Treaty Information

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(encouraging the most efficient allocation of capital and labour) and non-economic ends (encouraging social goals through regional development and farm policies, income redistribution programs, etc., or mitigating the impact of severe economic dislocation). Adjustment policies are also viewed as integral to the achievement of sustained non-inflationary growth. Hence the OECD study points in the direction of choosing adjustment policies aimed at accomplishing the various socio-economic goals of governments with minimum distortion to the marketplace and by means that are compatible with economic efficiency.

It may be argued that the central challenge for policy-makers in the post-MTN environment will be to create an international climate of confidence — based on the reasonable expectation of mutual discipline — respecting structural adjustment. Otherwise, governments around the world, caught up in an escalating competition involving actions which retard adjustment, will find themselves running faster to stay in the same place relative to their trading partners, with each resistance to adjustment doing further harm to the cause of genuinely improving domestic economies. Thus, it was in this light that the Tokyo Summit leaders drew attention to the need to improve the long-term productive efficiency and flexibility of their economies.

Interdependence

A central feature of the trading environment during the 1980s will be the evolutionary integration of a growing number of developing countries into the international economic system. The extent to which Eastern European centrally-planned economies may share in this integration, and the impact they may have, is uncertain. Equally uncertain is whether the Chinese growth targets are obtainable, and if so, what will be the implications for the West of a billion people in that country becoming moderately more wealthy by the year 2000. Nevertheless, the principal issue posed by the emergence of the so-called "newly industrializing countries" is: what conditions should govern their entry as full participants into the world economic system? For it is no longer debated whether the prospects for accelerated growth in developing economies are a welcome development from the point of view of the industrialized economies. There is a clear marriage of interest in favour of a mutual expansion of trade based on comparative advantage. The middle-income developing countries provide markets for the specialized, technologically innovative products and "know-how" services of the developed economies, while providing consumer goods at lower cost. Investment capital from industrialized countries is used to finance development plans in LDC's — including the development of raw materials and energy — and in turn, frees up export earnings for the purchase of imported goods sourced from developed countries. In periods of weakened investment demand in the developed countries, the developing countries have also provided a welcome counter-cyclical outlet for investment. Growth in the developing world, for example, ameliorated the 1974-75 recession in the developed countries.

However, particularly in the wake of the 1974-75 recession, market penetration by low-cost imports in sensitive sectors of developed-country economies has brought pressures for relief for the threatened industries and a growing, sometimes exaggerated, concern generally about the implications of import competition from developing countries. Conversely, the developing countries perceive the existing international system as biased against them in terms of trade, access to private capital markets and control over resource development, and accordingly, they have called for fuller and more effective participation in all decision-making concerning the international economy. More particularly, during the Tokyo Round tariff negotiations, the developing countries pressed for special and differential treatment in the form of deeper-than-Most-Favoured-Nation formula cuts; faster or slower staging of tariff reductions, shallower MFN tariff reductions for items covered by the Generalized System of Preferences (GSP) to minimize the erosion of their GSP preference; binding of preferential concessions and margins, and various improvements in the GSP. In the negotiations of non-tariff codes as well, developing countries sought the incorporation into the codes of special and differential provisions. While MTN negotiations with a number of LDC's continue, they have already registered their dissatisfaction with the MTN results and the conduct of the negotiations, most recently at the UNCTAD V meeting in Manila in May.

While it is true that progress in meeting a number of the preoccupations of developing countries fell short of LDC expectations, the MTN negotiations provided developing countries with specific gains, in addition to the benefits accruing to them on an MFN basis from the concessions exchanged in the negotiations. These gains include a firmer legal basis for the GSP and for preferential trade arrangements among developing countries, the advance implementation of non-reciprocal tariff concessions on a range of tropical products, and provisions for special and differential treatment in the various non-tariff codes. The code provisions are particularly noteworthy, both in themselves and in the sense that they represent a departure from the Most-Favoured-Nation principle of GATT in order to respond to the interests of developing countries.

Whatever the perceptions of the MTN outcome, and its likely impact on trade, one issue which will be significant in influencing the evolution of trade relations between developed and developing countries in the post-MTN period is the need for the more