WORLD TRADE ORGANIZATION

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Negotiating Group on Market Access

ANNOTATED SELECTIVE BIBLIOGRAPHY OF RESEARCH ON MARKET ACCESS

Note by the Secretariat[1]

Addendum

The attached annotated bibliography of research in market access was prepared at the request of the delegation of Kenya. It includes all available abstracts of the studies listed in document TN/MA/S/1. It also includes studies that were identified after document TN/MA/S/1 was issued.

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[1] This document has been prepared under the Secretariat's own responsibility and without prejudice to the positions of Members and to their rights and obligations under the WTO.

I. GENERAL

Bacchetta, M. and Bora, B. (2001) "Post-Uruguay Round Market Access Barriers for Industrial Products", ***Policy Issues in International Trade and Commodities*****, Study Series No.12, Geneva: UNCTAD.**
http://www.unctad.org/en/pub/ditctab_list.en.htm

This paper examines the landscape of border protection remaining after the Uruguay Round. It is unique in many respects. First, it uses both applied and bound rates. Second, it examines the structure of protection from the perspective of both the importer and exporter. The general conclusion of the paper is that significant levels of protection still need to be addressed. The paper examines the degree to which preferential agreements will have an effect on the tariff structure and finds that in the specific context of least developed countries (LDC) market access into developed countries there is a large difference between the preferential and the most favoured nation (MFN) rates. The paper concludes with some suggestions for improving the literacy level of the policy debate on trade policy, by improving the quality and accessibility of protection and trade data.

Buffie, E. (2001), ***Trade Policy in Developing Countries*****, Cambridge University Press, Cambridge.**

This book is the first work in the field to examine trade policy in an integrated theoretical framework based on optimising dynamic models that pay careful attention to the structural features of developing country economies. Following a thorough critique of the debate on inward vs. outward-oriented trade regimes, the book explores the main issues of concerns to less developed countries in the areas of optimal commercial policy, trade liberalization and direct foreign investment. The book contains a section on the problems of transitory unemployment in developing countries during the process of trade liberalization.

Deardorff, A. (2000) "Market Access for Developing Countries", Paper presented at the Center for Business and Government at Harvard University, mimeograph.
http://www.ksg.harvard.edu/cbg/trade/deardorff.htm

This paper argues that successful development by developing countries causes adverse consequences for some factor owners in developed countries. These in turn seek protection from imports and that protection undermines the benefits to the developing countries of their growth. Several of the main examples of protection in the world today can be interpreted as arising from this mechanism, including protection of textiles, apparel, and steel. More broadly, current resistance to globalization may be due in part to this phenomenon. The paper concludes with a brief discussion of how policies and institutions should respond to this.

Finger J. M., M. D. Ingco and U. Reincke (1996) The Uruguay Round: Statistics on Tariff Concessions Given and Received, Washington DC: World Bank.

This publication provides summaries of the tariff liberalization agreed at the Uruguay Round negotiations of the GATT. The tables provide measures of reduction, bindings, and levels of most-favoured-nation (MFN) customs tariff rates. They do not provide estimates of how exports and imports will change as a result of these liberalizations, nor do they gauge margins of tariff preferences or how the Uruguay Round concessions will affect those margins.

Finger, M.J. and Schuknecht, L. (1999) "Market Access Advances and Retreats: The Uruguay Round and Beyond", Trade and Development Centre, Washington DC: World Bank.
http://www2.cid.harvard.edu/cidtrade/Issues/finger2.pdf

The Uruguay Round has been justly celebrated for the innovations it represents: coverage extended to services, intellectual property, trade-related investment issues, much greater attention to the rules of trade-policy making and administration, a new and unified organization to administer the agreements. At the same time, the Uruguay Round dealt significantly with the more or less traditional subject of the GATT – market access: tariff cuts as broad in scope as those of any previous round were agreed, policies that affect trade in agricultural products were taken up for the first time, agreement was reached to eliminate restrictions on trade in textiles and clothing under the Multi-Fibre Arrangement. This paper deals only with market access. It presents a tally of (a) implementation of market access commitments, i.e., of the agreed removal or reduction of import restrictions; and (b) use of various "safeguard" and other measures that the agreement provides that allow a member government to introduce new trade restrictions.

The report thus has no thesis to advance, it is not an essay, it is a tabulation of the amount of liberalization that has resulted from the Uruguay Round Agreements, and of slippage from that liberalization. The objective is not to count up to see which part is larger, the agreed liberalization versus the allowed "backsliding." No doubt, the liberalization has been larger, by several orders of magnitude. Nevertheless, it is important to keep a close watch on the use of allowed backsliding.

Finger, M., Reincke, A. and Castro, A. (1999) "Market Access Bargaining in the Uruguay Round", World Bank Policy Research Working Paper 2258, Washington DC: World Bank.

This study explores market access bargaining, particularly tariff bargaining, at the Uruguay Round. There are two general objectives (a) to measure the extent of country participation in market access bargaining—the degree to which countries agreed to reciprocal liberalisation or to bind under the GATT/WTO otherwise unilateral liberalisation; and (b) to analyse the basis of the success in market access bargaining that was achieved at the round—was the successful outcome attributable to a rigid adherence to reciprocity in bargaining-a dollar of concessions received by each party for each dollar of concession given?- Or is this success the result of a more relaxed view of reciprocity, one that recognises other reasons to reduce tariffs, such as the contribution of individual liberalisations to constructing an international system within which all may prosper-or even the domestic gains liberalisation brings?

Francois, J. (2001) ***The Next WTO Round: North-South Stakes in New Market Access Negotiations*****, Amsterdam and Rotterdam: Centre for International Economic Studies.**
http://www.adelaide.edu.au/cies/francois.pdf

Reaching a consensus on the next round of multilateral trade negotiations has been a trying experience for members of the World Trade Organization (WTO). The failure to launch a new round at the WTO Trade Ministerial in Seattle in late 1999 was not just because of the disruptive efforts of 50,000 anti-globalization protestors. Also reluctant to see a new round launched were numerous developing country members of WTO. Some of those countries feel their economies have not benefitted sufficiently from implementation of commitments made at the previous Uruguay Round of negotiations. Why should the next round be any different in that respect, they ask? This study explores that question using state-of-the-art modelling of the global economy. It examines the distributional consequences within (e.g. between unskilled and skilled workers) and between countries of a 20% and a 50% cut in the tariffs that will remain after the Uruguay Round is fully implemented by 2004. It takes explicit account of the fact that many (especially developing) countries have bound their tariffs on imports at well above the actual rates currently applied, so that a commitment to cut bound rates leads to less trade liberalization than previous studies have suggested. But this study also factors in the realities of imperfect competition in many markets (which generates pro-competitive gains from trade that are omitted from studies that simply assume perfect competition in all markets), and the potential for gains from reforms in the services sectors. Among the results to emerge is the finding that developing countries could expect to gain more from the next round than they gain from all the official development assistance they currently receive – a gain comparable in value to their current inflows of foreign direct investment.

Francois, J. (2001) "Commercial Policy Variability, Bindings, and Market Access", London: CEPR.
http://www.intereconomics.com/francois/text9702.pdf

Protection unconstrained by rules often varies substantially over time. Rules-based disciplines, such as WTO tariff bindings and bindings on market access in services, constrain this variability. We examine the theoretical effects of such constraints on the expected cost of protection and offer a formalization of the concept of "market access," emphasizing both the first and second moments of the distribution of protection. As an illustration, we provide a stylized examination of Uruguay Round bindings on wheat.

Hoda, A. (2001) *Tariff Negotiations and Renegotiations Under the GATT and the WTO: Procedures and Practices*, Cambridge: Cambridge University Press.
<http://uk.cambridge.org/economics/catalogue/0521804493/default.htm>

The procedures and practices to implement the provisions relating to tariff negotiations and renegotiations have evolved considerably since the GATT was established in 1947. The provisions themselves have undergone some changes in the last fifty-four years. Mr. Hoda reviews the evolution of these provisions and of the procedures adopted and practices followed by the contracting parties to GATT 1947 and the Members of the WTO. In particular, the book examines the modalities and procedural aspects of tariff negotiations. This includes technical issues such as the base rate and base date, the concept of non-reciprocity and the role of the Secretariat. The book also covers the practice and procedures of renegotiations and the rectification, modification and consolidation of schedules of tariff concessions. Mr. Hoda goes on to offer some conclusions and recommendations. The appendices of the book contain valuable information on the key provisions in the Havana Charter and the GATT 1994 and the WTO Agreement and Related Understandings; Decisions and Declarations commencing Rounds of Multilateral Trade Negotiations; Protocols embodying the results of multilateral trade negotiations; and the decisions on procedures on renegotiations, rectifications, modifications and related subjects. This book is of particular interest to negotiators including Geneva based delegations, members of government trade ministries, economists, and all academics who specialise in trade policy.

Laird, S. (1998) "Multilateral Approaches to Market Access Negotiations", TPRD Working Paper 98-02, Geneva: World Trade Organization.
http://www.wto.org/english/res_e/reser_e/ptpr9802.doc

Market access negotiations in merchandise trade at the multilateral level cover tariffs and non-tariff measures (NTMs). While tariffs have been substantially reduced in earlier rounds, they remain high in certain areas and further reductions involve a number of complex technical issues. Some formulae approaches, not used in the Uruguay Round, seem more favourable to developing countries. Elimination or phased reductions of NTMs in agriculture is one of the main areas for further market access negotiations in trade in goods. However, most NTMs are now the subject to negotiations on the rules under which they may be applied, e.g. in the areas of contingency protection and technical barriers to trade.

Laird, S. and Yeats, A. (1987) "Tariff-cutting Formulas and Complications", in J.M. Finger and A. Olechowski, *The Uruguay Round - A Handbook for the Multilateral Trade Negotiations*, Washington DC: World Bank.

This paper was written as a background note to tariff negotiations during the Uruguay Round. It identifies and examines four longer term problems associated with tariffs. These are, first, the fact many tariffs are not legally bound. Second, there are different effects of specific tariffs on developing countries' exports. Third, the cost-insurance-freight, as opposed to free-on-board procedures for customs valuations discriminate against geographically disadvantaged developing countries, particularly those that are least developed and landlocked. Fourth, the problem of how to liberalise tariffs for products that are also 'hard core' tariffs. The article also reviews general approaches to tariff liberalisation.

Martin, W. and Francois, J. (1997) "Bindings and Rules as Trade Liberalization", in Maskus, K.E. et-al. (eds.) *Quiet Pioneering: Robert M. Stern and his International Economic Legacy. Studies in International Economics.* Ann Arbor: University of Michigan Press.

Protection unconstrained by rules often varies substantially over time. Rules-based disciplines, such as WTO tariff bindings and bindings on market access in services, constrain this variability. We examine the theoretical effects of such constraints on the expected cost of protection and offer a formalization of the concept of “market access,” emphasizing both the first and second moments of the distribution of protection. As an illustration, we provide a stylized examination of Uruguay Round bindings on wheat.

Martin, W. and Winters, L.A. (1996) *The Uruguay Round and the Developing Countries*, Cambridge; New York and Melbourne: Cambridge University Press.

Fourteen papers, originally presented at a World Bank conference held in Washington, D.C., in January 1995, examine the implications of the GATT Uruguay Round. Papers focus on agricultural liberalization and the Uruguay Round; trade in manufactures, the outcome of the Uruguay Round, and developing country interests; assessing the GATT; the Uruguay Round and market access for developing countries; assessing agricultural tariffication under the Uruguay Round; liberalizing manufactures trade in a changing world economy; quantifying the Uruguay Round; a numerically-based, qualitative assessment of the Uruguay Round; the liberalization of services trade and the aftermath of the Uruguay Round; safeguard provisions in GATT and legalized backsliding; the economic effects of Uruguay Round agreements on trade-related intellectual property issues; trade-related investment measures and a case for more comprehensive multilateral rules on investment; developing countries and system strengthening in the Uruguay Round; and the intrusion of environmental and labour standards into trade policy.

Michael, F., Reincke, U. and Castro, A. (1999) "Market Access Bargaining in the Uruguay Round: Rigid or Relaxed Reciprocity?", Washington DC: World Bank.
http://wbln0018.worldbank.org/Research/workpapers.nsf/bd04ac9da150d30385256815005076ce/56d81ccdfaa29b6c8525684000740159/$FILE/wps2258.prn.pdf

Economists widely agree that unilateral free trade augments the national economic interest. Economists perhaps even more widely accept that bargaining at the GATT rounds has been motivated and controlled by reciprocity -- each government treats its trade restrictions as assets and will reduce them only in exchange for equivalent reductions by trading partners. This presumption, that trade liberalization through the GATT is built on reciprocity, seems to be an even more solid part of economists' folklore than is a preference for free trade. This study will explore market access bargaining -- particularly tariff bargaining -- at the Uruguay Round. There are two general objectives: (a) to measure the extent of country participation in market access bargaining -- the degree to which countries agreed to reciprocal liberalization or to bind under the GATT/WTO otherwise unilateral liberalization; and (b) to analyze the basis of the success in market access bargaining that was achieved at the round. Was the successful outcome attributable to a rigid adherence to reciprocity in bargaining -- a dollar of concessions received by each party for each dollar of concession given? Or is this success the result of a more relaxed view of reciprocity; one that recognizes other reasons to agree to reduce tariffs, such as the contribution of individual liberalizations to constructing an international system within which all may prosper -- or even the domestic gains that liberalization brings?

Michalopoulos, C. (1999) *Trade Policy and Market Access Issues for Developing Countries: Implications for the Millennium Round*, Washington DC: World Bank.
http://econ.worldbank.org/docs/940.pdf

An analysis of developing countries' current trade policies and market access problems is used as a basis for recommending positions for these countries in the new round of multilateral negotiations under the World Trade Organization. Michalopoulos analyzes 61 trade policy reviews prepared for the World Trade Organization (WTO) and its predecessor, GATT - reviews that document the progress developing countries have made in integration with the world trading system over the past decade. Based on an analysis of post-Uruguay Round tariff and non-tariff barriers worldwide, he then recommends developing country positions on major issues in the new round of WTO trade negotiations. His key conclusions and recommendations:

- Agriculture. Developing countries should support the Cairns Group in its push for greater liberalization of industrial countries' agricultural trade policies; the revised Food Aid Convention is not a substitute for but a complement to worldwide liberalization of agriculture.
- Manufactures. The existence of tariff peaks and escalation in industrial country markets and the limited bindings at relatively high levels of developing country tariffs on manufactures present opportunities for negotiations with good prospects for shared and balanced benefits.

The remaining non-tariff barriers in industrial countries that affect manufactures are concentrated in textiles and clothing. Developing countries should ensure that industrial countries implement their commitments to liberalize this sector and impose no new non-tariff barriers in this or other sectors under the guise of other rules or arrangements.

The remaining non-tariff barriers in developing countries should be converted into tariffs and reduced over time as part of the negotiations.

- Antidumping. The increased use of antidumping measures by high- and middle-income developing countries in recent periods offers an opportunity for balanced negotiations to restrict their use. Reduced use of antidumping measures would increase efficiency and benefit consumers in all countries. But it is unclear whether a supportive climate for such negotiations exists in either industrial or developing countries.

OECD (1999) "Non-OECD Countries and Multilateral Trade Liberalization: A Background Note on Some Key Issues", Paris: OECD.
http://appli1.oecd.org/olis/1999doc.nsf/8358a613ec4462afc12569fa005d1700/b6c50084198c9a8bc12568330058b793/$FILE/11E93248.ENG

The objective of this paper is to analyse the benefits of multilateral trade liberalisation for non- OECD countries. These are presented both in terms of qualitative gains from enhanced rules and disciplines in the context of the WTO, and quantitative gains from further cuts in protection. Qualitative gains are described in reference to the system of rules and disciplines that are embodied in the WTO and the interests of developing countries in seeing these develop further. This is an area where all countries, be they net importer or exporter of this or that product or service, share similar interests, but perhaps where non-OECD economies have bigger stakes than the larger trading nations in the OECD area. Calculations made for this paper have sought to reflect different packages of cuts in tariffs on trade in agricultural and industrial goods. The results suggest that in the year 2010, assuming a full and global tariff liberalisation, net world welfare could be around US$1,200 billion (in 1995 prices) higher than it would be if current levels of tariff protection remained unchanged. The technical limitations inherent in all exercises of this type are such as to lead, almost certainly, to the net benefits being underestimated. Two other scenarios are also presented here reflecting less ambitious tariff liberalisation outcomes. It should be stated that the purpose of this exercise is neither to describe the scope or modalities of future tariff negotiations, nor to prescribe what the agenda should or ought to encompass. Rather, the objective is to give an idea of the benefits that can still accrue from just traditional cuts in tariffs.

Panagariya, Arvind (2002) "Formula Approaches to Reciprocal Tariff Liberalization" in B. Hoekman, A. Mattoo, and Philip English (Eds.) Development, Trade, and the WTO: A Handbook, Washington, DC.

The GATT gives member countries considerable flexibility with respect to how tariffs are lowered. They can engage in bargains with their major trading partners by sectors, as was the case in the earlier rounds, or agree on a general formula applicable uniformly to all members, as in the Kennedy and Tokyo Rounds, or pursue a combination of the two, as in the Uruguay Round. This paper analyses the sectoral approaches on the one hand and the across-the-board approaches and tariff reduction formulas on the other. The final choice of approach depends largely on the underlying objective. for example, if the objective is maximum liberalization worldwide, an across-the-board approach which lowers higher tariffs more is appropriate. On the other hand, if governments are driven by domestic lobbies, a sector-by-sector approach is likely to be preferable. The author argues that, in the present scenario, from the view point of developing countries and across-the-board approach like the Swiss formula would make the most sense.

Rogowsky, R., Linkins, L. and Tsuji, K. (2001) "Trade Liberalization: Fears and Facts", Washington DC: CSIS mimeograph.
http://www.csis.org/pubs/2001_tradeliber.htm

The authors examine seven often-expressed concerns about trade liberalization to assess both the facts and common perceptions underlying the issues: (1) trade's effect on manufacturing jobs, (2) trade's effect on wage and income inequality, (3) trade deficits, (4) United States economic exposure to foreign-market instability, (5) the threat to sovereignty, (6) trade's effect on the environment, and (7) health and safety. Research shows that some popular concerns about trade are factually based, but others are less well supported or arise from apparent misunderstandings of the way international markets work. After briefly summarizing the concerns raised in each area, the authors review a large body of recent economic and legal literature. Plain statements by advocates of a particular position on an issue appear alongside discussion of more formal economic or legal analysis of the same issue. This form of presentation both highlights the current divergence of views and demonstrates the extent to which either new research or better public dissemination of existing research might lead toward greater consensus.

Safadi, R. (1996) "The Uruguay Round Agreements: Impact on Developing Countries", *World-Development* 24, 7: 1223-1242.

Implementation of the results of Uruguay Round will bring about significant increases in trade, investment, income and welfare for developing countries. This derives from increased market access to developed countries' markets and from enhanced efficiency originating from their own liberalization commitments, although the distribution of benefits will be uneven. Developing countries will also benefit from improved rules for trade and investment coupled with enhanced institutional enforcement of these rules and greater exposure to global competition within a more predictable, secure and credible international trading environment. To maximize the benefits, however, developing countries will need to continue with recent unilateral reforms to improve their supply response.

Snape, R. (1997) "Tariffs, Then and Now: Lecture in Honour of the Late Bert Kelly", *Australian Economic Review* 30, 2: 144-154.

While much of the Australian trade liberalisation for which Bert Kelly fought has been achieved, there are still areas of highly selective protection, particularly in textiles, clothing, footwear and passenger motor vehicles. An analysis is made of arguments for continued assistance which are advanced in some quarters: that Australia should not reduce its barriers unless other countries also do so and that we are 'leading the pack', that frontier barriers should not be reduced unless microeconomic reform in Australia is accelerated; that because other countries may exclude automobiles from their APEC commitments, so should Australia; that small tariffs don't matter; and that local pain overshadows national gain. Bert Kelly would have found many of the arguments all too familiar.

Srinivasan, T. N. (1998) *Developing Countries and the Multilateral Trading System: From the GATT to the Uruguay Round and the Future*, Boulder: Westview Press.

Explores the interaction between developing countries and the multilateral trading system since the end of World War II. Reviews the history of the GATT and the unratified charter of the International Trade Organization to see whether the flaws of the GATT have been rectified in the World Trade Organization (WTO). Analyzes the evolution of the participation of developing countries in the GATT from 1947 to the 1979 Tokyo Round. Provides a negotiating history of the GATT between Tokyo 1979 and Marrakech 1994. Assesses the achievements and failures of the Uruguay Round in terms of improving market access for goods. Critically examines agreements reached on other issues, including services; trade-related investment measures and trade-related intellectual property rights; safeguards; dispute-settlement; and non-tariff measures. Explores the opportunities and threats posed by regionalism and sub-regionalism to a liberal global trading and investment order. Considers a possible future linkage between trade policies and environmental and labor standards, and implications for the developing countries. Analyzes the institutional reforms and innovations that developing countries will need to compete in a post-Uruguay Round environment of intense competition for markets and investment capital. Considers issues associated with the WTO's cooperation with the IMF and World Bank. A postscript takes up developments since 1995 and, in particular, the results of the first ministerial meeting of the WTO in Singapore in December 1996.

Tarr, David G. (2002) "Arguments For and Against Uniform Tariffs" in B. Hoekman, A. Mattoo, and Philip English (Eds.) Development, Trade, and the WTO: A Handbook, Washington, DC.

This paper examines the arguments for and against a uniform tariff structure. Arguments against uniformity have to do with terms of trade, promotion of 'strategic' or infant industries or restructuring of industries, revenue or balance-of-payments considerations, and the utility of tariffs as a negotiating tool at the WTO. Arguments in favour of uniformity include political economy considerations, administrative convenience, and reduction of smuggling and corruption in customs. The author maintains that tariff uniformity is the best choice, in practice.

UNCTAD (1998), "Market Access Developments since the Uruguay Round: Implications, Opportunities and Challenges, in Particular for Developing Countries and Least-Developed Countries in the Context of Globalization and Liberalization", E/1998/55, Geneva: UNCTAD.

The report argues that the conclusion of the Uruguay Round of multilateral trade negotiations and the creation of the WTO resulted in significant improvements in conditions, as well as security, of market access in trade in goods and in services. Further improvements in sectoral market access conditions have been achieved under the WTO. Nevertheless, significant tariff barriers (tariff peaks and tariff escalation) and non-tariff measures continue to affect a number of products of export interest to developing countries. Also increased market penetration has given rise to intense demands from domestic producers in OECD countries for trade remedies. In services, trade continues to be hampered by restrictions imposed on the movement of natural persons to supply services coupled with other barriers, including anti-competitive practices. Therefore, there remains substantial scope for further multilateral liberalization of trade, in particular in products and sectors of export interest to developing countries, especially the least developed among them.

World Bank (2001) ***Global Economic Prospects and the Developing Countries 2002*****", Washington DC: World Bank.**
http://worldbank.org/prospects/gep2002/

Global Economic Prospects and the Developing Countries 2002 reviews the global economic environment and its implications for the developing countries over the next decade. Realizing the promise of the new global initiatives to expand trade requires concerted effort to move development to center stage in trade policy formulation. This report is dedicated to that agenda. It begins with a review of global prospects and ways globalization links the fates of industrial and developing countries. The report then considers issues in four broad areas that are particularly important to developing countries: merchandise trade, services, transport, and intellectual property rights. A final chapter summarizes the forward-looking policy agenda, and assesses the potential impact of further global integration and more rapid growth for the standards of living in poor countries everywhere. As 2001 draws to a close, the global economy is slipping precariously toward recession. Developing countries have seen their economic growth rates plunge. Growth in trade has undergone one of the most severe decelerations in modern times - from over 13 per cent in 2000 to 1 per cent in 2001. Developing countries are confronting a 10 percentage point drop in the growth of demand for their exports. Though the weight of evidence still points to a probable recovery in mid-2002, the risks posed to recovery are the gravest in a decade. The terrorist attacks in the United States, although it is still too early to evaluate them fully, have unleashed new and unpredictable forces that have substantially raised the risk of a global downturn.

Against this uncertain backdrop, world leaders have launched an intense discussion about whether to begin a new round of global trade negotiations at the ministerial meeting of the World Trade Organization (WTO) in November 2001. A round would offer an opportunity to renew progress on multilateral rules that open markets and expand trade. A reduction in world barriers to trade could accelerate growth, provide stimulus to new forms of productivity- enhancing specialization, and lead to a more rapid pace of job creation and poverty reduction around the world. The international community faces a clear choice: whether now is the time to continue down the path toward greater openness that has led to greater integration and prosperity for more than five decades, or whether to allow the hiatus in the wake of the WTO meetings in Seattle (1999) to endure. If trade talks are to succeed in underpinning a new wave of global prosperity, and at the same time contribute to raising the incomes of the poorest in the global community, they will have to ensure that the world's poorest countries and poorest people will benefit.

This report argues for reshaping the global architecture of world trade to promote development and poverty reduction. The report focuses on four policy domains: (a) using the WTO ministerial to launch a development round of trade negotiations that would reduce global trade barriers; (b) engaging in global collective action to promote trade outside the negotiating framework of the WTO; (c) adopting pro-trade development policies of high-income countries unilaterally; and (d) enacting new trade reform in developing countries.

WTO (2001) *Market Access: Unfinished Business*, Geneva: WTO Secretariat.
http://www.wto.org/english/res_e/booksp_e/maccess_e.pdf

This study has two closely related objectives: to evaluate post-Uruguay Round market access conditions and to contribute to a clarification of the stakes in the ongoing process of multilateral trade negotiations in the market access area. Industrial tariffs are included along with and agriculture and services, even though they are not currently the subject of a negotiating mandate, because their inclusion contributes to both objectives. The study also provides a brief overview of the progress to date in the mandated negotiations on agriculture and services.

WTO (1994) "The Results of the Uruguay Round of Multilateral Trade Negotiations: Market Access for Goods and Services: Overview of the Results", Geneva: GATT.

The Uruguay Round negotiations were concerned with two aspects of trade in goods and services. *First*, there was the goal of increasing market access by reducing or eliminating trade barriers. This objective was met by reductions in tariffs, reductions in non-tariff support in agriculture, the elimination of bilateral quantitative restrictions, and reductions in barriers to trade in services. *Second*, there was the goal of increasing the legal security of the new levels of market access. The strengthened and expanded rules, procedures and institutions are the Round's contributions to the second goal. Part II of this study is concerned primarily with increases in market access for goods.[2] Because of their quantitative nature, these results lend themselves to a further examination of the likely impact on the level of world trade in goods and world income. The "binding" of reductions in tariffs and certain other interventions - a key element in the security of market access, and one which can be described in quantitative (tabular) terms - is also covered in Part II. Part III focuses on the Uruguay Round's market access results in the services area, that is, on the commitments in countries' services schedules under the new General Agreement on Trade in Services (GATS). In some respects, the services schedules are similar to the goods schedules examined in Part II. Both contain elements of increased market access, together with elements of more secure market access in the form of commitments not to increase the level of restrictions covered by the schedules. Though to a much smaller extent than in the goods area, it is also possible to describe the results in the services area in quantitative (tabular) terms. In other respects, however, the respective schedules are very different. In particular, there is no meaningful way to quantify the *size* of the reduction in barriers to trade in services - no parallel, for example, to the 40 per cent reduction in developed countries' tariffs on industrial goods - which is why services could not be included in the estimates of the increase in trade and income from the Uruguay Round.

While the schedules of commitments on goods and services provide legal security for the market access contained in the schedules, their value also depends on rules limiting alternative forms of protection. Part IV is a brief summary of those parts of the Uruguay Round agreement that strengthen and extend the rules, procedures and institutions governing (a) other kinds of measures - such as subsidies, technical barriers and discriminatory internal taxes - that could be used to restrict market access and thus offset part or all of the increased market access contained in the schedules of

[2] Earlier versions of many of the tables in Part II have appeared in GATT documents and publications over the past year.

commitments, and (b) procedures for resolving disputes over the interpretation of countries' obligations, both those in the schedules and those involving rules and procedures. By providing a framework for the monitoring of trade policies, for regularly scheduled ministerial-level meetings and for future negotiations, the strengthened institutional arrangements also help countries anticipate and defuse trade conflicts that might otherwise lead to violations of WTO obligations - that is, to illegal reductions in market access.

II. TARIFF STRUCTURE: TARIFF PEAKS AND TARIFF ESCALATION

Bouët, A., Fontagné, L., Mimouni, M. and Pichot, X. (2001) "Market Access Maps: A Bilateral and Disaggregated Measure of Market Access", Document de travail 2001 - no. 01-18, Paris: CEPII.
http://www.cepii.fr/anglaisgraph/workpap/summaries/2001/wp01-18.htm

MAcMaps (Market Access Maps) is a bilateral and disaggregated measure of market access which has been constructed to integrate the major instruments of protection (ad valorem and specific duties, prohibitions, tariff quotas, anti-dumping duties, norms) at the most detailed level (tariff lines), as well as all discriminatory regimes. It is derived from TRAINS (UNCTAD) source files, and AMAD (the Agricultural Market Access Database results from a co-operative effort by Agriculture and AgriFood - Canada - , the EU Commission - Agriculture Direction-, the FAO, the OECD, the World Bank, the UNCTAD, and the United States Department of Agriculture - Economic Research Service) databases, and integrating notifications obtained from member countries of the WTO regarding their anti-dumping regimes. Lastly these files are combined with data from the COMTRADE (UN) database. MAcMaps measures the market access for 223 exporting countries into 137 countries at the level of the tariff lines for the year 1999. It can be applied to any geographic or sectoral breakdown using a procedure that minimises the endogeneity bias while accounting for the importance of products in international trade: in MAcMaps, the protection of an importing country is weighted by the imports of the reference group this country belongs to, the grouping criteria being GDP per capita. We present four case studies: the first one is a general estimation of protectionism for 8 countries (European Union, USA, Japan, Australia, Morocco, Brazil, Switzerland and China) and 6 sectors (Cereals, Other agricultural and food products, Other primary products, Textiles and clothing, Other manufacturers, Services). The second case study is an original measurement of tariff peaks. Identifying the most protected countries is the third case study and the last one is a measurement of the importance of technical barriers and standards.

Medrano, L. (1999) "Tariff Protection and Trade Agreements", ***Estudios Económicos*** **14, 2: 217-229.**

This paper studies the optimal tariff rates on goods imported from the rest of the world when a commercial club accepts a new partner. It shows that when a new member is accepted into the club, the other members of a free trade agreement have incentives to reduce tariffs on the rest of the world's goods. However, when the trade agreement is a custom union, the union may have incentives to increase the common external tariff. This happens when the industry of the custom union is small compared to the world industry.

OECD (1999) ***Post-Uruguay Round Tariff Regime: Achievements and Outlook*****, Paris: OECD.**

Two of the most significant success stories of post-war trade diplomacy and multilateral trade negotiations that have occurred under the auspices of the GATT (now the WTO) have been the massive reductions in tariffs, and the establishment of non-discriminatory tariffs as the principal means of trade protection. When leaders from around the world gather in Seattle, Washington at the end of November 1999, a fresh opportunity to continue dismantling tariff barriers will present itself.

This book provides trade negotiators with an indispensable tool that will help them formulate their negotiating objectives and strategies in the area of tariffs; it also provides policy analysts with key data that are necessary to define negotiating scenarios and to impute the corresponding impact on trade, employment and growth. Finally, students of international trade will no longer need to labour over obtaining comprehensive, detailed, and comparable tariff-line data and could proceed to apply these to policy issues and options.

OECD (1997) *Indicators of Tariff and Non-Tariff Trade Barriers*, Paris: OECD.

The various summary tariff and NTB indicators reported in this study can be used either separately or together to shed considerable light on the structure of Member countries' tariff schedules and the pervasiveness of their NTBs. The indicators identify those sectors where, tariffs (or NTBs) are particularly high or pervasive, entailing not just high costs to consumers of protected products, but also large efficiency losses for the domestic economy as a whole. High tariffs levied on imports of products for which there are neither foreign nor domestic substitutes might be expected to lead to particularly large increases in the prices faced by the consumers of these products. Furthermore, the existence of tariff 'spikes' for some items in combination with relatively large values of one or more of the dispersion indicators for the group suggests that the consequent intersectoral distortion in production, and thus the net welfare losses, may be large. Although crude, the types of summary indicators discussed in this study nevertheless highlight the potential distortions embodied in countries' tariff schedules and, to a lesser extent, those associated with NTBs.

Supper, E. (2001) "Is There Effectively a level playing field for Developing Country Exports?, *Policy Issues in International Trade and Commodities*, Study Series No.1, Geneva: UNCTAD. http://www.unctad.org/en/pub/ditctab_list.en.htm

This paper investigates the extent to which recent progress in reducing impediments and distortions to trade has levelled the playing field for developing country exports. It finds that the competitive situation remains severely distorted by high protection rates in developed countries to domestic producers in agriculture, consumer goods and other industries. Other instruments to reduce competition from developing country exports such as budget subsidies and enforcement of anti-competitive practices were also identified. The key sector of concern for developing countries is the agriculture industry which accounts for 60 per cent of budget and price transfers in OECD countries. The paper also emphasizes that even if developing countries enjoyed favorable market access for their products, the unequal competitive strength of their firms should not be overlooked during multilateral trade negotiations.

UNCTAD/WTO Joint Study, (2000), "The Post-Uruguay Round Tariff Environment For Developing Country Exports: Tariff Peaks and Tariff Escalation", TD/B/COM.1/14/Rev.1, Geneva: UNCTAD.

This study analyses the post-Uruguay Round tariff situation that will prevail for products imported from developing countries, once all Uruguay Round concessions have been implemented, in the four developed country markets of Canada, the European Union, Japan and the United States, as well as in the four developing country markets of Brazil, China, the Republic of Korea and Malaysia. This paper was revised essentially to reflect updated data for applied tariffs and import charges for Japan after the new tariffications (2000) and for China (1998); new Generalised System of Preferences rates; as well as new estimates for *ad valorem* equivalents of specific post-Uruguay Round tariff rates based on average import unit values for 1996/1997. Problems of high tariffs and tariff escalation remain widespread for developing countries even after the Uruguay Round. About 10 per cent of the tariff universe of the Quad countries will continue to exceed the level of 12 per cent *ad valorem* after full implementation of the Round and taking into account GSP rates. Quad countries maintain tariff peaks reaching as high as 350 per cent to 900 per cent for important export products of developing countries, essentially basic food and footwear. One fifth of the tariff peaks of the United States, about 30 per cent of those of Japan and the European Union and about one seventh of those of Canada exceed 30 per cent. The developing countries covered apply rates above 12 per cent more frequently than the Quad countries, but have fewer extremely high rates. Peak tariffs affect both agricultural and industrial products significantly. The main problems occur for major staple foods, such as sugar, rice, milk products, and meat; fruit, vegetables, fish, etc; food industry products; textiles and clothing; footwear, leather and travel goods; automotive products; and consumer electronics and watches. Peak tariffs are, for the time being, cumulated with the continued application of stringent textiles and clothing quotas by three of their most important developed country markets, as well as severe import restrictions maintained for reasons of plant and animal health. In addition to extremely high tariffs and other protection, tariff escalation remains a further important obstacle which makes it difficult for developing countries to enter into industrial exports. This is particularly pronounced in precisely those branches that offer a realistic chance for a successful start to a wider range among them: the food industry, textiles, clothing and shoe industries, as well as wood industry products.

III. NON TARIFF MEASURES

Baldwin, R.E. (1989) "Measuring Non-tariff Trade Policies", NBER Working Paper: 2978, Cambridge, MA: NBER.

This paper surveys and critiques various methods of measuring nontariff trade measures (NTMs) for the purpose of determining which seem most promising for facilitating the process of reducing the trade distorting effects of such policies through multilateral negotiations. The general conclusion is that, despite a host of difficulties, theoretical and empirical analysis has progressed sufficiently far to enable reasonable measures of nontariff policies to be made that are useful for assessing relative sectoral protection across countries and monitoring changes in protection and subsidization levels over time.

Bora, B., Kuwahara, A. and Laird, S. (2002), "Quantification of Non-tariff measures", ***Policy Issues in International Trade and Commodities*****, Study Series No.19., Geneva: UNCTAD.**

The increase in the relative importance of non-tariff measures has raised the awareness of the various deficiencies in existing NTM data collections. This paper reviews various approaches to measure and quantify NTMs within the context of the existing data collections. The paper provides a landscape of NTM incidence for selected countries and for selected product categories.

Daly, M. and Kuwahara, H. (1998) "The Impact of the Uruguay Round on Tariff and Non-tariff Barriers to Trade in the Quad", ***World Economy*** **21, 2: 207-234.**

The success of the GATT negotiations in reducing tariffs is closely related to their highly visible and quantifiable nature. As nontariff barriers(NTBs) are generally more opaque than tariffs, it is important that they be monitored closely, if they are not to undermine the considerable progress that has been made in liberalising world trade through tariff cuts. The identification of sectors where NTBs exist and the types of restraints used are essential first steps in the monitoring process. Accordingly, the purpose of this paper is to assess the impact of the UR on tariff and nontariff barriers to trade, using several simple summary and complementary indicators. These indicators pertain solely to border measures applied to trade in goods.

Deardorff, A (1998) 'Measurement of Nontariff Barriers', ***Studies in International Economics*****, Ann Arbor: University of Michigan Press.**

Assesses both the importance and the current success of efforts to quantify nontariff barriers. Provides a typology of nontariff barriers and discusses some of their salient economic characteristics. Presents conceptual aspects and selected applications of general methods for measuring the presence and size of nontariff barriers, as well as special purpose and specific methods that are applicable to the most commonly used nontariff barriers. Provides an overview and assessment of the methods used in the OECD Pilot Group studies to measure nontariff barriers, considers the numerical results, and highlights the lessons from those studies. Presents guidelines for measuring nontariff barriers and details recommended procedures to be used in individual cases and under specific assumptions.

Laird, S. (1996) *Quantifying Commercial Policies, Applied Methods for Trade Policy Analysis*, New York: Cambridge University Press.

This paper is concerned with the measurement of tariff and non-tariff barriers for use in quantitative analysis of commercial policies. Non-tariff measures are defined and classified, and the measurement of their effects is discussed. This includes a review of the inventory approach, under which NTMs are catalogued, modelling approaches, tariff equivalents, subsidy equivalents, the trade restrictiveness index (TRI), and effective rates of protection. There is also a brief discussion on sources of data on NTMs.

Mathä, T. (2001) "Non-Tariff Barriers, Market Access and Trade", Working Paper Series in Economics and Finance, Stockholm: Stockholm School of Economics.
http://swopec.hhs.se/hastef/papers/hastef0455.pdf

This paper analyses the effects of non-tariff barriers, in terms of both variable and fixed export costs, on trade structure. The relationship between fixed and variable trade costs determines whether international trade emerges. If trade emerges, only variable, but not fixed export costs, influence the trade structure. The empirical results suggest that non-tariff barriers act, in particular, as fixed export costs, as the trade and intra-industry trade emerge in a larger number of industries than prior to the Single European Market programme, while the share of intra-industry trade is unaffected.

Neven, D. (2000) "Evaluating the Effects of Non-Tariff Barriers: The Economic Analysis of Protection in WTO Disputes", Washington DC: World Bank.
http://www.worldbank.org/research/trade/conference/neven.pdf

This paper considers the economic analysis of the protection associated with non tariff barriers in the context of disputes under Art III of the GATT. We first observe that if Art III is meant to consider the protection of domestic firms, the appropriate concept of protection has hardly been discussed in the case law. The circumstances where protection should be measured are not defined very precisely. We also observe that panels have systematically shied away from any explicit benchmark on what could constitute an acceptable degree of protection and often failed to recognise that protection is determined jointly by the importance of the barrier and the degree of substitution between domestic and foreign products. Next, we consider a stylised model of trade where we experiment with various measures of protection and investigate the interplay between the degree of product differentiation and the degree of rivalry in the domestic market in determining the protection granted to domestic firms. The analysis confirms that the ability to raise price is a robust measure of protection and protection falls (for a given barrier) with the degree of rivalry and the degree of substitution between products. Finally, we suggest a method to evaluate protection in trade disputes which is inspired by the definition of the relevant market in Antitrust. We suggest that a set of products should first be found in which a hypothetical monopolist controlling the domestic supply would be able to raise price by x %. If this market cannot be found, or if it is found that competition in this market is intense, the application should be dismissed. Only if competition is weak should the investigation attempt to measure the importance of the disputed barrier.

UNESCAP (2000) "Non-tariff Measures with Potentially Restrictive Market Access Implications Emerging in a Post-Uruguay Round Context", *Studies in Trade and Investment* 40, Bangkok: UNESCAP.
http://www.unescap.org/itid/publication/NEWPUB.HTM

This publication, on the trade effects on non tariff barriers, consists of an overall synthesis study presented in Part One and six country studies presented in part two. The specific country cases are of Bangladesh, China, India, The Pacific Island Countries, Singapore, and Sri Lanka. The study notes that identifying non tariff measures affecting exports from the ESCAP region remains difficult. It also notes that while the incidence of core non-tariff measures, such as import quotas, prohibitions and anti-dumping actions by traditional users may have appeared to decline after the Uruguay Round, there is substantial anecdotal evidence in the case studies to suggest that this may not be the case, and that there remain significant barriers to trade in certain products in some countries. The study highlights the importance of three major markets-the US, EU and Japan- for exports from the ESCAP region and hence the need to address NTMs in this triad.

IV. MARKET ACCESS FOR LDCS

Bora, B, Cernat, L and Turrini, A (2001), "Duty and Quota Free Access for LDCs: Further evidence from CGE modelling", *Policy Issues in International Trade and Commodities*, Study Series No.14., Geneva: UNCTAD.

The aim of this work is to assess the effects of trade policy initiatives aimed at improving market access for LDCs in Quad countries (Canada, European Union, Japan and United States). The study simulates the effects of the two policy scenarios: (a) elimination of all tariff and non-tariff barriers against LDCs in the European Union. This experiment is aimed at simulating the effects of the already approved EBA initiative; and (b) elimination of tariff and non tariff barriers faced by LDCs in all Quad markets. This experiment analyses the effects of a hypothetical coordinated action where the other Quad follow the lead of the European Union. The policy experiments performed are analogous to those in Ianchovichina, Mattoo and Olarreaga (2000). Results, though, cannot be straightforwardly compared because of several reasons. First, beneficiary countries in our case are all LDCs, whereas in Ianchovichina, Mattoo and Olarreaga (2000) preferential market access is targeted to Sub-Saharan African countries only. Second, our analysis is conducted at a higher level of disaggregation, both sectoral and geographical. Finally, data in our simulations refer to 1997, whereas in Ianchovichina, Mattoo and Olarreaga (2000) the base year is 1995 (GTAP4 database).

Results show that non-reciprocal preferential trade liberalization targeted to LDCs is likely to entail non-negligible gains to beneficiary countries coupled with negligible losses for donor and third countries. When the only donor country is the European Union (EBA initiative), the gains accrue mainly to Sub-Saharan African countries, and are mostly explained by improved terms of trade for beneficiaries. In this case, the key sectors are paddy and processed rice, and sugar. Increased exports from LDCs are directed almost only to the European Union. When liberalization occurs in all Quad countries, the benefits from duty-free and quota-free market access rise substantially. Overall, welfare gains are ten times higher compared with EBA. All beneficiary countries gain notably more, and countries like Bangladesh and the rest of Sub-Saharan Africa enjoy disproportionately higher gains. In this case, in addition to rice and sugar, key sectors to benefit are wearing apparel, other food and diary products. Increased export flows from some LDCs are still mainly directed to the European Union under this scenario. For other beneficiary countries, however, the rise in exports is basically targeted to the United States market (Bangladesh), and to Japan (rest of Sub-Saharan Africa).

Hoekman, B., Ng, F. and Olarreaga, M. (2001) "Eliminating Excessive Tariffs on Exports of Least Developed Countries", Washington DC: World Bank.
http://econ.worldbank.org/files/2196_wps2604.pdf

Average most-favored-nation tariffs in the “Quad” (Canada, the European Union, Japan, and the United States) have fallen to about 5 percent. But tariffs more than three times the average most-favored-nation duty are not uncommon in the Quad and have a disproportionate effect on exports of least developed countries. Giving the poorest countries duty-free access for peak-tariff products would increase their total annual exports by roughly $2.5 billion. Most goods imported from developing countries enter Quad markets duty-free, and average tariffs in Quad markets are very low. But tariffs for some commodities are over 100 percent. Such “tariff peaks” are often concentrated in products developing countries want to export: agricultural and food products—especially such staples as sugar, cereals, and fish; fruits and vegetables; food products with a high sugar content; and tobacco and alcoholic beverages—and products from such labour-intensive sectors as apparel and footwear. Giving least developed countries full duty- and quota-free access in the Quad for peak-tariff products would increase their total annual exports by 11 percent—or roughly $2.5 billion. Exports to Quad countries of peak-tariff products would expand by 30–60 percent. Considering that peak-tariff items account for only a small share of developing countries’ exports, granting least developed countries duty-free access would have only a negligible impact on other developing countries. For the same reason, Quad imports increase only marginally, suggesting that this factor should not constrain implementation of duty-free access for the poorest countries.

Hoekman, B., Ng, F. and Olarreaga, M. (2001) "Tariff Peaks in the Quad and Least Developed Country Exports", Washington DC: World Bank.
http://www.worldbank.org/research/trade/pdf/peak.pdf

Although average tariffs in Quad markets are very low, tariff peaks and tariff escalation have a disproportional effect on exports by least developed countries (LDCs). Tariff peak products tend to be heavily concentrated in agriculture and food products and in labor intensive sectors such as apparel and footwear. Full duty and quota free access for LDCs in the Quad for tariff peak products would result in a 11 percent increase in their total exports—on the order of $2.5 billion. Exports to Quad countries of tariff peak products would expand by 30 to 60 percent. Given that LDC exports of tariff peak items account for only a small share of total developing country exports, granting LDCs duty free access has a negligible impact on other developing countries. For the same reason, Quad imports increase only marginally, suggesting that this should not be a factor constraining implementation of duty free access for the poorest countries.

OECD (1997) "Market Access for the Least Developed Countries: Where are the Obstacles?", Paris and Geneva: OECD Work Programme and WTO.
http://www.olis.oecd.org/olis/1997doc.nsf/a0c602508a90ce004125669e003b5adf/0efed85344f25830c12565380058fd34/$FILE/10E75479.ENG

This study contains three parts. Part I discusses the main characteristics and structure of LDCs’ trade, and sheds some light on the factors that may have impeded a greater participation in international trade. Part II analyses market access conditions for the exports of LDCs with particular emphasis on existing preferential trading arrangements LDCs enjoy in OECD markets, and finally Part III concludes.

UNCTAD (2001), "Duty and Quota Free Market Access for LDCs: An Analysis of Quad Initiatives", Geneva and London: United Nations and Commonwealth Secretariat.

Making developing country trade preferences more effective is essential, especially in the context of the last 5 years, when the international community has been struggling to deliver on its commitment to improve the scope and coverage of its market access initiatives. This study should enable readers to better understand current preference schemes; their value to LDCs; and how that value can be diminished as a result of their limitations. One of the key conclusions is that there would be positive gains to LDCs if the US Canada and Japan followed the lead of the EU and offered quota free and duty free market access to all goods originating from LDCs with the exception of arms. The study examines the costs and benefits of extending the EUs EBA policy in this way.

UNCTAD (2001), "Improving Market Access for Least Developed Countries", UNCTAD/DITC/TNCD/4, Geneva, UNCTAD.

Among the various initiatives undertaken at the multilateral and international level to favour LDCs' exports, the European Union (EU) proposal, originally made in the course of the preparations for Seattle by providing LDCs duty/quota-free treatment for "essentially all" products, is probably one of the most relevant. At present, the recently approved "Everything But Arms" (EBA) initiative is the most tangible implementation of such course of action. The original proposal was discussed in several forums including at the World Trade Organization (WTO), where agreement was reached that duty/quota-free treatment would be "consistent with domestic requirements and international agreements". The "essentially all" qualification of the offer may imply that some items would be excluded from the coverage of the initiative. Moreover the use of the word "consistent" with the existing requirements may imply that current rules of origin and administrative procedures will not be modified.

The value of any new initiative in favour of improving market access for LDCs should be measured against the factors determining the under utilization of current trade preferences (see Table) or "missed preferences", namely those granted but not utilized because of the stringent conditions attached to them and those that could be granted by the inclusion of non-covered products

WTO (1997) "Market Access for Least-Developed Countries", High Level Meeting on Integrated Initiatives for Least-Developed Countries' Trade Development, WT/LDC/HL/14 and Add.1, Geneva: WTO.

This document surveys border trade restrictions that affect the access of least-developed countries' exports to their twenty-three main export markets (accounting for 95 per cent of their exports). It is intended to serve two purposes: to provide background information to Agenda Item B of the High-Level Meeting ("Initiatives to Improve Market Access for Least-Developed Countries"), and to provide governments of least-developed countries and private business active in these countries with up-to-date information about border restrictions that apply in their main export markets. To that end, the Addendum to this document (WT/LDC/HL/14/Add.1) provides highly disaggregated statistics on tariffs and selected non-tariff measures applied to least-developed countries' exports.

WTO (1998) "Market Access for Exports of Goods and Services of the Least-Developed Countries: Barriers and Constraints", WT/COMTD/LDC/W/11/Rev.1, Geneva: WTO.

This Note has been prepared at the request of the Sub-Committee on Least-Developed Countries as background material for its discussions on market access problems of least-developed countries (LDCs). It updates and expands on WT/LDC/HL/14,[3] prepared for the High-Level

[3] Market Access for Least-Developed Countries. This document was prepared for the High-Level Meeting on Integrated Initiatives for Least-Developed Countries Trade Development. It essentially focused on barriers to LDCs exports of goods.

Meeting (HLM) in October 1997, which focused principally on tariff and non-tariff barriers facing LDCs' merchandise exports. The Note complements WT/LDC/HL/14 by including commitments made and information provided on improvements on market access for LDCs since the HLM; expanding on the discussion in WT/LDC/HL/14 of non-tariff measures; and including elements relating to trade in services. Furthermore, to the extent that LDCs have identified such problems, this Note also highlights capacity limitations and other supply-side obstacles to trade expansion that may inhibit LDCs from utilising market access opportunities. In this regard, valuable information was drawn from the responses to questions, including on market access restrictions, provided by LDCs in the questionnaire circulated preparatory to the HLM. These responses are summarized in Annex 1 to this Note.

WTO (1999) "Market Access for Least-Developed Countries: Compilation of Information", WT/COMTD/LDC/W/16, Geneva: WTO.

In the context of the 1997 High Level Meeting on Least Developed Countries, the Secretariat had undertaken work on market access information relating to products of export interest to least-developed countries. The results of this work were presented in document WT/LDC/HL/14/Add.1, and also in document WT/COMTD/LDC/11/Rev.1. The former document presented information in tabular form, while the latter contained a background note presenting a broad overview of market access conditions relating to the exports of least-developed countries. Subsequently, at the meeting of the Sub-Committee on LDCs held on 25 November 1999, and at the initiative of the then Chairperson Ambassador Bruun, the Secretariat was requested to compile existing information on market access conditions relating to the exports of least-developed countries and to present such information on a country-by-country basis, thus updating and building on the work undertaken for the 1997 High Level Meeting.

Attached to this note are a series of tables presenting the results of the compilation exercise. Draft versions of the tables were circulated for comments and corrections, if any, with a request for timely responses so as to enable the Secretariat to finalise the compilation in time for the 18th Session of the Sub-Committee on least developed countries. The tables attached to this note include comments and corrections provided by delegations.

WTO (2000) "Market Access for Least-Developed Countries WTO Members", WT/COMTD/LDC/W/17, Geneva: WTO.

The tables attached to this note provide summary information, based on the data presented in the document WT/COMTD/LDC/W/16, on market access conditions as measured by tariff rates which apply to products of export interest to least-developed countries (LDCs). Information is given for each LDC on an individual basis, first for the 23 markets as a whole, and is then disaggregated between developed countries and developing countries/transition economies. Data is also classified by sector groupings, as follows: (i) agriculture; (ii) fisheries; (iii) fuels, minerals, mining and forestry; and (iv) manufactures.

WTO (2001) "Market Access Conditions for Least-Developed Countries", WT/LDC/SWG/IF/14/Rev.1, Geneva: WTO.

This Note surveys market access conditions for exports of Least Developed Countries (LDCs) to 30 markets that account for over 95 percent of LDCs total exports. The survey specifically examines market access improvements for LDCs' exports since the WTO High Level Meeting on Integrated Initiatives for LDCs Trade Development (HLM), in October 1997. The study is based on Members' notifications to the WTO Integrated Database (IDB), COMTRADE and UNCTAD data. It builds on earlier analytical studies carried out by the Secretariat to examine tariff and non-tariff barriers facing LDCs' merchandise exports and briefly surveys access opportunities for trade in services.[4] This Note was prepared pursuant to the decision by WTO Members at the 22nd Session of the Sub-Committee on Least Developed Countries on 6 December 2000.

V. IMPACT OF TRADE LIBERALIZATION

Alburo, F. (1999) "Liberalizing Manufacturing Trade", Washington DC: World Bank.
http://www1.worldbank.org/wbiep/trade/manila/manufacturing.pdf

The conclusion of the Uruguay Round trade negotiations in 1994 ended some years of uncertainty after they dragged on beyond original timetables, led to deadlocks among contracting parties, and encouraged searches for alternatives to a potential breakdown of the trading system. What is redeeming in the Final Act is an achievement beyond mere extensions of previous GATT commitments. In particular and aside from the (expected) reductions in tariffs, the Uruguay Round Agreement extended the application of multilateral rules and disciplines to areas previously excluded (though managed by GATT) i.e., trade in agriculture and textiles and clothing. Then the Agreement extended multilateral rules and disciplines for trade in services (through the General Agreement on Trade in Services or GATS), trade-related intellectual property rights (TRIPS), and trade-related investment measures (TRIMS). Other mechanisms were also strengthened which gave the new World Trade Organization (WTO) a distinct image from its GATT predecessor. This paper attempts to lay out negotiating options for further liberalization of manufacturing trade from the viewpoint of the East and Southeast Asian Developing Countries. While it may be empirically cumbersome to measure the importance of this Asian trade in manufacturing to some notion of global and regional impact the intention here is simply to highlight that the stakes for manufacturing trade liberalization go beyond the region. It is of course true that the context for any deeper tariff and non-tariff cuts in manufacturing should be multilateral not regional. However there are experiences in this region on mutual trade liberalization, which could be illustrative of options for the WTO 2000 negotiations from the perspective of developing countries. This is aside from the fact that this region has been at the forefront of unilateral liberalization measures that have partly been responsible for its success in the manufacturing trade. Indeed these experiences could also illustrate what not to pursue.

Anderson, K., Dimaranan, B., Francois, J., Hoekman, B. and Martin, W. (2001) "The Cost of Rich (and Poor) Country Protection to Developing Countries", CIES Discussion Paper No. 0136, Adelaide: Centre for International Economic Studies University of Adelaide.

This study confirms that substantial barriers to market access will remain in both rich and poor countries following full implementation of the Uruguay Round agreement. The analysis finds that around 40 percent of the costs of these barriers to developing countries arise from barriers to market access in industrial countries, and 60 percent from barriers in developing countries themselves. The results suggest that there would be large gains to almost all regions from a round of negotiations that increased market access in North and South. In Africa, the potential static gains from multilateral reform appear to exceed those from preferential liberalization, without the well-known disadvantages of a preferential approach.

[4] WTO Secretariat documents: WT/LDC/HL/14 and Add. 1, WT/COMTD/LDC/W/11/Rev.1, WT/COMTD/W/16 and 17.

Bhagwati, J. and T.N. Srinivasan (1999) "Outward-Orientation and Development: Are Revisionist Right?", New York: Columbia University, mimeograph.

This paper provides a theoretical critique of revisionist arguments which question the link between openness and growth, and attempts to reinforce the mainstream argument that there is indeed a strong link between a liberal trade policy and growth.

Dessus, S., Fukasaku, K. and Safadi, R. (1999) "Multilateral Tariff Liberalization and the Developing Countries", Policy Brief 18, Paris: OECD.

This policy brief concludes that:

- Tariffs still matter
- Full tariff liberalisation to 2010 would yield dynamic welfare gains of USD 1200 billion (1995 prices) or 3 percent of world GDP, from greater efficiency and higher productivity.
- Developing countries stand to gain relatively more from trade liberalisation, with aggregate gains amounting to nearly 5 percent of their GDP in 2010.
- The next WTO round will provide an opportunity to member to raise their living standards. Realising this potential, however, poses a major policy challenge to developing countries.

Ebrill, L., Stotsky, J. and Gropp, R. (1999) "Revenue Implications of Trade Liberalization", IMF Occasional Paper 180, Washington DC: IMF.

Although trade liberalization is presumed to reduce trade tax revenues, the impact is in fact ambiguous, since it depends on the nature of a country's trade barriers and its strategy of trade reform. The study analyses the issue using three complementary approaches—case studies, examination of trends in a broad range of countries, and econometric analysis. It assesses both the fiscal consequences of trade liberalization and the manner in which these fiscal effects may have influenced the strategy for trade reform. Given the strong association between trade liberalization and economic growth, the study also highlights the importance of tax system reforms that would help generate the compensating revenues to support trade liberalization.

The study concludes:

- In many developing countries there has been progress in liberalizing trade and reducing reliance on international trade taxes. Moreover, many developing countries have implemented trade reform while avoiding significant revenue losses; and in some cases, revenues have increased, at least for a period.
- A number of countries maintain tariff rates that exceed revenue maximizing levels. These countries could liberalize, at least initially, without significantly adverse consequences for revenues from trade taxes.
- There is scope for tailoring the pattern of trade liberalization to avoid adverse revenue consequences. In particular, linking tariff reductions to a reduction in exemptions and special regimes, as well as in nontariff barriers and regulations, will typically reduce, often significantly, the tariff level at which revenue objectives can be met. In the long run, far reaching and comprehensive trade reform will inevitably reduce the ratio of trade taxes to GDP.
- Over the medium term, trade liberalization will work to increase the openness of the economy, mitigating revenue concerns.
- An increase in the ratio of trade tax revenues to GDP (or to total revenues) is not necessarily evidence of a negative orientation toward trade reform, since trade liberalization can be associated with an increase in trade tax revenues.

- The need to maintain revenue performance requires that domestic tax reform be considered along with trade liberalization, since sustained trade liberalization inevitably reduces over time the share of trade tax revenues in total receipts. Tax policy and administration reforms require a long gestation period.
- Sound macroeconomic policies have a crucial role in supporting trade liberalization. In particular, appropriate fiscal, monetary, and exchange rate policies are crucial to enhancing the compatibility of trade reform with macroeconomic stability.

Francois, J. (2000) "Assessing the Results of General Equilibrium Studies of Multilateral Trade Negotiations", *Policy Issues in International Trade and Commodities*, Study Series No.3., Geneva: UNCTAD.
http://www.unctad.org/en/pub/ditctab_list.en.htm

This paper is about what we can actually say about the Uruguay Round (UR) four years after implementation began, and how this compares to the calibration-based assessments that circulated at the end of the UR. The ultimate goal is to draw lessons on how to approach the assessment of the next round so that useful insights are extracted and misperceptions avoided. The paper first offers an overview of the CGE models employed or referenced by international organizations at the close of the UR. This is followed by a summary of the results of those models and a discussion of actual experience from UR implementation. Some conclusions from this exercise, and recommendations for assessment of the next Round (or if not technically another "round" of negotiations, then for the next sets of multilateral negotiations), are then discussed.

Frankel, J. (2000) "Assessing the Efficiency Gains from Further Liberalization", Paper presented at the Center for Business and Government at Harvard University, mimeograph.
http://www.ksg.harvard.edu/cbg/trade/frankel.htm

The idea that it is more efficient for countries to engage in international trade, than to produce everything they want domestically, is virtually as old as the field of economics itself. The current vantage point in history, the year 2000, is a time when such gains should be abundantly tangible. During the first half of the 20th century, governments turned back the hands on the historical clock of international integration. The resulting decline in trade was implicated in world depression, political upheaval, and war. During the second half of the 20th century, the leadership of the western alliance, in general, and the United States, in particular, turned forward the hands of international integration. The resulting increase in trade has been accompanied by overall world prosperity and the spread of western economic and political values to virtually all parts of the globe. Nonetheless, the turn of the millennium is a time when critics are questioning the gains from further efforts to liberalize trade. Many are not convinced that historical correlation implies causation. Others might agree that the increase in trade has been a source of economic growth, but argue that concerns other than GDP - such as equality or the environment - point to a different judgment regarding the desirability of trade. Still others might agree with the characterization of the last half-century, but say that little more now remains to be done. After all, most tariffs are now close to zero, and globalization seems to be complete.

Greenaway, D., Morgan, W. and Wright, P. (2002) "Trade Liberalisation and Growth in Developing Countries", *Journal of Development Economics* 67, 1: 229-244.

Trade liberalisation in developing countries over the last 20 years has often been implemented with the expectation of growth being stimulated; yet the evidence on its growth enhancing effects is mixed. This paper argues that problems with mis-specification and the diversity of liberalisation indices used are in part responsible for the inconclusiveness. Using a dynamic panel framework and three different indicators of liberalisation, the paper finds that liberalisation does appear to impact upon growth, albeit with a lag. The evidence points to a J curve type response and this finding is robust to changes in specification, sample size and data period.

Hertel, T. (1999) "Developing Country Interests in Liberalizing Manufactures Trade", Washington DC: World Bank.
http://www1.worldbank.org/wbiep/trade/papers_2000/BPmanufect.pdf

The importance of manufactures trade to the developing countries has increased dramatically since the early 1980s, and developing countries' reliance on each others as markets has also risen sharply. Developing countries face disproportionately high trade barriers in manufactures - relatively in the industrial countries, and absolutely in the developing countries - and barriers to their manufactures exports account for around 70 percent of the total barriers faced by their exports. The inclusion of manufactures trade in the WTO 2000 negotiations is particularly important for developing countries, who would benefit both from improved market access and through greater domestic efficiency. In fact, developing countries capture nearly all the benefits (95 per cent) of manufacturing liberalization. In contrast, comparable cuts in agriculture and services benefit the high-income countries relatively more since only 27 and 30 per cent of the global benefits accrue to developing countries in these two cases.

Hertel, T.W., Preckel, P. and Cranfield, J. (2000) "Poverty Impacts of Multilateral Trade Liberalization", Purdue: GTAP.
http://www.gtap.agecon.purdue.edu/resources/download/650.pdf

Poverty reduction is an increasingly important consideration in the deliberations over multilateral trade liberalization. However, the analytical procedures used to assess the impacts of multilateral trade liberalization on poverty are rudimentary, at best. Most poverty studies have focused on a single country using detailed household survey data. When it comes to multi-country, global trade liberalization analyses, researchers are forced to resort to a discussion of average, or per capita effects. This severely limits their capacity to address the poverty question. This paper combines results from a newly available international, cross-section consumption analysis, with earnings data from household surveys from seven countries, to analyze the implications of multilateral trade liberalization for poverty in several developing countries in Asia, Africa and Latin America.

Our analysis begins by focusing on the impact of trade liberalization on households at the edge of poverty – the marginal households in our terminology. Since previous multi-region analyses have focused on the per capita effects, we decompose the departures of marginal household welfare from these per capita effects. These differences are explained in terms of deviations in consumption and earnings shares. We find that the differences in earnings shares are relatively more important in explaining the changes in marginal households' welfare than the differences in their consumption profiles. The multilateral trade liberalization scenario that we examine involves complete elimination of merchandise tariff barriers as well as textile and apparel quotas in place in 1997. This ignores the potential impact of other non-tariff barriers as well as the significant barriers to trade and investment in services and trade distorting domestic farm policies. While this liberalization scenario is accordingly stylized, it does offer a useful benchmark for assessing the potential poverty impacts of multilateral measures. Of particular interest is our partitioning of the effects on poverty of countries' own policies versus those of other countries. We measure poverty using the Foster-Greer-Thorbecke transfer measure that reports the total transfer required to lift all households out of poverty, as a proportion of the poverty level of income. We find that the aggregate measure of poverty is reduced in Indonesia, Philippines, Uganda, and Zambia, while it is increased in Brazil, Chile, and Thailand, following multilateral trade liberalization. The largest percentage reduction in poverty occurs among agriculture-specialized households in Brazil. Indonesia experiences the largest national reduction. The largest increases in poverty occur in the non-agriculture, self-employed and wage-labour households in Brazil, Chile, and Thailand.

Hertel, T.W. and Martin, W. (2000) "Liberalising Agriculture and Manufactures in a Millennium Round: Implications for Developing Countries", ***World Economy*** **23, 4: 455-469.**
http://www.blackwellpublishers.co.uk/asp/journal.asp?ref=03785920

This paper brings together the available evidence regarding the impact of future, multilateral liberalisation in agricultural and manufacturing trade on developing countries. It finds that the largest percentage gains(in terms of GDP) from agricultural liberalisation would occur to developing countries in South and South East Asia, where the agricultural sector is quite large and distorted by current policies. Developing country exporters in Latin America are also big gainers, about half of the increase in income derives from improved terms of trade stemming from increased demand for their products overseas. In manufactures, there are substantial gains for developing countries from a reduction in tariff peaks in developed countries, from increased market access in other developing countries, and from efficiency gains resulting from lowering their own barriers.

Hertel, T., Martin, W., Yanagishima, K. and Dimaranan, B. (1995) "Liberalizing Manufactures Trade in a Changing World Economy", in W. Martin and Winters L.A. (eds.) ***The Uruguay Round and the Developing Countries*****, Cambridge University Press.**

This paper aims to assess the impact of the Uruguay Round in the context of a changing world economy. It estimates that the total annual gains in the year 2005 are equal to 0.42 percent of global GDP in that year, or about USD 260 million at 1992 prices. Of this total, about 80 percent results from tariff and export subsidy reductions, and 20 percent from the abolition of the MFA. For industrial countries, the share of welfare gains due to the latter component is much larger-more than 90 percent in the case of US and Canada. Outside of Indonesia, the most important gains for developing countries come from the reduction in the burden imposed by their own, and their trading partners', tariffs. Due to the rapid increase in South-South trade projected over the next decades, an increasing share of these gains will be realised on inter-developing country trade.

Hoekman, B. (1999) "Some Market Access Issues for Developing Countries in a Millenium Round: Results from Recent World Bank Research", ***Cuadernos-de-Economica*** **36, 109: 947-978.**
http://sol.facea.puc.cl/cuadernos/index.html

A key market access issue for developing countries will be the inclusion of industrial products. Developing countries now depend on manufactures for an average of three quarters of their export revenues--the world is very different from that represented by traditional north-south models. If manufactures are included, developing countries stand to gain from reductions in tariff peaks in industrial countries, from increased market access in other developing countries, and from efficiency gains resulting from lowering their own barriers. In agriculture, there are potentially substantial gains to developing countries, and particularly to the many developing countries in Latin America whose exports are hamstrung by barriers in the industrial countries. The modalities of liberalization will be very important in this sector particularly in light of the Tariff Rate Quotas which reduce transparency and increase the risk that some countries might lose from further tariff liberalization. Fortunately, it appears that these risks can be greatly diminished by policies that combine reductions in out-of-quota tariffs with increases in the volumes allowed under the quotas. In services, key objectives will be to expand the coverage of the CATS, to increase transparency and to make commitments more general.

Keen, M. and Ligthart, J. (1999) "Coordinating Tariff Reduction and Domestic Tax Reform", IMF Working Paper: WP/99/93, Washington DC: IMF.
www.imf.org

A key obstacle to fundamental tariff reform in many developing countries is the revenue loss that it ultimately implies. This paper establishes a simple and practicable strategy for realizing the efficiency gains from tariff reform without reducing public revenues, showing that for a small open economy, a cut in tariffs combined with a point-for-point increase in domestic consumption taxes increases both welfare and public revenues. Increasingly stringent conditions are required, however, to ensure unambiguously beneficial outcomes from this reform strategy when allowance is made for such important features as non-tradeable goods, intermediate inputs, and imperfect competition.

Martinez, J. (1999) "Revenue-Neutral Tariff Reform: The Welfare Effects of Uniform Tariffs in 13 Developing Countries", Colorado: Center for Economic Analysis, University of Colorado-Boulder.
http://www.colorado.edu/Economics/CEA/papers99/wp99-31.pdf

This paper examines the welfare effects of replacing the existing tariff structure with uniform tariff in the context of a multi-country study that comprises thirteen developing countries from Asia and Latin America. For each country, static policy simulations are performed using a computable general equilibrium (CGE) world model with seven regions, nineteen sectors and five primary factors. Constant returns to scale and perfect competition are assumed in production. Trade reform in the simulation scenarios is revenue-neutral; i.e. the uniform tariff rate is endogenously determined in the model subject to the public budget constraint. Thus, in each country the uniform rate is close to the weighted average tariff of the benchmark situation. The model estimates show that replacing the benchmark differential tariff structure with a uniform rate is welfare improving in all selected countries. The size of the gains depends on the initial tariff dispersion and on the role of trade in the economy. Welfare gains are larger in countries where the range of dispersion was larger and/or with significant trade. Within a country, welfare gains are larger in the scenario with the broader tax-base to apply the uniform rate. Further, a positive welfare effect arises even though the level of the uniform rate is generally somewhat higher than the benchmark average tariff. The results of positive welfare effects are robust to alternative regional aggregations, as well as to different values of the elasticity of substitution between domestic and imported goods and to heterogeneous elasticities across goods.

Matusz, S. (1999) "Adjusting to Trade Policy Reform", Washington DC: World Bank.
http://www.worldbank.org/html/dec/Publications/Workpapers/wps2000series/wps2142/wps2142.pdf

Economic research has rather well documented the long-term benefits from improved resource allocation and efficiency that follow from trade reform. And, although causation remains an issue, research has shown strong and consistent correlation between trade reform and growth. Despite this evidence of improved incomes from trade reform, some policy makers are reluctant to implement trade reform due to fear of excessive adjustment costs. Policy makers fears may be based in part on political dynamics of reform (politicians in power fear they will incur the anger of the owners of displaced resources while the benefits may accrue in later years), but may also be based in part on the fact that there is much less written and known on the subject of the nature, magnitude, and duration of adjustment costs In this paper we attempt to fill the void in the literature by surveying the evidence on the adjustment costs of trade liberalization, and placing those estimates of adjustment costs in perspective relative to the gains from trade liberalization. The outline of the paper is as follows: in section II we first define adjustment costs, distinguishing social and private costs of adjustment, and then develop a model for thinking about adjustment costs. We survey the estimates of adjustment costs, both social and private, as well as studies of the employment effects of trade liberalization in section III. In section IV, we examine the impact of trade liberalization on macro-stability. In section

V, we provide suggestions for future research, focusing on means of addressing opposition to reform as well as reducing the adjustment costs. Our detailed summary and policy conclusions are in section VI. Briefly, our results are as follows: while we find that it is necessary to apply caveats to most of the more than 50 studies we survey, virtually all the studies find that adjustment costs are very small in relation to the benefits of trade liberalization. And those studies that focused on manufacturing employment in developing countries found that it had typically increased within one year after liberalization. Collectively, the weight of so many studies of various types, all pointing in more or less the same direction, makes it difficult to avoid the conclusion that adjustment costs are relatively very small relative to the benefits of trade liberalization and after the economy has one year to adjust to the trade liberalization, we should expect to see an increase in manufacturing employment. The explanation for the low adjustment costs in relation to the benefits is as follows: (1) most importantly, adjustment costs are typically short term and terminate when workers find a job, while the benefits of trade reform can be expected to grow with the economy; (2) estimates of the duration of unemployment for workers in most industries are not high, especially where workers were not earning substantial rents in the original job; (3) in many industries normal labor turnover exceeds dislocation from trade liberalization, so that downsizing where necessary could be accomplished without much forced unemployment; and (4) it has been observed that a significant portion of the resource reallocation after trade liberalization was accomplished through inter-industry shifts, which minimized the dislocation of factors of production. In addition, developing countries would be expected to have comparative advantage in labor intensive industries, so trade liberalization should favor labor. This may explain why manufacturing employment has typically increased after trade liberalization.

McKibbin, W. (1999) "Trade Liberalization in a Dynamic Setting: Implications of a New WTO Round", Washington DC: Brookings Institute.
http://www.brook.edu/dybdocroot/views/papers/bdp/bdp147/bdp147.pdf

This paper explores the impacts of a new WTO Round of trade liberalization over the period from 2000 to 2010, using a model that allows for short run unemployment, adjustment costs in capital formation, international flows of financial assets and forward looking expectations of the announced policy changes. The focus of the paper is on the dynamic adjustment from 2000 to 2020 and the implications for short run global adjustment. So as to provide a metric for judging the scale of the results, the results are compared to policy in which there is a transfer of foreign aid to Asia Crisis countries. This policy is normalized so that the present value of consumption is equal for the recipient countries under both policies. The trade reforms lead to much higher global consumption for the same return to the Asia Crisis countries.

In addition, the paper considers the endogeniety of total factor productivity growth in manufacturing industries to changes in tariffs. This implements, in general equilibrium, the empirical results in Chand (1999). It is shown that these growth effects can lead to large gains to trade liberalization relative to the standard assumption of exogenous TFP growth but also can accentuate the adjustment process with short term policy implications.

McLulloch, N., Winters, L.A. and Cirera, X. (2001) *Trade Liberalization and Poverty: A Handbook,* London: CEPR.

This Handbook, published with the Department for International Development (DFID), examines how openness to trade is a key element of economic policy; continuing extreme poverty in developing countries is a disgrace. This Handbook examines how our concerns about the world's poor should affect our attitude towards and implementation of trade liberalization. Part I draws on economic analysis and practical experience to construct a framework to analyse the complex links between trade liberalization and poverty. It shows policy-makers how to use the framework to identify the critical features in their economies so they can ensure that the poor benefit from liberalization.

Part II explores the links in relation to reform of particular sectors - agriculture, services, etc. - and particular instruments of trade policy - export subsidies, anti-dumping measures, etc. It presents an economic analysis of each type of reform, shows the likely outcome for the poor, and, where appropriate, discusses the issue's status in the World Trade Organisation's agenda. Trade liberalization ultimately helps poverty alleviation by stimulating growth, but appropriate complementary policies in areas such as transport, infrastructure, education, and financial services are essential to ensure that the poor benefit from this growth. Trade liberalization also affects poverty more directly, via the prices of goods, wages and employment, and government revenue. In some cases, the poor can suffer. Appropriate domestic policies can reduce the number of such cases and help to alleviate the pain where suffering does occur. The principal benefits of trade reform come from unilateral trade liberalization, but the poor would also benefit considerably from substantially improved access to markets in the developed world. While the links between trade and poverty are many and complex, the main ones are usually fairly obvious, so governments can devise policies to help the poor gan from liberalization.

Reimer, J.J. (2002) "Estimating the Poverty Impacts of Trade Liberalization", Washington DC: Trade Development Research Group, World Bank.
http://econ.worldbank.org/view.php?type=5&id=12035

As a new round of World Trade Organization negotiations is being launched with greater emphasis on developing country participation, a body of literature is emerging which quantifies how international trade affects the poor in developing countries. In this survey of the literature, Reimer summarizes and classifies 35 trade and poverty studies into four methodological categories: cross-country regression, partial-equilibrium and cost-of-living analysis, general-equilibrium simulation, and micro-macro synthesis. These categories include a broad range of methodologies in current use. The continuum of approaches is bounded on one end by econometric analysis of household expenditure data, which is the traditional domain of poverty specialists, and sometimes labelled the “bottom-up” approach. On the other end of the continuum are computable general equilibrium models based on national accounts data, or what might be called the “top-down” approach. Another feature of several recent trade and poverty studies—and one of the primary conclusions to emerge from the October 2000 “Conference on Poverty and the International Economy” sponsored by Globkom and the World Bank—is the recognition that factor markets are perhaps the most important link between trade and poverty, since households tend to be much more specialized in income than they are in consumption. Meanwhile, survey data on the income sources of developing-country households has become increasingly available. As a result, this survey gives particular emphasis to the means by which studies address factor market links between trade and poverty.

The general conclusion of Reimer's survey is that any analysis of trade and poverty needs to be informed by both the bottom-up and top-down perspectives. Indeed, recent “two-step” micro-macro studies sequentially link these two types of frameworks, such that general equilibrium mechanisms are incorporated along with detailed household survey information. Another methodology in a similar spirit and also increasingly used involves incorporating large numbers of surveyed households into a general-equilibrium simulation model. Although most of these studies have so far been limited to a single region, these approaches can be readily adapted for multi-region modelling so that trade and poverty comparisons can be made across countries within a consistent framework.

Rodriguez, F. and Rodrik, D. (1999) "Trade Policy and Economic Growth: A Skeptic's Guide to the Cross-National Evidence", NBER Working Paper: 7081, Washington DC: NBER.

Do countries with lower policy-induced barriers to international trade grow faster, once other relevant country characteristics are controlled for? There exists a large empirical literature providing an affirmative answer to this question. We argue that methodological problems with the empirical strategies employed in this literature leave the results open to diverse interpretations. In many cases, the indicators of "openness" used by researchers are poor measures of trade barriers or are highly correlated with other sources of bad economic performance. In other cases, the methods used to ascertain the link between trade policy and growth has serious shortcomings. Papers that we review include Dollar (1992), Ben-David (1993), Sachs and Warner (1995), and Edwards (1998). We find little evidence that open trade policies--in the sense of lower tariff and non-tariff barriers to trade--are significantly associated with economic growth.

Whalley, J. (2000) "What Can The Developing Countries Infer From The Uruguay Round Models For The Millennium Round Positions?", CSGR Working Paper No. 60/00, Warwick: University of Warwick.
http://www.warwick.ac.uk/fac/soc/CSGR/wpapers/wp6000.PDF

This paper discusses the results from general equilibrium trade models executed towards the end of the Uruguay Round, reporting both aggregate and regional gains. These results were generated some 5 years ago, and were important to the debates at the end of the Uruguay Round as to what would be the foregone gains were the Round not to conclude. The paper argues that there are substantial, and at times hard to explain inconsistencies across model results. One model shows most of the gains come from agricultural liberalization, another from textiles, and yet another from tariff cuts. One model shows developing countries account for around 10% of the total gain, another shows them to gain over 50 per cent. One model shows developing countries losing from elimination of the MFA, another shows them as large gainers. One model shows that imperfectly competitive and scale economy effects double global gains, another shows almost no impact. These differences occur even where similar data sets, and benchmark years are used, and are hard to explain on the basis of parametric specifications for models seemingly used though these are frequently poorly exposited. The paper also discusses the verification of models relative to behaviour since the Round concluded, expressing scepticism as to its feasibility for reasons set out in the paper. It also attempts to discuss what, if any, are the implications for the developing countries, and the possible ways forward in making these models more useable in the Millennium Round.

WTO (2000) *Trade, Income Disparity and Poverty,* Special Studies 5, Geneva: WTO.

The linkages between trade and poverty are not as direct and immediate as the linkages between poverty and national policies on education, health, land reforms, micro-credits, infrastructure, governance and so on. Nor does trade compare to other international policies, such as debt relief, vaccination programs, or research on tropical and other diseases that set back developing countries. Trade can nevertheless affect the income opportunities of the poor in a number of ways-some positive and some negative. The aim of this study is to clarify the interface between trade, global income disparity and poverty.

VI. STUDIES ON SPECIFIC REGIONS OR COUNTRIES

Abed, G. (1998) "Trade Liberalization and Tax Reform in the Southern Mediterranean Region", IMF Working Paper No. 98/49, Washington DC: IMF.
http://www.imf.org/external/pubs/ft/wp/wp9849.pdf

The European Union's Association Agreements with several countries in the Southern Mediterranean Region (SMR) aim to promote deeper economic integration between the SMR and the EU by establishing a free trade area in twelve years. Because a large share of the SMR countries' total imports comes from the EU, the removal of import tariffs could reduce budgetary revenue by the equivalent of 1 percent to 4 percent of individual countries' GDP. This paper proposes tax and tariff reforms that would help generate the needed compensatory revenue and, more important in the long run, reduce the distortionary effects of the tax and tariff systems and underpin higher rates of sustainable growth.

Ahammad, H. and Greig, R. (2000) "A Regional Perspective on Tariffs: The Western Australian Experience", ***Australasian Journal of Regional Studies*** **6, 1: 67-94.**

There is a widespread concern that tariffs have differential impacts across the Australian States and Territories. Public policy has tended to focus on the effects of tariff reductions on those regions where jobs will be lost. For a benefiting State, the gains will depend on its structural differences from the other States, and in particular the extent of its export orientation. This paper provides some measures of structural difference between Western Australia (WA) and the other States and provides two estimates of the impacts of tariffs on the WA economy. In the paper the burden of tariffs on WA (a major exporting State) is examined using a method previously employed by Clements and Sjaastad for Australia. The extent to which the benefits of a tariff reduction program are received by WA and how they are distributed are also investigated using a computable general equilibrium model of the State economy. It was found that substantial benefits accrue to the WA economy while the major industry sectors which benefit are mining, transport, wholesale and retail trade and entertainment, agriculture forestry and fishing, and finance and business services.

Ahmed, N. (2000) "Export Response to Trade Liberalization in Bangladesh: A Cointegration Analysis", ***Applied Economics*** **32, 8: 1077-1084.**
http://www.tandf.co.uk/journals/routledge/00036846.html

This paper investigates the response of Bangladesh's aggregate merchandise exports to a real exchange rate-based trade liberalization programme during the period 1974-95. The cointegration and error correction modelling approaches have been applied. The empirical results suggest that there exists a unique long-run or equilibrium relationship among real quantities of export, relative export price and export-weighted real effective exchange rate. The short-term dynamic behaviour of Bangladesh's export supply has been investigated by estimating an error correction model in which the error correction term has been found to be correctly signed and statistically significant. Relative export price (lagged two quarters), real effective exchange rate, predicted values of real GDP (lagged one quarter) and a dummy variable capturing the effects of trade liberalization programme have all emerged as important determinants of an aggregate export supply function for Bangladesh. The error correction model has also been found to be robust as it satisfies all relevant diagnostic tests.

APEC (1997) "The Impact of Trade Liberalization in APEC", 1997, APEC #97-CT-01.2, Singapore: APEC.
http://www.apecsec.org.sg/

This study employs a computer simulation technique to estimate the income and trade impacts expected from APEC members' implementation of their trade liberalization and facilitation commitments under the Manila Action Plan for APEC (MAPA). The result quantifies significant benefits for APEC economies.

APEC (1999) "Assessing APEC Trade Liberalization and Facilitation - 1999 Update", APEC #99-EC-01.1, Singapore: APEC
http://www.apecsec.org.sg/

This year's research project, Assessing APEC Trade Liberalization and Facilitation – 1999 Update, has updated and expanded the 1997 study, The Impact of Trade Liberalization in APEC. Its aim is to provide an objective basis for considering and promoting trade liberalization and facilitation within APEC. As with the 1997 study, the 1999 study employs a sophisticated analytical tool (computable general equilibrium model) to assess ultimate gains from the trade measures committed to date by APEC economies. In addition, the 1999 study examines the role of competitive markets, the role of the public sector, and the scope for APEC's economic and technical cooperation (ECOTECH) programs.

Ariff, M., Mahani, Z.A. and Tan, E.C. (1996) "Effects of the Emerging Multilateral Trading Arrangement on the Malaysian Economy", ***Asian Development Review*** **14, 2: 44-72.**

Because it is a country with relatively large export orientation, Malaysia is likely to benefit from the emerging multilateral trading arrangement through improvements in market access, gains due to competition, and strengthened international trade regulations. Despite this optimism, there are concerns about the effect of liberalization because major industrial exports may not grow much more due to the low Pre-Uruguay Round tariff rates. Furthermore, Malaysia's services sector may face new challenges in the areas of domestic production capability, regulatory environment, and trade. Similarly, the inclusion of trade-related intellectual property rights and antidumping provisions means that exporters will need special help in adapting to the new trading system. Malaysia's immediate concern is the successful implementation of the present arrangement and is apprehensive about the presence of issues such as labor standards and environment on the trade agenda. In its view these are not trade issues.

Boko, S.H. (2001) "The Impact of International Agreements on Domestic Policy: An Analysis of Tariff Policy in African Countries", ***Atlantic Economic Journal*** **29, 1: 75-86.**

This paper estimates a fixed effects tariff model to study the impact of the tariff reform provisions of international agreements on domestic tariffs, using a sample of eight Sub-Saharan African countries. The structure of the model explaining domestic tariff changed from the pre-agreement period to the post-agreement period. However, the results indicate that for the most part, efforts by governments to adhere to tariff agreements failed in all but a few countries. Even for the countries in which the agreements appeared to be successful, the significance of the results is relatively weak.

Boko, S.H. and Lapan, H. (2001) "Pre-Commitment Mechanism and Policy Credibility in African Trade Reform", ***Review of Development Economics*** **5, 1: 25-39.**
http://www.blackwellpublishers.co.uk/asp/journal.asp?ref=13636669

In the absence of a binding pre-commitment mechanism, a government has an incentive to renege on announced policy. This is a well-established result in the literature. The paper applies this theory to tariff policy by developing a two-game model to analyze the credibility of government tariff reform announcements. The pre-commitment solution is subgame-imperfect; therefore, government's announcement of tariff reforms is time-inconsistent. Using a sample of African countries operating under IMF structural adjustment programs, the study finds only weak evidence that countries implemented their announced tariff reforms. However, SAP agreements seem to enhance private sector confidence in government reforms.

Bora, B. and Neufeld I. (2001) "Tariffs and The East Asian Financial Crisis", ***Policy Issues in International Trade and Commodities*****, Study Series N.13, Aug. 2001, Geneva: UNCTAD.**
http://www.unctad.org/en/pub/ditctab_list.en.htm

This study examines the role of tariffs during the East Asian financial crisis. The paper finds despite its rather limited reflection in the previous debate, there is a role of tariffs when it comes to fighting the negative impact of a financial downturn. Each of the affected countries made an explicit and conscious decision to not raise tariff barriers in response to the crisis. Individual strategies applied by the Affected-5 to offset the crisis varied from country to country: significant tariff reductions in the framework of accelerated trade liberalization programmes can be found as well as tendencies to decelerate or even pause liberalization. Thailand was the exceptional case, where tariffs were increased upwards. The principal motivation for tariff increases was revenue generation, as opposed to an explicit desire to protect industries from import competition. The paper highlights the complementary role played by the strategic use of trade policy to other policies such as financial and corporate sector reforms.

Bora, B. and Pangestu, M. (eds.) (1996) ***Priority Issues in Trade and Investment Liberalization: Implications for the Asia Pacific Region*****, Singapore: Pacific Economic Cooperation Council.**

Dramatic events in trade policy since 1994 such as the conclusion of the Uruguay Round negotiations, the signing of the NAFTA agreement and the Bogor Declaration of APEC have changed the landscape of trade policy. Trade policy is now being challenged by new issues such as the relationship between trade and; investment, environment, competition policy and labor. This book examines these changes from the perspective of the Asia Pacific region. It is divided into five sections: assessing the Uruguay Round, implementing APEC's Bogor Declaration, trade and competition policy, trade and the environment, and trade and investment.

Chanda, R. (1996) "Implications of the Uruguay Round for Kenya", IMF Working Paper: WP/96/08, Washington DC: IMF.

This paper studies the implications of the Uruguay Round for Kenya's own trade regime and its external trading environment. The analysis indicates that Kenya did not undertake significant liberalization commitments under the Uruguay Round. There are however, several effects on Kenya's external trading environment due to most-favored nation tariff cuts, erosion of preference margins, and changes in food prices. These effects are determined using simple computational techniques in a partial equilibrium framework. Overall, the results indicate that the effect on Kenya's balance of payments in the medium-term may be negative but modest, and can be offset by pursuit of appropriate structural adjustment policies.

Chow, L.K., Fung, M. and Zhu, L. (1999) "Distributional Effects of Tariff Reduction in the Transforming Chinese Economy", ***Pacific Economic Review*** **4, 2: 115-135.**
http://www.blackwellpublishers.co.uk/asp/journal.asp?ref=1361374x

A general equilibrium trade model is constructed to study the issue of income redistribution between the state sector and the private sector induced by a tariff reduction in the transforming Chinese economy. The analysis is conducted in the presence of price control, tariff protection, and the coexistence of state and private sectors. It is shown that the way in which income levels of the two sectors are affected by the tariff reduction depends on (i) the way in which the price of nontradables is affected, (ii) the degree of privatization, and (iii) the extent of price control.

Coetzee, Z.R., Swanepoel, J.J. and Naude, W.A. (1997) "A Minimalist CGE Model for Analysing Trade Liberalisation in South Africa", ***Journal for Studies in Economics and Econometrics*** **21, 1: 37-56.**

CGE models are increasingly being used to inform economic policy analyses in South Africa. This paper is an attempt to improve the accessibility of the approach by providing a minimalist CGE model for the South African economy. The strengths and weaknesses of this minimalist CGE are determined by using it to simulate South Africa's tariff reform programme. The results are consistent with theoretical and empirical research on trade liberalisation, and the model provides justification for these aspects in the government's recently announced macroeconomic strategy. The weaknesses of the minimalist model are such however, that the need for a large-scale multisectoral model remains. The primary use of the minimalist CGE model lies in its suitability as a pedagogical tool. For this purpose, the spreadsheet version of the model is available from the authors.

Davies, R. (2000) "Zimbabwe: Economic Adjustment, Income Distribution and Trade Liberalization", Center for Economic Policy Analysis, New York: New York University.
http://www.newschool.edu/cepa/papers/archive/cepa0121.pdf

Zimbabwe's economic relations with the rest of the world have changed between extremes. The dramatic shift from import regulation under and after sanctions to full scale trade liberalization offers a unique opportunity for investigating policy-driven globalization. Usually the economic motivation for such a historic shift is of long run nature. A protectionist regime has costs in terms of limited access to world market innovation and technology and limited competitive pressure in domestic markets. Reform is an attempt to take advantage of global technological progress and competition, although it is not clear that the dreams will come true. In this paper we focus on the short run aspects of liberalization, which are rather seen as obstacles to reform (Rodrik, 1994). Opening up for imports easily may crowd out more output than is gained in export product expansion, and the associated changes in income distribution involve losers who will protest the policy reorientation. The conventional approach to the consequences of trade reform addresses the microeconomics of labor market adjustments and sectoral competitiveness. Allocation of production factors between sectors clearly is important to understand the experiences made in the recent trade liberalization in Zimbabwe. But the main story definitely looks macro. The key year is 1992, when the trade account was essentially fully liberalized. As confirmed by Table 1, output and investment contracted by about 8-10 per cent, the inflation rate doubled to above 40 per cent, a consumption boom increased imports, and the trade balance moved into serious deficit. This performance must be understood against the unfortunate background of a coincidental drought, that must take much of the blame for the contraction. The worry is that the GDP never really has recovered. GDP per capita in 1996 is still at the 1992 level, well below the gradually expanding per capita GDP during the period 1985-1991.

De-Santis, R.A. (2001) "The 1990 Trade Liberalisation Policy of Turkey: An Applied General Equilibrium Assessment", ***International Economic Journal*** **15, 2: 115-132.**
http://iias.snu.ac.kr/wthong/IEJ/

The author uses a static multi-sector, multi-labour, multi-household Applied General Equilibrium (AGE) model for Turkey to show that the trade policy implemented by Turkish policy-makers in the 1990s is not trade diverting. Aggregate welfare rises by 0.6% of the consumer income. Most importantly, since agriculture and traditional industrial sectors grow to the detriment of services, rural groups are better off (2.3% of the rural income), while urban groups are worse off (-0.5% of the urban income). It is also shown that overall income inequality declines by 1.1-1.7%, and that its main source is the inter-income inequality between urban and rural areas, which decreases by 8.9-14.7%.

Devarajan, S., Ghanem, H. and Thierfelder, K. (1999) "Labor Market Regulations, Trade Liberalization and the Distribution of Income in Bangladesh", ***Journal of Policy Reform*** **3, 1: 1-28.**

We examine the effects of labor market rigidities on the outcome of trade liberalization using a general-equilibrium model of Bangladesh. When there are no labor market distortions, the poorest households experience a real-wage increase following trade liberalization. When there are either severance pay regulations or minimum wages, the poorest households bear the burden of adjustment. When both sets of regulations are in effect, the net result is not very different from the case where there are no regulations.

Evans, D. (2001) "Identifying Winners and Losers in Southern Africa from Global Trade Policy Reform: Integrating Findings from GTAP and Poverty Case Studies", Paper prepared for the Fourth Annual Conference on Global Economic Analysis, Purdue: Purdue University, West Lafayette.
http://www.gtap.agecon.purdue.edu/resources/download/344.doc

The IFI's rely on twin propositions that poverty alleviation is best pursued through increased growth, and that trade liberalisation encourages growth and thereby poverty alleviation. These aggregate propositions are not disputed in this paper. Rather, the argument is made for disaggregation to identify the winners and losers among the poor in the short and medium run from further trade policy liberalisation, both between and within countries. Disaggregation is important on both equity grounds, especially when the losers are among the poor. It is also important on efficiency grounds particularly when designing policies to help poor losers realise the opportunities for gain from trade policy liberalisation in the longer run.

Two methodologies are frequently employed to assess the linkages between trade and poverty. Country and sector case studies dominate the literature. The key difficulty with case studies is that it is not possible to deploy their rich descriptive data in a consistent analytical framework. It is usually not possible to construct a quantitative counterfactual situation, for example the impact of a trade policy change on the poor. Obtaining a counterfactual through general equilibrium trade models has its own catalogue of difficulties arising from data availability, model assumptions and interpretation of results. The two methodologies lie at extreme ends of a spectrum, but insights from both can be mutually reinforcing.

This paper uses Zambia as an 'example' country to explore the possibility of combining the rich poverty case study material available for that country with the results for Zambia of a multilateral trade model based on the GTAP dataset and modelling software. It describes some of the salient features of case studies of poverty in Zambia. A common thread runs through all the case studies, that trade policy reform in Zambia is likely to be pro-poor. This key proposition is tested using the GTAP dataset and modelling software. The GTAP database for 1997 is described including an extension for Zambia to permit the analysis of poverty impacts for four classes of households together with the modelling strategy adopted for this exploratory study. It then reports on the poverty impacts of a series of trade policy experiments using the 1996 LCMS Survey for Zambia to estimate headcount changes from:

- Unilateral trade policy reforms in Southern Africa that took place from 1992-4 up to 1997.
- A seven-country version of the SADC FTA.
- A 'suppose' WTO Round.
- A 'suppose' effective extension of the EU/South Africa FTA into an EU/SADC7 FTA through Least Developed Country access into the EU through negotiations about to begin.

Zambian households are disaggregated into four groups so that GTAP aggregate household results can be disaggregated to real post-tax income changes in each of the four household groups in post simulation calculations. A key finding is that regionally based trade policy reforms have a neutral or adverse impact on household income distribution compared with possible major trade policy reforms under the WTO. However, the final headcount poverty impacts of the international trade policy reforms are offset by the lower income responsiveness of the poverty impacts in the poorest rural households. Whilst these findings are suggestive, the research strategy on the modelling side using both the GTAP dataset and runGTAP as computing software has a number of important limitations. On the data side, for Southern Africa applications, the standardised GTAP dataset throws away too much useful information for trade and poverty analysis that is available in the underlying MERRISA SAMs upon which the Southern Africa dataset for GTAP was built. This is most notable for household aggregation, factor aggregation at the low income or subsistence end, margins aggregation, rudimentary treatment of government income and expenditure. On the runGTAP modelling side, satisfactory resolution of the database problems poses serious programming problems. The above suggests an alternative trade and poverty research strategy in which the CGE model and country case study interface is first explored with country models without the constraints of the standard GTAP dataset aggregation. An obvious choice for a starting model is the standard model Loefgren, Harris and Robinson (2001). At a later point, such country models could be tied into a global model using the GTAP dataset for scenario calculations using a common sectoral classification to complete the bottom-up strategy for the analysis of trade and poverty impacts.

Feenstra, R. (ed.) (1997) *The Effects of U.S. Trade Protection and Promotion Policies*, NBER Project Report series. Chicago and London: University of Chicago Press.

Twelve papers, originally presented at a National Bureau of Economic Research conference held in Richmond, Virginia, in October 1995, evaluate the effects of U.S. trade policies. Part 1 considers trade and investment between the United States and Japan, focusing on the automobile industry, protectionist threats and foreign direct investment, and telecommunications trade conflicts. Part 2 explores antidumping actions and the determinants and effectiveness of "aggressively unilateral" U.S. trade actions. Part 3 examines industry- and country-specific policies, including the U.S. National Flat Panel Display initiative, the causes and consequences of the export enhancement program for wheat, the effects of offshore assembly on industry location in U.S. border cities, and market-access effects of trade liberalization associated with the Canada-U.S. Free Trade Agreement.

Feliciano, Z.M. (2001) "Workers and Trade Liberalization: The Impact of Trade Reforms in Mexico on Wages and Employment", *Industrial and Labor Relations Review* 55, 1: 95-115.

Between 1986 and 1990, the Mexican government reduced tariffs and import license coverage by more than 50%. The author, using micro-level data, analyzes the impact of trade reform on Mexican wages and employment. Industries that had greater reductions in protection levels, she finds, had a larger percentage of low-skill workers. Wage dispersion increased in both the non-tradables sector and, to a much greater degree, the tradables sector. This pattern suggests that trade reform increased wage inequality. The decline in import license coverage appears to have reduced relative wages of workers in reformed industries by 2%, but did not affect relative employment. Reductions in tariffs had no statistically significant effect on relative wages or relative employment.

Francois, J., Glismann, H. and Spinanger, D. (2000) "The German Economy and EU Industrial Tariff Reductions: Partial and CGE Analyses of a Stillborn Millennium Round", Kiel: Kiel Institute of World Economics.

The Millennium Round of MTNs, which was stillborn in Seattle, was supposed to have initiated wide-sweeping changes to the world's trading system. This paper deals with the impact on the German economy of some changes that might have been forthcoming from proposed liberalization strategies. It examines sectoral and global strategies with partial and general equilibrium methods. It underlines the advantages of more global strategies, but not only because the gains are significantly larger. The paper concludes that Germany in its own interests should throw its weight in the EU behind wide-sweeping liberalization and that developing countries stand to gain more from global liberalization.

Gang, I.N. and Pandey, M. (1998) "What Was Protected? Measuring India's Tariff Barriers 1968-1997", *Indian Economic Review* 33, 2: 119-152.

We investigate the inter-industry structure of protection in India, asking how much protection each industry receives and how this changes over time. We calculate, compare and analyze several measures of trade protection across agricultural, manufacturing and service industries. Protection levels were high when ex ante tariffs are used as the basis of measurement, supporting earlier studies. However, when ex post tariff rates are used, a number of sectors exhibit negative effective protection rates. In addition, ex post rates show greater variability and provide a different ranking of the degree of protection by industry when compared to ex ante tariff-based measures.

Geske Dijkstra, A. (1996). " The Impact of Structural Adjustment Programs on Manufacturing: Lessons from Nicaragua." ***World Development*** **24: 535-547**

Since 1988, Nicaragua has applied structural adjustment programs, including stabilization and liberalization measures. As of 1991, these measures succeeded in combating inflation but they did not lead to increased production, nor to an improved trade balance. The Nicaraguan manufacturing sector was especially vulnerable because of a decade-long lack of investment and the non-market environment in which firms operated in the 1980s. The combination of trade liberalization with an overvalued exchange rate, and financial liberalization had, in particular, negative effects on manufacturing production and investment. In addition, specific industrial policies are necessary to increase manufacturing competitiveness.

Glenday, G. (1998) "Sub-Saharan Africa: Customs and Trade Facilitation: Challenges and Opportunities in Sub-Saharan Africa", ***Bulletin for International Fiscal Documentation*** **52, 6: 242-251.**
http://www.ibfd.nl/Products/Publications/BIFD.htm

Many countries in Sub-Saharan Africa in the last decade have been undertaking structural adjustment programmes that have been leading to more open international trade environments. At the same time, many of these countries are signatories to the new World Trade Organization agreements, and most are members of one or more regional integration agreement. This paper aims to elucidate the changes in the economic environment, the adjustments already being undertaken in customs and trade practice, and the future challenges on the horizon and possible responses to these challenges.

Han, S. (1998) "APEC Trade Liberalisation : Its Implications", Paris: OECD.
http://www.oecd.org/pdf/M00001000/M00001296.pdf

Over the past decade, globalisation has been a pervasive trend in almost all economies. The world economy is becoming increasingly interdependent, deepening and intensifying international linkages, most notably in trade. As trade expands among nations throughout the world, integration of the Organisation for Economic Co-operation and Development (OECD) economies with non-OECD economies has become a salient feature of the global economy. This study identified the possible long-term effect of APEC's trade liberalisation commitments on real GDP and trade across regions, both inside and outside the APEC area, and on employment by production sector in each region, using a multiregion, multisector, computational general equilibrium (CGE) model. One of the key findings from our empirical work is the impacts of trade liberalisation and facilitation measures in the APEC region have turned out to be significant at least in direction if not in magnitude, throughout OECD as well as non-OECD economies. In particular, because agricultural liberalisation and trade facilitation are incorporated in our experiment, the impact stemming from liberalisation in these areas turned out to be substantially important.

Hanson, G.H. and Harrison, A. (1999) "Trade Liberalization and Wage Inequality in Mexico", ***Industrial and Labor Relations Review*** **52, 2: 271-288.**
http://www.ilr.cornell.edu/depts/ilrrev

To what extent was the increase in wage inequality between skilled and unskilled workers in Mexico in the 1980s associated with Mexico's sweeping 1985 trade reform? Examining data on 2,354

Mexican manufacturing plants for 1984-90 and Mexican Industrial Census data for 1965-88, the authors find that the reduction in tariff protection in 1985 disproportionately affected low-skilled industries. Goods from that sector may have fallen in price because of increased competition from economies with larger reserves of cheap unskilled labor. The consequent increase in the relative price of skill-intensive goods could explain the increase in wage inequality.

Hosoe, N. (2001) "A General Equilibrium Analysis of Jordan's Trade Liberalization", ***Journal of Policy Modelling*** **23, 6: 595-600.**

With a computable general equilibrium model, we investigate Jordan's trade policies: implementation of the Uruguay Round (UR) and establishment of a Free Trade Agreement (FTA) with the European Union. Simulations suggest that the UR would improve Jordan's welfare and that the FTA, which presupposes the UR, would bring about further improvements in Jordan's welfare. Under these trade liberalization measures, the chemical and the agricultural sectors would expand while the non-metal mineral sector would contract.

Hufbauer, G.C. and Elliott, K. (1994) ***Measuring the costs of protection in the United States*****, Washington DC: Institute for International Economics.**

Provides a comprehensive analysis of American barriers to imports. Assesses the costs of American trade barriers to American consumers, their benefits to domestic producers and government, and, thus, their net impact on the economy. Calculates the job effects of the barriers and the consequent cost to consumers and to the economy as a whole. Based on a partial equilibrium methodology, with supplementary calculations on the impact of liberalization on workers in upstream sectors related to the protected sectors and on terms-of-trade effects. Appendices provide information on highly protected sectors that had trade barriers in effect in 1990; the potential impact of new steel, auto, and semiconductor trade barriers on U.S. consumers, domestic firms, and American workers; and developments in U.S. antidumping law and litigation activity.

Jonsson, G. and Subramanian, A. (2001) "Dynamic Gains from Trade: Evidence from South Africa", IMF Staff Papers 48, 1: 197-224.

This paper examines the empirical relationship between trade and total factor productivity (TFP) in South Africa. Using data on actual trade protection across different manufacturing sectors, it is shown that trade liberalization had a positive impact on TFP growth during the 1990s. In addition, time-series evidence on macro data supports a positive long-run relationship between TFP and openness

Khan, F.C. (1996) "The Incidence of Import Liberalization with and without a Value Added Tax: An Application to Bangladesh", ***Journal of Policy Reform*** **1, 4: 389-412.**

This paper examines the impact of import tariffs and tariff-replacing indirect taxes on the welfare of households grouped by the size distribution of income. A computable general equilibrium model for Bangladesh is simulated to examine the removal of quantitative restrictions and tariffs as well as the replacement of trade taxes with a value added tax (VAT). Import liberalization alone expands the manufacturing sector and increases the welfare of lower income households. If a uniform VAT is placed on both imports and all nonagricultural production in order to replace the lost tariff revenue for the government, some of the gains from import liberalization are diminished. If exports are exempted from the VAT, the gains are sustained to a greater degree. With a combination of tariff liberalization, quota markups, and the VAT, the economy goes through a contraction and the welfare of all households is reduced.

Konan, D.E. and Maskus, K. (2000) "Joint Trade Liberalization and Tax Reform in a Small Open Economy: The Case of Egypt", *Journal of Development Economics* 61, 2: 365-392.
http://www.elsevier.com/inca/publications/store/5/0/5/5/4/6/index.htt

They develop a CGE model of the Egyptian economy to analyze the impact of various trade liberalization scenarios, allowing distortionary domestic taxes to vary endogenously in order to satisfy a fixed real government revenue target. We decompose computed welfare gains into effects from tax reform, trade reform, and their interaction. Scenarios include removal or unification of the consumption tax, capital tax, or both, and tariff unification, a free-trade agreement with the European Union, and unilateral tariff elimination. Welfare effects depend critically on the type of revenue replacement tax. While both are important, neither trade-policy reform nor tax reform dominates.

Lee, H., Roland-Holst, D. and van-der-Mensbrugghe, D. (2000) "The Long-Run Impact of APEC Trade Liberalization on Real GDP and Sectoral Adjustments", *Kobe Economic and Business Review* 0, 45: 57-83.
http://www.nacsis.ac.jp/sokuho/articles/VAA00261054.html

On the threshold of a new century, most of the APEC countries are embarking on an ambitious plan for open multilateralism. Using an 18-region, 16-sector dynamic computable general equilibrium (CGE) model of the global economy, we appraise the effects of APEC trade liberalization on member-country real GDP, sectoral output, exports and imports by the year 2020. Our results suggest that developing-country APEC members could realize significantly greater gains in real GDP than developed members. Although implied structural adjustments may be challenging for some groups, they are necessary if each member economy and the region as a whole are to realize the full economic potential of expanded regional trade.

Mabugu, R. (2001) "Short-Run Effects of Tariff Reform in Zimbabwe: Applied General Equilibrium Analysis", *Journal of African Economics* 10, 2: 174-190

This paper applies a short-rim computable general equilibrium model for Zimbabwe to analyse how tariff reform could have modified the effects of the actual trade liberalisation that took place in the 1990s. This is important because the trade liberalisation removed quantitative restrictions but left tariff rates intact. The results show that tariffs on intermediates have held back production in traded sectors. Thus, the nature of the trade reform taken contributed to more deindustrialisation than necessary. The results also Show the tradeoff with respect to the fiscal balance, which points to the wed to ensure that aii alternative tax system is in place before removing customs tax revenue.

Meller, P. (1994) "The Chilean Trade Liberalization and Export Expansion Process, 1974-1990" in G. Helleiner ed. *Trade Policy and Industrialization in Turbulent Times*, Routledge, New York.

This paper analyses the trade liberalization experience of Chile between 1974 and 1990. It argues that the credibility of trade reform was more related to the overall macroeconomic and policy reform environment than to the specificity of the stages and context of trade reform itself. It argues that trade liberalization did see a shift in resource allocation towards sectors where Chile had a comparative advantage i:e export of natural resources. However, it notes that the export expansion process can be slow. And that trade reform can lead to deindustrialisation and unemployment in the short run. The share of industry in GDP during that period fell from 25 percent to 20 percent and employment declined by 10 percent in the reform years.

Messerlin, P. (2001) *Measuring the Costs of Protection in Europe*, Washington DC: Institute for International Economics.

Trade protection costs the European Community between 6 and 7 percent of its gross domestic product, or the equivalent of the annual economic output of Spain. Continuing the Institute's series on trade protection in major countries (which already includes the United States, Japan, Korea, and China), this study by Patrick A. Messerlin is the first attempt to measure the impact of all types of protection in the European Union. Messerlin uses partial equilibrium methods to assess the costs to consumers and to evaluate the political economy of European protection. He also examines in detail the intricate relations between the major EC domestic policies—from the Common Agricultural Policy to the Single Market in services—and EC commercial policy. He aims to assess their dynamic evolution for the decade to come, which will be marked by the first accessions of Central European countries to the EC and by the debate on the European political union. The study provides a valuable agenda for the upcoming round of WTO negotiations and underlines their role as a support for domestic reforms that the EC should undertake for its own benefit.

Ng, F. (1997) "Open Economies Work Better! Did Africa's Protectionist Policies Cause Its Marginalization in World Trade?", *World-Development* 25, 6: 889-904.

Sub-Saharan Africa's declining importance in global trade is primarily due to its inability to remain competitive in international markets. If Africa merely retained its 1962-64 shares for major products its exports would now be 75% ($11 billion) higher. External protection against Africa has not played an important role in this decline--in fact, OECD trade preferences made market access conditions for Africa more favorable than that for many other exporters. In contrast, sub-Saharan Africa's own trade barriers are considerably higher than those of most other developing countries--particularly those that launched sustained export-oriented industrialization drives. Since numerous studies show countries which pursue liberal trade policies generally achieve superior growth rates, these findings accent the importance of domestic policy reforms if Africa is to reverse its diminishing role in world trade. In short, the future of African economies will be determined by Africans themselves and not by outsiders.

O'Cleireacain, S. (1999) "SubSaharan Africa's Trade Liberalization Experience", in Oyejide, A.; Ndulu, B.; Greenaway, D. (eds.) *Regional Integration and Trade Liberalization in SubSaharan Africa*. Volume 4. Synthesis and Review. New York: St. Martin's Press; London: Macmillan Press.

This paper offers a comparative look at the trade liberalization experiences of the case-study countries by highlighting the experience with trade liberalization and economic reform generally in other developing countries and by examining the extent to which the case-study countries kept pace with changes elsewhere. It begins with background data on basic trends for 10 countries. This is followed by a broad treatment of the political economy of trade liberalization that draws heavily on political science literature and presents data on political and civil liberties trends as well as fiscal indicators of changing reliance on trade taxation. The implications of the failure to integrate more fully into the world economy are examined in a section on liberalization, openness and growth, while a section on African participation in the Uruguay Round presents some data on the extent to which this group of countries did, or did not, use the Round to consolidate domestic reforms. The final section attempts to draw some lessons from the East Asian experience prior to the crisis of 1997-98.

OECD (1996) "Trade Liberalisation Policies in Mexico", Paris: OECD.

Examines challenges facing policymakers in formulating trade liberalization policies in Mexico. Presents an overview of the macroeconomic context of trade policy, indicating the pattern

and trends of trade and investment flows. Focuses on some discrete elements of policy that are important for the overall coherence of open trade policies, discussing Mexico's multilateral trade policy; contingency trade policy; technical standards, marking, labeling, and nonpreferential rules of origin; deregulation, trade facilitation, and sectoral policy; institutional reform in customs; privatization and competition policy; and investment policy. Analyzes NAFTA and other regional trade agreements. Examines the results of the Uruguay Round and Mexico's participation in the negotiations. Discusses the challenge of maintaining open trade policies in the face of contrary pressures and the issue of trade relations and coherence among overlapping trade agreements and commitments..

Pangestu, M. and Stephenson, S. (1996) "Evaluation of Uruguay Round Commitments by APEC Members", in B. Bora and M. Pangestu, *Priority Issues in Trade and Investment Liberalisation: Implications for the Asia Pacific Region*, Singapore: Pacific Economic Cooperation Council.

The aim of this chapter is to provide a preliminary evaluation of Uruguay Round market access commitments undertaken by members of the World Trade Organisation that are also members of APEC. The paper seeks to define a starting-point, or to serve as a benchmark, to assist the APEC economies in identifying further liberalisation efforts within a regional framework.

Pyo, H.K., Kim, K. and Cheong, I. (1996) "Foreign Import Restrictions, WTO Commitments, and Welfare Effects: The Case of Republic of Korea", *Asian Development Review* 14, 2: 21-43.

This paper examines foreign import restrictions on Republic of Korea's exports and its two policy responses: a domestic response in trade policy, investment policy, and foreign exchange regime; and an external policy response in the form of WTO commitments. The paper also analyzes the welfare effects of trade liberalization under WTO Agreements based on two alternative tariff reduction scenarios using a computable general equilibrium model. The simulation results indicate that WTO is expected to create annual gains of US$38 to 50 billion globally, with Korea expected to gain relatively the most from the global implementation of the commitments by WTO member countries, earning $3.3 to 3.7 billion. Therefore, Korea's policy response to increasing protectionism abroad in the form of a full commitment to WTO Agreements is fully warranted.

Rajapakse, P. (1997) "Would a Reduction in Trade Barriers Promote Intra-SAARC Trade?: A Sri Lankan Perspective", *Journal-of-Asian-Economics* 8, 1: 95-115.

The paper analyzes some of the impediments to intra-SAARC trade from a Sri Lankan perspective. Specifically, a gravity model is utilized to investigate bilateral trading prospects as a result of the further liberalization of trade policies. An assessment is also made as to whether foreign direct investment can promote trade within SAARC and the domestic issues that need to be resolved to attract the desired investments. While it is shown that there is a large potential for improvements in bilateral trade with the removal of restrictive trade measures, it is suggested that none of the SAARC countries can hope to achieve sustainable economic growth merely by trading amongst themselves. All the countries in the region have a vital interest in improving market access to global markets as well as regional markets. In both of these cases, it is clear that delaying needed trade reform will inhibit achievement of these goals.

Rama, M. (1994). " The Labour Market and Trade Reform in Manufacturing", in M. Connolly and J. de Melo (eds) *The Effects of Protectionism on a Small Country*, The World Bank, Washington, DC.

The labour market and trade reform are related in two ways. Sluggish adjustment of the labour market to changes in the product market conditions could slow the movement of labour from

import competing sectors to exports sectors. Also, the rents created as a result of barriers to foreign competition may provide an incentive to workers to unionize and push up wages. That means that trade barriers are a potential source of labour market distortions and that these very distortions make it more difficult to dismantle trade barriers. This paper analyses this relationship in the context of Uruguay and concludes that if the removal of product market distortions precedes the removal of labour market distortions, then the problems of transition are likely to be greater. So it is possible to have high unemployment in the short run.

Rege, S.R. (2001) "General Equilibrium Analysis of India's Trade Reforms", ***Review of Urban and Regional Development Studies*** **13, 2: 123-142.**
http://www.blackwellpublishers.co.uk/asp/journal.asp?ref=09170553

WTO membership for India implies cutting tariffs in a phased manner. A general equilibrium approach is used to evaluate its impacts. The study analyses both the reduction and elimination of tariffs. With a small country assumption, there are welfare gains by liberalizing trade. With a large country assumption, welfare gains are observed when a CET transformation function is used and welfare loss in its absence.

Sazanami, Y., Urata, S. and Kawai, H. (1995) ***Measuring the Costs of Protection in Japan*****, Washington, D.C.: Institute for International Economics.**

Assesses the level of protection enjoyed by Japanese industry and agriculture and evaluates its immediate impact on the Japanese economy. Outlines the various public policies and private practices that impede access to the Japanese market for individual agricultural and industrial sectors. For a wide range of sectors and product categories, directly compares c.i.f. import unit values with domestic producers' unit values before markup by domestic wholesalers. Assuming that unit value differentials often reflect protective barriers, calculates the impact of protection on consumers, producers, and importers in Japan by comparing the observed situation in 1989, given the existing regime of protection and the observed unit value differentials, with the results from a simulation in which there is no protection and unit value differentials are assumed to be zero.

Sharma, K. (2001) "Liberalization, Growth and Structural Change: Evidence from Nepalese Manufacturing", ***Applied Economics*** **33, 10: 1253-1261.**
http://www.tandf.co.uk/journals/routledge/00036846.html

This paper presents an empirical analysis of the consequences of liberalization on industrial structure in Nepal, a least developed country with weak institutions and severe infrastructure bottlenecks. Results suggest some structural change in manufacturing output and trade orientation which appears to be due to a change in incentive structure, but no significant improvements were recorded in total factor productivity growth which is of central importance for a least developed country like Nepal. Export intensity rose significantly in the post-liberalization period despite poor productivity performance of export-oriented industries while import intensity fell due mainly to improved competitiveness in import competing industries and a fall in imports for smuggling to India.

Sheahan, J. (1994). " Peru's Return Toward an Open Economy: Macroeconomic Complications and Structural Questions." ***World Development*** **22: 911-923**

The Peruvian program of stabilization and liberalization initiated in August 1990 has been more extreme than those in Mexico in the 1980s or in Chile in the Pinochet period. It has involved exceptionally high costs: potentially constructive changes are interacting with each other in ways adverse for recovery of production, employment, and exports. It could worsen the country's persisting strains of poverty and violence, or could on the contrary help answer them, depending on how liberalization is pursued. Comparisons with other liberalization programs, especially with the two different versions used in Chile, point to alternatives that might be helpful for Peru and for the design of such programs in other countries.

Siddiqui, R., and Iqbal, Z. (1999) "The Impact of Tariff Reforms on Income Distribution in Pakistan: A CGE-Based Analysis", ***Pakistan Development Review*** **38, 4: 789-802.**

The study examines the impact of reduction in tariff on industrial goods across households and on other broad macroeconomic aggregates. Using a CGE model framework, we analyse the impact of reduction in tariff on industrial goods. The model has 215 equations explaining the linkage among the variables. The basic data for estimating the model are taken from Social Accounting Matrix for the year 1989-90. The simulation exercise suggests that the negative impact of changes in relative prices in response to reduction in tariff rate are disproportionately higher for the lower income group. The gap between the rich and poor households in widening. Decline in investment also has negative implications for the economy as a whole. The paper suggests that income distribution is worsening in rural and urban areas of Pakistan due to reduction in tariff rate on industrial imports.

Sorsa, P. (1995) "The Burden of Sub-Saharan African Own Commitments in the Uruguay Round--Myth or Reality?", IMF Working Paper: 95/48, Washington DC: IMF.

The paper reviews Sub-Saharan Africa's (SSA) (i) own market access commitments in the Uruguay Round, and (ii) the nature of the constraints on SSA policies set by the Uruguay Round. It concludes that SSA failed to use the Uruguay Round to lock domestic reforms to an international anchor. Apart from South Africa, most SSA countries made few substantial liberalization commitments on border protection. The new rules set few immediate constraints on SSA policies as developing countries benefit from long and extendable transition periods. The main impact of the new rules will be increased transparency of policies from increased notification requirements. Further trade liberalization will have to rely on unilateral initiatives.

Walmsley, T. (1998) "Long-Run Simulations with GTAP: Illustrative Results from APEC Trade Liberalisation", Purdue: GTAP, mimeograph
http://www.gtap.agecon.purdue.edu/resources/download/32.pdf

In static applied general equilibrium models, the exogenous/endogenous split between variables (or closure) is used to infer the time frame over which the effects of a shock are simulated. This paper introduces a long-run closure for the GTAP model (Hertel and Tsigas, 1997) and uses this closure to simulate and compare the short-run and long-run effects of Asia- Pacific trade liberalisation. The approach explored here incorporates some relatively minor changes to existing GTAP theory in order to define a steady state in which growth rates of all real variables are uniform. Such uniformity must apply in the initial database (as well as in the post-shock solution). So to implement the new long run in GTAP a new initial database must first be created. Details concerning the creation of the new database are given, and results under the new approach are compared with those obtained under the old. The emphasis of this paper is on the development of a long-run closure in which the percentage change form equations of the model and the relationships between the levels variables in the GTAP database are consistent. Further research is required into these types of long-run closures to incorporate changes in ownership of capital to ensure that changes in welfare are adequately modelled. In the results reported here, GDP is not a useful guide to national welfare. The long-run closures introduced here are also compared with another comparative static long-run closure developed for GTAP by Francois, MacDonald and Nordström (1996).

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In recent years most studies analyzing cross-country convergence have ignored the role of international trade, simply framing the analysis in a Solow world. These models then have very limited power in explaining the economic growth of East Asia, given that East Asian integration is largely due to the market-driven forces, trade induced by foreign direct investment (FDI). This paper investigates the interrelationship between regional integration and economic convergence by linking income convergence to intra-regional trade and FDI. A central focus of the model is on how the degree of market integration driven through trade and FDI interacts with income convergence among the East Asian countries during the period 1960-96. We shed light on the significance of trade openness, liberalization and regional integration in contributing to cross-country income convergence.

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