

finding must be read in conjunction with other work on the pattern of global trade that reveals a much more significant degree of under-trading compared to global norms between developing regions as compared to between developing and developed regions.<sup>37</sup> Taken together, these observations point to a fault line in the global trading system that to my knowledge has not previously been so clearly and starkly demonstrated: that is, the introduction of preferences into the system of global trade, quite separately from the Article XXIV arrangements, had an important role in shaping the pattern of trade in a hub-and-spoke fashion with the industrialized countries at the heart of the system extracting the main benefits.

*Fourth*, it is important to bear in mind that a study based on merchandise trade flows would not identify such benefits from the later rounds (most notably the Uruguay Round) that derived mostly from the agreements dealing with investment, services, and technology transfer, or from the refinement of the rules for managing the system, most importantly the development of the dispute settlement understanding. Here it is useful to recall Sylvia Ostry's description of the dynamic that led so many developing countries to join the GATT in the Uruguay Round—not necessarily because of the immediate market access that was on the table but rather to obtain the procedural safeguards of the GATT against unilateral protectionism by developed countries.<sup>38</sup>

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<sup>37</sup> See IMF, *World Economic Outlook*, September 2002, Table 3.3: Undertrading in Developing Countries 1995-99, pg 119.

<sup>38</sup> As she explains, "a new Special 301 of the 1988 Trade and Competitiveness Act was targeted at developing countries with inadequate intellectual property standards and enforcement procedures. As the Uruguay Round negotiations proceeded, the message in Brasilia and New Delhi [the leaders of a group of developing countries resisting the inclusion of the "new trade policy issues" in the round] became clearer: given a choice between American sanctions or a negotiated multilateral arrangement, an agreement on TRIPS began to look better." See Sylvia Ostry, "The Uruguay Round North-South Grand Bargain: Implications for Future Negotiations," paper delivered at the conference *The Political Economy of International Trade Law*, University of Minnesota, September 2000.