

countries, tends to intensify structural change in the OECD countries through a labour-saving effect that reduces demand for unskilled workers, while stimulating demand for skilled workers. On a sectoral basis, employment in low-wage and low-technology industries in the OECD countries in general is adversely affected by imports, while high-wage and high-technology industries experience gains in employment.¹⁸ The OECD also noted that social "problems may arise if the job displacements tend to concentrate on groups of the labour force who are disadvantaged anyway, e.g., unskilled labour."¹⁹ From a political perspective, highly visible and concentrated sectoral job losses may not offset the more diffuse job gains.

3.3 Disciplines on Traditional Policy Response Instruments

Since the establishment of the GATT, tariffs in the developed countries have fallen greatly. Their unweighted averages, which was around 40 per cent, is now 5 per cent, or lower.²⁰ The conclusion of the Uruguay Round, where the participants have agreed to more than a one-third cut in tariffs, will further reduce the level of protection of both the developed and developing countries. In the case of the European Union (EU), intra-EU tariffs have been eliminated, and for Canada and the U.S. tariff reductions are proceeding under the tiered phase-out of the Canada-United States Free Trade Agreement (FTA). The North American Free Trade Agreement will also reduce and eventually eliminate tariffs vis-a-vis Mexico. Progress has also been made on reducing non-tariff barriers, such as government procurement policies that treat domestic suppliers preferentially. Multilaterally or regionally agreed to reductions in non-tariff measures and the tightening of trade rules, such as new disciplines on the use of countervailing and anti-dumping measures, will further promote cross-border flows of goods and services.

While trade liberalization promotes competition, increased integration also creates adjustment pressures. This has implications for domestic labour policies. With integration, the use of trade policy instruments and trade distorting domestic measures, such as subsidization, while not prohibited, is constrained.

¹⁸ OECD, "Symposium on Globalization of Industry: Government and Corporate Issues", DSTI/IND(93)29/Rev2, November 1993.

¹⁹ OECD, "Trade and Employment", C(89)42, 1989, p. 29.

²⁰ OECD, "Trade and Employment", C(89)42, Annex Summary Report, p.1.