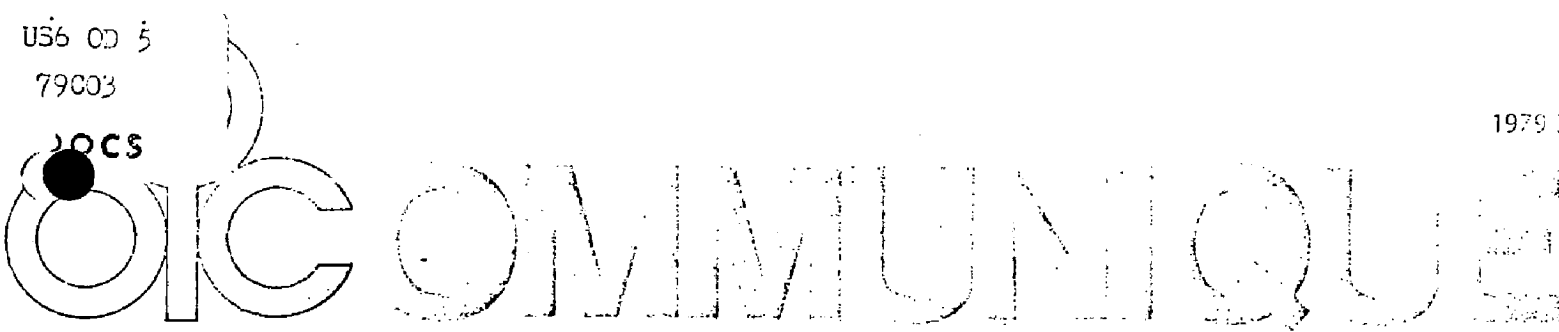




Overseas Development Council • 1717 Massachusetts Avenue, N.W. • Washington, D.C. 20036 • (202) 234-8701

THE TOKYO ROUND TRADE AGREEMENTS: WHAT EFFECT ON THE DEVELOPING COUNTRIES?

John A. Mathieson

In September 1973, economic ministers representing some 100 nations met in Tokyo and launched a new round of multilateral trade negotiations (MTNs) within the framework of the General Agreement on Tariffs and Trade (GATT). Dubbed the "Tokyo Round," this negotiating session is the seventh round of trade talks since the 1940s. Almost six years after its inception, the Tokyo Round is in the process of being completed, and the world trading system is on the verge of undergoing a major change in rules. The precise impact of this package of trade agreements on developed and on developing countries is not yet certain. A great deal depends on how the new rules are enforced.

In the United States, implementing the trade package—which includes tariff reductions, adjustments to the GATT framework and several codes on non-tariff barriers to trade—will involve Congress as well as the Executive Branch. The Trade Act of 1974 gave the President the authority to negotiate reductions in tariff and non-tariff barriers. The non-tariff aspects of the package must be approved by Congress. The implementing legislation is currently being prepared in the relevant congressional committees. Once the legislation is formally submitted, Congress will have ninety working days in which to consider the entire package and to vote it up or down with no changes, since the rules set up by the Trade Act prohibit any amendments. In the future, however, additional legislation related to trade matters—particularly in areas where agreement has not yet been reached among negotiating countries (such as on the safeguards code)—can be considered.

According to the Tokyo Declaration, the two principal objectives of the negotiations were to "achieve the expansion and ever-greater liberalization of world trade" and to "secure additional benefits for the international trade of developing countries"—in recognition of the large income and trade gaps between developing and developed countries (see Figure 1). To what degree has the Tokyo Round been successful in improving the trading position of the world's poor countries? Why did the developing countries (except for Argentina) refuse to initial the negotiated trade package on April 12, 1979 when most elements of the package were agreed upon by the industrialized countries?

The Setting

Despite currency instability and short-term shortages in food and some raw materials, most countries were enjoying historical peaks in trade and economic growth when the trade talks were initiated. Shortly thereafter, however, worldwide recession (caused by both cyclical and energy-related factors) exerted the most severe pressures experienced by the international system of trade and finance since the 1930s. Although adjustments have occurred in the intervening years, the global economy has not yet fully recovered. Significant trade deficits (especially the U.S. deficit) and slow economic recovery have reinforced the already growing protectionist sentiment in many countries. In this setting, the initial aims of the talks, especially the goal of directing more attention to the needs of developing countries, were largely supplanted by the acute concern to limit the proliferation of new and innovative forms of trade restrictions by nearly all countries.

Because the six previous rounds of negotiations successfully reduced tariffs to relatively low levels (e.g., duties levied on imports to the United States averaged about 8 per cent in 1978, compared with an average of about 26 per cent in 1946), many nations in recent years have relied more heavily on non-tariff barriers (NTBs) than on tariffs as a means of restricting imports. NTBs—which include orderly marketing arrangements (OMAs), "voluntary" export restraints, export subsidies, "buy-national" gov-