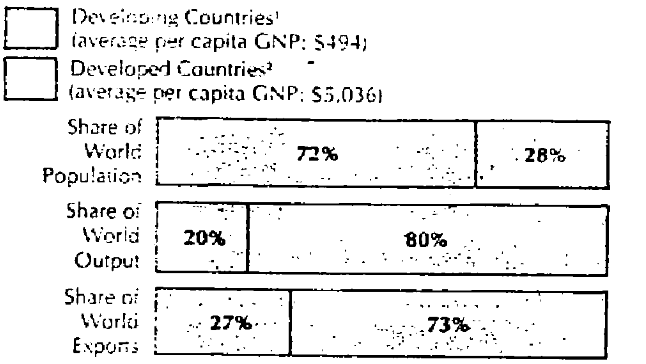
FIGURE 1. GAPS BETWEEN RICH AND POOR COUNTRIES 1976



[1]OPEC and Non-OPEC developing market economies, and developing centrally planned economies.
[2]Both market-economy developed countries and centrally planned developed countries.

ernment procurement policies, import-licensing red tape, customs valuation restrictions, and other impediments to trade — generally have circumvented the rules of the GATT. Negotiating codes to regulate their use has been an arduous process and has made the Tokyo Round the most complex set of international trade talks in history. The combination of the negative economic environment, the complexity of the issues involved, and the need to forestall additional protectionist measures among major trading countries has led to relatively low priority in fact being placed on the interests of developing countries in the Tokyo Round, even though Third World countries are now important markets for the goods and services produced by the industrialized countries.

Recent Experience of Developing Countries

Developing countries have benefitted from the expansion of world trade over the past two decades, but the picture is not as positive as might appear at first glance. The current dollar amount of the exports of the non-OPEC (Organization of Petroleum Exporting Countries) developing market economies increased from $18.9 billion in 1960 to $143.3 billion in 1977, an average annual increase of 12.7 per cent. Somewhat more than half of this growth, however, was due to inflation, and despite this growth, these countries are likely to incur an aggregate current account deficit of $40 billion in 1979. Moreover, although these countries comprise one half of the world's total population, their share of world exports amounted to only 12.7 per cent in 1977 (see Figure 2).

The trade gains of the last decade and a half are further hampered by the fact that, in 1976, manufactures still accounted for only 19 per cent of the total exports of the developing market economies (*including* the OPEC countries). In contrast, 77 per cent of the exports of developed market economies were manufactured products, which tend to have more stable prices and to embody higher levels of domestic inputs, thus contributing to domestic income and employment.

The developing countries have pressed with increasing militancy for changes in international rules and institutions to give them a greater share in world trade. The Kennedy Round of trade negotiations (1964-1967), in which the developing countries participated marginally, brought them only limited benefits. This led to increasing calls for the adoption of general systems of preferences (GSPs), under which developing-country exports are able to enter the markets of industrialized countries duty-free or with reduced duties. GSPs gradually have been implemented outside the framework of GATT, but quantitative limits and product exclusion have made them only moderately valuable to the developing countries.

When GATT was signed in 1947, twenty-three countries were signatories. By 1977, eighty-three countries were members of GATT, and another twenty-eight countries applied its rules in their trade. A key goal of the United States and other industrialized countries has been for the developing countries to start participating fully in the system in order to change GATT's image as a "rich man's club." U.S. officials have worked toward this end and have stated that developing countries will benefit from the Tokyo Round results in three ways: 1) from the general liberalization of tariffs, 2) from the changes in the trading rules, and 3) from the reduced threat of protectionism. How have the developing countries in fact fared in each of these areas?

FIGURE 2. SHARES OF WORLD EXPORTS, 1960, 1970, AND 1977