for LDCs in the 1960s, and noted that both greater aid flows and expanded trade opportunities were necessary to reach this goal. However, little was said regarding LDC exports of manufactures at this time.

A shift to a more outward-looking focus regarding Third World industrialization was apparent in a 1961 report by the ECOSOC Secretary-General which examined North-South trade relations.\textsuperscript{58} The report noted that barriers to the export of manufactures from LDCs were likely to loom larger in future discussions of international trade policy. When the possibility of holding a United Nations Conference on Trade and Development was discussed in the Second Committee of the General Assembly in late 1962, developing countries put more emphasis than hitherto on the need for the international community to encourage greater LDC exports of manufactures.

On 8 December 1962 the General Assembly passed without dissent Resolution 1785 (XVII) which endorsed an earlier ECOSOC Resolution (917 (XXXIV) to convene a world trade and development conference. The General Assembly resolution mentioned, \textit{inter alia},

the need to eliminate obstacles, restrictions and discriminatory practices in world trade which, in particular adversely affect the necessary expansion and diversification and manufactured goods by the developing countries.

The LDCs--who were now a clear majority in the UN--were determined to link trade and development issues in a new global forum sensitive to their interests and priorities. The Western countries sought during the
preparatory meetings prior to the conference to restrict the number of
trade issues discussed in order to preserve GATT's special competence
and authority as the international regulatory body for trade questions.
Most LDCs and the Soviet bloc countries, on the other hand, wished to
create a new UN International Trade Organization that would usurp and
expand GATT's role in the trade field. As will be seen, this "institu-
tional issue" was central to the subsequent bargaining over improved
access for exports of manufactures from developing countries.

"Market Disruption": The Case of Cotton Textiles

A development in the early 1960s which did not augur well for future
LDC efforts to expand their exports of manufactures to the industrial
market economies was the introduction of the concept of "market disruption"
into the international trade policy vocabulary. Its origin can be traced
to the acute fears felt by the United States and other Western countries
about the potential growth of Japan's exports of certain manufactures which
it could produce far more cheaply than Western industries. West European
governments decided to invoke Article XXXV of the GATT when Japan joined
the organization in 1955, and this legitimized the "nonapplication" of
GATT rules, including the MFN obligation, vis-a-vis the new and feared
GATT member. These countries, recalling the vicious and highly successful
prewar Japanese trade practices and recognizing Japan's tremendous competi-
tive advantage in certain manufactures (largely due to lower labor costs),
determined to protect their markets and industries from the disruption
likely to be caused if Japanese exports of textiles and other labor-
intensive manufactures were accorded nondiscriminatory treatment. 60

The United States, as the leading proponent of Japan's accession to GATT, felt constrained not to apply Article XXXV against the new "club" member, and Canada similarly accorded Japan MFN status. Not surprisingly, Japanese exports to the U.S. mushroomed. By 1960, Japan was exporting over $1 billion worth of merchandise to the U.S. and over $100 million worth to Canada, but only $165 million worth to the entire EEC and $120 million to the U.K. 61 The American cotton textile industry began in the mid-1950s to complain rather vociferously that "low-wage" imports from Japan were causing serious injury. Under GATT, the U.S. could have invoked Article XIX, which permitted "emergency" action to protect a particular industry. But because that Article did not allow for selective or discriminatory action against a particular exporter, restricted quite stringently the scope of any "emergency" measures, and was felt to be too cumbersome to apply, Washington successfully negotiated in 1957 a "voluntary export restraint" (VER) agreement with Japan, under which the latter consented to restrict its exports of cotton textiles to the U.S. 62

Two years later, perceiving that the problem of rapid increases in exports of standardized, labor intensive manufactures--especially textiles--from Japan and certain underdeveloped countries was likely to be a persistent one, the U.S. asked for the creation of a GATT Working Party to investigate the "question of the avoidance of market disruption." On the basis of the Working Party's examination, GATT Contracting Parties adopted a "decision" outlining procedures to be followed in instances of real or imminent market disruption, the latter being defined as a situation characterized by the following conditions:
(i) a sharp and substantial increase or potential increase of imports of particular products from particular sources;
(ii) these products are offered at prices which are substantially below those prevailing for similar goods of comparable quality in the market of the importing country;
(iii) there is a danger to domestic producers or threat thereof;
(iv) the price differentials . . . do not arise from governmental intervention in the fixing or formation of prices or from dumping practices.

Measures to deal with exports allegedly causing such disruption would go beyond those provided by GATT itself and could presumably include bilateral export restraint agreements. It was stressed that "the orderly expansion" of trade in a product causing market disruption was the basic goal.

Now, however, it was the exporters who were being asked to adjust to shifts in global comparative advantage, where hitherto the general presumption had been that the burden of adjustment in a liberal trade regime fell on importing nations. Thus, "the principle of comparative advantage itself was being called into question."

Consideration of the problem of market disruption quickly became concentrated on the product category in which developed countries' imports from "low-wage" countries (Japan and LDCs) were expanding most rapidly--cotton textiles. By 1963, and excluding nonferrous metals, textile products accounted for well over 40 percent of LDC exports of manufactures, and two-thirds of these were cotton textiles. Hong Kong, India, Pakistan and a few other LDCs were especially dependent on textiles in terms of their total exports. At the insistence of the U.S., and with the concurrence of other developed countries, a multilateral Short-Term Arrangement Regarding International Trade in Cotton Textiles was negotiated under the rubric of GATT, covering the period from 1 October 1961 to 31 September 1962; a Long-Term Arrangement (LTA) then was negotiated to cover the following five years. The LTA was the first GATT attempt to regulate trade
barriers on a multilateral basis for a particular product. It was also the first attempt to regulate market access for an important LDC export outside of the existing GATT rules and norms, even though GATT provided the framework for negotiation and implementation of the agreement.

The LTA signified the developed countries' unwillingness or inability to allow the international market place and market forces to determine the global distribution of production for an important manufacturing sector. They were clearly determined to retard the shift of global comparative advantage in textile production to LDCs and Japan. The LTA contained both a general commitment by the developed countries to facilitate the expansion of LDC exports of cotton textiles by reducing trade barriers and undertaking structural adjustment (Articles 1 and 2), and an agreement by signatories that in cases of market disruption bilateral export restraint accords between exporting and importing countries could be negotiated (Articles 3 and 4). The possibility for political dispute was obvious given the conflicting sentiments expressed in these two groups of Articles.

Some benefits to the exporting nations seemed likely to result from the LTA. It was, for example, agreed that for those cotton textile imports subject to quantitative import controls in 1962, the following percentage increases in quotas would be reached by certain West European countries by 1967: Austria, 95 percent; Denmark, 15; the EEC, 82; Norway and Sweden, 15. However, "high percentages for the EEC and Austria reflected such low levels of quotas in 1962 that some exporters regarded even the new commitment as bordering on fraud." In addition, any new import quotas imposed on cotton textile imports or bilaterally negotiated under Articles 3 or 4 were to be increased by at least 5 percent annually,
excepting the first year. Finally, the creation of a GATT Textiles Committee to administer the LTA ensured a certain degree of multilateral rule supervision and provided a forum in which the LDCs could press the importing countries to liberalize access, or at least to live up to the "spirit" of trade expansion expressed in Article 1 of the LTA and in GATT as a whole.

On the other hand, the fact that the decision as to whether "market disruption" existed or was imminent "was left . . . entirely in the hands of the importing countries" appeared to lessen greatly the value of having a multilateral agreement and forum. Moreover, the LTA as a whole heralded a new trend in international trade relations which was fraught with unpleasant portents for LDCs seeking to increase their manufactured exports. Yet LDC cotton textile exporters had little choice but to accede to the agreement, since it was clear that the importing countries would impose even more stringent measures in the absence of the LTA. At the time (or soon after) the LTA was negotiated, the following exporters acceded: Taiwan, Colombia, India, Israel, Jamaica, Japan, Mexico, Pakistan, Portugal, Spain, Hong Kong, Korea, the U.A.R., Yugoslavia, Greece, Turkey, and the Philippines. LTA signatories basically interested in controlling imports were Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Italy, Luxembourg, the Netherlands, Norway, Sweden, the U.K., and the U.S. Interestingly, countries not members of GATT were permitted to join the LTA and the GATT Textiles Committee charged with administering it. The evolution of negotiations and of trade in textile products and LDCs' efforts to protect their interests in subsequent negotiations over
market disruption will be discussed later in the chapter.

Conclusion

The 1950s and early 1960s were years when developing countries in the process of industrializing were not generally preoccupied with the issue of market access for their manufactured exports. Most LDCs capable of significant industrial production tended to adhere to an inward-looking strategy that discouraged reliance on external economic stimuli, although there were of course a few exceptions in terms of both countries (e.g. Hong Kong, Taiwan) and products (textiles). However, LDCs members of GATT increasingly complained that the norms of reciprocity and nondiscrimination worked to their disadvantage, and they joined with other developing countries (as well as the Soviet bloc) in demanding both new trade rules and norms and a new institutional forum for the discussion and regulation of international trade policy. As will be discussed presently, this broad assault on existing rules, norms and institutional settings became inextricably linked to more specific LDC efforts to expand their exports of manufactured goods to the North.

III Phase II: Third World Manufactured Exports and the Reform of International Economic Norms

Introduction

By the early 1960s, an increasing number of Third World economic planners were rejecting the import-substitution approach to industrialization and beginning to agree more and more with mainstream liberal economists who
stressed the benefits available to LDCs from closer integration into the international economic system. Most developing country elites and intellectuals believed that the prospects for economic development through exporting primary commodities were extremely limited. As Prebisch and others had argued in the 1950s, countries relying on such commodity exports for their foreign exchange earnings would suffer from declining "terms of trade" as the prices of their exported primary products progressively declined relative to those of their imported manufactures and industrial goods. But whereas Prebisch and his supporters had previously sought to alleviate this foreign exchange "gap" by promoting import-substitution, LDC spokesmen were now more disposed towards an outward-looking strategy that focused on expanding Third World exports of manufactures and semi-manufactures. A new consensus was emerging that the earlier strategy was unworkable. As Prebisch himself commented:

As is well known, the proliferation of industries of every kind in a closed market has deprived the Latin American countries of the advantages of specialization and economies of scale, and owing to the protection afforded by excessive tariff duties and restrictions, a healthy form of ... competition has failed to develop, to the detriment of efficient production.\textsuperscript{72}

This constituted quite a remarkable reversal of the earlier orthodoxy embraced and espoused by Third World elites. It was now recognized by many experts and policy-makers that the small size of LDC markets made it extremely difficult to construct industries of sufficient size to allow for the realization of scale economies. High tariffs and other barriers instituted by LDCs seeking to industrialize in the 1950s reduced the degree of competition faced by heavily protected and subsidized domestic industries and thus introduced a structural incentive for inefficient production
practices and resource misallocation. In addition to the proliferation of small, inefficient industries, most LDCs following "inward-looking" development policies discovered that considerable foreign exchange was required to purchase the imports of capital goods and other inputs needed by domestic plants. However, the lack of manufactured exports made it difficult to acquire foreign currency. In fact, persistent exchange crises led to restrictions which overvalued the exchange rate and thus further penalized exports—"a vicious circle."

In order to provide a sounder economic basis for their future industrialization, LDCs would increasingly have to gear their production of manufactures to the world market. The rich industrial economies were the obvious markets for exports of manufactured products from developing countries, both because of their general economic prosperity and because it was clear that LDCs could produce many types of manufactured goods—particularly those characterized by simple, standardized, labor-intensive production technologies and processes—far more cheaply than could the advanced economies. That is, developing countries could promote their industrialization by shifting resources into those sectors in which they enjoyed a global comparative advantage, especially vis-à-vis the OECD nations. Thus the North-South trade bargaining that is examined in this and the subsequent section of this chapter was essentially concerned with the conditions and rules affecting access to Northern markets for LDC exports of the growing number of manufactured products in which they were either globally competitive or soon would be.
LDC Manufactured Exports, 1964-73: An Overview

Spectacular increases in the volume and value of manufactured exports were recorded by the developing countries in the 1964-73 period, and several of these countries underwent considerable industrialization as a result. Many liberal economists interpreted this trend as supportive of their view that greater exposure to the international economy was the optimal policy for LDCs wanting to industrialize (see the previous chapter). That trade is an "engine of growth" for developing economies is a thesis vigorously pro­pounded by liberal economic theory, and manufactured products are viewed as the most profitable and effective candidates for exports by countries seeking to mature economically.\textsuperscript{75} Nor is this argument only proffered by "mainstream" economists. UNCTAD and other UN bodies have issued studies which point out that higher per capita GNP growth was achieved by major LDC exporters of manufactures during this period than was enjoyed by any other group of developing countries, with the exception of the largest petroleum exporters.\textsuperscript{76}

Table 5 provides a broad context for examining the growth of LDC manufactured exports up to 1973. It is noteworthy that while the nominal value of such exports increased by almost 6 times, the LDC share of world manufactures exports only grew by about one percent in the decade 1963-73. Examination of the product composition of developing countries' exports of manufactures reveals significant growth in the shares of engineering products, clothing, and wood manufactures and a relative decline in non-ferrous metals and textiles--two older "manufactures." Particularly striking (and heartening to liberal economists) has been the rapid growth
Table 5: Exports of Manufactures, 1963-73 (SITC5-8)
(Billions of U.S.$ and percent)

<table>
<thead>
<tr>
<th></th>
<th>1963</th>
<th>1968</th>
<th>1973</th>
</tr>
</thead>
<tbody>
<tr>
<td>LDCs</td>
<td>4.90 (6.7%)</td>
<td>9.1 (6.1%)</td>
<td>28.5 (7.8%)</td>
</tr>
<tr>
<td>Industrial Market Economies</td>
<td>69.50 (81%)</td>
<td>123.85 (82.8%)</td>
<td>299.85 (82.2%)</td>
</tr>
<tr>
<td>World</td>
<td>85.60 (100%)</td>
<td>149.55 (100%)</td>
<td>364.75 (100%)</td>
</tr>
</tbody>
</table>

of LDC exports of clothing and engineering goods (the latter category includes such high "value-added" products as machinery, transport vehicles, and telecommunications equipment).

Table 6: Product Composition of LDC Exports of Manufactures, 1963-73
(per cent)

<table>
<thead>
<tr>
<th></th>
<th>1963</th>
<th>1968</th>
<th>1973</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-ferrous metals</td>
<td>29.1</td>
<td>31.7</td>
<td>15.4</td>
</tr>
<tr>
<td>Iron and steel</td>
<td>2.8</td>
<td>3.4</td>
<td>3.3</td>
</tr>
<tr>
<td>Chemicals</td>
<td>8</td>
<td>7.5</td>
<td>7.2</td>
</tr>
<tr>
<td>Wood semimanufactures</td>
<td>2</td>
<td>2.9</td>
<td>3.4</td>
</tr>
<tr>
<td>and paper</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other semimanufactures</td>
<td>9.6</td>
<td>7.7</td>
<td>8.6</td>
</tr>
<tr>
<td>Engineering products</td>
<td>9.3</td>
<td>10.7</td>
<td>20.8</td>
</tr>
<tr>
<td>Textiles</td>
<td>22.4</td>
<td>17.3</td>
<td>15.3</td>
</tr>
<tr>
<td>Clothing</td>
<td>6.1</td>
<td>9.7</td>
<td>13.5</td>
</tr>
<tr>
<td>Other Consumer Goods</td>
<td>16.4</td>
<td>9.0</td>
<td>11.2</td>
</tr>
<tr>
<td>Total*</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td></td>
<td>$4.9</td>
<td>$9.1</td>
<td>$25.5</td>
</tr>
</tbody>
</table>

(billion dollars)

*Will not add up to 100% due to rounding.
A clearer picture of the trend can be obtained by the use of data relating to the \textit{volume} of exports. It appears that the volume of developing country exports of manufactures grew at an average annual rate of about 12 percent in the 1964-73 period, indicating that an extensive real increase in exports was registered. \cite{79} Table 7 provides volume and value indices of the growth patterns of LDC manufactured exports.

\begin{table}[h]
\centering
\begin{tabular}{|c|c|c|}
\hline
  & Volume & Value  \\
\hline
1963 & 46 & 36  \\
1968 & 71 & 66  \\
1973 & 151 & 205  \\
\hline
\end{tabular}
\caption{LDC Exports of Manufactures, Value and Volume Indices (1970 = 100 for both volume and value)}
\end{table}

According to this measure, the \textit{volume} of LDC manufactured exports more than tripled in ten years, while the \textit{value} of those exports grew by more than 500 percent (the latter figure of course being partly distorted by virtue of world inflation).

While the absolute and real growth rates experienced during this decade were quite remarkable, the LDCs were by no means satisfied with their location within the international division of labor. In the first place, although many developing countries were adopting outward-looking policies and endeavoring to expand or branch into manufactured exports, the Third World as a whole continued to account for only a very small proportion of world exports of manufactures (see Table 5). And while the industrial market economies exported almost $50$ billion worth of manufactures to LDCs
in 1973, they imported only some $19 million worth from these countries, thus generating a net manufactures trade deficit of more than $30 billion for the developing countries;\(^{81}\) such deficits grew steadily during the years 1964-73. In addition, it is clear that a small number of countries accounted for the bulk of LDC manufactured exports. For example, in 1970 UNCTAD estimated that 17 LDCs accounted for some 78 percent of Southern exports of manufactures (exclusive of non-ferrous metals). They were ranked, in descending order, as follows: Hong Kong, Taiwan, India, Yugoslavia (classified as developed in GATT data employed in this study), Mexico, S. Korea, Brazil, Argentina, Pakistan, Philippines, Iran, Malaysia, Nigeria, Colombia, Chile, Indonesia.\(^{82}\) Hong Kong alone accounted for over 20 percent of total LDC manufactured exports; Taiwan, India, and Yugoslavia for between 8 and 9 percent each; and the first ten countries for about 70 percent. Although different economists and organizations offer somewhat different figures, all experts agree on the dominant role of a handful of countries in the expansion of LDC manufactured exports during the 1960s and early 1970s.\(^{83}\) Finally, impressive growth statistics for the 1964-73 period partly reflect the very low base rates for exports of manufactures from the Third World. Many LDCs exported no manufactured products at all in the early 1960s, and some which were exporting such products were restricted to non-ferrous metals—not even a manufactured good according to a number of definitions. Thus, high growth rates for individual LDCs often indicate little more than that they exported some minimal volume of manufactures in 1973 as opposed to virtually none in 1963.
Trade Bargaining and the Reform of Norms and Rules

As an increasing number of Third World states became interested in exporting manufactures to the developed economies, the question of the conditions under which this trade would take place took on a higher profile, both within international institutions and in academic discussions of development policy. The initial UNCTAD session in 1964 and the decision taken then over the vigorous opposition of the Western countries to constitute UNCTAD as a permanent UN organ were instrumental in precipitating the subsequent growth of interest in the basic norms and rules governing North-South trade relations. The central political bargaining and discussion occurred in GATT and its new competitor in the institutional arena of world trade--UNCTAD. The major issues which were (and are) relevant to LDC exports of manufactures concerned: 1) preferences for such exports in developed country markets, 2) the role of the norm of reciprocity in trade negotiations in the GATT context, and 3) the effect and incidence of developed country trade barriers on LDC manufactured exports. Each is considered below.

1. LDCs and Trade Preferences

The strong attachment of the developed states to the principle of nondiscrimination in trade relations--"the central theme of American commercial policy almost from the beginning of the nation"--was reflected in the quasi-sacrosanct status accorded the MFN clause in GATT. Although provisions were included in the GATT that accepted the role of trade preferences in connection with regional integration and free trade schemes
(Article XXIV), waiving of the MFN obligation was not permitted for purposes of economic development—in spite of the fact that the Havana Charter contained a provision (Article XV) which did allow new preferences if these were intended primarily to foster the economic development of nonindustrialized countries. Developing countries and their supporters argued that the principle of nondiscrimination enshrined in GATT's MFN obligation presupposed an equality among nations that patently did not exist. As one academic expert sympathetic to Third World complaints put it, "The MFN principle of the GATT is an equitable one; it is an ideal that all nations should be equal; but if, in fact, they are not, equal treatment becomes inequality."

The question of preferences has been by far the most important issue in North-South trade negotiations over market access for manufactured exports from LDCs. It is also a topic which has elicited a great outpouring of scholarly ink, both supportive and critical of the concept of preferential tariffs and market access for developing countries. This academic debate cannot be recounted in detail here, but since the divergent opinions of the "experts" appear to have exerted considerable influence on the political bargaining that ensued at UNCTAD I and II, brief summaries of the contrasting views are in order.

Those opposing tariff preferences in the mid-1960s perceived them as dangerous policy instruments and doubted that any significant gains would accrue to LDCs through developed country preferences in their favor. Several reasons were typically advanced. First, it was argued that MFN tariff rates imposed by the key industrial countries were likely to fall to
less than 10 percent for most manufactures as a result of the GATT negotiations (the so-called Kennedy Round) then under way, and would certainly fall even further in later years. Thus the scope for a meaningful preference margin in favor of LDCs simply did not exist. Second, since a relatively small number of LDCs were actually active exporters of manufactured products, and only a few product lines were involved, "it was not worth tampering with the MFN system." Moreover, extension of tariff preferences to cover other LDC exports made little sense since their exports of primary commodities either faced low or zero duties or were inhabited by rigid nontariff barriers that would be unaffected by tariff preferences. Third, the introduction of preferences would give LDC beneficiaries a vested interest in retarding or preventing future MFN tariff reductions which would lessen the preference margins enjoyed by them in developed country markets. Finally, to the extent that tariff preferences promoted trade diversion—i.e., the diversion of imports from low cost sources not enjoying preferences to higher-cost LDC sources benefiting from preferences—a misallocation of world resources would automatically result.

Partisans of preferences for developing countries countered with several plausible arguments of their own. Given the internationally recognized need of the Third World for a large increase in foreign exchange earnings, and the critical future role of manufactures in bringing about this increase, ways had to be found to boost LDC exports of manufactures. Tariff preferences for developing countries were attractive for several reasons. They would help to compensate LDCs for the comparative competitive weakness of their nascent manufacturing industries vis-a-vis the established
industries in the Western countries—an international variant of the "infant industry" argument for domestic tariff protection. Patterson has described the essence of this argument:

... it was commonly believed by those speaking for the less-developed countries that their inability to produce goods at competitive prices very frequently stemmed from the fact that their unit costs during the early years would be high because they were not yet in a position to take advantage of the known economies of large-scale production. They argued that if markets could be provided to permit them to reach such a level output, they could then successfully compete.90

In addition, although developed countries' MFN tariffs on nonagricultural products would in most cases be reduced to less than 10 percent by the close of the 1960s, tariff rates on many manufactures of interest to LDCs tended to be considerably higher, and some products (e.g. cotton textiles) faced strict quantitative import barriers as well. GATT's reciprocity bargaining process and the operation of the principal supplier and product-by-product negotiating rules (all described earlier) meant that developed country tariffs on products of which LDC were the major exporters were usually higher than those on products mainly exported by other developed countries.

More generally, it was argued that the structure of developed countries' tariff schedules—with low or zero duties imposed on imports of industrial raw materials but progressively higher tariffs imposed according to the degree of processing—discouraged the development of processing capacity in the LDCs from which the raw materials were extracted. The typical developed country's tariff structure provided "effective" tariff protection to domestic industry which was much greater than an examination of the "nominal tariffs" would indicate. As one observer has described the problem:
to the extent that tariffs on inputs are "lower" than the tariffs on the output, the \( [\text{domestic}] \) manufacturer and the process which added the value to the input are subsidized. The higher the nominal tariff on the output is relative to the nominal tariff on the input, the more is the process which adds the value effectively protected. Even low nominal tariffs on imports of processed . . . commodities, for example, combined with zero-level tariffs on the raw materials \( \text{from} \) . . . developing countries, amount to high effective protection.91

Although the phenomenon of tariff escalation by degree of processing and the associated discrepancy between "effective" and "nominal" protection affected LDCs most severely in relation to agricultural commodities, it was also thought to impede LDC manufactured exports and was an important element in the dispute over tariff preferences during the 1960s. LDC arguments that developed country tariffs on manufactures of which they were major exporters were higher than those on manufactures in general and that the "effective" protection offered domestic industry in developed countries was also greater in sectors competing with LDC manufactured exports were both validated in an analysis conducted by Bela Balassa on behalf of UNCTAD. Table 8 summarizes his findings, which were not, incidentally, seriously disputed by other experts.

These various "academic" arguments for and against tariff preferences for LDCs were repeated by the protagonists at the first UNCTAD in 1964. UNCTAD I marked a crucial turning point in international economic relations in that for the first time major global economic issues were being discussed in a forum in which the views of the Western countries did not dominate. The Final Act adopted at the close of the Conference reflected the decline of Western influence: of the 15 "general" and 13 "special" principles (adopted by majority vote) to govern international trade and development
Table 8: Average Effective and Nominal Tariff Rates on Manufactures Imported by the Industrial Countries, 1964

<table>
<thead>
<tr>
<th>Tariff Averages on Total Imports of Manufactures</th>
<th>Tariff Averages on Imports of Manufactures from LDCs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nominal</td>
<td>Effective</td>
</tr>
<tr>
<td>U.S.</td>
<td>11.5</td>
</tr>
<tr>
<td>U.K.</td>
<td>15.2</td>
</tr>
<tr>
<td>EEC</td>
<td>11.0</td>
</tr>
<tr>
<td>Sweden</td>
<td>6.6</td>
</tr>
<tr>
<td>Japan</td>
<td>16.1</td>
</tr>
<tr>
<td>All Industrial Countries</td>
<td>12.3</td>
</tr>
</tbody>
</table>

relations, the U.S. opposed or abstained on 11 general and nine special principles; the U.K. on ten and six; France, on eight and five; West Germany on ten and five; and Japan, on eight and five, respectively. According to one close observer, the various policy recommendations contained in the Final Act reflected the belief of the majority of countries in three key "principles": 1) the need to stabilize commodity prices; 2) the need to effect larger financial flows to the Third World; and, most importantly for the present study, 3) the need for "increased access for developing countries' products, both by reducing northern protectionism, and by introducing preferences on their manufactured and semi-manufactured products." The Conference adopted, by a vote of 78 to 11, with 23 abstentions, general principle eight, which stated, inter alia, that "preferential concessions should be made to developing countries as a whole and such preferences should not be extended to developed countries." Virtually all developed countries opposed or
abstained on this vote. A more specific commitment to non-reciprocal preferences for the manufactures of LDCs in developed country markets was contained in special principle three. However, because of the vociferous opposition of the U.S. in particular, the Conference decided to take no action on this principle. Instead, it adopted without dissent a recommendation that noted the lack of consensus on the preferences proposal and called for the establishment of a committee to explore the matter further and report to the Secretary-General of UNCTAD.  

The marked hostility of the United States to the idea of preferences for developing countries tended to isolate it from several major developed allies and trading partners. In fact, many other developed countries were quite prepared to support preferences, at least in principle. The U.K., Canada, Japan, and several small non-EEC West European countries joined the U.S. in opposing general principle eight, which alluded to preferences. On the other hand, six EEC states abstained on the vote regarding this principle, as did Finland, Denmark, Ireland and several other countries. They indicated some sympathy for preferences in favor of LDC exports. However, developed countries prepared to entertain the proposal for tariff preferences for LDCs in their markets were divided on how such preferences would be implemented. West Germany, Denmark, and the Netherlands "felt it desirable that there should be a single preferential scheme applied to all developing countries by all industrial nations." Britain also supported this position. In contrast, France, Italy and Belgium proposed "selective" preferences which would be negotiated on a bilateral or limited multilateral basis, usually in the
context of regional cooperation arrangements. Their reason for favoring this approach is not hard to discern: selective preferences would allow for the flexibility and discretion required to safeguard their "special" economic cooperation and trade preference schemes built up with former colonies in Africa and recently codified in the 1963 Yaoundé Convention.98

Similarly, the developing countries, while agreeing under the rubric of the "Group of 77" to a joint negotiating position on preferences, were divided on two critical issues. First, those LDCs already producing and exporting manufactures on a significant scale insisted on being included in any proposed preference scheme, whereas less industrialized LDCs wanted special recognition of their entitlement to an assured share of developed country markets in the future, and perhaps to more generous treatment insofar as preference margins or quotas were concerned as well. In the end, the Group of 77 accepted that some form of special treatment for the less developed among them was appropriate. A second, more serious intra-Group of 77 dispute concerned the fate of existing preference schemes under which various LDCs enjoyed preferential margins in the markets of certain developed countries for a variety of products, including some manufactures. In particular, African countries receiving preferential treatment from the EEC were anxious to safeguard their margins, while the Latin Americans and other LDCs insisted on the abolition of existing preferences for manufactures as a precondition to the creation of a generalized scheme. No workable Group of 77 consensus was really achieved on this problem at UNCTAD I beyond a vague formulation that stressed that "equivalent advantages" to current beneficiaries of
preferences should be maintained. 99

The developing countries failed at UNCTAD I to obtain the consensus necessary to translate their proposal for tariff preferences into an internationally accepted principle, but they were able to go to a considerable distance in this direction. The major recalcitrant developed country--the United States--was somewhat isolated from several other Western powers, some of whom were favorably disposed towards preferences in principle though unable to agree on how they should be implemented. The LDCs were able to ensure that a continuous institutional pressure would be exerted on the developed countries when they voted, at the close of UNCTAD I, to establish it as a permanent UN institution--against the vehement opposition of Western delegations.

This institutional outcome was an unprecedented victory for the less developed countries. They had not only been able to call a conference which had been initially resisted by the developed countries; they had been able, for the first time in history, to create a major new international agency which the Western countries had not wanted at all. 100

In December 1964 the General Assembly, over Western opposition, voted to create a continuing UNCTAD machinery (Resolution 1995 (XIX)). The developing countries had in effect seized the initiative in North-South economic relations by engineering a new international organization with a broad mandate to explore trade and development issues. That UNCTAD was (and remains) "their" institution was evident from the start. Its secretariat--dubbed a "sectariat" by disgruntled Western delegates--conceived of its responsibilities in terms of assisting the LDCs to achieve their goals on preferences and other issues; this marked a radical departure from the way in which officials of international organi-
organizations traditionally defined their tasks. The Secretary-General of the new body, Raul Prebisch, exercised an enormous influence over the Group of 77's thinking about trade problems and on the negotiating stance of the Third World as a whole. Prebisch's report to the first conference, "Towards a New Trade Policy for Development," actually outlined the essentials of all of the Group of 77's main proposals—surely an unusual role for the "neutral" chairman of an international organization!

The continuing institutional machinery established by Resolution 1995 (XIX) consisted of a Trade and Development Board, which can create subsidiary committees. The Board had 55 members elected by the Conference, in accordance with the need to guarantee both equitable geographic distribution and the membership of all principal trading nations. Countries were divided into four "lists"—list A (Afro-Asian countries and Yugoslavia), list B (the OECD nations and Cyprus), list C (Latin American and Caribbean countries), and list D (socialist states—basically the Soviet Union and its allies). The LDCs enjoy a clear majority on the Board and on any committees struck by it. At its first session, the Board established a Committee on Commodities, a Committee on Manufactures, a Committee on Invisibles and Financing Related to Trade, and a Committee on Shipping; these have remained its major subsidiary bodies.

In accordance with recommendation A.III.5 of UNCTAD I, the Secretary-General created in 1965 a Special Committee on Preferences, which reported to the Committee on Manufactures once and was then succeeded by a larger body, the Group on Preferences. It was within these latter forums that the issue of tariff preferences was most intensively discussed during the interval between UNCTAD I and the Second
Conference planned for 1968. In GATT, where LDCs' trade problems were receiving increasing attention throughout 1964-66, a new chapter (known as Part IV) was added to the General Agreement and a new Committee on Trade and Development was set up. However, no mention of preferences was to be found in Part IV, despite specific proposals put forward at the time by Chile and India. 103 Indeed, although the developed countries agreed at UNCTAD I that LDCs could grant tariff preferences to each other without extending them to other countries--"implicit recognition of the need for new rules" 104--even this proposal was rejected when negotiations were conducted over the addition of Part IV to GATT. A Working Group on Preferences established in 1965 at the insistence of LDCs in GATT's Committee on Trade and Development discussed tariff preferences briefly and inconclusively, 105 but the institutional locus of negotiations remained in UNCTAD, since it was a more universal body and one in which LDC views carried far more weight.

Although debate in GATT concerning preferences was quite perfunctory, an interesting prelude to the preference schemes later instituted by the developed countries occurred in 1965 when Australia proposed in GATT that it be permitted to grant tariff preferences on certain products to LDCs. Australia was able to secure a waiver of its Article I MFN obligation from the requisite number of GATT members (two-thirds) in 1966. "This 1966 waiver was viewed as a test case, the first partial and tentative step toward introducing a system of preferences for imports into developed countries from less-developed countries." 106 The list of products on which preferences would be granted was chosen according to
a criterion of "competitive need": items which individual LDCs could export at "competitive" prices were excluded. Australia's scheme utilized "tariff quotas," which provided that products on the preference list would enter at lower preferential rates until a certain quota was filled; thereafter, higher MFN tariffs would apply. Quotas were "global"--they referred to LDCs as a group. A key feature of Australia's preference system--and which was a harbinger of a highly contentious issue that arose later in UNCTAD--was its unilateral character. Australia remained free "to vary at any time the list of goods, the rates of duty and the size of quotas." The multilateral surveillance of the waiver in GATT was oriented not to expanding the benefits of the preferences for the LDCs, but instead to restricting the trade diversion that might occur to the detriment of other developed countries. 107

Prebisch presented a report to the Special Committee on Preferences in May 1965 in which he reviewed the major arguments for and against developed country tariff preferences for LDC exports of manufactures and surveyed various alternative approaches to implementing a preference scheme(s). 108 In 1966 and early 1967 inconclusive and frequently acrimonious discussions concerning preferences took place in the Committee on Manufactures and its new Group on Preferences. Efforts to reach consensus (or even a measure of agreement) on how tariff preferences would be implemented were thwarted by the continuing opposition of the U.S., Canada, Japan, Switzerland and, to a lesser extent, Sweden and Norway to the undermining of the nondiscrimination norm that they feared would be a consequence of such preferences. Until the principle of preferences in favor of developing countries was accepted by all the major potential
donor states, negotiations concerning the scope of preferences, whether there should be one or several schemes, the fate of existing EEC preferences for the African "associates," and whether to differentiate the least-developed from other LDCs were quite premature.  

The United States began to reconsider its position in early 1967. Washington was becoming increasingly disconcerted with what was widely perceived to be an attempt by the EEC (led by France) to assert a neo-colonialist hegemony over former colonies in Africa. Particularly obnoxious to U.S. policy makers was the fact that the Yaounde Convention between the EEC and the Association of African States and Madagascar (AASM) not only accorded the latter preferential treatment for certain products in EEC markets, but also provided for reverse preferences in favor of EEC suppliers in the AASM countries. Washington argued that its exports of citrus fruit in particular were harmed by European preferences for African suppliers. (Agreements between the EEC and Mediterranean countries in the late 1960s and early 1970s were also criticized by the U.S. on this ground.) In addition, reverse preferences favoring the six in African markets clearly inhibited U.S. exports and raised the unpleasant spectre of a "trading bloc"—anathema to U.S. leaders since the early part of the century. Finally, the U.S. was under pressure from Latin American countries unhappy with the EEC-African arrangements to either grant them "vertical" preferences or secure the dissolution of the emerging "Afro-European bloc" by supporting a generalized global preference scheme that would be contingent on the abolition of EEC preferences for African countries.
When President Johnson announced, in April 1967, that the United States was now willing "to explore with other industrialized countries... the possibility of temporary preferential tariff advantages for all developing countries in the markets of all the industrialized countries," the last significant hurdle to international agreement in principle was cleared.112 "Those [other] developed countries which [had] exhibited some misgivings vis-a-vis preferences had little choice but to fall in line."113 The U.S. appeared to believe that by supporting the concept of a single, generalized preference system in which all developed donor countries would adopt a similar approach and equitably share the "burden" among themselves, several goals would be served: the EEC's mischievous economic regionalist ambitions would be thwarted; complaints issuing from its Latin American neighbors would be met; and the political near-isolation of Washington on this crucial issue would be brought to an end.114

Prior to UNCTAD II, the developed countries sought to fashion a unified position in the OECD. While they agreed to the principle of temporary tariff preferences, and to the need for "generalized" as opposed to "selective" preferences (thanks to concessions from France and Belgium), no consensus was reached on the fate of special preferential arrangements between the EEC and its LDC allies. The U.S. was especially determined to put an end to the reverse preferences provided for in the Yaoundé Convention, whereby EEC suppliers were accorded preferential treatment in African markets. But France in particular was equally adamant that such arrangements were legitimate; the Africans were also
reluctant to discuss this issue for fear of jeopardizing economic and political relations with the EEC Commission and Paris. There were also differences on the type of safeguard system to employ, the U.S., Canada and several other countries favoring an escape clause similar to Article XIX of GATT that would only operate if "serious injury" to a domestic industry occurred or was threatened, whereas the EEC supported the "tariff quota" mechanism that would permit prior determination of the volume of LDC products allowed to enter under preferential rates and make it possible to discriminate among LDC supplier countries. The OECD countries were agreed that products included in a Generalized System of Preferences (GSP) would essentially be restricted to manufactures (semi-processed primary products would only be included in certain cases); that donor countries would be free to exclude sensitive products and those in which LDCs were already competitive, and to unilaterally resort to safeguard action if they thought this necessary; that the duration of the GSP would be ten years; that donor countries could declare certain LDCs ineligible for preferential treatment for "compelling reasons" not related to competitive criteria; and that preferential access could take the form either of duty-free treatment or of tariff reductions below MFN rates.

Negotiating within the Group of 77 and in UNCTAD itself, the LDCs developed a common position sharply at variance with that of the donor countries. When they met and adopted the Algiers Charter in October 1967, they were able to resolve (or at least mute) their differences by developing a more extensive "request list." Central to the compromise
achieved at Algiers was the agreement of the African countries to eventually suspend their vertical preferences with the EEC in exchange for a strong commitment on the part of the Group of 77 as a whole to push for both wider product coverage (i.e., semi-processed primary commodities) in the GSP and special measures (e.g. reserved market shares in OECD countries) for the least developed LDCs. The Africans were prepared to accept future abandonment of their EEC preferences provided they could obtain "effective beneficial participation" in the GSP; this required inclusion of processed commodities and of special treatment for least developed LDCs since African countries by and large were both insignificant exporters of manufactures and relatively poor in comparison with Latin American and East Asian LDCs. In conflict with the OECD position, the Group of 77 thus asked for an extremely broad definition of GSP product coverage. The LDCs also demanded duty-free rather than duty-reduction preferential treatment; international agreement and surveillance in respect of the use of safeguards by donor states; inclusion for all countries members of the Group of 77 as beneficiaries under the GSP; and a 20 year duration for the GSP.

These divergent positions inevitably clouded the prospects for progress at UNCTAD II, held at New Delhi in February and March 1968. The "maximalist" Group of 77 bargaining stance--"dictated by the need to preserve group unity in the face of diversity of interests among a large number of members"--made compromise unlikely. The donor countries insisted that "the granting of preferences would constitute unilateral actions of the preference-giving governments," and refused to
translate their approval in principle of the GSP into a legally binding accord. Nor were they prepared to accept inclusion of processed commodities (chapters 1-24 of the Brussels Tariff Nomenclature) in the GSP, the requirement for international concurrence in connection with the use of safeguards, or the view that preferential treatment meant duty-free treatment. In essence, the donor states were making it quite clear that they would **unilaterally determine** the product coverage, depth of cuts, eligibility criteria, and safeguard provisions associated with the GSP. This the LDCs refused to accept, at least in public. As a result, Resolution 21(II) of UNCTAD II reflected unanimous agreement on the principle of temporary preferences only; further detailed negotiations would have to be undertaken in a new Special Committee on Preferences.

Deliberations in the Special Committee during the remainder of 1968 and 1969 produced only slow forward movement since the developed countries did not submit their "illustrative lists" specifying the manufactures (and certain processed commodities) to be covered by the GSP, the tariff cuts to be made, and other details until late 1969. Once these had been forwarded to UNCTAD, the LDCs reacted as one would expect: they argued for wider product coverage, greater tariff cuts in the case of countries **not offering** duty-free treatment (Canada, Austria, Ireland, New Zealand, Switzerland), fewer exclusions of manufactures from the GSP, special measures favoring less-developed Third World states (LDDCs), and stricter criteria governing the use of safeguard mechanisms. The 18 developed donor countries returned to the OECD "to finalize their submissions" in the summer of 1970. In the autumn of the same year
a sufficient measure of accord existed among developed and developing states to draft Agreed Conclusions on the GSP within the Special Committee. By this time the LDCs were extremely anxious to see some type of GSP actually implemented, and they reluctantly acquiesced in the determination of the donor countries to exercise rigid control over the creation and evolution and operation of the tariff preferences. Thus, "the position of the OECD countries regarding the nature of the system prevailed within the Special Committee."126

The Agreed Conclusions largely reflected the wishes of the OECD countries. Although provisions requiring consultations between donors and recipients were included, it was clear that the developed countries enjoyed a wide latitude to fashion their GSP schemes as they saw fit. (Because of the lack of uniformity in the developed countries' GSP proposals, the concept of a single GSP was de facto abandoned, in spite of American reluctance. Washington now insisted on "equitable" burden sharing among donors rather than uniformity.) That the Agreed Conclusions were a "victory" for the OECD countries is indicated by specific statements recognizing the temporary, legally non-binding and unilateral character of the individual GSP schemes. Chapter IX of the Conclusions spelled out these aspects of the GSP in no uncertain terms:

(1) The tariff preferences are temporary in nature;
(2) Their grant does not constitute a binding commitment and, in particular, does not in any way prevent
   (a) their subsequent withdrawal in whole or in part, or
   (b) the subsequent reduction in tariffs on a most-favoured-nation basis . . .127

With respect to the contentious issue of vertical and reverse preferences, two critical compromises permitted the generation of a vague
but adequate consensus. First, the United States dropped its longstanding position that vertical preferences had to be abolished within five years of the initiation of the GSP and reverse preferences concurrently with the GSP in order for LDCs participating in such arrangements to be eligible for preferences in the U.S. market. However, Washington made it quite evident that it still expected existing preferences to be phased out in a few years' time; it also reserved its right to deny LDCs granting reverse preferences (viz. the AASM states) GSP status, and in fact Congress later inserted this provision into the authorizing legislation. Second, LDCs already enjoying tariff preferences accepted that these would eventually be reduced or abolished. However, as the Agreed Conclusions stated, they would in turn "expect the new access in other developed countries to provide export opportunities to compensate them" (Chapter II, para. 2). The Africans were unhappy with this formulation but acquiesced in order to obtain the long-awaited concrete OECD commitments. Still, they expressed concern that the EEC's GSP offer was too "liberal"—that is, it threatened to undermine preferences available to them under the second Yaounde Convention. And the Community, sensitive to the Africans' fears, "reserved the right to take the necessary measures within the framework of its offer on preferences to redress the possible adverse effects . . . on countries associated with the EEC." 

Beginning in mid-1971, the donor states finally instituted their GSP schemes. Except for Canada and the United States, all the participating developed countries had their preference systems in place within a year. Little would be gained from a detailed analysis of the structure
of the individual GSPs or of the effects of the GSP on LDC exports. From the discussion so far, it should be clear that the industrial countries--including those not originally opposed in principle to preferences for LDCs--approached the task of designing preference schemes with a great deal of trepidation. What requires emphasis is the fact that while the Group of 77 and their institutional ally UNCTAD eventually achieved international acceptance of tariff preferences, their ability to influence the character of the GSP schemes was extremely limited. This is attested to not so much by the text of the 1970 Agreed Conclusions as by the design of the individual GSP systems. A few brief comments on the developed countries' schemes and on the apparent benefits accruing to the LDCs through the GSP will suffice.

First, the donor states tended to exclude semi-processed and processed agricultural and fishery products from their systems. They persistently argued that the GSP was designed to facilitate LDC exports of manufactures; processed and primary agricultural commodities therefore did not qualify. Many LDCs were primarily exporters of raw and semi-processed products, and thus demanded that they be eligible for preferential treatment; otherwise, the GSP would be of no value to them. However, although most donor countries included some dutiable agricultural and fishery products--the United States being the most generous major donor in this regard--the general tendency was to exclude them in order to protect domestic interests (and in the case of the EEC, to safeguard the preferences of the associated states). Murray calculates that exclusion of these important LDC exports removed 15 percent of
total Third World exports to the OECD countries from the GSP.\(^{134}\)

Moreover, all the developed donor states excluded on a priori basis numerous manufactures as well. For example, U.S. legislation authorizing the GSP prohibited the granting of preferential treatment to the following classes of goods: textiles; footwear; watches; "import-sensitive" electronic, steel and glass products; any article subject to "escape clause" or other "import-relief" action; and "any other article which the President determines to be import-sensitive . . ."\(^{135}\) The Community also denied many so-called sensitive preferential status, textiles being the most notable example. Japan excluded "textile, leather and petroleum products . . . plywood . . . silk fabrics, and gelatine and glues . . ."\(^{136}\) Other developed countries made similar exclusions. In addition, the "competitive need" criterion adopted by the U.S. and the very low quotas for preferential manufactured imports adopted by the Community, Japan and other donors further reduced the benefits potentially available to the beneficiaries. Under the U.S. scheme, once an LDC has exported more than $25 million worth of a particular product to the U.S. in any calendar year, and/or accounts for 50 percent or more of total annual U.S. imports of that product, then preferential treatment must be automatically withdrawn, since the LDC is now deemed to be sufficiently "competitive" to compete on an MFN basis.\(^{137}\) Although the EEC, Japan and other donors did not adopt this exact approach, their frequent resort to very low import ceilings for many manufactures competitively exported by LDCs promised to have a similar effect.\(^{138}\)

Thus in assessing the contribution of GSP tariff preferences to
the expansion of LDC opportunities in world manufactures trade, these
various exclusions and protective devices must be kept in mind. According
to the leading expert on the subject, the GSP

provides a wide scope for the developing countries to export
manufactured products which they currently do not export; but
the bulk of those products which they do export, and therefore
in which they have a demonstrated international comparative
advantage, are excluded from the GSP.139

In fact, of all LDC exports to the donor countries in the early 1970s, only
13 percent consisted of products truly "covered" by the GSP; the bulk of
LDC exports were either excluded from the GSP (e.g. textiles) schemes or
already admitted duty-free under MFN tariffs (e.g. industrial raw materials).
And dutiable LDC manufactured exports excluded by the GSP amounted in the
early 1970s to $5.5 billion (15 percent of all LDC exports)--more than the
value of total LDC exports to which the new preferences would apply ($4.5
billion)!140 In addition, as Table 9 reveals, only a handful of LDCs are
major beneficiaries of the preferential treatment accorded to those manu­
factures actually included under the GSP:

Other features of the GSP schemes which lessen their value from the
perspective of the beneficiaries relate to country coverage, safeguard
actions and rules of origin. In regard to country eligibility, the Group
of 77 demanded that all group members be covered by all donor country
systems. But the developed countries insisted that they alone would deter­
mine whether a self-elected potential beneficiary was entitled to receive
preferential treatment. The United States has been the most active donor
in respect of country exclusions. Originally, all communist countries,
OPEC and other "cartel" members, and LDCs granting reverse preferences were
Table 9: Estimated 1970 GSP Imports of Industrial Products
From Major Beneficiary LDC Suppliers

<table>
<thead>
<tr>
<th>Supplier</th>
<th>Value ($ million)</th>
<th>Share of Total (percent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taiwan</td>
<td>565</td>
<td>16</td>
</tr>
<tr>
<td>Mexico</td>
<td>432</td>
<td>12</td>
</tr>
<tr>
<td>Yugoslavia</td>
<td>399</td>
<td>11</td>
</tr>
<tr>
<td>South Korea</td>
<td>329</td>
<td>9</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>254</td>
<td>7</td>
</tr>
<tr>
<td>Brazil</td>
<td>190</td>
<td>5</td>
</tr>
<tr>
<td>Singapore</td>
<td>168</td>
<td>5</td>
</tr>
<tr>
<td>India</td>
<td>144</td>
<td>4</td>
</tr>
<tr>
<td>Iran</td>
<td>104</td>
<td>3</td>
</tr>
<tr>
<td>Sub-total</td>
<td>2,585</td>
<td>72</td>
</tr>
<tr>
<td>Other beneficiaries</td>
<td>1,035</td>
<td>28</td>
</tr>
<tr>
<td>Total</td>
<td>3,620</td>
<td>100</td>
</tr>
</tbody>
</table>

* Including non-ferrous metals

to be denied eligibility under the American GSP. In practice, Latin American OPEC states have been included, and LDCs participating in reverse preferences only face the threat of being declared ineligible if their reverse preferences have a "significant adverse effect" on U.S. commerce. Although the developing countries can exert pressure within UNCTAD forums in connection with the use of safeguards by donors on products accorded preferences under the GSP, the industrial countries designed their schemes with a view to guaranteeing themselves a wide latitude for unilateral action. The U.S. "competitive need" rule of course excludes many manufactures competitively exported by the Third World from GSP eligibility.
All the donors also provided for the exclusion of products deemed to cause "serious injury" or "market disruption." Finally, each developed country GSP scheme contains "rules of origin" criteria to ensure that goods presented for GSP tariff treatment are either wholly or mainly produced within an exporting LDC; that is, to be eligible for admission under preferential tariffs, a product must have undergone a substantial degree of processing in a developing country. Proving that their manufactured exports satisfy the developed countries' rules of origin is often difficult for LDCs, the more so since the various donors have different specific provisions in this regard.

An analysis of the efforts of the developing countries to obtain tariff preferences and to influence the character of the GSP is offered in the next chapter. For now, it should be noted that although the GSP has fallen far short of LDC hopes (and perhaps expectations), they have nonetheless sought to safeguard their preferential margins and also to expand the product coverage of the developed countries' schemes. The more recent efforts and complaints of the LDCs concerning the GSP will be briefly surveyed in the third section of this chapter. The Third World's struggle to promote the principle of preferences and to influence the subsequent implementation of the GSP constitutes the central chapter of North-South bargaining over market access for the manufactured exports of the latter. But the LDCs have also tried to further their interests and enhance their export opportunities by attacking the concept of "reciprocity" in GATT trade negotiations and by arguing for special dispensations in respect of industrial countries' use of trade barriers, and it is to
a brief consideration of these matters that we now turn.

2. The Thrust Toward Nonreciprocity in GATT

As the momentum for reform of the international economy intensified at the time of UNCTAD I, efforts were made within the GATT to respond to Third World concerns. These deliberations culminated in the drafting of a new chapter entitled "Trade and Development" in early 1965. This chapter—known as Part IV of the General Agreement—was opened for signature on February 8, 1965; it came into force as an amendment to the Agreement in June 1966. Most observers are inclined to believe that the decisions to convene UNCTAD I and then to establish it as a permanent body "had a psychological impact on national representatives to GATT, particularly the delegates from industrialized nations." Those desirous of protecting GATT's role as the major international forum for trade matters felt that the organization had to be seen to "do something" dramatic for the Third World in order to ward off the attempts by certain LDCs, the socialist bloc and the UNCTAD staff to make the new institution the central locus for the regulation and negotiation of global trade questions. Part IV of the General Agreement attested to the success of the LDCs in obtaining the industrial countries' acceptance of two related principles: 1) the abandonment of reciprocity vis-a-vis LDCs in GATT commercial negotiations; and 2) the need for unilateral commitments by developed countries in favor of LDCs in connection with the employment of trade barriers, particularly non-tariff barriers (NTBs). The development and impact of the new principle of nonreciprocity is briefly treated here.
Then the issue of unilateral commitments is considered.

Third World dissatisfaction with the structure of trade bargaining in the context of GATT has primarily derived from the attachment of the industrial countries to the concept of reciprocity. The view, once expressed by former American State Department official Harry Hawkins, that the goal of trade negotiations was to generate "a dollar's worth of increased exports for every dollar's worth of increased imports," has exercised a pervasive influence in GATT. Because countries generally are only prepared to exchange "concessions"--i.e., to lower tariffs or reduce NTBs--on a reciprocal basis, a given negotiator needs a domestic market to which he is willing to offer improved access before he can plausibly expect other negotiators to lower their countries' barriers on products of export interest to his country. That severe difficulties have attended all efforts to measure reciprocity precisely appears not to have undermined most developed countries' allegiance to it as a goal of commercial diplomacy. It is clear that the LDCs are likely to be in an inferior bargaining position in a trade negotiating context where reciprocity is expected of them; for they lack a key bargaining chip--a protected domestic market to which developed countries strongly desire more liberal access. Moreover, often their critical reliance on tariff revenues, both for government income and in connection with the pursuit of import-substitution policies, has made the prospect of agreeing to lower tariffs in exchange for developed country reductions distinctly unpalatable:

The developing countries cannot participate on an equal footing in tariff negotiations . . . because their need for tariffs is much greater than that of the developed countries. For developed countries, tariffs are, or ought to be, a form of transitional
protection for domestic industries in a process of adjustment. For developing countries, on the other hand, tariffs are an indispensable weapon of economic development and an important source of revenue...149

Just as the argument that the existence of palpable economic inequality among nations destroys the validity of economic principles premised on an assumption of equality was employed by the LDCs to argue for tariff preferences in the 1960s, so this same point was made in attacking the reciprocity principle. When the General Agreement was amended in 1955, the developing contracting parties were able to obtain the insertion of a provision recognizing that while trade negotiations were to be conducted "on a reciprocal and mutually advantageous basis," consideration was also to be given to "the needs of individual contracting parties and individual industries... and... all other relevant circumstances including the fiscal, developmental, strategic and other needs of the contracting parties concerned." (Article XXVIII bis) However, the LDCs were far from satisfied with this vague formulation. At UNCTAD I, they succeeded in passing the eighth general principle which, inter alia, stated that "developed countries should grant concessions to all developing countries... and should not, in granting these or other concessions, require any concessions in return from developing countries."150 (The developed countries opposed or abstained during the voting on this principle, but this was due to the fact that it voiced support of preferences, not to the concept of non-reciprocity elucidated therein.) Just prior to the Kennedy Round, a GATT ministerial meeting agreed that in the upcoming trade negotiations, "the
developed countries cannot expect to receive reciprocity from the less developed countries." The stage was thus set for the industrial countries to accept a more formal, legal articulation of the doctrine of non-reciprocity in North-South trade negotiations within the GATT context. This was accomplished with the 1965 addition of Part IV to the General Agreement. The most important statement in this new chapter articulates the new principle of nonreciprocity: "The developed contracting parties do not expect reciprocity for commitments made by them in trade negotiations to reduce or remove tariffs and other barriers to the trade of less-developed contracting parties" (Article XXXVI:8). Although developed GATT members had generally been quite lenient in demanding equivalent LDC "contributions" during past trade negotiations, their explicit acceptance of the new nonreciprocity provision appeared to signal a qualitatively different approach to commercial bargaining with the Third World (or at least with those LDCs members of GATT). The question was whether this commitment not to seek reciprocity would lead to any concrete changes during the actual trade barrier negotiating process.

The developing countries soon had a chance to find out. The Kennedy Round of GATT trade negotiations got under way in May 1964 and several interesting innovations in commercial bargaining characterized this crucial GATT Round. First, the traditional bilateral, product-by-product method of negotiating tariff concessions was abandoned in favor of a "linear" method, according to which the "linear" participants would reduce their tariffs by a prescribed percentage for all or most products. The U.S. Congress had for the first time allowed the Executive to agree to linear tariff cuts in passing the 1962 Trade Expansion Act; reductions of up to
50 percent on most U.S. dutiable imports could be made; and 50 percent became the benchmark figure for across-the-board tariff reductions during the Kennedy Round bargaining. Second, because many countries were not prepared to consider such linear tariff reductions, two specific groups of countries were identified for the first time in GATT negotiating history—namely, linear and non-linear countries. Sixteen developed contracting parties accepted the linear approach; several other developed states (Canada, S. Africa, New Zealand, Greece, Portugal and Australia) with "special economic or trade structures" opted to continue to negotiate on a reciprocal, bilateral product-by-product. As for the LDCs, they too announced that they would be nonlinear participants. Moreover—and this constitutes the third innovation associated with the Kennedy Round—the developing countries argued that, because of the new GATT principle of nonreciprocity, they would expect the developed contracting parties to reduce extensively their tariffs on products of export interest to the Third World without requiring much in the way of reciprocal tariff reductions from the LDCs, who were unable to offer substantial concessions. The final innovation of the Kennedy Round involved a decision to deal with certain potentially troublesome industrial sectors not suitable for linear tariff reductions through the creation of separate "sector" negotiating groups. Iron and steel, cotton textiles, aluminum, pulp and paper and chemicals were singled out as industrial sectors requiring special treatment; the first two in particular were of considerable interest to LDCs trying to expand their manufactured exports.

The results of the Kennedy Round were regarded as disappointing by
the LDCs and indicated that a gap existed between the rhetorical acceptance of nonreciprocity by the industrial countries and their willingness to actually make significant nonreciprocal concessions to the Third World in trade barrier negotiations. With respect to LDC manufactured exports, a 1967 UNCTAD analysis found that the average Kennedy Round tariff reduction on "products of interest" to the developing contracting parties was 29 percent, whereas the relevant figure was 38 percent for other products.  

A study by the GATT Secretariat also documented the tendency of the linear participants to grant notably smaller tariff reductions on manufactures of substantial export interest to LDCs than on manufactures generally. The GATT study laconically observed that many of the manufactures subject to the most extensive tariff reductions "are of potential, rather than actual, export interest to the developing countries." This was small consolation to LDC exporters of cotton textiles, iron and steel, leather goods, clothing and other simple manufactures—all of which were granted much smaller tariff reductions by the industrial countries than were manufactures not primarily exported by the Third World. Taking textiles as an example, as a whole (i.e. cotton and non-cotton) the major importing countries agreed to reductions of approximately 18-22 percent, far less than the tariff cuts (36-50 percent) agreed to on manufactures largely exported by and to the OECD countries themselves. Similarly, iron and steel, another important sector for the LDCs, was accorded less liberal treatment by the U.S., EEC, U.K. and the Nordic countries than was true of most other manufacturing sectors, with reductions of only 10-20 percent being agreed to.  

(It should also be noted that the developing countries
were extremely unhappy with the Kennedy Round results in agriculture, although North-South trade problems in this sector are not germane to the present study.)

What then did the Kennedy Round results imply about the salience and impact of the shiny new GATT principle of nonreciprocity vis-a-vis the LDCs? The inescapable conclusion appeared to be this: despite their obeisance to the concept, the developed countries continued to conduct their commercial negotiations during the 1964-67 GATT bargaining with a view to achieving reciprocity or a "balance of advantages" with trading partners, developed or developing. The traditional goal of commercial diplomacy exercised its pervasive influence in the Kennedy Round as it had done on previous occasions. This is hardly surprising, since the (essentially political) factors that compel trade negotiators to seek to obtain at least the appearance of reciprocity during trade bargaining did not suddenly vanish in the mid-1960s. Certainly the developed countries did not demand absolute reciprocity of the LDCs; but then they had not done so prior to Part IV and UNCTAD I either. Although "the requirement for mutuality of trade benefits was not strictly applied" by the OECD countries during the Kennedy Round, this "did not mean free gifts. There were concessions LDCs could make without damaging their 'infant industries' or their economic development programs." Very few LDC participants actually offered any tariff concessions, and they frequently pointed to the statement of nonreciprocity contained in Article XXXVI as legal justification for this stance. But developed country negotiators usually demanded "at least a token contribution" from LDCs, and often, more than token concessions were requested. The poor to mediocre results of
the Kennedy Round for LDC exporters of manufactures are undoubtedly at least partly traceable to the paucity of concessions offered by them to their developed trade partners.

As in the case of tariff preferences, the developing countries succeeded in achieving international acceptance of a new principle to govern trade relations, but were basically unable to affect how or to what extent non-reciprocity would be implemented once concrete commercial situations arose. Their continuing efforts to champion nonreciprocity in GATT during the 1973-79 trade negotiations will be surveyed in the third section of this chapter. An analysis of this and other LDC activities and "successes" in international trade diplomacy is offered in the next chapter.

3. Developing Countries and "Differential" Treatment in the Use of Trade Barriers

The efforts of the Third World to promote international acceptance of tariff preferences and of the principle of nonreciprocity in North-South trade relations have been closely intertwined with a broader related issue, namely, the question of "differential" treatment in favor of LDCs in connection with the employment of trade barriers by the developed countries. The pursuit of differential treatment has involved a general Third World campaign to assert a kind of permanent special status in the international trade order. Differential treatment is a different concept than either preferences or nonreciprocity, although it is certainly linked to these in its intellectual origin and negotiating history. For present purposes, "preferential" treatment (i.e., GSP) is defined as measures to grant LDC
exports better access to developed countries' markets than non-LDC exports; "differential" treatment, on the other hand, is defined as measures "which are applied on an MFN (nondiscriminatory) basis but targeted specifically on products of particular concern to the developing countries."  Those LDCs and scholars supportive of differential trade barrier policy measures favoring the Third World have argued that while temporary tariff preferences are indispensable to the goal of increasing developing countries' exports of goods (especially manufactures), thereby expanding their foreign exchange earnings, other measures are also necessary, particularly insofar as the non-tariff barrier policies of Northern governments are concerned.

In the brief survey of negotiations that follows, attention is focused on discussions and bargaining within GATT and UNCTAD on the issue of differential treatment during the mid-1960s to early 1970s. The case of textiles is singled out for special examination since they remained the most important and most disruptive LDC manufactured exports.

It will be recalled that GATT's Committee III—the predecessor of the Trade and Development Committee—undertook an examination of trade barriers impeding LDC exports of several manufactured and other products in the early 1960s. Following this, in 1963, a group of 21 less developed GATT members introduced a resolution requesting that a program be launched with a view to reducing or dismantling developed country trade barriers affecting LDC exports; this became known in GATT as the "Action Program." The resolution called for the following specific undertakings from developed contracting parties in respect of the exports of developing contracting parties: 1) a so-called "standstill" on any new trade barriers; 2) the dismantling, by the end of 1965, of all existing quantitative restrictions
that were illegal according to GATT rules; 3) the speedy abolition of tariffs on tropical products (and on other primary products as well); 4) a firm commitment to lower tariffs on semi-processed and processed products by at least 50 percent over three years; 5) the elimination of internal fiscal and revenue taxes on products mainly produced in the Third World; 6) and annual reports on the extent of compliance with the above requests. The scope of these measures of course extended beyond the manufacturing sector, but numbers 1, 2 and 4 in particular were inserted by the sponsoring LDCs in order to assist in the expansion of their exports of manufactures and semi-manufactures. Significantly, "none of the . . . proposing countries were associated with the European Economic Community"; the Action Program itself was "a means of by-passing the EEC associated countries," the latter being more interested in regional preferences and less involved in exporting manufactures than Latin American and Asian GATT members. Developed country ministers at the 1963 meeting endorsed the Action Program in principle, but did not make any binding legal commitments. Only during the upcoming trade negotiations would it be possible to reach legal agreements to actually reduce barriers along the lines proposed by the LDCs.

The theme of differential treatment was also pursued by the Third World at UNCTAD I. LDCs argued in the Second Committee of the Conference (which dealt with "Trade in Manufactures and Semi-Manufactures") for international acceptance of a "standstill" provision in respect of their exports of manufactures and semi-manufactures. They also stressed the
need for the immediate removal of existing quantitative restrictions impeding their manufactured exports and noted "the importance of complete elimination of tariffs on manufactured items originating from developing countries." The Conference adopted, without dissent, Recommendation A.III. 4, which pointed to the necessity for special measures and efforts on the part of developed countries to reduce trade barriers on LDC manufactured exports. Several "guidelines for tariff and non-tariff policies in respect of manufactures and semi-manufactures from developing countries" were unanimously adopted:

Developed countries should not, ordinarily, raise existing tariff or non-tariff barriers to exports from developing countries, nor establish new tariff or non-tariff barriers or any discriminatory measures, where such action would have the effect of rendering less favourable the conditions of access into their markets of manufactured and semimanufactured products of export interest to developing countries.

Developed countries should accord high priority in international trade negotiations to according maximum reductions in and, wherever possible, elimination of duties on manufactured and semi-manufactured products of export interest to developing countries.

Developed countries should as a matter of urgency remove quantitative restrictions on manufactured and semi-manufactured products of export interest to developing countries.

It is noteworthy that the industrial countries were prepared to commit themselves to undertake special efforts to reduce barriers affecting LDC manufactured exports through measures consistent with the principle of nondiscrimination, whereas in regard to other Third World requests (preferences, commodity price stabilization, larger financial aid flows, etc.) they were either opposed or sharply divided. This willingness to
support the principle of differential treatment in the employment of domestic trade barriers vis-a-vis developing countries' exports (especially of manufactures) was also reflected in the new Part IV of GATT dealing with trade and development. The developed contracting parties agreed to the inclusion of specific "commitments" on their part (Article XXXVII) to give special consideration to the interests of developing contracting parties in their trade barrier policies. In particular, the developed GATT members agreed to:

(a) accord high priority to the reduction and elimination of barriers to products currently or potentially of particular export interest to less-developed contracting parties, including customs duties and other restrictions which differentiate unreasonably between such products in their primary and processed forms;

(b) refrain from introducing, or increasing the incidence of, customs duties or non-tariff import barriers on products currently or potentially of particular export interest to less-developed contracting parties; and

(c) (i) refrain from imposing new fiscal measures, and (ii) in any adjustments of fiscal policy accord high priority to the reduction and elimination of fiscal measures, which would hamper . . . significantly the growth of consumption of primary products, in raw or processed form, wholly or mainly produced in the territories of less-developed contracting parties, and which are applied specifically to those products. (Article XXXVII:1)

The provisions in (c) above largely pertained to LDC exports of tropical products to Western European countries which imposed stiff fiscal charges and luxury taxes on those commodities in order to protect domestic processing industries (e.g., coffee roasters and chocolate manufactures) and because such taxes were a ready source of government revenue. Paragraphs (a) and (b), however, clearly spoke to the growing desire of developing countries to upgrade the value of their exports through manufacturing and processing.
Legal scholars have pointed out that these "commitments" made by the developed GATT members to the LDCs in Part IV are not legally binding because of the insertion of the qualifying phrase, "to the fullest extent possible," at the beginning of Article XXXVII. Dam suggests that the new chapter is characterized by "a great deal of verbiage and very few precise commitments," while Jackson avers that the legal obligations contained in Part IV are decidedly "soft." Nonetheless, the concurrence of the developed countries with Third World argument for a standstill in the imposition of new trade barriers and the rapid reduction of existing barriers (especially quantitative restrictions) impeding LDC exports appeared to signal the qualified acceptance of another new principle in North-South trade relations. Within both GATT and UNCTAD, the extent of developed countries' compliance with the new GATT provisions and UNCTAD I recommendations was closely monitored by the LDCs. During the period under review here, GATT's Committee on Trade and Development focused its attention primarily on quantitative restrictions affecting LDC exports, especially of manufactures. A Group on Residual Restrictions was created in 1965 to press for the abolition of those industrial countries' quantitative import controls inconsistent with GATT rules and harmful to the exports of developing contracting parties. The procedures earlier followed in Committee III were continued and somewhat improved upon:

Attention is devoted to a list of products notified by the less-developed countries as being of special interest to them. Some 250 items were already on the list by 1965. Developed contracting parties are required to indicate all restrictions maintained on those products together with the proposed abolition date, if any, and the legal basis, if any, for such restrictions under the General Agreement. Each developed country is summoned to the Group each year.
Although the degree of progress in securing the dismantling of developed country restrictions was generally "disappointing," nonetheless "the necessity of explaining restrictive policies before representatives of the major developed and less-developed countries no doubt had some influence on sensitive governments."¹⁷¹ The Committee on Trade and Development was normally seized of a wide variety of trade issues whenever it met, but Third World members directed much of their criticism at the impact of the trade barrier policies of developed contracting parties on LDC manufactured export possibilities and argued for Northern policies more consistent with the "differential" philosophy spelled out in Article XXXVII.¹⁷² During the Kennedy Round of GATT trade negotiations (see below), both the Committee and other GATT bodies addressed developing countries' concerns with respect to the trade barrier reductions being negotiated. Since "tariff and other barriers had been accepted as falling within the purview of the current trade negotiations," the LDCs expressed their belief in the imperative need "for elimination of restrictions applying to certain products of interest to less-developed countries . . ."¹⁷³

Third World countries were also active in UNCTAD in pressing for compliance on the part of the OECD countries with the UNCTAD I recommendations concerning barriers to LDC exports of manufactures and semimanufactures. High tariffs on manufactures and "persisting quantitative restrictions which affected the exports . . . of the developing countries" were the primary foci of Third World discontent.¹⁷⁴ In addition, LDC delegates often argued that governments in the industrial countries were not doing enough, in the way of adjustment assistance and other measures,
to facilitate a reallocation of international industrial activity from the developed to the developing world. The paucity of government initiatives to promote the orderly dismantling of their uncompetitive cotton textile industries in the U.S., Canada and Western Europe was frequently referred to. A 1966 resolution put forth by a group of LDCs in UNCTAD's Committee on Manufactures calling on the developed countries to "take steps towards the adoption of measures conducive to . . . a readjustment in their industrial structures," was opposed by the latter, who argued that this was an internal matter and that they were in any case making progress in this direction. Third World countries also implored the industrial countries to implement **in advance** any tariff and non-tariff barrier reductions negotiated in the Kennedy Round on manufactured products of interest to LDCs. This constituted an expansion of the Third World definition of differential treatment: not only should products of particular interest to LDC exporters receive special consideration (i.e., a standstill on new trade barriers, extraordinary efforts to reduce/eliminate existing barriers) but any agreements to reduce barriers actually reached during trade negotiations should be implemented on an accelerated timetable if LDC exports were involved.

The Kennedy Round offered an opportunity for the rich industrial countries to translate their acceptance of the (albeit vague) principle of differential treatment into something of concrete commercial value to the LDCs. In particular, if they agreed to significant tariff and non-tariff barrier reductions on major Third World exports, then the LDCs could
take satisfaction in the knowledge that the new principle had influenced the outcome of a very important series of trade negotiations. Moreover, because of the earlier commitment of the developed countries not to seek reciprocity from the LDCs for trade barrier concessions, many developing countries hoped that the operation of the twin principles of differential treatment and nonreciprocity would lead to highly favorable results from their perspective. However, as noted in the previous discussion of non-reciprocity, the major developed countries concentrated their most significant tariff reductions on products which they tended to trade among themselves. The "differential treatment" accorded LDC manufactured exports by the industrial countries generally meant smaller tariff reductions than were agreed to for manufactures largely traded among the OECD countries! This result was an ironic twist on the original conception of "differential treatment."

The Kennedy Round also failed to address the thorny problems associated with the effect of quantitative import controls and other non-tariff barriers on LDC exports of manufactures and semi-manufactures to the Northern countries. In spite of the fact that import quotas on nonagricultural imports are banned under Article XI of GATT, numerous LDC exports of manufactures and semi-manufactures were faced with "illegal" quantitative restrictions of various kinds in most developed country markets. In addition, other practices and measures that had the effect of impeding imports (antidumping and countervailing duties, standards, customs valuation methods, and import licensing) were being recognized as
serious problems by the LDCs by the late 1960s.

Particularly noteworthy in this context was the legitimization of quotas under the terms of the GATT-sponsored Long-Term Arrangement Regarding International Trade in Cotton Textiles (LTA). The authorization of both existing "illegal" and new import quotas provided for by the LTA was a poignant illustration of developed countries' apparent unwillingness to obey GATT "law" when the LDCs became highly competitive in a critical manufacturing sector. The LTA (originally negotiated in 1962 and extended for additional three year periods in 1967 and 1970) symbolized for the emerging newly-industrializing countries (NICs) the limits of the international "law" of comparative advantage. The "intriguing paradox" that arose through the legitimization of supposedly outlawed import quotas within GATT itself was not lost on the LDCs. They complained vigorously that both the initial import quotas and the growth rates prescribed by the LTA were too small; that the incidence of unilateral restraints imposed by importing countries under Article 3 of the LTA was excessive; that the bilateral accords allegedly "negotiated" under Article 4 were more often than not "shotgun marriages" preceded by unilateral Article 3 actions; and that the availability of market shares to new LDCs and for new product lines/exporters was often uncertain. Korea's reaction to the LTA was a typical exporter's view:

The representative of the Republic of Korea, after referring to the importance of the cotton textile industry to his country's economic growth, said that the rate of expansion of cotton textile exports from Korea had drastically slowed since 1964. This was mainly due to import restrictions imposed by some major developed countries. Small quotas allocated to his country hindered the growth of exports. Moreover, outlets for . . . newly developed items such as garments and made-up articles were severely restricted.
Although the importing countries had increased their imports of cotton textile products from the LDCs by an average of 11 percent annually during the 1961-70 period, "LDC exports of cotton textiles grew slower than any other manufactured exports." And while this figure rose sharply to some 41 percent for the years 1970-73, "this should not be taken to illustrate a new liberalism toward textile trade on the part of the industrial countries," but instead "indicates the emergence of new LDC suppliers which were not \textit{yet} covered by existing restraint agreements."\textsuperscript{182}

At UNCTAD II the Third World continued to champion the principle of differential treatment, but nothing of substance on this question resulted from the discussions in the Second Committee, which was mainly seized with the issue of tariff preferences.\textsuperscript{183} However, subsequent to the Conference UNCTAD's Committee on Manufactures addressed the problem of barriers to LDC exports in some detail. The LDCs "strongly recommended the establishment of an intergovernmental group within UNCTAD on the question of non-tariff barriers."\textsuperscript{184} The developed market economy states refused to entertain this idea, arguing that GATT was the appropriate body for discussion of such matters. But they did consent to the suggestion that the UNCTAD Secretariat undertake a study of which non-tariff barriers were the most salient in terms of affecting Third World exports of manufactures.\textsuperscript{185} The resulting study indicated that the following non-tariff barriers were important impediments to LDC exports: quantitative restrictions (e.g., those permitted under the LTA as well as others which were "illegal"), import licensing procedures, customs valuation procedures, and industrial, health and safety standards.\textsuperscript{186} The Secretariat's study
also argued that non-tariff barriers were generally more harmful to existing or potential LDC exporters than to other developed country exporters. This contention has in fact received support from several academic economists, \(^{187}\) who have made the following points: 1) non-tariff barriers (particularly quotas and standards) are more likely to affect imports from LDCs than from other sources; 2) LDCs are especially vulnerable because of their lack of knowledge concerning the administrative procedures and various rules governing the application of standards, licenses, quotas and valuation methods; and 3) LDC suppliers are less able than those in industrial countries to bypass the effect of such barriers by shifting to alternative lines of production.

Intensive examination of nontariff barriers was also proceeding in GATT, although unlike UNCTAD here the primary focus was not on the incidence and effect of such measures on the LDCs. There was a growing recognition among the developed contracting parties that with the lowering of average industrial tariffs to something in the order of 10 percent as a result of the Kennedy Round accords, the various direct and indirect nontariff impediments to trade were likely to be the major sources of contention in future intra-OECD country trade relations. Concern about the impact of these barriers on the LDCs was a decidedly minor theme during the GATT deliberations, but the latter nonetheless stood to benefit from the general reduction or tighter regulation of nontariff barriers on the part of the industrial economies. \(^{188}\) However, it seems that the concept of differential treatment played little or no role in the detailed examination of nontariff barrier matters that took place in GATT in the
early 1970s. That the key forum for this examination was GATT's Committee on Trade in Industrial Products rather than the Committee on Trade and Development lends credence to the view that this was largely an affair of the developed countries. In any event, an inventory of some 800 specific nontariff items or practices was collected by early 1970, based on notifications from numerous contracting parties. This astonishing number of direct and indirect trade restricting measures was classified into five categories, with a consultative group created for each: 1) government participation in trade; 2) customs and administrative entry procedures; 3) industrial/health standards; 4) direct, specific limitations on imports (i.e., quotas); and 5) restraints on imports by way of the price mechanism. While all of these types of barriers affected the Third World's exports of manufactures to the Northern market economies, the fact that the priorities of the LDCs related to direct import controls rather than other more stuble and indirect nontariff trade barriers merits emphasizing.

The publication and exchange of a vast amount of information pertaining to nontariff barriers that took place in GATT at this time provided the crucial background work necessary before these issues could be seriously negotiated during a formal trade "round." The outcome of the so-called "Tokyo Round" (1973-79) and the serious efforts made on that occasion to tackle nontariff barriers are explored in the third section of this chapter. For present purposes, it need only be noted that although it appeared on the surface that the principle of differential treatment had virtually disappeared in the GATT context during the early 1970s, in fact it later returned to the fore in the Tokyo Round, albeit in a slightly
different form.

Meanwhile the developing countries continued to adhere to and emphasize the original definition of differential treatment, namely special efforts by the international community to eliminate, reduce or at the very least hold constant (i.e. the "standstill" provision) tariff and nontariff barriers on products exported in significant volume by LDCs. The UNCTAD Secretariat reported on the paucity of positive actions on the part of developed country governments to give concrete expression to their earlier promises of a standstill on new barriers and quick reductions of existing barriers retarding LDC exports of manufactures. Within UNCTAD, the LDCs directed particular attention to quantitative restrictions affecting their exports of cotton and other textiles, footwear, leather goods, standardized consumer manufactures and processed commodities. They complained that "the export promotion measures which they had been vigorously pursuing were being frustrated by quantitative restrictions and other nontariff barriers," and requested further Secretariat studies of these matters and of programs of adjustment assistance in developed countries in time for the next quadriennial conference in 1972. The developed countries persevered in their longstanding argument that the major forum for discussion of trade barriers was GATT; they also stressed the many complex issues involved in providing adjustment assistance to displaced workers so as to facilitate industrial readjustment. In regard specifically to the difficult problem of quantitative restrictions, the developed countries expressed strong reservations as to the economic validity of preferential liberalization, inasmuch as such action would be trade diverting and would preclude efficient suppliers from competing; preferential tariff reductions, as in the ... GSP, were quite different from
preferential liberalization of quantitative restrictions. While the developed countries refused to consider applying quotas and other nontariff barriers on a discriminatory basis so as to accord preferential treatment to LDCs, they continued at least to pay lip service to the principle of differential treatment enshrined in both Part IV of GATT and in various UNCTAD resolutions and recommendations. But the developing countries, even more so than in the case of the nonreciprocity principle, were extremely dissatisfied with what they perceived as a lack of compliance with the principle, given the limited number and extent of concrete actions by the developed countries to reduce the incidence of barriers to LDC exports, especially of manufactures and semimanufactures. When the Group of 77 met in Lima in November 1971 to thrash out a common position to bring to the upcoming UNCTAD session, they resolved to press ahead in UNCTAD once again with resolutions calling on the North to eliminate quotas and other nontariff barriers on LDC exports, to agree to a standstill in respect of new barriers, and to implement on a priority basis large-scale programs of adjustment assistance in sectors (e.g. clothing and textiles) in which LDCs were highly competitive. However, recent developed country trade barrier policies--such as the U.S. 10 percent tariff surcharge of August 1971 and the strong resistance to liberalization of cotton textile import quotas demonstrated by most developed participants during the renegotiation of the GATT textiles arrangement (the LTA) in 1970--did not signal any apparent willingness to consent to specific LDC proposals for differential treatment in the use of trade barriers.

At the third session of UNCTAD, held in Santiago Chile (13 April to
21 May 1972), trade barrier issues were discussed at some length but were clearly eclipsed as LDC priorities by perceived problems arising from the recent turmoil in international monetary relations and the growing external indebtedness of many developing countries. As at previous sessions, a marked divergence between the basic negotiating position of the Group of 77 and the Northern capitalist nations ("Group B") ensured that few specific accords would emerge at the close of the heated deliberations. Resolution 46 (III), which elaborated 13 "general principles" to govern international trade relations, was passed by the LDCs and the socialist bloc against the opposition of all major Western states. When the question of differential treatment of the LDCs in respect of developed countries' use of trade barriers arose, the latter consented to continue their evidently largely hortatory support for the principle while at the same time studiously eschewing concrete commitments and battling against all efforts to enlarge UNCTAD's role in this area. They acquiesced in the passage of three relevant Conference Resolutions: 72(III), which asked the developed countries to adopt adjustment assistance policies so as to facilitate the movement of certain industries to the Third World; 76 (III), which recognized the importance of nontariff barriers to LDC exporters and called for accelerated consideration of this matter in the Committee on Manufactures through creation of a special "sessional committee"; and 82(III), which noted the need for special consideration of the needs of the least developed LDCs in the next round of GATT trade negotiations. But the developed countries blocked LDC efforts to establish a formal and permanent UNCTAD intergovernmental group on nontariff barriers and refused
to support a proposed LDC resolution calling for the elimination of quotas and other nontariff barriers to imports from the Third World.\textsuperscript{199} No resolution pertaining to a standstill on new trade barriers was passed at the conference, although for several developing countries this was a major topic during deliberations in the Second Committee.\textsuperscript{200}

Developing countries were acutely aware that the upcoming GATT trade negotiations would provide them with an opportunity to actually strike concrete bargains with the North that might somehow incorporate, in a more binding legal sense, the rather nebulous principle of differential treatment in respect of the use of trade barriers. Thus they fought for the passage of Resolution 82 (III) noted above, which called for "the full participation of the developing countries, effectively and continuously, in all stages" of the GATT negotiations and asked the UNCTAD Secretary-General "to prepare all relevant documentation to assist the developing countries" to participate in them. The United States and the European Community had agreed in February 1972 that a seventh "round" of GATT trade negotiations would begin in 1973. The LDCs had largely failed in their attempts to convince the major developed countries to implement some significant measure of differential treatment during the previous trade negotiations (the Kennedy Round); now they had another opportunity. The North did seem more receptive to LDCs' arguments for special consideration of their trading interests than had been the case in the 1960s. At the very least the constant institutionalized attention given to all manner of Third World trade problems within UNCTAD over the years appeared to have raised the consciousness (and perhaps pricked the
the conscience?) of the First World. 201

From mid-1972 to the formal initiation of what came to be known as the "Tokyo Round" in September 1973 the LDCs sought to ensure that the reduction of Northern country trade barriers affecting LDC exports would be a negotiating priority. Those LDCs members of GATT (approximately 50 in 1972) stressed that "their association with the negotiations was dependent upon the details to be applied to their participation." Only if "the ground rules, techniques and modalities" adopted reflected "the provisions of Part IV" would they join in the negotiations. 202 The developed states went some way toward meeting the requests of the Third World. When the "Tokyo Declaration" launching the "Tokyo Round" was negotiated, they agreed to insert several provisions supportive of LDC goals. Significantly, one of the two major aims of the negotiations was said to be the securing of

additional benefits for the international trade of developing countries so as to achieve a substantial increase in their foreign exchange earnings, 203 and the diversification of their exports . . . 203

A "substantial improvement in the conditions of access for the products of interest to the developing countries" was mentioned as a priority of the negotiations. 204 Whether or how the concept of differential treatment of LDC exports would be dealt with in the Tokyo Round was of course a central concern of developing countries anxious to expand their exports of manufactures to the North.
Conclusion

During the period examined here the developing countries sought, with varying degrees of success, to achieve a fundamental reform of the traditional principles governing postwar international trade relations. In a sense, they were enormously successful: the developed countries eventually agreed to waive the non-discrimination and reciprocity principles vis-a-vis the Third World; to institute GSP schemes; and to make a special effort to reduce trade barriers (particularly NTBs) impeding LDC export possibilities. However, as has been amply documented above, these "victories" at the level of principles often translated into little or nothing of commercial value to the intended beneficiaries. Indeed in one case--that of differential treatment--it seems quite clear that events and trends in the real commercial world moved in the opposite direction from what the LDCs has intended: their manufactured exports tended to receive a type of "differential treatment" less favorable than that meted out by the industrial countries to each other's major exports! It is also exceedingly difficult to adduce evidence suggesting that adoption of the doctrine of nonreciprocity in GATT generated meaningful benefits for the LDCs, at least in respect of most manufactures trade. As for tariff preferences it is indisputable that the GSP has been of some economic value to LDC beneficiaries, but generally far less than they had expected. The exclusion of near-exclusion of many manufactures competitively exported by developing countries is of course particularly noteworthy for the present study.
While the LDC exporters of manufactures were certainly far from happy with the trade barrier policies of the industrial economies in the late 1960s and early 1970s, they were nonetheless able to expand their exports significantly and to diversify into many new and more sophisticated product lines during this period. In addition, many prospective Third World exporters of manufactured goods exhibited considerable confidence that they would be able to upgrade the quality and increase the volume of their exports to the North in the years ahead. But the beginning of the "oil crisis" in late 1973 and its subsequent development into a long-term structural problem was a gloomy harbinger of what has come to be termed the "rise of protectionism." The protectionist trend during the remainder of the 1970s constitutes the main theme of the discussion of LDCs and manufactured exports that now follows.

IV Phase III: The "Protectionist Drift" and Third World Manufactured Exports

Introduction

The Third World's challenge to the principles and institutional arrangements governing international relations in the trade barrier issue area was in many respects an affair of the 1960s. It was during the first years of UNCTAD's existence that the developing countries launched their assaults against the principles of nondiscrimination, reciprocity, and the equal treatment of all states in the employment of trade barriers that lay at the heart of the postwar GATT trade barriers regime. It was also during this period that many LDCs sought most vigorously to expand
UNCTAD's authority at the expense of GATT's. But the efforts of the LDCs to reform international trade rules and institutions and protect the reforms already achieved continued during the 1970s. However, if anything the international economic climate grew less hospitable for LDCs seeking to increase their access to Northern markets.

The Rise of Protectionism in the North

Protectionist currents have plagued the international economy since the very beginnings of multilateral commerce. Those present during the negotiations concerning the postwar trade order were acutely conscious of the disastrous effects which the "beggar-thy-neighbor" policies of the 1930s had had on all countries. The creation of the GATT symbolized the belief of many governments in the virtues of a liberal trade order that encouraged removal of trade barriers and, equally important, that sought to monitor closely the behavior of countries in the commercial policy sphere. For most of the postwar period, GATT members have evinced considerable willingness to increase the access enjoyed by other GATT members to their markets, and this has been reflected in the reduction of tariffs and the multilateral regulation of non-tariff barriers. It is of course true that state practice has frequently failed to live up to the ideals expressed in GATT's principles and rules. Yet since the creation of the GATT there has been an unmistakable trend toward freer trade and also a hugely increased volume of trade.

Nonetheless, the relatively open GATT trade order suffered in the 1970s, when protectionist sentiment was rapidly gaining ground,
especially in the United States. In 1970, organized labor in the U.S.
officially abandoned its previous support for a liberal trade policy.
The steel and electronics industries joined the textiles, footwear and
clothing industries in pressing for greater import protection. In
Congress the "Mills' Bill" of 1970 and the Burke-Hartke bill of 1972—
both of which would have mandated sharp increases in quotas and other
protective devices for a wide range of American industries—were barely
staved off after frantic lobbying by the administration. Meanwhile, a
steady deterioration in the U.S. balance-of-payments was alarming even
criminal proponents of free trade. Washington and several other
Western capitals were also growing more irritated at the perceived reluctance of Japan to make its domestic market more accessible to their
agricultural and industrial exports—even though that country had profited
enormously from the lowering of trade barriers in other developed economies.
The EEC was adopting protectionist policies of its own, especially in
agriculture where the semi-autarkic Common Agricultural Policy had evolved
to the point where other developed countries were reduced to little more
than residual suppliers of temperate zone agricultural products. This
was a major source of American frustration as the U.S., which was previously the major agricultural exporter to the Community, saw its exports fall dramatically in the late 1960s. The U.S. government was also upset
at the expanding network of EEC preferential arrangements with African and Mediterranean states. Finally, the breakdown of the Bretton Woods
fixed exchange-rate monetary regime during the years 1971-73 added to
the uncertainty afflicting the international trade system.210
Thus prevailing international economic conditions did not augur well for the GATT trade barrier-reduction negotiations that formally began in September 1973. The oil crisis and the subsequent 1974-75 world recession—the most serious since that of the 1930s—only exacerbated what was already a deteriorating situation among the major developed countries. But unlike the latter, the impact of astronomically higher oil prices on the non-oil producing LDCs was devastating. And it must be emphasized that, of the developing countries significantly involved in international manufactures trade in the 1970s, only a few are coincidentally exporters of, or self-sufficient in, petroleum. The quadrupling of oil prices in 1973-74, followed by further quantum jumps in price later in the decade (particularly in 1979), has been a serious blow to the most ambitious LDC exporters of manufactures, the so-called "NICs." Excluding certain Southern European countries sometimes classified as NICs, the Third World countries usually placed under this rubric include three Latin American states (Argentina, Brazil, Mexico); four East Asian LDCs (Hong Kong, Taiwan, Singapore and South Korea); and Yugoslavia. Significantly, only Mexico enjoys a net surplus in respect of petroleum trade; all the other NICs lack this critical commodity.

But it was not the escalation of oil prices alone that placed both the NICs and other LDCs dependent to a significant extent on exports of manufactured goods to the capitalist North in a difficult position. Rather, it was the conjunction of higher prices for their fuel imports and the serious recession and growing protectionism that afflicted the OECD countries that served as their major export markets that posed an
acute dilemma for many industrializing LDCs: how to earn the vast amounts of additional foreign exchange necessary to purchase (indispensable) oil imports when protectionism was growing rapidly in those countries that traditionally took the bulk of their manufactured exports.

While the precipitous increase in protectionist pressures in the latter half of the 1970s was clearly related to the onset and slow recovery from the 1974-75 recession, many economists stress that it is necessary to "look into the more distant past . . . to find the roots of the malaise." Specifically, the problem is that the processes of economic adjustment in the advanced capitalist economies have slowed and deteriorated since the late 1960s. Downward rigidity (or "stickiness," as the economists term it) of prices and wages in the industrial market economies has fostered a type of structural inflation and unemployment not found during the first two postwar decades. With the notable exception of Japan, economic growth rates in the major OECD economies have sharply declined as prices and wages have grown resistant to downward pressure. These economies have therefore become extremely slow to adjust. Governments have stepped in to protect industries no longer competitive internationally from the vicissitudes and shifts of international comparative advantage. Northern countries were increasingly resorting to such "interventionist" tactics well before the oil crisis and mid-1970s' recession, especially in agriculture: these unfortunate developments only accelerated what was a well-established trend.

What has made this situation particularly damaging from the perspective of Third World countries heavily involved in exporting manufac-
tured products to Northern markets (or anxious to expand such exports in the future) is the fact that developed countries' adjustment problems are most acute in precisely those import-competing manufacturing sectors in which LDCs are highly competitive. These industries tend to be relatively labor-intensive and to be protected by higher tariffs than other manufacturing sectors. But the protectionism that has accelerated in the 1970s has not, for the most part, involved the raising of tariffs (most of which have been previously bound in previous GATT negotiations in any case). Rather, nontariff barriers (NTBs) are usually the policy instruments now chosen by Northern governments under pressure from domestic import-competing industries. As a GATT Secretariat study has stated, the recent protectionism in the OECD countries has relied "heavily on quantitative restrictions" and has engendered "additional uncertainty by imposing and administering these obstacles to trade in a non-uniform, discriminatory manner."216

The most important NTBs as far as Third World exports of manufactured goods are concerned have been quantitative restrictions (QRs) which directly limit imports. Although Article XI of GATT prohibits QRs on nonagricultural imports, most developed countries have frequently utilized them, for example against Japanese exports of textiles in the 1950s and since against many manufactured products competitively exported by LDCs and Japan. Under the GATT-sponsored textile arrangements, quotas were explicitly recognized as legitimate tools for import protection. At least in this case a degree of transparency and supervision of state behavior was maintained. More recently, however, use of QRs against LDC exports of manufactures has escalated, and the developed countries have grown to
favor so-called "voluntary export restraints" (VERs) and "orderly marketing arrangements" (OMAs). VERs are (usually secret) accords bilaterally negotiated between industries in importing and exporting countries, with varying degrees of government intervention, up to and including involvement in the actual negotiations. Implementation of a VER—which involves a commitment to limit exports to a given import market to a prescribed level for a prescribed period—is usually left to the industry in the exporting country. Under OMAs, explicit government-to-government negotiations determine the nature of the restraints adopted by the exporting industry and country. In both cases the importing countries may adopt "back up QRs to assure that the restraints are effective." That such export restraints are hardly voluntary is obvious.

Exporting countries are well aware that governments in the importing countries may unilaterally impose much more restrictive arrangements in the absence of a negotiated accord. Thus they tend to acquiesce to a developed country's request for "voluntary" restraint for fear that the alternative will be more harmful. An exporting industry in an LDC may in certain instances be able to increase its profit through collusion among exporters to "create a monopoly element in import supply." However, the benefits to the exporting country as a whole will be reduced as economic activity and employment in the industry either decline or fail to grow because of the VER. Murray and Walter list the many costs that result for an exporting LDC from the imposition of quotas (whether VERs, OMAs or unilaterally imposed by the importing country) against its exports:
Limitations of market access by means of import quotas reduce export demand, export earnings, output and employment in the affected industries. Permanent QR protection of "sensitive" sectors skews trade patterns and industrial structures of exporting countries away from the dictates of international comparative advantage. Exports may flow to third countries at lower prices than would have obtained in the absence of QRs. Hence the /exporter's/ terms of trade deteriorate . . . /and/ the exporting country's gains from international trade and specialization will be smaller.

Permanent QR protection also damages the economies of the exporting countries in a growth context. Instead of permitting exports to reflect domestic shifts in the labour force, capital formation and technological change, these agents of growth have to be channelled into alternative sectors where their contribution to growth . . . will be less. Since existing patterns of comparative advantage in developing countries tend to favour labour-intensive industries, precisely those frequently subject to ORs in the industrial countries, the resultant redirection of the sources of economic growth in such a setting can be damaging indeed.223

Given this lengthy inventory of negative impacts on exporting countries, it is not surprising that QRs on imports of manufactures from developing countries are roundly indicted by many economists.224

Manufactured products exported from Third World countries and Japan to the U.S., Canada, the European Community and other Western European states have borne the brunt of post-1973 protectionist actions. Although it is impossible to measure precisely either the incidence or the impact of the numerous QRs that have been imposed,225 it is not difficult to determine the products most susceptible to such barriers. Murray and Walter observe that U.S. quotas on the imports of manufactures of interest to LDCs are concentrated on the textiles sector, while most European countries maintain in QRs of various sorts as footwear, cutlery, toys, tools and other products in addition to textiles.226 In late 1978 the GATT Secretariat released an "indicative list" of LDC manufactured exports
subject to QRs which illustrates the types of products affected.

Table 10: Indicative List of Manufactures of Apparent Export Interest to LDCs Subject to Measures of Import Restraint in Recent Years

| Clothing, many types | Luggage |
| Carpets             | Plywood |
| Electrical apparatus| Tableware |
| Footwear            | Television sets |
| Iron and Steel, and products thereof | Textile fabrics |
| Leather Goods       | Tyres and tubes |
| Certain light engineering goods | Certain yarn items |

That the major manufactured exports of the LDCs are included in this list is a striking indication of their vulnerability to various kinds of quantitative import restraints. Balassa estimates that in the mid-1970s between three and five percent (US $3-5 billion) of world trade was affected by new quantitative restrictions; an unknown but assuredly substantial proportion of newly-restricted trade was accounted for by manufactured exports from the Third World to the Northern economies.

The "new protectionism" of the 1970s has also been manifested in other policy trends in the developed countries which impact less directly but still significantly on LDC export possibilities. For example, the United States and the EEC have instituted or strengthened their systems of so-called "minimum import prices" which force up the relative price and thus reduce the demand for an imported good. Steel manufactures have been the main target of such policies, and while other OECD states
have been the main victims (especially Japan), "imports from the most efficient producers in developing countries, such as Korea, Brazil, India and Mexico...were curtailed" as well. 229 Far more significant has been the remarkable increase in the developed countries of direct and indirect government aids and subsidies to certain depressed or declining industries. Such aids to industries protect them from import competition and tend to encourage inefficiency and resource misallocation, both nationally and internationally. They can take many forms--outright grants, tax holidays and rebates, employment subsidies, and special credit arrangements. Such policies are usually aimed at fostering or protecting certain industries in particular regions of a country or at preserving employment in a given industry (e.g. textiles). It is no accident that subsidization of industry and employment is very common in labor-intensive industries that are losing the battle of import-competition with low-cost LDC suppliers. 230

Textiles: A Case Study of Protectionism

It is not surprising that the sector most seriously affected by the recession of the 1970s and most susceptible to protectionist pressures was textiles. The textile industry in the advanced industrial countries is the most heavily protected and most labor-intensive industry in the developed world; it is also the sector whose uncompetitiveness vis-a-vis the Third World's manufacturing industries was most marked. From 1963 to 1973, developed countries' imports of textile products from LDCs (Japan is excluded here) increased at an average annual rate of about 15 percent. 231 LDC exports of cotton textiles were of course controlled
under the provisions of the GATT-sponsored textiles arrangement (the LTA), but the emergence of a host of new LDC suppliers not covered by the existing restraint accords negotiated under the LTA—itsel an indication of the growing emphasis on exporting manufactures in many LDCs and of the increasing capacity of Southern economies to contemplate industrial production for the world market—led to a huge, unplanned and unwelcomed jump in OECD imports of cotton textiles in the early 1970s. In addition, LDC exports of non-cotton textiles, which were not included under the LTA, were expanding even more rapidly. Table 11 provides data.

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<thead>
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<th>Table 11: OECD Imports of Textiles from LDCs (in percent)</th>
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<tr>
<td>1961-70 Annual Growth Rate</td>
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<tr>
<td>----------------------------</td>
</tr>
<tr>
<td>Cotton Textiles</td>
</tr>
<tr>
<td>Wool Textiles</td>
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<tr>
<td>Synthetic Textiles</td>
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<tr>
<td>Other</td>
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<td>Total</td>
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Developing countries were also exporting increasing volumes of clothing to the North in the late 1960s and early 1970s. In 1968 their clothing exports to the OECD region were worth U.S.$.71 billion, this grew to $1.2 billion by 1970 and then almost tripled to $3.23 billion by 1973. In fact, the GATT textile agreements covering cotton textiles were a major reason for the branching out of developing countries into more sophisticated lines of production. Then too such a trend toward the manufacturing of more sophisticated types of products is a well-known phenomenon in the
industrialization process. It is quite natural for a country producing a simple commodity or manufactured good to advance to higher stages of production (processing a commodity; upgrading the quality or form of a basic manufactured item) as its economic development progresses. Indeed, this pattern is what economists have in mind when they speak of industrialization and development. In any case, the existence of the GATT LTA, which restricted cotton textile exports from the South to the North, provided an incentive for LDC suppliers to search for new products to export and upgrade their existing exports. They thus diversified "into different textile exports, notably knitted fabrics and man-made fibres, and into the export of clothing, which were not covered by the GATT agreements."  

In response to the predictable rising chorus of complaints from domestic textile and clothing industries about the growth of imports from so-called "low wage" countries, the advanced industrial countries insisted that the GATT LTA be renegotiated to include both new LDC suppliers of cotton textiles and other textile and clothing products. As in the case of the original and renegotiated versions of the LTA, there was little the LDCs could do to dissuade the Northern countries from this course, and as a result the new GATT Multifibre Arrangement (the MFA) agreed to in December 1973 covered "tops, yarns, piecegoods, made-up articles, garments and other textile manufactured products...of cotton, wool, man-made fibres, or blends thereof..." The coverage of new LDC suppliers was a bitter blow to Third World countries just beginning to manufacture for export, since cotton textiles tend to be the basic "building block" of the industrialization process. And the expansion of the textile control scheme
to include all manner of non-cotton textile products and clothing as well was, needless to say, not welcomed by older LDC suppliers who had purposely branched out to other textile products and clothing to escape the cotton textile restrictions of the LTA.

The provisions of the MFA were broadly similar to those of its predecessor, the 1970 LTA. The notion that the arrangement was to be "temporary"—patent fiction—continued to be reflected in the arrangement. The "orderly expansion" of trade in textiles and clothing—not the legitimization of quotas and protectionism in a sensitive sector—was said to be the primary goal. However, Articles 3 and 4—the heart of the MFA—legitimized both unilateral quota schemes to control imports from exporting states and bilateral accords having the same effect. In the case of unilaterally imposed quotas, imports from a given supplier could be frozen at the previous year's level for one year only; thereafter, a 6 percent annual growth rate was called for. Bilaterally negotiated accords could of course provide for higher growth rates. To protect very small exporters with miniscule market shares, it was agreed that restrictions would not apply to them. A new body, the Textiles Surveillance Body (TSB), was created "to supervise the MFA and . . . make recommendations to participant governments regarding their actions in relation to the MFA, and in the event of disputes." Although creation of the TSB promised closer surveillance of the actions of importing countries and held out the prospect that their definition of "market disruption" would accord with the rather strict definition of the MFA, in fact the unilateral character of restraints imposed by the developed countries was not altered. In addition, the
"minimum" 6 percent growth figure for LDC exports was well below recent growth trends. The recession wreaked havoc with LDC textile exports to the North in any case, although clothing exports were not so seriously affected:

Table 12: LDC Exports of Textiles and Clothing to the *Industrial Countries
(U.S.$billion)

<table>
<thead>
<tr>
<th></th>
<th>Textiles</th>
<th>Clothing</th>
</tr>
</thead>
<tbody>
<tr>
<td>1972</td>
<td>1.30</td>
<td>2.27</td>
</tr>
<tr>
<td>1973</td>
<td>2.38</td>
<td>3.23</td>
</tr>
<tr>
<td>1974</td>
<td>2.79</td>
<td>3.91</td>
</tr>
<tr>
<td>1975</td>
<td>2.30</td>
<td>4.48</td>
</tr>
<tr>
<td>1976</td>
<td>3.20</td>
<td>6.80</td>
</tr>
</tbody>
</table>

* GATT data; Yugoslavia classed as industrial country; S. Africa, New Zealand and Australia excluded from consideration

It should be noted that high international inflation during the 1973-76 period meant that the "real" value of 1976 LDC exports of textiles was scarcely more than that of 1973. On the other hand, a fairly significant real increase in the value of clothing exports to the North was registered.

The MFA allowed the importing developed countries to control, or at least partially control, the pace of growth of imports from the most competitive suppliers and thus to protect their domestic industries from too rapid a decline. However, the EEC in particular was unhappy with the modest growth rates that obtained under the first MFA, especially for clothing. Pressure from France and Britain--the latter a new member of the Community--to resist any further reductions in their domestic textile and clothing
industries led the EEC Commission to take an extremely intractable stance when the MFA was renegotiated in late 1977. Largely as a result of the position of the EEC, the provision in the 1973 MFA specifying a minimum 6 percent annual growth rate for individual LDC signatories' exports of textiles and clothing was watered down so that this figure became only a "notional" target for the 1978-82 MFA. And as Balassa makes clear, in practice the situation for LDC exporters has been much worse than under the first MFA:

... the European Common Market that forced the adopted of the revised rules at the behest of France and the United Kingdom has required that the largest developing country exporters reduce their 1978 exports of textiles and clothing to the EEC to below the 1976 level (the relevant figures are -9 per cent for Hong Kong, -7 per cent for Korea, and -25 per cent for Taiwan). And while better overall terms are provided to very poor countries, the total imports of eight sensitive products, accounting for 62 per cent of EEC imports of textiles and clothing from developing countries, will decline below the 1976 level in 1978 and will increase only slowly afterwards, with growth rates in the 1978-82 period ranging from .3 per cent a year for cotton yarn to 4.1 per cent a year for sweaters. Import growth rates [overall] ... will remain much below 6 per cent. And while other importing countries members of the MFA have not followed protectionist policies to quite the same extent as the EEC, nonetheless the rate of growth of imports of textiles and clothing from LDCs into these countries for the 1978-82 period is also likely to be substantially less than 6 percent annually.

Thus in spite of (or perhaps because of) the critical importance of textiles and clothing to developing countries seeking to expand their exports of manufactured products to the capitalist North, the trend in the 1970s was toward the virtual closure of many developed countries' markets
to further import penetration from low-cost sources of supply. In the case of textiles, for example, although total OECD imports have grown from $4 billion to over $20 billion in the 1963-77 period, the LDC share actually increased by about 1 percent! This statistic seems truly incredible in light of the pattern of global comparative advantage in textile production, but it is a reflection of protectionist domestic policies and the tremendous importance of intra-OECD trade. The situation in clothing has been more favorable from the perspective of the LDCs, with their share in total imports of clothing into the OECD area rising to 40 percent.

<table>
<thead>
<tr>
<th>Source of Imports</th>
<th>1963</th>
<th>1977</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>LDCs</td>
<td>OECD</td>
</tr>
<tr>
<td>Textiles</td>
<td>.6 (.15%)</td>
<td>3.3 (82.5%)</td>
</tr>
<tr>
<td>Clothing</td>
<td>.2 (13%)</td>
<td>1.2 (80%)</td>
</tr>
</tbody>
</table>

What is remarkable about these figures is the extent to which the developed countries continue to export such products as textiles and clothing to each other. And it is by no means just Japan that is involved in this intra-OECD trade as an exporter: Japan accounted for only U.S.$.7 billion of total OECD textile imports of over $20 billion in 1977, and for only $.3 billion of total clothing imports of some $19 billion in the same year. Rather, the Southern European countries (classified as developed in this study) and Italy are major contemporary exporters to the OECD economies. The inclusion of Spain, Greece and Portugal within the EEC in the near future will mean
that these countries will gradually achieve free access to the markets of other Community states; this will further harm the trade interests of LDCs who can competitively produce and export textiles and clothing to developed countries.

The LDCs have sought to pressure the developed signatories to the MFA to live up to the spirit of the accord and GATT's liberalization principle more generally. Within GATT--particularly the Textiles Committee and the TSB--constant complaints have been lodged against developed countries' protectionist practices. LDCs have "pointed to the stagnating share of developing countries as a whole in world exports of textiles . . . during the life of the Arrangement." Fears that market closure may affect clothing exports in the near future have also been voiced. In regard to adjustment policies on the part of Northern governments to gradually reduce the size of their domestic textile and clothing industries, LDCs tend to question whether "any serious efforts have been made to bring about adjustments in the patterns of production and trade with a view to provided increased access to exports from developing countries." Such agitation and complaints appear to have accomplished little from the exporters' perspective. Power lies in the hands of the importing governments. While the LDCs may have benefited from the fact that there has been an agreement at all, it is difficult to demonstrate how the multilateral control and supervision of market access for exports of textiles and later clothing has significantly constrained Northern governments.
Trade Bargaining in GATT and UNCTAD

As noted previously, the basic North-South bargaining concerning the principles governing trade barrier and market access issues in international trade relations took place prior to the period presently under review. However, several important developments did occur in the mid- and late 1970s which were of significance to the growing number of Third World countries involved in exporting manufactured products to the capitalist North. Most critically, a seventh "round" of trade negotiations in GATT finally got underway in a concrete sense by 1975, following two years of virtually no forward movement during the domestic political and economic turmoil gripping the United States. It was only in the context of these GATT negotiations that LDCs could achieve tangible progress in their ongoing struggle to obtain improved access to developed country markets. But if the main action was taking place in GATT, the more visible and acrimonious discussions and debate, not only in respect of access for LDC manufactured exports but on all manner of North-South economic issues, was taking place in the United Nations and UNCTAD as the Third World unveiled its ambitious (to say the least) blueprint for a so-called "New International Economic Order" (NIEO). These events will be briefly reviewed here, with major attention being focused on the Tokyo Round of GATT trade negotiations. In fact, most of the proposals put forward by the LDCs within the UN during this period related to issues other than market access; the NIEO scheme contained a host of component parts dealing with commodity price stabilization, debt relief, reform of monetary relations, technology transfer, and the roles of multinational enterprises in the Third World. Paradoxically,
as market access for many LDC exports became more problematic in the 1970s, concern within UN bodies was shifting to other issues.

Following the discussion of the nature and outcomes of North-South negotiations concerning access for LDC manufactured exports, a final overview of the relevant data for this period will be presented.

In each of the years 1974-76, crucial North-South bargaining sessions were held in the United Nations regarding the South's demands for a NIEO. In 1974, the Sixth Special Session of the UN witnessed the unveiling of the NIEO scheme, and a Declaration and a Programme of Action were passed, over the objection of most Northern governments. At the Seventh Special Session, held in 1975, a measure of consensus between North and South was achieved and a resolution entitled Development and International Economic Cooperation was passed without dissent. Finally, at the first UNCTAD session following the launching of the campaign for a NIEO (UNCTAD IV, held in Nairobi in May 1976), the Third World forced the passage of a large number of resolutions dealing with a variety of economic matters, the most important of which was a call for a monumental Integrated Program for Commodities backed by a multi-billion dollar Common Fund to stabilize prices for LDC commodity exports. At each of these negotiating sessions, the issue of access to developed countries' markets for LDC exports of manufactures (and other products) was addressed, but in no case was it a major theme. The key resolutions passed at the Sixth and Seventh Special Sessions (3202 S-VI and 3362 S-VII, respectively) reiterated the LDCs' desire to see the GSP expanded, extended and improved. Resolution 3202 called for compliance by the developed countries with the principle of differential
treatment in respect to the use of trade barriers--i.e., for the rapid removal of tariffs and NTBs on products of export interest to the Third World. Resolution 3362 restated this objective in the context of the Tokyo Round negotiations then finally underway:

Developed countries should take effective steps within the framework of the multilateral trade negotiations for the reduction or removal, where feasible and appropriate, of non-tariff barriers affecting the products of export interest to developing countries on a differential and more favourable basis for developing countries.

The UNCTAD session saw the passage of Resolution 96 (IV), which called for improvement and extension of the GSP; adherence by the developed countries to the standstill provisions already accepted by them earlier; and a greater commitment on the part of Northern governments to adjustment assistance for declining industries. In addition, Resolution 91 (IV) recommended adherence to the principle of non-reciprocity in the GATT trade negotiations; "immediate agreement on the application of differential measures in favour of developing countries in all areas of the negotiations"; advance implementation of all concessions agreed to with respect to LDC exports; and "the immediate elimination of quantitative restrictions and other non-tariff barriers affecting exports of developing countries." (The developed countries supported 96 (IV) and 91 (IV).)

While the LDCs continued to make use of their numerical superiority and control over the agenda in UN bodies to put their views and proposals forward, the simple fact was that, at least for purposes of negotiating accords regarding improved access to Northern markets, GATT was the locus of real decision-making. The developing countries who participated in the
Tokyo Round—and their number was considerably higher than formal LDC members of GATT alone—had several objectives. First, they wanted to protect the tariff margins they enjoyed under the GSP from serious erosion as a result of large, across-the-board MFN tariff reductions sought by the United States and several other Northern countries. Second, they hoped to obtain large tariff reductions for those products of particular export interest to the Third World which, like textiles, tended to face higher trade barriers than products traded mainly among the OECD countries. Third, they vigorously sought to promote the principle of differential treatment during the negotiations, especially in connection with the detailed bargaining contemplated for a variety of non-tariff barriers. The Tokyo Round marked the first serious attempt to tackle NTBs in GATT; negotiating sub-groups were quickly created to address quantitative restrictions, technical barriers to trade, customs valuation matters, subsidies and countervailing duties, and government procurement practices. Fourth, the LDCs desperately wanted to see the emergence of a new GATT safeguards code to replace the largely ineffective Article XIX, since they hoped that by bringing within GATT's regulatory and supervisory ambit the numerous extra-legal import restrictions imposed by developed countries against their exports (e.g. VERs and OMAs) the rising tide of protectionism could be slowed somewhat. Finally, developing countries members of GATT wanted to change certain of GATT's legal provisions by, for example, inserting new rules recognizing the permanent legal legitimacy of the GSP and changing existing Article XVIII rules to permit more flexibility for LDCs seeking to establish infant industries or to protect their balance-of-
payments. During the negotiations, the developing countries were persistent and vigorous proponents of their cause, contrary to the more passive approach taken in many previous GATT rounds.

Although the major industrial countries were primarily concerned, as in previous GATT rounds, with issues important for their trade relations with each other, far more attention was devoted to LDC concerns than had been the case in the Kennedy Round. The "Tokyo Declaration," issued at the start of the negotiations in 1973, noted that reciprocity was not to be expected of the LDCs, that the GSP ought to be safeguarded, that market access for LDC exports had to be liberalized, and that differential treatment in connection with negotiations on NTBs would be granted to the participating LDCs. When the negotiating groups were set up in November 1975, one dealing with tropical products was established due to the keen interest of the Third World in improved market access for such exports. And the developed countries agreed in late 1976 that a seventh group would be set up to specifically address LDC concerns related to the legal framework of GATT.

Insofar as LDC manufactured exports are concerned, four key issues stand out: the tariff cuts made in the Tokyo Round and their impact on LDC export interests; the implications of the Tokyo Round for the GSP; the treatment of the LDCs in the codes negotiated on NTBs; and the results of the Tokyo Round in terms of elaborating a new safeguard system that would exert greater control over unilateral and secretive import restrictions maintained by developed countries on a wide range of products, mostly manufactures imported from LDCs. Each is considered briefly below.
(i) Tariffs: Like the Kennedy Round, the Tokyo Round adopted a "linear" tariff reduction formula. Nine developed countries (counting the EEC as one) were prepared to go the linear route, but major disagreement about the extent to which tariffs should be "harmonized"—pitting the U.S. which favored a large linear cut against the Community which sought a smaller cut and a harmonization element—delayed agreement on a formula until 1979. Since the LDCs were not party to the deliberations over linear tariff cuts, they were unable to exercise any leverage during this phase of the negotiations. More importantly, when the developed countries drew up their predictably lengthy "exceptions lists" of products to be excluded from linear tariff cuts, numerous products of interest to LDC exporters of manufactures were included: "The total or partial exceptions covered textile items for which developing countries were the most significant exporters, as well as other sectors such as footwear, leather goods, cutlery, porcelain, wood and wood products . . . and certain types of non-ferrous metals." And whereas the average reduction on manufactured items as a whole was about one-third, for manufactures exported by the LDCs in significant volumes the average reduction was only about one-quarter. As in the Kennedy Round, the GATT Secretariat spoke optimistically of the greater tariff cuts on products of potential interest to LDC exporters of manufactures; but once again this was little consolation for most Third World countries. Not only were tariff reductions on manufactures of current export interest to LDCs far less than they had hoped, but many of the products in which they were most competitive internationally—e.g. textiles, clothing, footwear, leather goods, certain consumer electrical
manufactures like radios and appliances—were faced by a bewildering array of quantitative and other non-tariff restrictions.

(ii) Impact on GSP: In order to understand the concerns of the LDCs regarding the possible erosion of their GSP preference margins as a result of MFN cuts agreed to by the developed donor countries during the Tokyo Round, it must be noted that although many products in which they enjoyed a clear comparative advantage were excluded from most countries' GSP schemes, nonetheless a certain range of manufactures were included in which LDCs were increasing their exports. They hoped that during the next decade the preference margins they enjoyed on these products would facilitate the establishment and expansion of their industrial capability in these sectors.

A detailed UNCTAD analysis found, for example, that the erosion of GSP margins through large MFN tariff reductions on the part of the Northern countries would impact negatively on LDC export possibilities in a large number of products, including rubber tires, footwear, wood semi-manufactures, unwrought aluminum, rolled steel, numerous machine parts, and radios. A number of economists also suggested that LDCs would suffer if MFN tariffs were reduced significantly on certain classes of manufactures, although some of their colleagues argued the contrary position, namely that LDCs stood to gain more from large MFN reductions than from the safeguarding of GSP margins. The salient point for present purposes is that most LDCs thought the GSP margins were worth protecting from the onslaught of large, generalized MFN tariff cuts, and they thus pressed for some recognition of this during the negotiations. They also sought to extend the list of eligible products, tighten the criteria for safeguard action by donor states, and achieve legal recognition of the GSP in the General Agreement (thereby
obviating the need to obtain another waiver in 1981). 262

During the negotiations the LDCs made several suggestions concerning ways in which their GSP margins could be protected to some extent. Table 14 summarizes the major relevant LDC proposals and the eventual outcomes associated with these.

Table 14: LDC Proposals to Safeguard GSP Margins 263

<table>
<thead>
<tr>
<th>LDC Proposal</th>
<th>Apparent Outcome of Round</th>
</tr>
</thead>
<tbody>
<tr>
<td>expand country and product coverage of GSP schemes</td>
<td>no commitments from donor states</td>
</tr>
<tr>
<td>raise/eliminate safeguard and &quot;competitive need&quot; ceilings and criteria</td>
<td>no commitments from donor states</td>
</tr>
<tr>
<td>guarantee preference margins (i.e. agree not to change them unilaterally in the future)</td>
<td>no commitments from donor states</td>
</tr>
<tr>
<td>compensate LDCs for erosion of GSP margins resulting from MFN formula reductions</td>
<td>no commitments from donors</td>
</tr>
<tr>
<td>institute smaller, less-than-formula MFN cuts for products currently eligible for GSP</td>
<td>unclear; US definitely opposed</td>
</tr>
<tr>
<td>slower phase-in of MFN cuts on products eligible for GSP</td>
<td>no commitments by donor states</td>
</tr>
<tr>
<td>recognize legal legitimacy of GSP in GATT</td>
<td>agreed by donors</td>
</tr>
</tbody>
</table>

As Table 14 makes clear, the LDCs failed to convince the major developed countries to structure their tariff-cutting agreement in such a way as to minimize damage to GSP margins of preference. The developed GATT members did, however, consent to recognize the GSP as a more or less permanent
legal fixture of the international trade system, thus making the securing of another waiver to authorize the continuation of the GSP unnecessary. The LDCs suffered from the fact that the bargaining over a tariff-cutting formula took place among a select group of developed countries, who basically "refused to consider . . . the GSP in negotiations over MFN tariff reductions." 

(iii) Developing countries and the NTB Codes: The most significant achievement of the 1973-79 Tokyo Round was undoubtedly the set of agreements reached to regulate the use of several non-tariff measures that impede trade. Attempts to address NTBs had largely failed during the Kennedy Round, but with the lowering of tariffs the impact of non-tariff measures was now generally perceived as the central problem area of trade relations, at least in GATT. Several negotiating sub-groups were established after 1975 to seek agreements on the closer regulation of subsidies and countervailing duties, import licensing practices, customs valuation methods and various technical barriers to trade arising through national health and safety regulations. GATT rules in these areas were perceived as weak, outmoded and/or ineffective by the major industrial countries. In addition, and again at the urging of these countries, an effort was made to open up government procurement to foreign suppliers. Article III of GATT specifically excludes government procurement from the various strictures against discriminatory treatment of imports; the United States in particular sought to increase the access of the industrial countries to each other's markets for government procurement, an increasingly large proportion of GNP for most states.
Again, as in the case of the negotiations over tariff cuts it was the developed countries who dominated deliberations in the NTB sub-groups.²⁶⁸ But, perhaps surprisingly, the developing countries were able to obtain the agreement of the Northern countries that the principle of differential treatment discussed earlier would be reflected in any NTB accords reached in the negotiations. In fact, the codes agreed to in the Tokyo Round are the first concrete manifestations of the developed countries' willingness to implement the principle of differential treatment to which they had earlier agreed (or acquiesced). The detailed provisions of the codes cannot be discussed here,²⁶⁹ but Table 15 offers a summary of the special treatment accorded LDCs under the terms of the five codes. Although our concern here relates to how the LDCs might receive differential treatment from the developed countries in the NTB policies of the latter, it must be recognized that each code also grants the LDCs who become signatories a wider latitude for their own use of NTBs than is permissible for developed signatories; this is another dimension of differential treatment, and one with a long history in GATT insofar as developing countries are concerned.

To the extent that these NTB accords are implemented faithfully by the developed countries—who were the main participants in the NTB discussions—the developing countries will of course benefit through the closer regulation of NTB measures and the increased transparency introduced into trade policy. But this has nothing to do with any differential or special treatment accorded the LDC signatories. In fact, the differential treatment of LDCs by developed countries required by the codes is extremely
Table 15: Differential Treatment in Tokyo Round NTB Codes

<table>
<thead>
<tr>
<th>Code</th>
<th>Differential Treatment in LDCs' NTB Policies</th>
<th>Differential Treatment Accorded to LDCs by Developed Signatories</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subsidies/Countervailing Duties</td>
<td>LDCs, but not DCs, permitted to use export subsidies on industrial products</td>
<td>LDCs not subject to countervailing actions if their exports displace those of another signatory in third markets</td>
</tr>
<tr>
<td>Customs Valuation</td>
<td>LDCs may postpone implementation of Code for five years</td>
<td>-</td>
</tr>
<tr>
<td>Import Licensing</td>
<td>-</td>
<td>In allocating import licenses, &quot;special consideration&quot; to be given to importers importing goods exported by LDCs</td>
</tr>
<tr>
<td>Technical Barriers</td>
<td>LDCs have greater latitude to employ technical regulations as they see fit</td>
<td>-</td>
</tr>
<tr>
<td>Government Procurement</td>
<td>LDCs may exclude government &quot;entities&quot; from foreign competition for purposes of economic development</td>
<td>LDC suppliers to be given special consideration</td>
</tr>
</tbody>
</table>

modest. An indication of the dissatisfaction of the developing countries with the codes may be gleaned from the fact that only a few have acceded to them. When the Tokyo Round formally ended in April 1979, Argentina was the only LDC to sign the NTB agreements; since then a few others have done so, mostly the NICs, but the vast majority have elected to boycott the new NTB arrangements, apparently because the extent to which differential treatment was recognized by the codes is insufficient.
(iv) **Safeguards**: Had the Tokyo Round produced an agreement on the use of safeguards that brought within the competence and scrutiny of GATT the rapidly escalating number of secret bilateral and unilateral restrictions on imports deemed by Northern governments to cause "market disruption" in "sensitive" sectors, then the entire round would have been a success from the perspective of LDCs. For as noted in the discussion of the rise of protectionism, the proliferation of extra-legal VERs, OMAs and other types of quantitative import restrictions outside of the framework of GATT is an extremely negative trend in multilateral trade relations for LDC exporters of manufactures. During the Tokyo Round, the LDCs sought both to bring these practices back within the GATT and to ensure that strict criteria be applied in the determination of "market disruption" by importing governments. They also argued vigorously that clearly specified time limits be imposed in connection with safeguard actions undertaken by developed countries against LDC exports. Agreement on a Safeguards Code could not be reached. The central obstacle to agreement derived from the insistence of the EEC that selective (i.e. discriminatory) safeguard actions be permissible under the terms of any new GATT rules. The LDCs and Japan were equally adamant that such selectivity was unacceptable; they wanted to retain the provision of GATT's existing safeguard rule (Article XIX) to the effect that any emergency quotas or tariffs be imposed in a non-discriminatory fashion, not against imports from a particular contracting party deemed to be the source of the problem. This the European Community refused to accept. In fact, the Community was quite happy with the existing approach to safeguards and was not anxious to have its behavior critically scrutinized.
in GATT. Moreover, the EEC felt strongly that the ability to apply safeguards selectively was indispensable given its free trade treaties with other Western European states and special trade arrangements with a host of LDCs under the Lôme Convention. In the absence of the right to invoke selective safeguards, the EEC would have to impose quotas against imports of, say, footwear from Sweden, Norway and its African allies in addition to Hong Kong and Taiwan, even though the latter two countries were the real cause of "market disruption." The United States, Canada and other developed countries were prepared to see a strengthening of the criteria associated with the use of safeguards and wished to reassert GATT authority in this crucial area. But the intractable stance of the EEC brought the negotiations to a standstill.  

The amount of time that has elapsed since the conclusion of the Tokyo Round is insufficient to permit an elaborate appraisal of the significance of the tariff, NTB and other accords for LDCs involved in world manufactures trade. Whether the erosion of GSP margins as a result of the large MFN tariff reductions agreed to by the developed countries will be offset by an expansion of LDC export opportunities thanks to those same MFN tariff cuts is difficult to say, and as noted responsible economists differ on this question. However, one consequence of the Tokyo Round may be that the future viability of the GSP will be threatened if the erosion of tariff margins does produce extensive negative results for the LDCs. On the other hand, the principles of tariff preferences, non-reciprocity and differential treatment were granted formal legal status within the General Agreement in November 1979, when
the contracting parties voted to make an "enabling clause" a part of GATT law. This provided a firm legal basis for treating the LDCs differently than other contracting parties. Specifically, the "enabling clause" permitted the following in relation to the LDCs:

(a) Preferential tariff treatment accorded by developed contracting parties to products originating in developing countries in accordance with the Generalized System of Preferences;
(b) Differential and more favourable treatment with respect to the provisions of the General Agreement concerning non-tariff measures governed by the instruments multilaterally negotiated under the auspices of the GATT;
(c) Regional or global arrangements entered into amongst less-developed contracting parties for the mutual reduction or elimination of tariffs and, in accordance with criteria or conditions which may be prescribed...for the mutual reduction or elimination of non-tariff barriers, on products imported from one another;
(d) Special treatment of the least developed among the developing countries in the context of any general or specific measures in favour of developing countries.275

The "enabling clause" also restated the previous GATT commitment by the developed countries not to seek or expect reciprocity from LDCs during trade negotiations.276 On the other hand, the developed countries insisted, as a concession on the part of the LDCs for the North's acceptance of the "enabling clause" as a whole, that a so-called "graduation" provision be included in the new framework of GATT law. This latter provision stated that as LDCs progressively developed, "they would accordingly expect to participate more fully in the framework of rights and obligations under the General Agreement."277

LDC Reaction to the Tokyo Round and UNCTAD V

UNCTAD V, held just weeks after the conclusion of the Tokyo Round, gave the Third World as a whole and the ever active UNCTAD Secretariat
an opportunity to react collectively to the latest round of GATT negotiations. That the LDCs generally were dissatisfied with the Tokyo Round results with respect to both tariff reductions and differential treatment in connection with the NTB accords was no secret. As mentioned, only Argentina acceded to the NTB accords at the close of the Tokyo Round. (Several other LDCs later joined the committees set up to administer the codes and signed the latter as well.) The UNCTAD Secretariat was highly critical of the erosion of GSP margins occasioned by the deep MFN cuts, noting that

practically all industrial products covered by GSP will be subject to MFN tariff cuts and there will be a significant erosion of existing GSP margins. While sensitive industrial products, which are excluded from the majority of schemes, will be placed on full or partial exceptions lists and there will be no MFN tariff cuts.

Criticism of the lukewarm codification of the principle of differential treatment in the NTB Codes and of the absence of an agreement concerning safeguards was also voiced by the Secretariat. Many LDCs shared this pessimistic orientation judging from the deliberations at the session. The Third World failed at UNCTAD V to secure the passage of a resolution calling for comprehensive "industrial restructuring" of the international economy and division of labor. This sweeping request proved too much even for those developed countries quite sympathetic to many LDC demands. And the attempts by the Group of 77 and the Secretariat to pass a resolution strongly condemning increasing protectionism in the industrial countries were also defeated by the opposition of the latter; instead of providing for an expanded role for UNCTAD in the surveillance and negotiations related to protectionist practices in
the North, as the LDCs had sought, the resolution eventually passed by consensus merely called on the Trade and Development Board to monitor and make recommendations regarding protectionist trends.\textsuperscript{282} Once again the unsuitability of UNCTAD as a locus for the regulation of trade barrier practices and the reaching of commercial bargains was illustrated.

Conclusion and Overview of the Post-1973 Period

In spite of the strengthening of protectionist currents in their primary export markets, the developed countries, the LDCs continued to increase their exports of manufactures during the 1973-79 period. However, as the following table makes clear, the 1974-5 recession did exert a strong negative influence on growth. Moreover, high world inflation during this period should be recalled in evaluating the export performance of the LDCs; hence the volume index included in Table 16 bears close scrutiny if one wishes to discern the real underlying trend.

<table>
<thead>
<tr>
<th>Year</th>
<th>Volume</th>
<th>Value</th>
<th>Volume</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1973</td>
<td>190</td>
<td>209</td>
<td>151</td>
<td>205</td>
</tr>
<tr>
<td>1974</td>
<td>177</td>
<td>268</td>
<td>164</td>
<td>279</td>
</tr>
<tr>
<td>1975</td>
<td>189</td>
<td>242</td>
<td>166</td>
<td>267</td>
</tr>
<tr>
<td>1976</td>
<td>244</td>
<td>340</td>
<td>203</td>
<td>354</td>
</tr>
</tbody>
</table>

Unfortunately, GATT data relating to value and volume indices are not available for the post-1976 period. Between 1976 and 1977, a very modest increase of approximately 7-8 percent in nominal value terms occurred
for LDC exports of manufactures, both the North and the world as a whole. But between 1977 and 1978, LDC exports of manufactured products to the North grew by some 15 percent, while total exports increased slightly less but still significantly (again in nominal value terms).\textsuperscript{284}

In terms of the product composition of Third World manufactured exports, Table 17 provides an indication of the trend during the 1970s.

\begin{table}[h]
\centering
\begin{tabular}{lcc}
\hline
\textbf{Table 17: Product Composition of LDC Exports of Manufactures} & \textbf{1973} & \textbf{1977} \\
\hline
Textiles & 17 & 14 \\
Iron and Steel & 4 & 4 \\
Plywood and Paper & 4 & 2 \\
Other & 16 & 15 \\
Subtotal: semimanufactures & (41) & (35) \\
Engineering Products & 26 & 29 \\
Other Finished Products & 33 & 36 \\
Total & (100) & (100) \\
\hline
\end{tabular}
\caption{Product Composition of LDC Exports of Manufactures (percent share)}
\end{table}

The trend during the 1970s appears to indicate a shift away from the exporting of simpler manufactures, which are characterized by less "value-added" in the production process and fewer "spinoffs" to the domestic economy as a whole, to the production for export of more engineering products (industrial machinery; office, telecommunications and electrical equipment; and transport equipment) and finished goods (clothing; footwear; leather goods; toys; and miscellaneous finished products).\textsuperscript{286} These latter classes of manufactured products, and especially those falling
in the category of engineering manufactures, are potentially very valuable exports for the Third World inasmuch as they provide large export earnings and extensive spin-offs and tend to be protected by very low tariffs and virtually no quantitative restrictions in the Northern economies. On the other hand, few LDCs are capable, or will soon be capable, of producing let alone exporting such products.

Finally, it must be emphasized that throughout the 1970s a handful of LDCs continued to account for the vast bulk of LDC manufactured exports. The following table provides some data on the shares of various LDCs and groups thereof in world exports of manufactures.

<table>
<thead>
<tr>
<th></th>
<th>1963</th>
<th>1973</th>
<th>1977</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yugoslavia</td>
<td>.4</td>
<td>.55</td>
<td>.6</td>
</tr>
<tr>
<td>Brazil</td>
<td>.05</td>
<td>.35</td>
<td>.41</td>
</tr>
<tr>
<td>Mexico</td>
<td>.17</td>
<td>.64</td>
<td>.51</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>.76</td>
<td>1.05</td>
<td>1.15</td>
</tr>
<tr>
<td>Korea</td>
<td>.05</td>
<td>.78</td>
<td>1.20</td>
</tr>
<tr>
<td>Taiwan</td>
<td>.16</td>
<td>1.04</td>
<td>1.23</td>
</tr>
<tr>
<td>Singapore</td>
<td>.38</td>
<td>.46</td>
<td>.52</td>
</tr>
<tr>
<td>Other LDCs</td>
<td>2.70</td>
<td>2.34</td>
<td>1.55</td>
</tr>
<tr>
<td>Total LDCs</td>
<td>4.67</td>
<td>7.21</td>
<td>7.10</td>
</tr>
<tr>
<td>Share of &quot;Big 7&quot; in total LDC Exports</td>
<td>(42)</td>
<td>(67.5)</td>
<td>(78)</td>
</tr>
</tbody>
</table>

The dominance of this small number of LDCs, and in particular its increasing trend, provides a striking illustration of Third World "inequality" in this critical issue area.
Notes to Chapter 2

1 Thomas Morrison, Manufactured Exports From Developing Countries (New (York: Praeger, 1976), pp. 18-21, 91-3.


8 On the demise of the ITO, see William Diebold, The End of the ITO (Princeton: Princeton University, 1952).


10 Ibid., p. 11


12 Ibid., pp. 41-2, 224-5.
13 UN Document EPCT/A/PV.22, 1947, p.43


15 Kock, p. 224.


17 The essential dynamic of negotiations on a particular product involved an importing country and its principal supplier of the imported product, leading to what became known as the "principal supplier rule." However, other suppliers which accounted for at least 10 percent of a country's imports of a product could also be involved in negotiations after 1960; they would be asked to "pay" for more liberal access to a given market by offering improved access to their own market for a product (or products) of which the latter country was a principal or major supplier provided they supplied at least ten percent of the good in question to that country and it in fact lowered its tariff on that good. See Victoria and Gerard Curzon, "The Management of Trade Relations in the GATT," in Andrew Shonfield, ed., *International Economic Relations of the Western World, 1959-71: Volume I, The Politics of Trade* (Oxford: Oxford University Press, 1976), pp. 172-3.

18 Evans, p. 10.


21 Kock, pp. 100-102.


23 Evans, p. 21.

24 Article XXVIII bis of the General Agreement, added in 1955, constitutes the clearest articulation of the concept of reciprocity, though even it simply states that negotiations are to be conducted "on a reciprocal and mutually advantageous basis...".
25 Evans, p. 5; Victoria and Gerard Curzon, "The Management of Trade Relations in the GATT," p. 156.

26 Evans, p. 6.

27 But note that the West Europeans were not expected by Washington to actually make their negotiated concessions effective for most of the 1950s since they were, with American aid and encouragement, in fact discriminating against American trade in order to bolster their economies. Fred Hirsch and Michael Doyle, "Politicization of the World Economy," in Hirsch, Doyle and Edward Morse, Alternatives to Monetary Disorder (New York: McGraw-Hill, for the Council on Foreign Relations, 1977), p. 30.


29 Jackson, p. 244.


31 Dam, pp. 18-19.


34 Jackson, p. 101; Curzon, Multilateral Commercial Diplomacy, p. 45.

35 See Dam, pp. 25-31.

36 See BISD, Second Supplement, 1954, p. 6. Greece, Turkey and South Africa are not counted here as developing countries.

37 BISD, Sixth Supplement, 1958, p. 9; BISD, Ninth Supplement, 1961, pp. 13-14. Note that Linder (p. 16) adds up the number of underdeveloped countries negotiating at the various tariff conferences and thus comes up with larger numbers than reported here. We are at present concerned only with the number of LDCs actually members of GATT; Linder is interested in LDCs that also consider membership and bargain in a conference in order to "pay" for admission; some of the latter participate in conferences but choose not to formally apply for admission (e.g., the Philippines).

38 Linder, p. 17.

39 Ibid., p. 16

41 Kock, p. 236.


43 Ibid., p. 8.

44 Kock, p. 237. Dam, p. 228, argues that the publication of the Haberler Report marked the major "turning point in GATT's relations with less developed countries...".

45 Derived from Networks of World Trade, Table A-3. Industrial countries include all OECD members and Malta and Yugoslavia in GATT's figures. All other countries are classified as developing, except the following: Albania, Bulgaria, Czechoslovakia, East Germany, Hungary, Poland, Romania, the Soviet Union, China, Mongolia, North Korea, Viet Nam. These are called members of the "Eastern trading area." Networks, p. 25.

46 For example, Morrison, Appendix.

47 Networks of World Trade, Table A-3.


49 Ibid., p. 138.


51 Ibid., p. 124.

52 See ibid., pp. 144-54; BISD, Tenth Supplement, 1962, pp. 176-9.

53 Ibid., pp. 178-81.

54 Information in the following two paragraphs is drawn from BISD, Ninth Supplement, 1961, pp. 186-98, and Dam, pp. 229-233.

55 Ibid., p. 230.


57 General Assembly Resolution 1027 (XI), endorsing an earlier August 1956 Resolution of the Economic and Social Council, 614B (XXII).

59 Gosovic, pp. 18-21.


64 Ibid., pp. 106-107.

65 Dam, p. 299.


68 Patterson, p. 311.

69 Ibid., p. 312.

70 Ibid., p. 310.

71 Ibid., p. 311.


75 Morrison, pp. 8-10 and sources cited therein.


77 GATT, Networks of World Trade, Table A-3. See footnote 45 for comments on country classification.
78 Ibid., Table A-3.


80 *Networks of World Trade*, Tables F-1, F-3.

81 Ibid., Table A-3. The net LDC manufactures trade deficit was approximately $19 billion in 1968, $20 billion in 1970, and $28 billion in 1972.


84 Evans, p. 34.

85 Gosovic, p. 65.


88 Gosovic, p. 66.


90 Patterson, p. 344.


94 Gosovic, p. 34.


96 Recommendation A.III.5, reprinted in ibid, p. 39.

97 Gosovic, p. 66.

98 Dam, pp. 248-9; Patterson, p. 353; Proceedings, UNCTAD I, Vol. VI, pp. 23-5. France argued that regional trade arrangements were "the most effective form of cooperation" between developed and developing countries. See Proceedings, UNCTAD I, Vol. I, p. 73.


103 Dam, p. 241.

104 Gosovic, p. 69. This was contained in Recommendation A.III.8, reprinted in Proceedings, UNCTAD I, Vol. I, pp. 41-2.


106 Dam, p. 106.

107 BISD, Fourteenth Supplement, 1966, pp. 23, 25, 162; Dam, pp. 52-3.
A review of the salient developments concerning preferences between the first and second UNCTAD sessions can be found in R. Krishnamurti, "Tariff Preferences in Favour of the Developing Countries," *Journal of World Trade Law* 1 (November-December 1967).


Gosovic, pp. 70-71; Weintraub, pp. 148-50.

Johnson's speech is reprinted in *Department of State Bulletin*, no.1454 (May 8, 1967).

See the statement of Mr. Anthony Solomon, Undersecretary of the Treasury, in *Department of State Bulletin*, no. 180 (September 7, 1967).


The OECD position is reproduced in UNCTAD Document TD/57. See also Gosovic, pp. 78-80, and Bhattacharya, pp. 88-9.

The Algiers Charter is reproduced in UNCTAD Document TD/38.

Bhattacharya, p. 89; Gosovic, pp. 288-300.

See UNCTAD Document TD/38, discussed in ibid., p. 80.

Bhattacharya, p. 87.

Cordovez, pp. 94-5.


For LDC reactions see the report of the Special Committee on Preferences, TD/B/300, April 1970.
124 Gosovic, p. 86. The 18 donors comprised the six members of the old EEC, four Nordic states which made a joint submission (Denmark, Finland, Norway, Sweden), Austria, Canada, Ireland, Japan, New Zealand, Switzerland, the United Kingdom, and the United States. The EEC submission was a common one on behalf of all members. When Ireland, Denmark and the UK later acceded to the Community, their GSP schemes were incorporated into that of the latter. Note that because of its earlier 1966 unilateral preferences in favor of LDCs, Australia did not participate in the GSP.

125 TD/B/329 and addenda, 12 October 1970.

126 Cordovez, p. 96.

127 See the "Report of the Special Committee on Preferences on the Second Part of its Fourth Session" 21 September to 12 October 1970, TD/B/329/Rev. 1.

128 Murray, pp. 36-40.

129 TD/B/329/Rev. 1, p. 30. Note that the first Yaounde Convention was renegotiated in 1969 with 21 African states.

130 Ibid., p. 39.

131 Ibid., pp. 2-6.

132 The best analysis of the structure of the GSP schemes and of their impact on LDC trade opportunities is Murray, op. cit. See also Richard Cooper, "The European Community's System of Generalized Tariff Preferences: A Critique," Journal of Development Studies, 8 (July 1972); and B. Nemmers and T. Rowland, "The U.S. Generalized System of Preferences: Too Much System, Too Little Preferences," Law and Policy in International Business, no. 3, 1977. GSP schemes were instituted by the donor states on the following dates: EEC (July 1971); Japan (August 1971); Norway (October 1971); Denmark, Finland, Ireland, New Zealand, Sweden, and the UK (January 1972); Switzerland (March 1972); Austria (April 1972); Canada (July 1974); and the US (January 1976). The socialist industrial countries also established some type of GSP, but little is known about these schemes. See Murray, pp. 5-6. The required GATT waiver (needed because the GSP violated the Article I MFN obligation) was obtained in July 1971. See H.G. Espiell, "GATT: Accommodating Generalized Preferences," Journal of World Trade Law 8 (May-June 1974).


134 Murray, p. 57 and chapter 4.

135 Ibid., pp. 56-7; Nemmers and Rowland, passim.
136 Murray, p. 55; Cooper, passim.
137 Nemmers and Rowland, pp. 867-8.
138 Murray, pp. 64-9; DeBouter, pp. 372-4.
139 Murray, pp. 158-9.
140 Ibid., p. 57.
141 Ibid., p. 60.
142 Ibid., pp. 37-42
143 Ibid., ch. 5.
145 Jackson, p. 645.
146 Cited in Evans, pp. 21-2.
147 Harry Johnson lists at least six different definitions of the term reciprocity based on discussions with commercial policy officials in Geneva. See his Trade Negotiations and the New International Monetary System, p. 35. Evans, pp. 23-4 discusses problems associated with efforts to measure reciprocity.
149 Ibid., p. 107.
152 Evans, pp. 115-117.
154 Dam, pp. 68-77; Evans, pp. 245-6; Ernest Preeg, Traders and Diplomats (Washington: Brookings, 1970), pp. 226-7. All three sources provide information on LDC participation in and dissatisfaction with the Kennedy Round. Note that the LDCs were extremely unhappy with the paucity of liberalization in agricultural trade; this aspect of their trade relations with the developed world remains outside the purview of our examination here.
155 UNCTAD Document TD/6, Supplement 2, 4 September 1967.


158 Preeg, pp. 230-1, 103-108.

159 See ibid., pp. 249-55, 144-58.

160 Curtis and Vastine, p. 219; Evans, p. 246.

161 Ibid., pp. 246, 249. Note that US Congressional insistence on some form of reciprocity with all trading partners continued to effectively constrain the ability of American negotiators to offer non-reciprocal concessions to the LDCs.


164 Dam, p. 234.


167 Ibid., p. 38.

168 Dam, p. 237; Jackson, p. 647.


170 Dam, p. 242.

171 Ibid., p. 242.
172 Usually, the Committee would discuss the general implementation of the provisions of Part IV; specific residual and new quantitative restrictions affecting LDC exports; general trends in international trade relations from the perspective of the developing world; and LDC participation in GATT trade negotiations if any were underway or pending. See for example BISD, Sixteenth Supplement, 1969, pp. 89-97; BISD, Eighteenth Supplement, 1972, pp. 53-61, 62-70; and BISD, Nineteenth Supplement, 1973, pp. 19-31.


176 Ibid., p. 3.

177 UNCTAD Doc. TD/6, Supplement 2, 4 September 1967; GATT Doc. COM.TD/48/Rev. 1, 21 November 1967.

178 William B. Kelley, Jr., "Nontariff Barriers," in Bela Balassa et al., Studies in Trade Liberalization: Problems and Prospects for the Industrial Countries (Baltimore: The John Hopkins University Press, 1967), pp.265-314; Evans, pp. 283-4; and Pestieau and Henry, ch. 5. The one important nontariff measure negotiated during the Kennedy Round was antidumping action. However, this was apparently not an LDC priority.


181 Ibid., p. 54.

182 Murray and Walter, "Quantitative Restrictions, Developing Countries, and GATT," p. 468.


185 Ibid., pp. 25-6.
186 UNCTAD Docs. TD/B/C.2/85 ("Liberalization of Tariff and Non-Tariff Barriers") and TD/B/C.2/83 and Add. 1 ("An Analysis of Existing Quantitative Restrictions and Other Import Restrictions in Selected Developed Market Economy Countries on Products of Export Interest to the Developing Countries"), both issued in October 1969. For a discussion of these reports of the Secretariat, see Pestieau and Henry, pp. 63-73.


190 Murray and Walter, "Quantitative Restrictions, Developing Countries, and GATT," passim.


194 Ibid., p. 12.


197 Ibid., p. 549; Yoder, pp. 535-6, 539-40.

198 UNCTAD III resolutions were published in TD/III/Misc., May 1972.


204 Ibid., p. 184.

205 Note that Evans (pp. 250-53) suggests that the nonreciprocity commitment by the developed countries may have influenced them to make concessions to the LDCs on a small number of products. Other students of the Kennedy Round appear to have nothing to say on this matter.


207 A regime is defined as a set of principles, norms, rules and decision-making procedures established by states to govern or partly govern their relations and activities in a particular issue-area of international relations. Chapter Three discusses in more detail the meaning and utility of this concept.

208 Gardner, Sterling-Dollar Diplomacy, passim; Wilcox, passim; Dam, pp. 10-14.

209 The literature on trade liberalization and expansion since the late 1940s is far too vast to cite here. For this study, the following were useful: Richard Blackhurst, Nicolas Marian, and Jan Tumlir, Trade Liberalization, Protectionism and Interdependence (Geneva: GATT Studies in International Trade, no. 5, 1977), pp. 7-19: GATT, Networks of World Trade; and Balassa, "The 'New Protectionism'.

210 A succinct survey of the rise of protectionism in the years 1968-73 can be found in Joan E. Spero, The Politics of International Economic Relations (New York: St. Martin's Press, 1977), pp. 75-82. See also Evans, ch. 16. On the evolving chaos in international monetary relations, see Spero, pp. 49-54.

211 Indonesia, Venezuela and Nigeria are the only OPEC members that export manufactured goods to any appreciable degree. Mexico, while not a member of OPEC, was by the end of the decade a large oil exporter as well as a very important LDC exporter of manufactured goods. All other major LDC exporters of manufactures (i.e., Argentina, Brazil, South Korea, Taiwan,
Singapore, Hong Kong, Malaysia, the Philippines, Pakistan, India, Egypt, Chile, Israel and Yugoslavia) import either a large proportion or, in most cases, almost all their petroleum. See GATT, International Trade, 1978/79, part IV, for data. Note that we continue to adhere to the usual GATT practice of excluding Greece, Turkey, Portugal and Spain from the LDC category.

212 See The Impact of the Newly Industrializing Countries on Production and Trade in Manufactures (Paris: OECD, Report of the Secretary General, 1979), which terms Portugal, Spain and Greece NICs.

213 Ibid., p. 6.


215 We exclude from consideration in this discussion of protectionism the agricultural sector, where such a trend has existed since the 1950s.

216 Blackhurst, Marian and Tumlir, p. 53.

217 Sampson, pp. 119-20.


219 Sampson, p. 120.

220 Bergsten, p. 240.

221 Ibid., p. 240; Murray and Walter, p. 395.

222 Ibid., p. 400.

223 Ibid., pp. 402-403.


225 Murray and Walter, pp. 405-407. This is particularly true because of the rising number of VERs, about which hard information is scarce.

226 Ibid., pp. 405-406.
228 Balassa, "The 'New Protectionism' ...," p. 418; Sampson, p. 113.
229 Ibid., p. 121.
232 Murray and Walter, p. 408.
233 Ibid., p. 408.
234 GATT, Networks of World Trade, Table A-3.
235 Morton and Tulloch, p. 179.
237 Morton and Tulloch, pp. 179-80.
238 Ibid., p. 180.
239 GATT, Networks of World Trade, Table A-3.
242 Ibid., p. 415.
243 The Impact of the Newly Industrializing Countries, pp. 62, 65.
244 Ibid., pp. 62, 65.
245 GATT Document COM. TEX/6, 8 August 1975, p. 4.
246 GATT Document COM. TEX/8, 14 March 1977, p. 5. See also document COM.TEX/13, 27 December 1978 for LDC views and complaints about the operation of the MFA.
247 Both Sutton and Bardan conclude that the various GATT textile arrangements have assisted the LDCs by curtailing, at least to a modest extent,
protectionist policies in the developed countries. However, both authors rely on intuition in reaching this judgement and provide no hard evidence that developed countries' policies have in fact been constrained in any meaningful sense by these accords.

248 The Sixth Special Session passed, over the objection of Northern countries, Resolutions 3201 (S-VI) and 3202 (S-VI), a Declaration on the Establishment of a New International Economic Order, and a Programme of Action. At the Seventh Special Session, a less strident resolution, 3362 (S-VII), was given unanimous backing. It was entitled Development and International Economic Cooperation. For a discussion of the NIEO proposals and the two special sessions, see K. Sauvant and H. Hasenpflug, eds., The New International Economic Order: Confrontation or Cooperation Between North and South (Boulder: Westview Press, 1978).


252 See Sidney Golt, The GATT Negotiations: The Closing Stage, 1973-79 (Washington D.C.: British-North American Committee, 1979), wherein the basic bargaining that occurred during the Tokyo Round is portrayed as a three way fight between the U.S., the EEC and Japan; all other actors, developed and developing, are bit players in this account of the negotiations.


254 Ibid., p. 9.

255 Ibid., pp. 46-8; Krasner, pp. 510-511.


257 Tokyo Round, p. 121.
258 Ibid., p. 121.

259 UNCTAD Document TD/B/C.5/37, 11 November 1975 ("Effects of the Multilateral Trade Negotiations on the Generalized System of Preferences, Report by the Secretary-General").


262 Berger, p. 553.

263 Ibid., pp. 553-66.


265 Berger, p. 566.


268 Golt, passim.

269 See Krasner, passim; Balassa, The Tokyo Round and the Developing Countries, passim.

270 Ibid., pp. 14-28; Tokyo Round, pp. 169-76.

271 The Major impact of the customs valuation agreement will be to force Canada and the U.S. to adopt the Brussels Definition of Value used by other developed countries in assessing the value of imported goods prior to the levying of duties.

272 Interviews, Ottawa, September 1980.

273 Krasner, pp. 521-2; Balassa, The Tokyo Round and the Developing Countries, p. 37.

274 Krasner, pp. 521-3.


276 Ibid., p. 204.
277 Ibid., p. 205.


279 Ibid., passim.


282 Ibid., pp. 541-2; UNCTAD Document TD/226 ("Implications for Developing Countries of the New Protectionism in Developed Countries"), submitted to UNCTAD V in May 1979.

283 Networks of World Trade, Tables F-1, F-3.


286 Ibid., p. 16.

287 The Impact of the Newly Industrializing Countries, p. 19.
CHAPTER THREE
ANALYSIS

I Introduction

In assessing the successes of the developing countries in improving their position in world manufactures trade during the postwar period, one is in some respects faced with the ancient puzzle concerning the proverbial glass of water: is it half-empty or half-full? On the one hand, the value of LDC exports of manufactures has increased rapidly, almost quadrupling in the years 1970-77 alone. Manufactures now comprise over 25 percent of Third World exports, a far higher figure than only a few years ago. Moreover, the developing countries have been quite successful in their efforts to reform many of the rules and principles that have governed trade relations since World War II. On the other hand, the LDCs' share of world manufactured exports continues to hover around 7-8 percent, an extremely modest figure by any standards. A small number of countries (about 10) accounts for the bulk of manufactures exported by the Third World, and many LDCs are virtually bereft of industrial manufacturing capability. The much talked about reforms of trade rules and principles achieved after years of struggle have not, for the most part, been translated into specific commitments to liberalize market access on the part of the developed countries, and in those cases where certain positive commitments were in fact made (e.g. the GSP) it is not clear to what extent tangible benefits have accrued to the beneficiaries.
Thus the picture that seems to emerge from an examination of North-South bargaining concerning market access for LDC exports of manufactured products does not lend itself to the generation of easily discerned conclusions. An observer may stress either the undoubted dynamic industrial and exporting potential and the apparently improved bargaining position of the LDCs or, alternatively, the virtual absence of an industrial exporting sector in many countries and the extreme vulnerability of those that are heavily dependent on manufactured exports. In this chapter, an attempt is made to explain the success and failures of the Third World in this important issue-area of North-South relations. In undertaking this task, some of the salient arguments and insights offered by the various schools surveyed in the first chapter are borrowed and critically evaluated. In particular, the competing perspectives and explanations that flow from the interdependence and dependency "metaphors" are addressed by inquiring how scholars working within these broad traditions answer more specific variants of the two general questions posed at the beginning of this study:

1) To what extent do mutual benefits for North and South result from North-South trade linkages? Specifically, does the South gain significantly from exporting manufactures to the North?

2) Does the South enjoy any appreciable bargaining power vis-a-vis the North and the international capitalist economy generally? Specifically, do LDCs involved in exporting manufactures to the North, or anxious to begin doing so, possess any leverage on the issues of market access and the rules and principles that at least partly regulate market access questions?

In addition to analyzing critically the views and interpretations of the events and trends in the manufactured exports issue-area that are
offered by (or that can be inferred from) the writings of the dependency theorists and the diverse contributors to what this study labels the interdependence perspective, several themes and points not discussed by these scholars, but which may be helpful in understanding the evolution and outcomes associated with North-South bargaining on these matters, will be explored in later sections of this chapter.

II Developing Countries and the Benefits of Trade

In order to understand the contrasting views of dependency writers and those adhering to a more interdependent world-view insofar as the manufactured exports issue-area is concerned, it may be useful to discuss briefly their very different interpretations of North-South trade in general and LDC exports of manufactures in particular. This is in many ways a necessary point departure if one wishes to acquire a clear sense how various schools of thought approach the broader subject of North-South relations. The analytical approaches to the problem of trade exchanges commonly espoused by dependency writers and those sympathetic to the interdependence perspective are briefly reviewed. Then some criticisms are suggested.

1. The View From Dependency Theory

That there exists a fundamental incompatibility between the intellectual world-views of dependency theorists on the one hand and political scientists and economists associated with the interdependence perspective on the other is perhaps nowhere more apparent than in their contrasting exegeses of North-South trade exchanges. It will be recalled that
adherents to the dependency "metaphor" reject the doctrine of comparative advantage and its associated advocacy of free trade that stand at the core of modern liberal international economic theory. According to the dependency view, North-South trade exchanges are inherently unequal exchanges. This is so because wage levels in the Third World are "artificially" suppressed due to the oppressive institutional and political structures imposed on developing countries by international imperialism. Wages in the "center" or "core" countries, on the other hand, are not oppressed in this fashion or to this extent. Dependency theorists go on to argue that while an artificial gap exists between the return to labor in North and South, the techniques of production and hence labor productivity are roughly similar in developed and developing societies, while capital is mobile and searches out the optimal return. Thus labor productivity is said to be equal, or nearly equal, in North and South. And since dependency analysts tend to embrace the Marxist labor theory of value—which basically states that commodity prices reflect the value or contribution of labor to their production—it follows that the exchange of goods between North and South must be unequal. In terms of Southern exports of manufactures to the developed countries, the implication is that Southern workers' "surplus" is in fact channeled to the capitalist North by such exchanges, since manufactured (or any other) goods in North and South are produced under conditions where the wage differential between the two areas is far greater than the difference in productivity. That is, the productivity of Southern labor is not reflected in the prices of exported manufactures, whereas this is not
the case for Southern imports of manufactures and other goods from the North. A "surplus" therefore exists somewhere. In the last analysis, owners of capital in the North apparently acquire this surplus produced by Southern labor; trade exchanges make this surplus appropriation possible; thus trade exchanges with the North are to be condemned.¹ As for the international markets that facilitate these transactions, for the dependency theorists "the 'question' of exploitation is self-evident: markets are vehicles through which the rich exploit the poor."²

Now this particular dependencia critique of North-South trade constitutes only one economic element of a rather elaborate and holistic condemnation and interpretation of North-South economic and political relations generally. Although a detailed presentation and evaluation of the broader dependency argument cannot possibly be offered here, it must be emphasized that it is the incorporation of the "peripheral" economies into the Northern-dominated international capitalist system that is occasioned by the establishment of trade links with the North that primarily concerns dependency theorists. For such linkages to the "center" economies not only lead to a loss of economic surplus; they also distort the Southern economies and societies by imposing on them the capitalist mode of production (with its attendant social costs) and capitalist values. The development of a pattern of class relations extremely detrimental to egalitarian distributional goals is one major consequence of the developing countries' involvement with the international economy. More generally, it is alleged that such involvement precludes the emergence of mature, internally integrated and equitable economic and social orders
in the peripheral states. For the dependency theorists, then the developing society "in its totality" is the victim of international capitalism. 3 "The social structure of the periphery is a truncated structure that can only be understood as an element in a world social structure." 4 Finally, and perhaps worst of all, the LDCs are stripped of their national autonomy through incorporation into the global capitalist system since the patterns of internal class relations and the development of national priorities are largely determined by external stimuli and forces. 5

Given this gloomy perspective on North-South economic relations, it is quite clear how the dependency school answers the question concerning the mutuality of gains that accrue from North-South trade exchanges: exporting manufactures (or other goods) to the North harms an LDC since not only is indigenous economic surplus being lost but national autonomy and equality also suffer. Interestingly, dependency writers should perhaps regard the denial of market access by Northern governments as a positive development for the LDCs since the loss of surplus would thereby be interrupted. However, I have been able to discover no statement to this effect in the dependency literature. Indeed, our whole attempt to discern how the dependency theorists approach the particular issue-area under examination here is hampered by their marked disinclination to focus on individual issues or relationships. Nowhere in the writings of dependency theorists have I been able to adduce an analysis or even an extended discussion of the Third World's struggle to secure improved
market access for its exports of manufactures to the developed countries. Dependency writers do, however, have some interesting things to say about the policies and prospects of those LDCs in the throes of the industrialization process.

As noted in the first chapter, the dependency school is quick to point out that even though a given LDC may be undergoing significant industrialization and rapidly expanding its exports of manufactures, nonetheless it remains essentially in the same subordinate position vis-à-vis the global capitalist system as a primitive primary product exporter. That is, it continues to suffer economic exploitation at the hands of the North; to lack internal decisionmaking autonomy; and to have its domestic priorities and social relations distorted by external imperatives. For Samir Amin, all Third World countries are fundamentally alike; they are "pieces of a single machine, the capitalist world economy." True, a country such as Brazil or South Korea may have a vastly more industrialized economy and a much higher per capita income than Chad or Lesotho, but as long as it "continues to be integrated into the world market, it remains helpless . . . the possibilities of local accumulation are nil." Or as Cardoso trenchantly puts the matter when discussing contemporary relations between newly-industrializing LDCs and the capitalist North:

... it is not hard to perceive that the international division of labor persists, based upon very unequal degrees of wealth, on unequal forms of appropriation of the international surplus and on monopolization of the dynamic capitalist sectors by the central countries.

In short, while dependency theorists agree that a number of Third World states are undergoing industrialization and are able to export
increased volumes of manufactured goods to the North, they argue that it does not therefore follow that these countries are developing mature, integrated domestic economies capable of undertaking indigenous capital accumulation. "Contemporary dependency theorists see the international division of labor as shifting substantially on the surface while continuing to have the same fundamental effects" on the LDCs. Often it is contended that although a firm or industry within an LDC may export even quite sophisticated manufactures to the North, the "multiplier effect" of such exporting is minimal in developing countries:

Firms in dependent (developing) countries buy their equipment and other capital goods from outside, so that the 'multiplier effect' of new investment is transferred back to the center. Increases in the output of export sectors, dramatic as they may be, do not feed back into the peripheral economy. . .

Thus from the dependency perspective it really does not matter whether or to what extent LDCs are able to expand their manufactured exports to the North or upgrade the sophistication and "value-added" characterizing such exports. For as long as the international capitalist order continues to determine the evolution and priorities of such "semi-peripheral" industrializing countries, their economic surplus will flow to the center and their domestic development will be distorted. The central dependency prescription--Third World revolution and "disengagement" from the international economy--remains, therefore, as valid for the newly industrialising LDCs as for those with more backward economies.

In evaluating the merits of the dependency argument for purposes of the present study, one inescapable conclusion which emerges is that few Third World countries appear to share the pessimism and radical views of
the dependency writers. Which Third World government believes that increasing its exports of manufactures--or beginning to export such products for the first time--is not a positive step forward in the development process? Perhaps there are a few, but their number is small and their reasons peculiar. Not a single developing country practiced "self-exclusion" in connection with the GSP schemes discussed in the last chapter. Nor did the more than 60 LDCs who participated in the Tokyo Round appear to believe that improving the quality and expanding the quantity of their exports to the North represented an objective of negligible economic importance. Of course the dependency school tends to conceive of Third World governments as composed of bourgeois elites who are (very) junior partners of the Northern bourgeoisie and who ape the values of the developed capitalist societies--"to which they organically belong."¹³ These LDC elites allegedly fail to understand, or else do not care, that further incorporation into the world capitalist economy through greater manufactured exports promises to have severe negative impacts upon their countries.

This sweeping indictment of virtually the entire leadership of the Third World simply won't do. The vast majority of LDC governments, as well as the Third World intellectuals who populate the global reformers' school discussed in the first chapter, appear to be only too happy to contemplate more liberal and more assured access to Northern countries' markets for LDC exports of both manufactured and other products. As Reginald Green observes, not only is trade with the North absolutely indispensable for almost all developing countries, but even those who have
adopted a socialist development strategy are anxious to increase their trade with the major capitalist states:

The attainment of domestically integrated economies with reasonable levels of productive forces per capita...will, for most peripheral economies, require increased exports of processed and manufactured goods to OECD economies. That requirement in its most general form flows from objective realities in respect to size, economies of specialization and scale and import requirements of any non-autarchic development strategy. Recent experience suggests it is relevant to Cuba, the Korean People's Democratic Republic, Vietnam, China, Tanzania, Algeria, India and Romania (and is perceived as a requirement by their leadership)...  

It is quite evident, then, that few developing countries can afford to sever trade links with the industrial market economies. Even those that have embraced socialist values and modes of economic organization seek to increase their exports to the North. LDCs need to increase their exports of manufactures partly in order to earn the foreign exchange with which to purchase usually indispensable capital goods, food and other necessary imports, and partly to provide a catalyst for their economic development and industrial-technical progress.  

"Maintaining and improving access to industrialized countries' markets will be large measure determine the success or failure over the next few decades of development efforts in more and more countries in the Third World." To be sure this vision is anathema to the dependency theorists; but that does not make it any less accurate. Third World states simply cannot afford in most cases to do without trade ties to the Northern economies. Small states, as is well known in economic history, have a narrower resource base than do larger economies, so they tend to be very dependent on trade to provide them with access to the resources, goods and services which either cannot be produced indigenously or can be but only at great cost (e.g., growing
bananas in hothouses in Canada or Sweden). Indeed as Albert Hirschman illustrated in a brilliant study completed long ago, the relative "opportunity costs" of delinking from the international economy are always higher for small economies which lack a diverse resource base than for larger countries for whom self-sufficiency is at least a feasible option.\textsuperscript{17}

If the central prescription of the dependency school—disengagement from the current global economic order—is scarcely feasible for Third World countries, the basic analysis from which this prescription flows appears to be equally questionable. The theory of unequal exchange elaborated by Emmanuel and other dependency theorists has been subject to some harsh scrutiny by both theoretical and empirically-minded economists in recent years. Their diagnosis lends little credence to the key suppositions and implications of the theory. First, the unequal exchange thesis presupposes the veracity of the Marxist labor theory of value, a highly dubious assumption in an era of revolutionary technological change. Critics have noted that the theory ignores or dismisses the most basic reasons why poor countries tend to be relatively low-wage countries, reasons having to do with resource endowments, technology and human capital. "Poor countries are poor because of the low levels of technology, equipment and natural resources with which the bulk of their manpower has to work."\textsuperscript{18}

In fact, conventional economic models strongly suggest that labor in a capital-poor country "gains the most from trade" with a relatively capital-rich nation, because the gains from specialization occasioned by the initiation of trade tend to flow disproportionately to the smaller, less
diverse economy. Moreover, an abundance of relatively cheap labor in LDCs points to precisely where their international comparative advantage lies: in the manufacturing of goods whose production tends to be relatively labor-intensive. Not surprisingly, LDCs that manufacture for export almost always begin by focusing on labor-intensive products such as cotton textiles; then, as labor productivity and relative wages rise, more sophisticated manufactures become candidates for export.

Finally, another problem with the unequal exchange argument is that it fails either to accord with or adequately explain away certain critical evidence with respect to LDC's economic growth rates and international trade. Contrary to the expectation generated by the unequal exchange and dependency argument, "improved growth performance in the developing world has been associated with increased participation in international trade." While the risks involved in using aggregate growth statistics such as GNP per capita to infer the level of economic development or maturity of an economy are well known, it still must be noted that the discovery of a strong, positive correlation between manufactured export performance and such indicators as the growth of GNP per capita and industrial production per capita appears to undermine the prediction of Frank and other dependency theorists that greater involvement in the international economy precipitates de-industrialization and underdevelopment on the periphery.

2. The View From the Interdependence Perspective

As discussed in the first chapter, liberal economists have been in the forefront of those advocating export-oriented economic and industrial
development strategies for the Third World. For these analysts, the fact that there are many "real world" market imperfections which limit to some extent the applicability of the neoclassical model of comparative advantage—which is the basis of the prediction of mutual gains from trade—has led them only to modify, not reject, the doctrine of free trade, which is still regarded as essentially valid in the mainstream economics literature.22 Mainstream international and development economists perceive a high degree of mutual gain in North-South trade. In regard to LDC exports of manufactures to the North, they stress both the critical role of such exports in propelling the South toward industrialization and the benefits available to the Northern countries through liberalization of market access. The first aspect—the gains to the South—was discussed at some length in the first chapter and will not be elaborated upon here except to underline the faith of liberal economists in an "outward-looking" economic strategy.23

The second aspect of the liberals' argument that mutual gains derive from North-South trade is also traceable to the tenets of the modern neoclassical theory of trade. International trade theory predicts that both imports and exports will exert a positive influence on an economy. Exports of course earn foreign exchange and provide an impetus to growth and competition. Imports are held to benefit a country as well. Several major points are typically mentioned. First, domestic prices should fall since, assuming free trade, imported goods will by definition be more efficiently produced, hence cheaper, than identical domestic goods or else they won't sell. Economists term this the "consumption gain" occasioned by imports.
Second, a "production gain" for the importing country will also result: "Inefficiency produced domestic output is replaced by imports, permitting the reallocation of some domestic factors away from low productivity industries and into more productive employment in those industries in which the country has a comparative advantage." Finally, imported goods will benefit a country through their "impact on the degree of competition between foreign and domestic firms in the domestic market." It must be stressed as well that a basic proposition of liberal international trade theory is that those specific groups, sectors or regions of an importing country that may be harmed by an expansion of imports can easily be compensated by the society as a whole because the gains to society from imports are greater than the limited welfare losses of these specific interests.

Given this orientation, it is not surprising that liberal economists tend strongly to support the efforts of the LDCs and UNCTAD to secure the lowering of trade barriers in developed countries. They believe that such a course will generate positive impacts for both the developing exporting and developed importing countries. Contrary to the dependency view, from the liberal perspective international trade is the antithesis of a zero-sum game. But while liberal economists have backed LDC attempts to get developed states to reduce their tariffs and other impediments to trade, many of them have not been favorably disposed to the Third World's campaign for reformed principles and rules. And those who have evinced some sympathy for the LDCs' efforts to achieve such reforms have stopped short of the positions enunciated by the global reformers. The liberal orthodoxy and its reformist variants can be criticized
on several grounds.

While they have argued for international policies to make markets more competitive, liberal economists have eschewed the broader reforms advocated by the LDCs, the UNCTAD staff and the global reformers. Yet it remains questionable whether exhorting the LDCs to adopt export-oriented development strategies and developed country governments to liberalize market access for Southern exports is a sufficient prescription if the goal is to promote the export-based industrialization of a large number of developing countries. More specifically, it must be asked whether specialization according to their factor endowments—the central prescription of the modern theory of trade—is in fact an adequate strategy for LDCs anxious to develop. There exists, for example, a considerable body of evidence which suggests that technology—not comparative factor endowments—is the main determinant (or at least a critical determinant) of trade patterns. "The impact of technology on the export pattern of a given country has been recognized as important only relatively recently... in comparison with" other concepts. The work of Raymond Vernon and his associates—ironically they are members in good standing of the liberal economics fraternity—has been instrumental in shifting attention to the role of technology in North-South trade. Since developed countries do tend to enjoy a near-monopoly on modern technology, and especially technological innovation, it may well be that they are able to appropriate more of the mutual gains that derive from engaging in trade with the South than the simple liberal model predicts. Moreover, the role of technology in determining the allocation of the gains...
from trade is particularly germane to the manufactured exports issue area.

Another problem for the Third World which is also likely to be more acute in relation to exports of manufactures than of other goods concerns the influence of the practices of multinational firms (MNCs). The possible negative effects of MNCs on developing countries' ability to secure gains from trade with the North are rarely addressed by liberal economists.

When MNCs plant themselves in host country LDCs and begin to manufacture goods for the world market they should, theoretically, generate considerable income and spinoff gains for an LDC. But several practices of MNCs may reduce the scope for these gains. One frequently mentioned phenomenon is intra-firm trade, which involves the "trading" of goods or component parts thereof within a vertically integrated firm, a process that may be unknown or mysterious to an LDC government.

Intrafirm trade is . . . of concern to developing countries because of the fact that it permits not only prices of traded goods but also their volume and direction to be controlled by transnational enterprises in their own interests rather than by host country residents in their.30

LDCs rightly fear that intra-firm trade flows, which constitute a growing proportion of international trade, reduce the revenues and profits that legitimately belong in the host country. Given the large number of foreign-owned MNCs involved in manufacturing for export in LDCs, their ability to outmanoeuvre LDC governments and to strike bargains with governments desperate for some industrial capability has been identified as a critical problem.31

These and other factors which may affect the extent to which LDCs can gain from exporting to the North cannot, unfortunately, be discussed in
any depth here. The focus of the present study—market access for LDC exports of manufactures to the North—does not permit detailed consideration of other related issues, and in any case the topic under investigation here is important enough by itself to warrant an extended treatment. Nonetheless, it is necessary to raise these caveats to the liberals' perhaps excessive faith in the international market and an export-based industrial strategy for the Third World.

It is of course this perception that the liberal model of mutually beneficial trade fails to take adequate account of various "real world" conditions that narrow the scope for Third World gains from trading with the North that underlies the basic approach of the global reformers discussed in Chapter One. It explains, for example, their vigorous support for the reforms of international trade rules and principles discussed in the last chapter. In addition, their belief that the technological "gap," the activities of MNCs and other factors operate to reduce the benefits available to the Third World from trade exchanges helps to account for the global reformers' persistent advocacy of the comprehensive package of economic changes sought by the Third World in its recent quest for a New International Economic Order. The NIEO contains proposals designed to facilitate the transfer of technology to the South in order to lessen the North's monopoly in this crucial area. It also seeks to introduce much more stringent international regulation of MNCs and to expand the role of UNCTAD in regulating these entities so that host developing countries may obtain more of the wealth generated from the producing and exporting activities of MNCs. Global reformers conceive of these pro-
posals as necessary complements to efforts to improve market access for LDC exports. However, it must be stressed that the image of North-South trade which the global reformers have is in many respects quite similar to that of liberal economists. Contrary to the dependency "metaphor," the perception of North-South economic relations among the global reformers is not a zero-sum conception of core periphery exchange relationships. "The New International Economic Order does not as formulated hinge upon a fundamentally different conception of international economic relations. It inherently accepts the mutuality of benefits from trade and foreign investment and rejects the Marxist contentions of inevitable exploitation."³³

III Developing Countries and Bargaining Power in the Manufactured Exports Issue Area

The question of the bargaining power or influence of the LDCs in the manufactured exports issue area lies at the heart of the present study and is an aspect of North-South relations more appropriately analyzed by political scientists than is the other major question addressed above--the mutality of benefits in North-South trade relations. When we address the puzzle of LDC bargaining power in international relations, it is important to specify clearly what issues or subject matter we are referring to. The concept of international regime is quite useful in tackling the problem of the distribution of bargaining power or influence in a particular international issue area. An issue area regime is a set of principles, rules and decision-making procedures established by states to govern, or partially govern, their relations
in a given area of international relations. Since we are concerned with North-South relations regarding market access for LDC exports, the international regime that exists in the trade barrier issue area is highly salient for our purposes, for Southern efforts to improve the market access enjoyed by their manufactured exports have essentially involved efforts to reform or change the existing international arrangements that govern relations in this issue area. GATT has been the centerpiece of the post-war international trade barriers regime, but UNCTAD has also played an important role in the development of new principles and rules and has attempted to assert its own institutional importance in this issue area. It is necessary to emphasize that we are not primarily interested in Southern power or influence in the international economy or political system as a whole, but rather with the extent to which the LDCs appear to possess significant leverage in connection with the specific market access questions examined here. However, as will be noted below, an assessment of overall Southern power may be quite helpful in seeking to understand the influence or lack of influence of the LDCs in a given realm of international relations.

1. Southern Bargaining Power: The Dependency Answer

The dependency approach to this issue of LDC bargaining power can be dealt with very briefly. Basically, the majority of dependency theorists believe that within the international capitalist system the peripheral developing countries possess no real influence. According to this view, the conditions under which international commerce takes place are essentially determined unilaterally by the rich capitalist
states. LDCs may be able to secure certain cosmetic changes in the rules and principles that shape international economic relations, but in no way is this indicative of the existence of meaningful Southern bargaining power. "So long as the underdeveloped country continues to be integrated in the world market it remains helpless . . ." Only if the ties that bind the LDCs to the international market are severed—which according to the dependency writers requires domestic revolutions and then disengagement from the current system as a matter of conscious policy—will they be able to bargain with the North. Thus dependency theorists are extremely critical of Southern efforts to fashion a New International Economic Order; likewise they doubt whether LDCs can be said to possess any influence in most international economic regimes (a term, incidentally, which they do not employ). Indeed, the structural, macro-sociological world-view embraced by the dependency school precludes the disaggregation of international relations into a series of "issue areas" which can be discretely analyzed with a view to discovering who has power in what areas. It is the relative weakness, if not impotence, of the developing countries in the international capitalist system as a whole that stands out to the dependency theorists. Thus one does not for the most part find authors associated with the dependency school undertaking detailed analyses of North-South relations in particular issue areas. In fact, it is necessary to infer the beliefs of the dependency theorists regarding a discrete issue such as the one under consideration here from their general, structural writings.

Before turning to the interdependence perspective's approach to the question of Southern bargaining power, brief mention must be made
of those scholars working within the dependency tradition who dissent somewhat from the orthodoxy just sketched above. A few dependency writers do take a somewhat more dynamic approach than most of their colleagues when analyzing the influence of developing countries in the international economy. Of particular interest here is the study done by Peter Evans on industrial development in Brazil in which he argued that although that country remains fundamentally locked into an international economic structure over which it exercises very little influence, nonetheless Brazil and perhaps other industrializing LDCs have succeeded in undertaking some indigenous capital accumulation as a result of various state policies to assist domestic interests and extract more from foreign capital. While Evans does not look specifically at Brazil's attempts to secure better access to Northern markets for its exports, his study is a rare example of a dependency analysis that admits the possibility of a measure of bargaining power for a developing country. More importantly, Evans shows how an LDC can learn to use its resources to improve its national wealth or position vis-a-vis international capitalism over time. Immanuel Wallerstein, whose writings have influenced Evans and other dependency theorists interested in those LDCs undergoing significant industrialization, also accepts the proposition that over time certain developing countries may come to exercise a limited degree of independent bargaining power within the capitalist world economy. Wallerstein admits that "the bargaining power of large semi-peripheral countries such as Brazil and countries with key commodities such as the . . . OPEC bloc has been . . . strengthened." Still, the dominant image in the works of both Evans and Wallerstein
and of other more pessimistic dependency scholars is of a group of Third World states essentially bereft of influence in world affairs as a result of their incorporation into the international capitalist system and the domestic distortions that attend that incorporation.

2. Bargaining Power and the Interdependence "Metaphor"

Bargaining or negotiation, whether between North and South, the two superpowers, Canada and the United States, or Japan and China, is truly the central intellectual interest of most international relations scholars, or at least of those not using Marxist modes of analysis. It is also those analysts working within the interdependence perspective who have utilized the concept of international regime to acquire a deeper understanding of international relations in many important issue areas. As Edward Morse, a leading exponent of the interdependence approach, has noted, interdependence "relates to specific kinds of actions in specific issue areas." It "almost never refers to the whole range of actions that two or more governments take with respect to one another." For scholars sympathetic to the interdependence perspective, then, analyzing the distribution of state influence or power in international relations is best accomplished by conceiving of global politics as a series of issue areas, not all of which have the same central actors, but which may be linked in some way in terms of the evolution of bargaining outcomes. According to this view, there exist many international regimes of interest to the student of North-South political economy—in the monetary issue area, in relation to commodity issues, technology transfer, aid flows, law of the sea and, of course, trade
It will be recalled that interdependence scholars argue that in spite of the obvious differences in the power resources of states and the overwhelming dominance of a few states in many areas of international relations, smaller countries are often able to "bargain" in a meaningful sense with these stronger actors and are not completely lacking in capability to influence the outcomes of international negotiations. According to Keohane and Nye (two very influential exponents of the interdependence perspective), the overall dominance, particularly military dominance, of a few key states does not necessarily translate into dominance in the various issue areas of importance in contemporary world politics. This is largely because power in one realm—say strategic nuclear power or naval power—cannot always, or even frequently, be applied by states possessing it to other realms of international politics. Thus, from a bargaining standpoint what they term an "issue structure explanation" is to be preferred to an "overall power structure explanation" when analyzing outcomes in many issue areas. In conditions characterized by considerable international interdependence, such as international economic relations generally, it is no longer possible to apply the traditional overall power structure model.

Power resources...cannot under these circumstances easily be transferred. Power will not be fungible, as in the overall structure model; military capabilities will not be effective in economic issues, and economic capabilities relevant to one area may not be relevant to another. To the extent that this approach has some intellectual merit, it suggests that in analyzing the bargaining outcomes surveyed in this study a focus on the power capabilities of the various involved states within the issue area is required. In addition to assessing the power of various
states in an issue area, many scholars working within the interdependence
tradition point to other sources of regime change or determinants of
regime character which in turn may accord influence to particular states.
An economic/technological process model of regime change (or regime deter­
mination) is suggested by some scholars to be fundamental to an understanding
of the evolution of postwar international economic trends. Thus,
specialization of production and the expansion of the horizons of business
firms, the lowering of transportation costs, and shifts in international
comparative advantage that encourage certain kinds of production to be
located in certain regions, are often mentioned as important factors affec­
ting the political bargaining associated with international economic
relations. Finally, Nye and Keohane, Morse, Hansen and other political
scientists associated with the interdependence perspective have written
widely on the impact of international organizations on regime formation and
evolution. International organizations are pervasive in international
economic relations because of the critical need for coordination and
collaboration among states anxious both to preserve their autonomy and to
continue the mutually profitable economic relationships that always
threaten to erode that autonomy. Once established, such institutions can
affect the outcomes of political bargaining within international regimes:

Regimes are established and organized in conformity with dis­
tributions of capabilities, but subsequently the relevant networks,
norms and institutions will themselves influence actors' abilities
to use these capabilities. As time progresses, the underlying
capabilities of states will become increasingly poor predictors of
the characteristics of international regimes. Power over outcomes
will be conferred by organizationally dependent capabilities,
such as voting power, ability to form coalitions, and control of
elite networks; that is, by capabilities that are affected by the
norms, networks and institutions associated with international
organization as we have defined it.
Turning briefly now to the views of the global reformers—who also accept the interdependence "metaphor"—on the question of bargaining power or influence in international relations, a broadly similar picture to the one just elucidated emerges. In arguing for fundamental reform of the international economy, the global reformers stress the importance of the Third World's enhanced power in many issue areas. They also place a great deal of importance on the increasingly influential roles of international institutions, particularly those affiliated with the UN which have universal membership. Indeed, for the global reformers, international organizations are absolutely critical to the creation of a reformed economic system since they provide forums in which the Third World can voice its grievances and constantly agitate for changes. Mahbub ul Haq, an influential global reformer, advocates the creation of a "World Development Authority" which would be a universal body affiliated with the UN and exercise "complete jurisdiction over all economic institutions, old and new." Many institutional reforms to enhance the position of the LDCs in international trade and monetary relations have been demanded by the Third World in its quest for a NIEO. The global reformers do not stress the independent impact of economic and technological trends on the political bargaining that goes on at the global level to the same extent as other students of interdependence. On the other hand, they tend to place more emphasis on the accumulation of overall LDC power than do Nye and Keohane and other like-minded analysts, who doubt whether overall power is a good indicator of regime influence in many issue areas. As was discussed in the first chapter, Haq and other leading global reformers imply that the overall
political strength of the Third World has greatly increased as a result of population trends, the possibility of nuclear proliferation, the economic and strategic importance of many LDCs to the North generally, and the simple fact that there are so many LDCs.51

What do these arguments and analytical excursions of both students of interdependence and the global reformers have to do with the puzzle of Third World bargaining power in the trade barrier/market access regime under consideration here? The answer is quite clear: when students of interdependence talk about models of "regime change," they are in fact articulating arguments about the factors that determine bargaining outcomes in international relations. The global reformers, somewhat more explicitly, are speaking of factors which enhance the bargaining power of the developing countries. If we ask what these various arguments mean for the present study, then, we are in effect inquiring whether these factors that shape the outcomes of bargaining in international issue areas might be of some help in explaining the outcomes of bargaining in the trade barriers/market access issue area. Interestingly, all four models or analytical approaches to the problem of regime change and formation tend to point to enhanced LDC bargaining power in the trade barrier/market access issue area, though to varying degrees.

With respect to the overall power structure argument, which is held by the global reformers in particular to be important for analyzing the influence of LDCs in international relations, it is quite obvious that compared to, say, the 1950s, the Third World as a whole is much stronger in
world affairs. The simple fact that the international agenda is so dominated with "North-South" issues is eloquent testimony to this. Population projections indicate that the rich nations are rapidly becoming a "shrinking minority" of the world's citizenry. The North is also growing increasingly reliant on the South for a variety of critical commodities—oil, bauxite and tin being perhaps the best known examples. In addition, the rich capitalist states remain acutely concerned with the influence of the Soviet bloc in the Third World, the moreso now because of the increasing reliance of the OECD nations on the LDCs for petroleum in particular. Thus however weak the Third World may be in a relative sense, these and other trends clearly indicate a heightened awareness in the North of the importance of the South to its own economic, political and strategic welfare.

There are several ways of approaching the problem of Southern power in the trade barrier/market access issue area more specifically. By one measure, the importance of the Third World as a whole as a destination for world exports and a source of world imports, the data indicate a marginal increment in the importance of the LDCs. In 1963, LDC exports accounted for 20 percent of world exports; this had risen to 25 percent by 1976. In 1963 total Third World imports were some 20 percent of world imports; this had grown slightly to 22 percent by 1976. A more salient indicator of Southern bargaining power in this issue area for purposes of a study of North-South relations is the importance of the LDCs as markets for Northern exports. The reason for this relates to the leverage the developing countries would theoretically possess by virtue of threatening or actually denying access to their markets for Northern exports. In fact, in terms of
total exports to the developing world, the North is only marginally more dependent on the Third World as a destination for exports: the LDCs purchased 22 percent of total Northern exports in 1963 and about 23 percent in 1976.\textsuperscript{54} This has apparently risen slightly since then.\textsuperscript{55} However, looking at manufactures in particular a trend toward a greater dependence on the Third World as a market for Northern exports is indicated, especially during the 1970s.

<table>
<thead>
<tr>
<th>Table 19: Importance of LDCs as Markets for Developed Countries' Exports of Manufactures\textsuperscript{56}</th>
<th>1973</th>
<th>1978</th>
</tr>
</thead>
<tbody>
<tr>
<td>North American DCs</td>
<td>24</td>
<td>32</td>
</tr>
<tr>
<td>Japan</td>
<td>42</td>
<td>46</td>
</tr>
<tr>
<td>West European DCs</td>
<td>15</td>
<td>20</td>
</tr>
</tbody>
</table>

These figures would appear to suggest that the developed countries are becoming more dependent on the Third World as a market for their exports of manufactured products. Recently this trend accelerated, with exports of manufactures to the LDCs growing at a significantly faster pace than exports to other developed trading partners.\textsuperscript{57}

Developments in technology and changes in economic conditions also may have provided the LDCs with somewhat better opportunities in international manufactures trade since the 1950s. Increasingly, international firms scan the world as a whole when making investment decisions and developing countries are attractive because of the cost advantages of locating certain types of productive activity in these countries. Moreover,
MNCs can usually obtain better "deals" from LDC governments than those in industrial countries and will normally incur fewer "social costs"—e.g. pollution controls, workers' compensation, etc.

As transportation and communications costs decline, and as worldwide information services expand to cater to the needs of internationally minded firms, increasing numbers of firms are encouraged to adopt a 'global perspective' when deciding on the most efficient location for purchasing and for assembly and sub-processing activities. The result is a growing tendency for companies to purchase (and sell) worldwide, and to specialize the production of components, as well as assembly operations, in different countries.\(^{58}\)

It seems quite plausible that such developments—which, strictly speaking, occur outside of the matrix of international political collaboration and bargaining per se—have worked to encourage the production and purchasing of manufactures from the Third World, although the extent to which this has been true can not be quantified in any way.

Finally, the evolution of international institutional arrangements that impinge on the trade barrier/market access issue area has unquestionably improved the bargaining position of the Third World. Since the early 1960s, LDCs have been in a numerical majority in GATT. The creation of UNCTAD as a permanent UN body in the trade field greatly facilitated the Third World's attempts to secure changes in the rules and principles governing postwar international trade relations. Many stress that in postwar international negotiations, "the organizational contexts within which decisions were made greatly affected the rules" in various issue areas. "The networks, norms and institutions of the United Nations, for instance, have affected the international trade regime, particularly since the formation of the United Nations Conference on Trade and Development in 1964."\(^{59}\) The existence of a universal institution with an extremely broad
mandate has permitted the LDCs to attempt complex issue "linkages" in negotiating on a wide array of previously separate issues. Indeed, without the UN system it is hard to believe that the Third World would have made the modest gains it has achieved to date in various areas of international relations.

The implications of these four models or approaches to analyzing regime evolution for the specific regime of interest to us here are summarized in Table 20 below.

<table>
<thead>
<tr>
<th>Analytical Approach</th>
<th>Implication for LDCs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall Power Structure</td>
<td>Influence of LDCs should be enhanced, provided that issue linkage can be made so that their greater overall power can be felt in the trade barriers regime. Emphasized by global reformers; probably not crucial for this issue area for Nye, Keohane, et. al.</td>
</tr>
<tr>
<td>Issue Power Structure</td>
<td>Some limited increase in LDCs' issue-specific power in terms of the somewhat greater dependence of the North on the LDCs as export markets. But most trade still conducted among developed economies.</td>
</tr>
<tr>
<td>Economic/Technological</td>
<td>Shifting patterns of comparative advantage in the world economy and the expansion of the horizons of large business enterprises provide opportunities to LDCs to produce manufactures for the world market.</td>
</tr>
<tr>
<td>International Organization</td>
<td>Influence of LDCs in international institutions definitely greater. They are very influential in UN with respect to agenda setting. UNCTAD clearly &quot;their&quot; organization. Less powerful in GATT, but numerically dominant since early 1960s.</td>
</tr>
</tbody>
</table>
Taken together, the analytical approaches summarized in Table 20 and discussed above would lead one to expect that the developing countries have greatly increased their power in the trade barrier issue area over the years. Even if one particular model were assumed to offer the most important part of a general explanation of regime evolution--say the issue structure model--an increase in LDCs' influence within the regime would still be expected. However, as was amply documented in Chapter Two of this study, it is rather difficult to argue that the developing countries have exercised any significant leverage in the postwar trade barrier/market access regime. Even their most obvious "success"--the GSP--turns out upon close examination to be a quite marginal victory which, particularly in relation to manufactured exports, has had a very limited positive impact on their export opportunities. The developing countries have been the chief targets of the "new protectionism" practiced by the North since the early 1970s. They have been singularly unable to obtain the implementation of differential treatment on the part of the developed countries, even though the latter have accepted it in principle. (The Tokyo Round made a very modest move in the direction of implementation, but the impact of this on LDCs' trade opportunities is impossible to gauge at this point.) The rhetorical acceptance of non-reciprocity by the North appears to have had little or no measurable effect on the way trade barrier negotiations take place in the GATT context. Why do the expectations or predictions of greater LDC influence that flow from the models surveyed above largely fail to accord with the actual record in North-South relations concerning LDC manufactured exports? It appears that while each model offers some superficially attractive reasons for believing that developing countries should
have enjoyed much more influence in the trade barrier/market access regime (especially in the 1970s), a closer exploration reveals some compelling reasons why this expectation was largely vitiated by events and conditions in the real world.

In the case of the overall power structure approach, the basic problem is that the major "victories" of the LDCs occurred in the 1960s, whereas the argument of Haq and other global reformers who have focused on the LDCs overall power in international relations is that the Third World's ability to "disrupt the lifestyles of the rich" has grown significantly in the 1970s, especially since the success of OPEC in 1973-74. Since the early 1970s, the Third World's major efforts to reform the international economy have focused on issues other than market access for manufactured exports, issues such as commodity price and earnings stabilization (which dominated UNCTAD IV and, to a lesser extent, UNCTAD V), the activities of MNCs (which is related to market access but is not the same thing), the law of the sea, and international monetary questions (which were the main topics for discussion at UNCTAD III). The GSP and the principles of non-reciprocity and differential treatment were "won" by the South in the 1960s, when their influence in the international system as a whole was presumably less. During the 1970s, at a time when, according to the global reformers, LDC power increased rapidly, the most they could accomplish insofar as market access issues were concerned was to convince the North to include special "differential" provisions in the Tokyo Round NTB codes and to accept the more or less permanent legal legitimacy of the GSP. However, far more important in the 1970s was the inability of the LDCs to
influence the increasingly frequent resort to "illegal" import control schemes by the developed countries, schemes in large part designed to limit imports of manufactures from developing countries. In addition, the LDCs totally failed to protect their GSP margins on a wide range of eligible manufactures from MFN tariff cuts during the Tokyo Round negotiations; failed to obtain significant tariff reductions on several important categories of manufactures in which they are internationally competitive; and failed to bring forth a new GATT safeguards code that would limit the ability of the Northern countries to use quantitative restrictions against LDC exports outside GATT's system of multilateral surveillance. Thus, at a time when their "overall" power in the international system was allegedly on the rise, the developing countries exhibited very little capacity to affect measurably the course of trade barrier negotiations at the global level or the underlying trend toward protectionism in many industrial sectors that characterized the policies of most Northern governments.

Looking at LDC power in the trade barrier issue area more specifically, two points warrant mention. First, their leverage in bargaining with the North is limited by the fact that throughout the postwar period they have continued to account for a relatively minor portion of total developed country exports. While they have grown more important in the 1970s as a market for developed countries' exports of manufactures, it remains the case that other developed economies are the major purchasers of each other's exports. However, even the apparent trend toward greater reliance on LDCs as market for exports of Northern manufactures
may obscure more than it reveals, for a fundamental asymmetry exists in
the interdependence of North and South in this respect. While for the
North it is quite plausible to find alternative markets in the unlikely
event that access to Third World markets is denied or reduced, the same
cannot be said in the case of the LDCs that currently export manufactures.
As the Brandt Report notes, "the OECD countries with their high purchasing
power . . . will have to be the principal outlet for future expansion
of export-oriented industrial production in the South."61 For the North,
on the other hand, other Northern countries will continue to be the
major markets for exports. Moreover, even if the South wanted to deny
access to its markets to exports of manufactures from the capitalist
North, it is questionable whether this would be feasible. LDCs cannot,
for the most part, purchase the technologically sophisticated and capital-
intensive manufactured goods exported by the North from other sources.62
Efforts to articulate a strategy of "collective self-reliance" whereby
the LDCs gradually become each other's major trading partners would, if
successful, change this situation in a way that might very well enhance
Southern bargaining power in this and other issue areas.63 For the
foreseeable future, however, the "interdependence" of North and South in
this area will remain markedly asymmetric—which, as Baldwin stresses,
is just another way of saying that the opportunity costs of severing
the relationship are vastly different for the developed and developing
countries.64

Turning to the increased power of the developing countries in inter-
national organizations involved in the trade barrier/market access regime,
upon close examination it becomes quite clear that much of this Southern organizationally-dependent influence is somewhat of an illusion. The basic problem is that while they unquestionably wield considerable power in UNCTAD and other UN bodies, and are in particular able to control the issue agenda and the staging of negotiations, the LDCs suffer from the fact that binding agreements concerning market access are not really "negotiated" in the UN system at all. With the partial exception of the GSP, which was at least partly negotiated and put together in UNCTAD forums, all global negotiations to reduce tariff and non-tariff barriers to trade have occurred in GATT. As noted previously, the LDCs constitute a majority of that organization's membership as well. But reaching agreements related to barrier reduction in GATT does not typically involve collective decisions by the GATT membership; instead, any two or a small number of interested states are able to bargain with each other, leaving outside the negotiating context most other states. Recognition of this is fundamental to an understanding of GATT's role in postwar trade barrier regulation and reduction. GATT fits Cox and Jacobson's description of a "framework organization," that is, an institution which creates "a framework for member states to carry on many different activities ranging from the exchange of views to the negotiation of binding legal instruments."\(^65\) Or, as the Curzons trenchantly put the matter, GATT "serves as a bag into which specific agreements are dropped from time to time."\(^66\) Thus the basic outlines of agreements to reduce MFN tariffs or to regulate the use of countervailing and antidumping duties—all critical aspects of countries' trade barrier policies—
are formulated by a small number of GATT members with a mutual interest in better access to each other's markets. Not surprisingly, this "small group" has consisted of the developed market economy countries that are each other's major trading partners. The result has been that small trading countries, including virtually all LDCs members of GATT, have been effectively stripped of influence during most facets of trade barrier negotiations in GATT. And their power in UNCTAD has in no way really compensated for this, except insofar as they have been able to articulate new principles to govern trade relations which later are reflected in some general way in the General Agreement and other GATT instruments. The Third World has indeed succeeded in formulating new principles--tariff preferences, nonreciprocity, differential treatment--thanks to its influence in UNCTAD, but it has rarely succeeded in bringing about the actual implementation of these principles in the commercial sphere. Its lack of leverage in GATT is an important reason for this.

Finally, the LDCs' trade prospects in manufactures would seem to be quite favorable given certain trends in the international economy, such as dynamic shifts in international comparative advantage and the more global perspective of MNCs in their purchasing and investment policies. These conditions in the international economy would, one might think, have permitted an even greater expansion of LDC manufactured exports to the North than has in fact taken place. Yet most LDCs remain minor exporters of manufactures, while those that are heavily involved in such trade are increasingly fearful of Northern policies that limit market access. The basic problem with the fairly optimistic
expectations that flow from the economic process/technology model is that the domestic perspective of Northern policy is ignored. Governments, especially democratic governments, are typically acutely sensitive to the complaints of specific economic interest groups. As noted in the previous chapter, increased market access for textiles and clothing was, quite simply, regarded as out of the question by the British and French governments at the time of the first renegotiation of the Mult-Fibre Arrangement. It may be that governments will become increasingly resistant to further import penetration, particularly when such imports cost, or appear to cost, domestic jobs. Sampson suggests that there appears to be a greater unwillingness on the part of OECD governments to give up some chosen share of the domestic market of an increasing number of non-strategic industries. If this is so, a...legitimate interpretation of what is taking place today would consider recent changes in commercial policy to be the tip of the iceberg. What is at stake is access to the markets of the 1980s. The problem is, in reality, nothing less than deciding who will produce what in the future.... Viewed in this context, the fact that only the 'star-performing' developing countries are affected by recent protectionism raises a disturbing question: If just a handful of developing countries can be the source of considerable market disruption, what does the future hold as more developing countries reach some sort of industrial maturity?68

The role of domestic factors in shaping the foreign economic policies of states is increasingly regarded as critical by many students of international relations.69 In the present case, the central importance of reciprocity in GATT negotiations must be recalled. Reciprocity is essentially a requirement imposed on governments by domestic political pressures which demand that an increase in imports be "compensated" by an increase in exports. Here then is another reason for the limited gains of the LDCs in the trade barrier issue area: "The nonreciprocity
principle means that LDCs opt out of the negotiating process, which may encourage the existing tendency for developed countries to focus on problems of trade among themselves."70

IV Conclusion

Developing countries appear to have little choice but to accept the fact that they are "interdependent" in the present international economic order. This interdependence is a source of vulnerability as well as of opportunity. The LDCs' dependence on Northern economies, both as export markets and more generally, is greater than that of the advanced countries on the South, either as an export market or more generally. There is nothing peculiarly contemporary about this. "Changes in the world economy have never evolved in consequence of a competition among equals . . ."71 Hirschman's study of trade dependence in the 1930s is an instructive reminder that there is nothing unique about the current plight of the LDCs in international trade.72 "Asymmetric interdependence," Keohane and Morse call it; "dependency," respond Galtung, Amin, Frank and other dependency writers. There is no meaningful sense in which a "synthetic" perspective on North-South political economy can be fashioned from the diverse literature surveyed in this study. For one thing, the essentially zero-sum conception of North-South or core-periphery exchange relationships that characterizes the dependency literature simply cannot be integrated into any non-Marxist worldview or analytical approach. On the question of LDC bargaining power, I find myself more sympathetic to the image of the dependency perspective,
though I do not accept the economic logic that underlies the basic dependency argument. But there is something very accurate about portraying the Third World as dependent on the North in international trade relations, a dependency that is not reciprocal; hence the relative weakness of LDCs in the trade barrier/market access issue area. A "metaphor" of inequality or dependency will likely remain popular among many students of North-South relations for a long time to come. This does not preclude the possibility that the Third World might succeed in achieving certain reforms of international economic principles and rules, for as has been demonstrated here the LDCs have in fact been able to score victories at the level of principles. But their ability to secure the implementation of new and vague principles in North-South relations in the trade barrier issue area is likely to remain limited. And they will continue to negotiate from a position of fundamental weakness and relative vulnerability.
Notes to Chapter 3


6 Ibid., p. 19.

7 Ibid., p. 31.


9 Evans, p. 28.

10 Ibid., p. 28.


12 Amin, Accumulation on a World Scale, pp. 393, 131; Cardoso and Faletto, pp. 114-238; T. dos Santos, "The Crisis of Contemporary Capitalism," Latin American Perspectives 3 (Spring 1976); Evans, p. 290, dissents from the general dependency theory view that the industrializing LDCs ought to disengage from the global capitalist system.
13 Amin, Unequal Development, p. 214.


21 In this consideration of the views of scholars associated with the interdependence perspective insofar as the question of the mutuality of gains from North-South trade is concerned, the various political scientists who have written on international interdependence are excluded since they really do not address this particular question. In the next section, where LDC bargaining power is discussed, the views of these students of interdependence are dealt with in some detail, whereas the liberal economists are excluded from consideration since they have little to say about bargaining power but much to say about the mutuality of gains from trade. The global reformers, on the other hand, who make up the third school included under the interdependence rubric for purposes of this study, are considered during the following discussion of both the gains from trade and bargaining power.

22 Delbert Snider, Introduction to International Economics (H.
The literature advocating export-led Southern industrialization is vast. Useful for this study were the following: Jaleel Ahmad, "Third World Exports of Manufactures," in William G. Tyler, ed., Issues and Prospects for the New International Economic Order (Lexington Mass.: D.C. Heath, 1977); Morrison, ch. 1; Fishlow, pp. 26-32; Bela Balassa, "Trade Policies in Developing Countries," American Economic Review 61 (May 1971); and Richard Blackhurst, Nicolas Marian and Jan Tumlir, Adjustment, Trade and Growth in Developed and Developing Countries (Geneva: GATT, Studies in International Trade, no. 6, 1978).


Liberal economists who stress the need to make markets more competitive and who suggest that LDCs will benefit from such a policy include Fishlow, Ahmad, and Jagdish Bhagwati, "Market Disruption, Export Market Disruption, Compensation and GATT Reform," in Bhagwati, ed., The New International Economic Order: The North-South Debate (Cambridge, Mass.: MIT Press, 1977).


Resolution 3202 (S-VI), which spelled out the LDCs' Programme of Action to establish an NIEO, contained a set of proposals to effect the transfer of technology to the South, and also spelled out a series of proposals to achieve a greater degree of regulation of the activities of MNCs in host developing countries. See Ervin Laszlo and others, The Obstacles to the New International Economic Order (New York: Permagom, 1980), pp. 113-4. Among the works classified as falling under the global reformers' label.
in this study which discuss the need to transfer technology to the South and to regulate MNCs, see Hans Singer and Javed Ansari, Rich and Poor Countries (London: Allen and Unwin, 1977), esp. pp. 37-40; and the Brandt report, North-South: A Programme for Survival (London: Pan Books, 1980), ch. 12.


34 This definition is widely used by international relations scholars sympathetic with the interdependence perspective. See Robert O. Keohane and Joseph S. Nye, Power and Interdependence (Boston: Little, Brown, 1977), ch. 1; Oran R. Young, "International Regimes: Problems of Concept Formation," World Politics 32 (April 1980); and Ernst Haas, "Why Collaborate: Issue Linkage and International Regimes," World Politics 32 (April 1980).

35 Amin, Accumulation on a World Scale, p. 131; emphasis added.


37 Amin, Imperialism and Unequal Development, p. 132.

38 Evans, passim.


41 Keohane and Nye, passim.


43 Keohane and Nye, p. 50; emphasis added.


45 Ibid., pp. 54-8; Morse, conclusion; Hansen, pp. 38-9.

46 Keohane and Nye, p. 55; and Hansen, pp. 38-9.


48 Haq, p. 187.
49 Laszlo, pp. 116-8.
50 Keohane and Nye, p. 50.
51 See especially Haq, ch. 9.
52 Ibid., p. 170.
54 Ibid., Table A-1.
56 Ibid., p. 8.
57 Ibid., p. 8.
58 Blackhurst, Marian and Tumlir, Trade Liberalization, Protectionism and Interdependence, p. 10; see also Thomas Morrison, "International Subcontracting: Improved Prospects in Manufactured Exports for the Small and Very Poor Developing Countries," World Development 4 (April 1976).
59 Keohane and Nye, pp. 57, 56.
60 Haq, pp. 179, 174-6.
61 North-South, p. 175.
62 Singer and Ansari, p. 29.


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