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TRADE RELATIONS
BETWEEN
THE EUROPEAN UNION AND THE DEVELOPING COUNTRIES

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INTRODUCTION

The European Union (EU) is a major trading partner for the developing countries. Around one-third of its total imports are from these countries; they amounted to over ECU 120 billion in 1992 and 1993. There are two reasons for this: (1) the EU is the world's largest trading entity and (2) it has encouraged imports from developing countries since it was established as the European Economic Community (EEC) in 1958.

This paper looks at trade flows between the EU and developing countries, and the various instruments devised by it to help them export more and broaden the range of their exports, to include more semi-manufactured and manufactured products. While charting these trade flows the paper tries to gauge the effectiveness of the EU's trade policies.

It also seeks to indicate the likely effects on the EU's trade with developing countries of such recent developments as the completion of the single market; the new generalized system of preferences (GSP) in force since 1 January 1995; the mid-term review of the Lome Convention, linking the 70 ACP countries to the EU, and the strengthening of trade relations between the EU and its Central and East European neighbours on the one hand, and southern Mediterranean neighbours on the other.

Other developments which will influence the EU's trade with developing countries include the entry into force of the Uruguay Round package of trade agreements, and in particular the agreement on trade in textiles and clothing; the establishment of the World Trade Organization (WTO), in place of GATT, and the growth of regional trade organizations, the most effective of which to date is the EU itself.

Given the number and extent of these recent developments, the question naturally arises whether any useful purpose is served in looking at trade flows and policies which largely predate these developments. The new GSP scheme, for example, is aimed at developing countries which had not benefitted from the earlier scheme. Even so, the trends in the EU's trade with developing countries, which were evident during the early 1990s, are likely to continue during the rest of the decade. The experience of countries with rising exports suggests that dynamism in trade is the result of domestic policies as much as access to export markets. As for changes in trade policies, they tend to reflect past trade flows. Looking at the recent past, therefore, is good preparation for the future.

CHAPTER I

EU TRADE POLICY TOWARDS DEVELOPING COUNTRIES

THE EARLY YEARS

The European Union's trade policy towards developing countries has always had a number of strands, determined by history and geography, on the one hand, and its international obligations on the other. This is clear from the Treaty of Rome, under which the 6-nation European Economic Community, the forerunner of the EU, was set up in 1958. The Treaty provides for the establishment of a common market, with a common customs tariff and a common commercial policy, to be applied to all non-EEC countries, including developing countries.

The EEC, in other words, made no distinction between developed and developing countries during its early years; the common customs tariff applied to both under the most-favoured-nation (MFN) clause, the cornerstone of GATT[1]. Trade policy towards independent developing countries was based exclusively, therefore, on the EEC's international obligations under GATT and the United Nations Conference on Trade and Development (UNCTAD), the first of which was held in 1964.

Alongside this strand of the EEC's trade policy was another, based this time on considerations of history and geography. Part Four of the Treaty of Rome applied specifically to the "non-European countries and territories which have special relations" with individual EEC countries, such as France's colonies in sub-Saharan Africa and its overseas territories and departments; the Belgian Congo and Ruanda-Urundi; Italian Somaliland and the Netherlands Antilles. Under Part Four they were associated with the EEC, with the aim of promoting their economic and social development.

The EEC countries were required to (1) "apply to their trade with the countries and territories the same treatment as they accord each other" and (2) "contribute to the investments" needed for their development. The associated countries and territories were required, for their part, to apply to their trade with all EEC countries, and with each other, the same treatment as that applied "to the European State with which it has special relations."

This second strand in the EEC's trade policy towards developing countries differed from the first in that it was not based on commercial considerations alone but introduced the concept of development into trade relations. Under Part Four the EEC undertook to "further the interests and prosperity of the inhabitants of these countries and territories in order to lead them to the economic, social and cultural development to which they aspire." The aim of the common commercial policy, in contrast, was "to contribute...to the harmonious development of world trade, the progressive abolition of restrictions on international trade and the lowering of customs barriers."

These two strands are still very much in evidence in the EU's trade relations with developing countries. As in the EEC's early years they still tend to lie parallel to each other. A third strand was added in the 1970s, based this time on a mixture of history and geography. The countries which border the Mediterranean have always traded with each other, so that their commercial, and indeed economic, interests overlap - and conflict, on occasion. Partly because of this, the first co-operation agreements with Algeria, Tunisia and Morocco, granting them preferential access to the EEC market, were not signed until 1976. Similar agreements were concluded with Egypt, Jordan, Syria and Lebanon in the following year, and with Yugoslavia in 1980.

THE ROLE OF TRADE PREFERENCES

A common feature has emerged over the years in the EU's trade relations with all developing countries. This is preferential access to the EU market. Trade preferences have a long history in fact. When Britain opened negotiations in 1961 to join the EEC, many Asian members of the Commonwealth became alarmed at the loss of preferential access to the U.K. market, granted to them in the 1930s. And Britain was not alone among the colonial powers in granting preferential treatment to its colonies.

Preferential treatment has focussed on tariffs which, as the main instrument through which countries have traditionally protected their domestic producers, have been generally high. Through the practice of tariff escalation, tariffs on manufactured products in fact have tended to be considerably higher than on raw materials and semi-manufactured products. This is still the case as regards manufactured products of export interest to developing countries, such as leather goods and clothing.

It is only as a result of the successive multilateral trade negotiations, conducted under the aegis of GATT, that tariffs in the industrialized countries have fallen dramati-

[1] Under Article I of the GATT "any advantage, favour, privilege or immunity" granted by one country (contracting party) to another, has to be extended, "immediately and unconditionally," to the like product originating in or destined for all other GATT countries. This is the case, for example, as regards tariff concessions negotiated between the EU and the United States during the course of the Uruguay Round. Exceptions to this general most-favoured-nation treatment, as in the case of a free trade area or a customs union, must be authorized by GATT. The aim is to ensure an open multilateral trading system.

cally. Even so, their tariffs on products of export interest to developing countries remain relatively high. But preferential trading relations are not limited to tariffs. Other features of a preferential relationship include rules of origin; the treatment of non-tariff barriers, such as quotas; derogations; product exclusions or limitations as well as safeguards and dispute settlement procedures.

A PYRAMID OF TRADE PREFERENCES

Today virtually all developing countries enjoy preferential access to the EU market. But some enjoy better access than others, resulting in what can be termed a pyramid of trade preferences. At the top of the pyramid are the 70 African, Caribbean and Pacific (ACP) countries linked to the EU through the Lome Convention. Lower down are the developing Mediterranean countries, while at the bottom of the pyramid are to be found the Asian and Latin American countries, as well as a number of Middle East oil-producing countries, including Iran, Iraq and Kuwait.

The Lome Convention can be traced back to Part Four of the Treaty of Rome. The fact is that Part Four was quickly overtaken by political developments. In line with the decolonization of Africa, the 6-nation EEC concluded a preferential trade and aid agreement with 17 independent African states and Madagascar. This was the Yaounde Convention of association of 1963 (renewed in 1969). Britain's entry into the EEC in 1973 led to the more comprehensive Lome Convention of 1975, linking the enlarged, 9-nation Community to not only the 18 Yaounde Convention countries but also the developing Commonwealth countries in Africa, the Caribbean and the Pacific Ocean.

The EU's trade relations with half the world's developing countries, including all the least developed countries in Africa, are governed by the fourth Lome Convention, which was signed in the Togolese capital in December, 1989. Lome IV did more than merely consolidate what had been achieved since 1975. Preferential access for ACP products to the EU market was further improved; at the same time local processing of ACP raw materials was given top priority. The mechanism for stabilizing ACP export earnings, Stabex, was improved, as was Sysmin, the mechanism for promoting the mining industry in ACP countries.

A similar regional agreement between the EEC and the Mediterranean countries was to have seen the light of day at roughly the same time as the first Lome Convention. However, the co-operation agreements which the EEC subsequently negotiated with each of the Maghreb and Mashreq countries[2] provide for duty-free entry to the Community market for their manufactured products and preferential entry for their agricultural products, depending on the country in question. (These agreements also provide for economic, technical and financial co-operation.) There is no agreement with Libya.

Asian and Latin American countries have enjoyed preferential access to the EU market since 1971, largely as a result of developments within GATT and the United Nations Conference on Trade and Development (UNCTAD), where they were spear-headed by a number of developing countries. A 1963 GATT Action Programme called for a number of tariff measures, including the reduction and elimination of tariff barriers to exports of semi-manufactured and manufactured products from developing countries. In 1965 a new chapter on trade and development (Part IV) was added to the General Agreement, which stressed the need for increased access to world markets for primary as well as manufactured products of export interest to developing countries.

The key developments took place in UNCTAD, however. In 1964 UNCTAD I established the importance of trade in the development process, alongside financial and technical aid. The more advanced developing countries pressed the case, which they had already made in GATT, for preferential access to the markets of industrialized countries for their exports of manufactured goods. Duty-free entry, they argued, would help them industrialize more quickly and promote export-led growth. UNCTAD II opened the way in 1968 for the introduction of a generalized system of preferences (GSP) by all industrialized market economies, while GATT made it possible for them to do so by granting contracting parties a waiver from most-favoured-nation (MFN) treatment in 1971. (It was renewed for an indefinite period in 1979.)

The 6-nation EEC led the way in mid-1971, by adopting a GSP scheme based on the principle of duty-free entry for nearly all manufactured products and reduced rates of duty for selected agricultural and processed agricultural products. Although this scheme was largely rewritten in 1994, this paper deals mainly with the earlier version, which was not replaced until 1 January 1995. (See pages 9 and 10 for details of both the old and new schemes.)

The EEC had taken the bold decision to include textiles and clothing in its list of products entitled to duty-free entry. However, GSP imports of these and other sensitive items were subject to quantitative restrictions, in order to safeguard the interests of the more vulnerable EEC industries. While imports of agricultural products were quota-free, product coverage was relatively limited and the margin of preference was often quite small. (This was partly in order not to erode the preferences extended under the Yaounde and Lome Conventions, partly from a belief that the GSP was meant to promote the development of industry.)

[2] Maghreb : Algeria, Tunisia and Morocco. Mashreq : Egypt, Israel, Jordan, Lebanon, the Occupied Territories and Syria.

PREFERENTIAL ACCESS IN PRACTICE: A BIRDS'-EYE VIEW

The main features of the trade preferences which the EU grants the ACP, Mediterranean and Asian and Latin American countries and Middle East oil producers are described below. In the case of the GSP scheme, the information relates to the scheme in force until the end of 1994. (Information on the post-1995 scheme will be found on page 10).

All the EU's preferential schemes make a distinction between agricultural and manufactured products. Textiles and clothing are handled separately. Safeguard measures and rules of origin are features common to all the preferential agreements concluded by the EU and, indeed, to preferential trade arrangements in general. The safeguard measures are intended to protect domestic producers from market disruption, or the threat of it, as a result of a surge in low-cost imports. The rules of origin are designed to ensure that developing countries are the real beneficiaries of trade preferences. The local content requirement, for example, prevents other countries from simply repackaging their goods in beneficiary countries and claiming GSP benefits.

Lomé Convention (ACP countries)

Agricultural products: Duty-free entry for all agricultural products subject to tariffs. For selected products covered by the common agricultural policy (CAP), reductions in variable levies, etc., within certain quantitative and seasonal limits. No such restrictions on products not covered by the CAP. Preferential treatment for rum, bananas, sugar and beef, under the terms of four separate protocols to the Fourth Lome Convention.

Manufactures, including textiles and clothing: Unrestricted duty-free entry.

Other features: Safeguard measures: authorized, but the EC has not invoked them so far. Rules of origin: the least restrictive. Derogation procedure in case rules of origin are not met. Provision for cumulation allows inputs from other ACP and from EC countries to count towards origin requirements.

Mediterranean Agreements:

Agricultural products: Unrestricted entry for products not covered by the CAP and reduction of duties for products covered by it. Since 1993 duties on products covered by the CAP have been eliminated and the duty-free quotas for sensitive products have been increased.

Manufactures: Unrestricted duty-free entry.

Textiles and clothing: Unrestricted duty-free entry, although in a few cases there is administrative co-operation, aimed at preventing EC market disruption.

Other features: The rules of origin allow cumulation in the case of inputs from both EU countries and, in the case of the Maghreb countries, for example, from other Maghreb countries.

Generalized system of preferences (GSP):

Agricultural products: Reduction or abolition of customs duties on certain products; tariff quotas for five categories, including pineapples, coffee extracts and unmanufactured tobacco. There is a 50 percent reduction in levies on a number of products covered by the CAP, including meat products and potato starch.

Manufactures: Duty-free entry for all manufactures, with no limitations on non-sensitive products. Limitations on sensitive products, through either country-specific fixed duty-free amounts (quotas) or tariff ceilings. Once a quota has been exhausted, the import duty is automatically re-imposed; in the case of a ceiling the duty can be re-imposed at the request of a member state or at the instigation of the European Commission. There is also a provision for graduation - i.e. the gradual exclusion from GSP benefits. Such an exclusion is not general but is country/product specific, and is applied on the basis of objective criteria, including the level of exports of a given product.

Textiles and clothing: Duty-free entry with tariff quotas/ceilings for countries which have concluded a bilateral agreement with the EU, either under the provisions of the MFA or of a similar nature.

Other features: Rules of origin more restrictive than for ACP and Mediterranean countries. Provisions for regional cumulation for ASEAN, Andean Pact countries. Quantitative limitations on duty-free imports of sensitive products; for non-sensitive products safeguard measures can be invoked if imports from a single country exceed a certain reference margin.

Least developed countries:

Least developed countries that are not part of the ACP group enjoy concessions not available to other GSP countries. These concessions include: duty-free entry for selected agricultural products and no tariff quotas, except for coffee extracts; unrestricted duty-free entry for manufactures, with no re-imposition of duties, and duty- and quota-free entry for textiles and clothing as well as jute and coir products.

Safeguard measures applicable to other GSP countries do not apply to the least developed. More flexible rules of origin are under consideration by the EC. In 1990 concessions similar to those granted to the least developed countries were extended, on a temporary basis, to four Andean Pact countries (Bolivia, Columbia, Ecuador and Peru) as a contribution to the fight against drugs in these countries.

For the five countries of the Central American Common Market (Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua) and Panama, GSP provisions were improved on a temporary basis from 1991 onwards. But in this case the improvements have been limited to agricultural products only.

To these differences between the various preferential systems as regards product coverage, margin of preference, rules of origin, etc. must be added the differences in their legal nature. The Lome Convention is a contractual agreement, binding on both sides; any changes to it require the consent of both the EU and the ACP countries. The trade preferences enjoyed by the Mediterranean countries are covered by bilateral agreements concluded with the EU.

The GSP scheme, however, is autonomous; set up unilaterally by the EU, it is non-negotiable. While the EU consults regularly with its Asian and Latin American beneficiary countries, both bilaterally and in UNCTAD, it alone is responsible for the nature and contents of its scheme (which nevertheless must meet the broad criteria set by UNCTAD and GATT). The ACP and Mediterranean countries, although legally entitled to GSP benefits also, have not taken advantage of them.

THE NEW GSP - AND THE OLD

This section explains the operation of the generalized system of preferences (GSP), first introduced by the EEC in 1971, and of the substantially revised GSP scheme introduced on 1 January 1995 for a further 10-year period. The main beneficiaries of both schemes are the developing countries of Asia and Latin America, which are not covered by the EU's Mediterranean policy or the Lome Convention.

To understand the workings of the GSP it is best to look at it from the viewpoint of its initial beneficiary. This is the entrepreneur in a developing country who wants to export to the EU a product - cotton shirts, for example - which he believes he can manufacture more cheaply than his European counterpart, usually because of readier access to the necessary raw materials and lower wages. But the entrepreneur lacks the skills needed to compete effectively against European manufacturers; and even his price advantage may be off-set by the import duties levied by the EU.

Clearly waiving the import duty will make it easier for him to enter the EU market. But duty-free entry will benefit not only the individual entrepreneur but also the developing country as a whole. Its export earnings will rise, as local entrepreneurs - and foreign investors - begin to take advantage of this preferential access to the EU market. What is more, export earnings will rise faster than before because of the growing proportion of semi-manufactured and manufactured products to primary products. The rising level of industrialization will result in faster economic growth and rising living standards.

The EU can expect to benefit also. Consumers will have a choice between domestic products and their cheaper equivalents. European manufacturers of capital goods will have an expanding market for their products. However, EU firms in manufacturing sectors which are both labour-intensive and use raw materials imported from developing countries will face increasing competition, as the tariffs which gave them a measure of protection are removed. One of the main differences between the EU's old and new GSP schemes is the way in which the interests of EU manufacturers are safeguarded in the case of the so-called "sensitive" products.

Promoting industrialization through the GSP

The GSP scheme in force until 1995 was based on the principle of duty-free entry for almost all manufactured products, including textiles and clothing - subject, however, to certain conditions and limits. Agricultural products were largely excluded initially, as the GSP was envisaged as a means of promoting industrialization. GSP treatment for the agricultural products covered by the scheme consisted of a reduction in duties rather than duty-free entry, but with no quantitative limits (except in the case of a few products, including unmanufactured tobacco).

GSP exports of manufactured products regarded as "sensitive" were limited, through either quotas (country-specific limits) or the more flexible ceilings. In both cases developing countries could continue to export the product in question for the rest of the year, but on payment of the full import duty. Exports of non-sensitive products were not subject to restrictions, although duties could be reimposed under certain conditions. Textile and clothing exports from countries with whom the EU had concluded bilateral agreements under the GATT Multifibre Arrangement were subject to quotas.

In 1986 the EU introduced a policy of "differentiation," in order to deal with the problem posed by the fact that a small number of countries were virtually monopolizing the GSP. Under this policy GSP benefits were gradually withdrawn from some countries, but only for those products for which they could now be deemed sufficiently competitive, mainly on the basis of their share of the EU market.

The least developed countries were granted duty-free as well as quota-free entry for their exports of manufactured products and duty-free entry for an enlarged list of agricultural products. The EU also added a "regional cumulation" clause to its GSP rules of origin. The aim was to encourage countries belonging to an economic regional grouping, such as ASEAN and the Andean Pact, to use the GSP to further their integration process.

Spreading the benefits of industrialization

The "old" GSP scheme was a success, in that EU imports under the scheme rose from ECU 8.1 billion in 1981 to ECU 27.5 billion in 1992 (representing 29 percent and 36 percent respectively of dutiable imports). But it had become very difficult to manage: the growing competitiveness of a relatively small number of developing countries led to a sharp increase in the number of tariff quotas and ceilings. Meanwhile, the successful conclusion of the Uruguay Round of tariff negotiations, with the active participation of these countries, meant that the role of the GSP was now complementary to that of the multilateral mechanisms embodied in the World Trade Organization (WTO).

All quotas and ceilings have been abolished under the new GSP scheme, to be replaced by a system of tariff "modulation." All manufactured products now fall into four categories: very sensitive, sensitive, semi-sensitive and non-sensitive. However, only non-sensitive products now enter the EU duty-free. The GSP duty on very sensitive products, for example, is 85 percent of the most-favoured-nation (MFN) rate; in other words, the margin of preference is now 15 percent and not 100 percent. The preference margin on sensitive products is 30 percent and on semi-sensitive products 65 percent.

The earlier policy of "differentiation" has been taken to its logical conclusion. Under the new policy of "graduation" the degree of competitivity of a beneficiary country is measured in terms, not of a specific product as before but of an entire industrial sector, such as clothing, footwear and consumer electronics. GSP benefits are therefore withdrawn for the sector as a whole in the case of countries found to be sufficiently competitive to have no further need of them.

The EU has guaranteed transparency and objectivity by explaining in detail how the development and specialization indices at the heart of the graduation mechanism are calculated. At the same time it has listed the countries which will be losing GSP benefits, as well as the sectors in question. The list includes countries that do not meet the graduation criteria but who nevertheless account for the lion's share (over 25 percent) of GSP exports of a given sector. All this information is annexed to the regulation implementing the new GSP scheme for a 4-year period, from 1995 to 1998. This means that exporters can plan ahead until the end of 1998, secure in the knowledge that revisions to the scheme will not be made until the next phase, which will start in 1999.

With its new scheme the EU has embarked on the path followed by other GSP donor countries for years. It plans to withdraw all GSP benefits from the most advanced developing countries as from 1998, on the basis of criteria to be drawn up in 1997. In addition, the EU has set out the conditions under which GSP benefits may be withdrawn, either totally or partially. They include fraud, unfair trading practices, export of goods made by prison labour, the practice of forced labour and inadequate controls on export or transit of drugs.

Now that the developing countries form a much less homogenous group, it was only natural that the EU should want to concentrate on the GSP as an instrument of development. Thus the least developed countries continue to enjoy duty-free entry for their exports of manufactured products as well as a much enlarged list of agricultural products. They can also obtain derogations from the rules of origin. At the same time the new graduation mechanism will make it easier for the less industrialized countries to take greater advantage of their preferential access to the 15-nation EU market.

TRADE PROMOTION AND INDUSTRIAL CO-OPERATION

When the issue of trade preferences for developing countries was first raised, it was generally assumed that duty-free entry by itself would lead to increased exports to the preference-giving countries. Of course 30 years ago tariffs in these countries were higher than they are today. Hence the general assumption that the combination of duty-free entry, low wages and ready access, in many cases, to agricultural and other raw materials, would enable developing countries to penetrate the markets of industrialized countries fairly quickly and easily.

When it did not happen the EU realized that trade preferences were not enough in themselves. Developing countries needed help in selling their manufactured products on competitive foreign markets. The EU began by providing technical help in marketing: it financed market studies, participation in fairs and exhibitions in EU countries, trade missions and buyer-seller meets. The markets initially targetted were those of the EU countries themselves, given that most developing countries enjoyed preferential access to them. Today the EU is helping developing countries market their products to other industrialized countries and in the markets of neighbouring countries, if they so desire.

Exporters also discovered that having a show case for their products did not necessarily result in sales: the products on offer had to meet European requirements, not only as regards price but also quality, reliability, design, performance, etc. EU technical assistance now covers every stage of the process if necessary, from the processing of the raw materials, through product design and development, to the final distribution of the finished product. The most extensive programme of technical assistance in trade promotion and product development is to be found in the fourth Lome Convention (Title X - Trade development), but such help is also provided under the EU's co-operation agreements with Asian and Latin American countries.

The EU has since taken the process a stage further and linked trade promotion and product development to industrial co-operation, technology transfers and investment promotion. As a result, trade promotion has become an element in the much wider programme of economic co-operation. In recent years the EU has put much greater emphasis on benefits to private economic operators in not only developing countries but also the EU. Thus under the 1993 co-operation agreement with India the two sides will cooperate "to build up India's economic capability to interact more effectively with the Community" in trade and industry. At the same time they will promote "new forms of economic co-operation" to facilitate "exchanges and connections between their business communities."

Helping commodity producers

When the EEC was established in 1958, most of its imports from developing countries consisted of primary products. It therefore emphasized measures which would ensure these countries stable, equitable and remunerative prices for their commodity exports, and granted duty- and quota-free access to its market for almost all ACP exports. Commodities remain of vital importance for most ACP and least developed countries even today; hence the decision to devote a separate section to them in Lome IV, in force since 1990.

Lome IV in fact contains fresh concessions, especially as regards ACP agricultural and food exports. Thus the levy normally applicable to EU imports from third countries has been waived or reduced for sorghum, millet and molasses, which are used as animal feed in the EU, while customs duties are being progressively reduced or abolished on imports of ACP fruits and vegetables during the off-season. The special arrangements for beef, veal and rum have also been improved under Lome IV.

In order to offset the unfavourable effects of declining commodity prices on ACP export earnings, the EU has also improved Stabex, the Lome Convention mechanism for stabilizing ACP export earnings from agricultural commodities. Thus the reference period under Lome IV is six, rather than four, years, as it makes for more accurate calculations of average export earnings. The special financing facility for mining products, Sysmin, has also been improved under Lome IV. ACP countries can now obtain grants, rather than loans, for lending to mining companies.

The EU has also been active in its support of international commodity arrangements. But now that such arrangements have fallen out of favour, especially with the major industrialized nations, the EU also has accepted the need to allow market forces a greater role in setting commodity prices and production levels. Lome IV also recognizes the importance of market forces. Thus EU-ACP co-operation in the commodities field is aimed at improving the competitiveness of ACP producers, for example, by paying due attention to market signals, whether national, regional or international.

SAFEGUARDING THE INTERESTS OF EU PRODUCERS

Safeguard measures

Since its creation in 1958 the EU has accepted the need to help developing countries increase their export earnings. As responsibility for trade policy lies with the EU as such, some Member States have found themselves accepting measures they would not have adopted on their own, while others have had to accept measures which did not go far enough in their view. But all Member States have been aware of the need to safeguard the interests of their own producers whenever necessary.
To deal with problems arising from market disruption in the event of a sudden and sharp increase in imports, the EU can take safeguard action under Article XIX of the GATT or under a Community instrument or agreement. Thus under Lome IV the EC can take safeguard measures should the trade preferences granted the ACP countries result in "serious disturbances in a sector of the economy of the Community or one or more of its Member States..."

The EU has seldom made use of Article XIX. This is partly because it feels that emergency measures, to be effective, must be selectively applied, whereas measures taken under the GATT safeguard clause must be applied on a non-discriminatory basis - i.e. to all suppliers of the product in question. However, some of these problems have been addressed by the revised GATT safeguard article agreed to in the Uruguay Round. As for the safeguard clause in the Lome Convention, the EU has not made use of it so far, partly because ACP exports of food and other agricultural products which compete with Community production are subject to just enough limitations to prevent any threat to domestic producers.

Anti-dumping measures

Dumping, as defined by the GATT, takes place when the price at which goods are exported is below a "normal value." This is calculated on the basis of the exporter's home market price or his costs of production. Under Gatt anti-dumping rules action may only be taken if the dumped imports in question have caused "material injury" to the domestic industry - or threaten to do so.

The EU's anti-dumping legislation is based on GATT rules. It sets out the criteria and rules for anti-dumping action; but it also ensures that when anti-dumping measures are taken, the impact on the EC's import trade is held to the strict minimum. To this end the EU does not automatically apply the full margin of dumping which has been established by its investigation; on the contrary, it tries to apply the minimum necessary to remove the injury. The EU also limits the period of validity of anti-dumping measures to five years, unless a review concludes that it should be extended.

In the 5-year period from 1988 to 1992, the EC launched 169 anti-dumping investigations, involving some 40 countries, including the the People's Republic of China (28 investigations), South Korea (15) and the former Yugoslavia (9). Most developing countries against which investigations were launched were Asian, and included Taiwan (6), Thailand (6), India (4), Indonesia (3) and Singapore (3). The sectors most involved were chemicals and electronics.

Rules of origin

In order to qualify for preferential entry into the EU, goods must meet its origin rules. This is to ensure that the goods for which duty-free entry is being requested, under the GSP scheme, for example, have undergone a certain level of local processing or manufacture. The benefits to a developing country which simply assembles components, or repackages finished goods imported from a country not entitled to GSP treatment, clearly are minimal at best.

The rules of origin vary from one group of beneficiary countries to another. The rules governing imports from the ACP countries are the most flexible, those covering textile and clothing imports on a preferential basis the most restrictive. However, the EU has been prepared to derogate from its rules in certain cases.

In order to encourage regional co-operation the EU introduced the notion of regional cumulation. The most liberal form of cumulation applies to the ACP and Maghreb (Algeria, Morocco and Tunisia) countries. Here the ACP countries and the EU form a single territory, as it were, and exports to the EU of finished products meet its rules of origin if the imported components originate within this territory. Under the GSP rules the ASEAN countries, for example, are entitled to regional cumulation. Thus if Indonesia imports components from other ASEAN countries, it can add them to its own contribution to the finished product, in order to meet the EU's origin rules for GSP imports. Under the post-1995 GSP scheme cumulation has been extended to inputs - components, for example - from the EU itself.

CHAPTER II
NORTH-SOUTH TRADE: AN OVERVIEW

The previous chapter described the various measures taken by the EU to encourage imports from developing countries, and its use of trade preferences in particular for this purpose. However, the United States and Japan also are important export markets for developing countries, and both grant them preferential access to their markets, under their own GSP schemes. It is interesting, therefore, to take a brief look at actual trade flows between the developing countries, on the one hand, and the EU, United States and Japan on the other.

The following Table provides an overview of their imports from developing countries in recent years:

TABLE I

Imports of the EU, US and Japan, 1990 and 1992-93
(Totals in billion ECU, breakdown in percentage shares)

	European Union*			**United States**			**Japan**		
	1990	**1992**	**1993**	**1990**	**1992**	**1993**	**1990**	**1992**	**1993**
TOTAL IMPORTS	462	488	487	406	426	515	184	180	206
of which, from									
European Union	-	-	-	19%	18%	17%	15%	13%	13%
United States	19%	18%	18%	-	-	-	23%	23%	23%
Japan	10%	11%	10%	18%	18%	18%	-	-	-
EFTA**	24%	23%	23%	3%	3%	3%	3%	3%	3%
Mediterranean countries**	8%	6%	6%	2%	1%	2%	1%	1%	1%
Latin America**	6%	5%	5%	12%	12%	12%	4%	4%	3%
China	2%	3%	4%	3%	5%	6%	5%	7%	9%
ASEAN**	4%	5%	5%	6%	7%	7%	13%	14%	14%
Asian NIEs**	6%	6%	6%	12%	12%	12%	11%	11%	11%
South Asia**	2%	2%	2%	1%	1%	1%	1%	1%	1%
ACP**	4%	4%	3%	2%	3%	3%	1%	1%	1%
OPEC**	10%	9%	8%	8%	6%	6%	18%	17%	16%

* EU-12, extra-EU trade
** For details of country groupings, see Annex 1.
Source: The European Union and World Trade. European Commission, Directorate-General for External Economic Relations, 1994.

The above Table suggests that the world's major trading nations tend to import more from countries within their own region than from countries which are geographically distant from them. Thus a relatively high proportion of the EU's imports are from other European countries, including the countries of Eastern and Central Europe and the former USSR (which accounted for 7 percent of total EU imports in 1993) and the Mediterranean countries. Japan similarly imports more from East Asian countries than from Latin America or Africa. However, because it is heavily dependent on fuel imports (they amounted to 21 percent of its total imports in 1993), Japan is an important trading partner for the Gulf states.

The United States' regional suppliers are no longer limited to the countries of the Western hemisphere; the share of the developing East Asian countries in total US imports has risen to the point where a substantial part of US trade is within the Asia-Pacific region. The East Asian countries in fact account for much of the rise in US imports of manufactures from developing countries.

The following Table gives a breakdown by products of the imports of the EU, US and Japan from developing countries. It points to a substantial increase in their imports of manufactures, especially of consumer goods.

TABLE II

Imports from developing countries into the European Union, the United States and Japan, 1980-1990-1992
(in billion US dollars and percentages)

		EU		**United States**		**Japan**	
Total imports:	1980	184	(100%)	116	(100%)	85	(100%)
	1990	194	(100%)	189	(100%)	98	(100%)
	1992	235	(100%)	200	(100%)	97	(100%)
of which:							
Food	1980	23	(13%)	12	(10%)	5	(6%)
	1990	28	(14%)	15	(8%)	11	(11%)
	1992	30	(13%)	15	(8%)	13	(13%)
Raw materials	1980	7	(4%)	2	(1%)	5	(6%)
	1990	7	(4%)	2	(1%)	5	(5%)
	1992	6	(3%)	3	(1%)	5	(5%)
Fuel	1980	111	(60%)	68	(58%)	62	(73%)
	1990	56	(29%)	50	(26%)	46	(47%)
	1992	52	(22%)	41	(20%)	42	(43%)
Machinery, transport equipment	1980	6	(3%)	11	(10%)	1	(1%)
	1990	27	(14%)	54	(29%)	7	(8%)
	1992	34	(14%)	66	(33%)	10	(10%)
Textiles, clothing	1980	6	(3%)	11	(10%)	2	(2%)
	1990	21	(11%)	23	(12%)	6	(6%)
	1992	25	(11%)	28	(14%)	6	(6%)
Other consumer goods	1980	4	(2%)	7	(6%)	1	(1%)
	1990	13	(7%)	24	(13%)	5	(5%)
	1992	16	(7%)	25	(13%)	6	(6%)

Source: COMTRADE

The share of foodstuffs, raw materials and fuel has fallen not only for the EU and US but also for Japan, partly because of the fall in oil prices after the second oil shock in the early 1980s. At the same time the share of manufactures has increased, from 8 percent to 32 percent of total imports from developing countries in the EU, and from 26 percent to 60 percent in the US.

CHAPTER III

THE PATTERN OF EU-SOUTH TRADE

EU IMPORTS: AN OVERVIEW

The following Table shows the level of the European Union's imports from developing countries as a group in 1980, 1985 and 1990 to 1993.

TABLE III

EU trade with developing countries, 1980, 1985 and 1990-1993
(in billion ECU and annual percentage change)

	1980		1985		1990		1991		1992		1993	
Imports	132	(32)	164	(3)	155	(5)	166	(7)	163	(-2)	164	(0)
Exports	92	(19)	145	(4)	140	(1)	149	(6)	161	(8)	180	(12)
Balance	-40		-19		-15		-17		-2		16	

Source: Eurostat

The European Union has invariably run a deficit in its trade with the developing countries as a group. The small surplus recorded in 1993 reflected the stagnation in EU imports, because of the continued low level of economic activity, and rising exports. The EU's record trade deficit in 1980 was due mainly to the deficit with the OPEC countries. Much of the EU's trade imbalance with developing countries is due to its oil imports in fact, so that the size of the deficit has varied with the level of oil prices. However, a substantial trade deficit with China has strongly influenced the size of the overall deficit with developing countries since 1991.

Global import figures must be supplemented, therefore, with a breakdown of imports from the major regions of the world. The following Table shows the EU's imports from six groups of developing countries, some of which overlap:

TABLE IV

EU: Imports from developing countries, 1980 and 1990-1993
(in billion ECU and percentages)

	1980		1990		1991		1992		1993	
Total imports	132	(100)	155	(100)	166	(100)	163	(100)	164	(100)
Mediterranean countries	22	(17)	35	(23)	36	(22)	33	(18)	31	(19)
ACP (Lome Convention)	21	(16)	20	(13)	19	(11)	18	(11)	15	(9)
Latin America	16	(12)	25	(16)	26	(16)	24	(15)	22	(13)
Asia	20	(15)	57	(37)	69	(42)	72	(44)	80	(49)
OPEC	77	(58)	45	(29)	47	(28)	43	(26)	40	(24)
Gulf Cooperation Council	39	(30)	12	(8)	13	(8)	12	(7)	12	(7)

See Annex I for details of the country groupings.

Source: Eurostat

It is clear from the above Table that different groups of developing countries fared very differently over the 1980s. In 1980, following the second oil shock, the 13 OPEC countries accounted for 58 percent of EU imports from developing countries. By 1993 their share had fallen to 24 percent. Part of the decline in the ACP share of EC imports was also due to falling oil prices, given that Nigeria and Gabon are both major-oil producing countries. In 1980 they together accounted for 44 percent of ACP exports to the EU.

But the 1980s also witnessed a sharp rise in the relative share of manufactures in world exports. The fact is that world trade in manufactures has been expanding far more rapidly than trade in other product categories. Changes in consumption patterns and technological innovation, together with rising incomes, have led to an acceleration in the demand for manufactures. The major beneficiaries have been the industrialized countries, of course; but many dynamic Asian economies have also benefitted, as have countries with a large export trade in textiles and clothing, such as China, India and Pakistan. Several Asian countries that began with textiles have since expanded into consumer electronics.

The developing countries with the largest share of the EU market come from all major regions of the globe, as the following Table shows. However, if there were as many as 9 oil producing countries among the 15 leading exporters to the EU in 1980, their number had fallen to 4 in 1993. Over the same period, the number of Asian countries in the top 15 had risen from 3 to 9, reflecting the sharp rise in the share of manufactured products in the EU's total imports from developing countries. The 15 leading exporters, excluding oil exporting countries, accounted for 66 percent of total EU imports in 1980, as compared to 57 percent in 1993.

TABLE V

The 15 leading exporters to the EC
(in million ECU)

Including oil exporting countries					Excluding oil exporting countries				
1980			**1993**		**1980**			**1993**	
1	S. Arabia	27,619	China	19,538	1	Brazil	4,778	China	19,538
2	Iraq	9,460	Taiwan	10,398	2	Hong Kong	3,674	Taiwan	10,398
3	Nigeria	8,185	S. Arabia	9,173	3	Taiwan	2,241	Brazil	8,235
4	Libya	7,478	Brazil	8,235	4	Yugoslavia	2,184	S. Korea	7,735
5	U.A.Emirates	5,286	S. Korea	7,735	5	S. Korea	2,079	Hong Kong	6,590
6	Brazil	4,778	Hong Kong	6,590	6	Argentina	2,018	Singapore	6,427
7	Algeria	4,435	Singapore	6,427	7	Mexico	2,000	Malaysia	6,248
8	Kuwait	4,228	Malaysia	6,248	8	China	1,974	India	5,882
9	Hong Kong	3,674	Libya	6,120	9	Malaysia	1,907	Thailand	5,675
10	Iran	3,601	India	5,882	10	Singapore	1,886	Indonesia	5,034
11	Egypt	2,385	Thailand	5,675	11	India	1,841	Morocco	3,206
12	Venezuela	2,254	Algeria	5,583	12	Chile	1,421	Argentina	3,048
13	Taiwan	2,241	Indonesia	5,034	13	Morocco	1,356	Tunisia	2,488
14	S. Korea	2,079	Morocco	3,206	14	Indonesia	1,278	Mexico	2,346
15	Argentina	2,018	Nigeria	3,085	15	Thailand	1,263	Egypt	2,222

Source: External trade and balance of payments: Statistical Yearbook. Published by the Statistical Office of the European Communities, Luxembourg. Various issues.

EU EXPORTS: AN OVERVIEW

This paper has focussed so far on the efforts made by the European Union to help developing countries to increase and diversify their exports, thus raising living standards. But it is important to look at the EU's exports to the developing countries also. These countries represent a major market for the EU, so that a steady rise in exports to them helps both to raise living standards in the EU itself and to defuse protectionist demands. At the same time, EU exports can help producers in developing countries remain competitive by providing competition and know-how.

Although EU exports to the developing countries fell in the 1980s in relative terms - from 46 percent of total exports in 1980 to 37 percent in 1993 - they are certain to continue to rise in absolute terms, given the increased openness in trade displayed by most developing countries in recent years, and confirmed by many of them in the Uruguay Round of trade negotiations.

The following Table shows EU exports to developing countries:

TABLE VI

EU exports to developing countries, 1980 and 1991-93
(in billion ECU and percentage shares)

	1980		**1991**		**1992**		**1993**	
	ECU	**%**	**ECU**	**%**	**ECU**	**%**	**ECU**	**%**
TOTAL	92	100	148	100	161	100	182	100
of which, to								
ACP countries	17	18	16	11	17	11	16	9
OPEC	39	42	39	26	42	26	40	22
Gulf Cooperation Council	13	14	17	11	18	11	20	11
Mediterranean basin	26	28	34	23	32	21	38	21
Latin America	13	14	18	12	20	12	24	13
Asia	16	17	51	35	56	35	71	39

See Annex I for details of the country groupings.
Source: Eurostat, Luxembourg.

Because of the sharp fall in oil prices the share of EU exports to the OPEC countries fell considerably in the 1980s, then began to rise again in the 1990s. At the same time, falling commodity prices reduced the share of EU exports going to both the ACP countries and to Latin America. However, rapid economic growth in South-East and East Asia resulted in a dramatic rise in EU exports to Asia. Exports to some East Asian countries (South Korea, Taiwan, Singapore) increased two to five times as fast as the average for total EU exports.

Manufactures account for around 90 percent of the EU's total merchandise exports to developing countries, as the following Table shows:

TABLE VII

EU exports to developing countries, 1991-1993
(in billion ECU and percentages)

	1991		**1992**		**1993**	
	ECU	**%**	**ECU**	**%**	**ECU**	**%**
Total exports	148	100	161	100	182	100
of which						
Food, beverages, tobacco (0,1)	11	8	10	7	15	8
Raw materials (2,4)	2	1	2	1	3	2
Fuel products (3)	2	1	2	1	3	2
Chemicals (5)	17	12	18	12	21	12
Machinery, transport equipment (7)	60	43	68	45	83	46
Other manufactured products (6,8,9)	45	32	46	31	50	27

SITC chapters in brackets.
Source: Eurostat, Luxembourg.

The best markets for EU exports are likely to be those developing countries whose exports are doing well. Certainly, many of the EU's biggest export markets in the developing world are also major exporters to the EU. This is clear from a comparaison of the list of the 15 top exporters to the EU (Table VII) and the 15 leading markets for EU exports in 1993, shown in the Table below.

TABLE VII

The 15 leading markets for EU exports, 1980 and 1993
(in million ECU)

1980			**1993**	
Saudi Arabia	7,833	1.	China	11,302
Nigeria	6,250	2.	Hong Kong	11,299
Algeria	5,093	3.	Saudi Arabia	9,453
Libya	4,530	4.	Singapore	7,593
Yugoslavia	4,274	5.	Taiwan	7,573
Iraq	4,029	6.	South Korea	7,553
Iran	3,524	7.	India	6,230
Egypt	3,397	8.	Mexico	5,866
Brazil	2,704	9.	U. A. Emirates	5,366
Argentina	2,495	10.	Brazil	5,345
Mexico	2,491	11.	Iran	5,327
India	2,371	12.	Thailand	4,958
Hong Kong	2,166	13.	Egypt	4,333
U.A.Emirates	2,125	14.	Morocco	4,182
China	1,784	15.	Algeria	4,139

As a percentage of total EC exports to developing countries: 60 %

As a percentage of total EC exports to developing countries: 46 %

TEXTILES AND CLOTHING

The EU's trade with developing countries in textiles and clothing must be dealt with separately for two reasons. The first is that the more labour-intensive clothing industry in particular offers many developing countries an attractive route to industrialization, because of the strong competitive advantage they enjoy over industrialized countries. The second is that the exports of many developing countries were regulated until 1995 by the bilateral textiles agreements which the EU and other industrialized countries had negotiated with them under the aegis of the GATT-sponsored Multifibres Arrangement (MFA).

The MFA in fact was a derogation from GATT rules, introduced in 1972 in order both to (1) achieve "the expansion...and progressive liberalization of world trade in textile products" and (2) ensure its "orderly and equitable development," thus avoiding "disruptive effects in individual markets and on individual lines of production." To prevent such disruption exporting (developing) and importing (industrialized) countries could enter into bilateral agreements.

The EU negotiated MFA agreements with 20 countries, 13 of them in Asia. These agreements, which expired on 31 December 1994, provided for quantitative limits (quotas) on their exports of sensitive products, and a "basket exit" mechanism under which the EU could introduce such limits, after consultations with the country in question. Under the agreements with major suppliers, such as the People's Republic of China, Hong Kong and South Korea, as many as 40 categories of textiles and clothing were eventually subject to quantitative restrictions in each case. The agreements with Bangladesh and Uruguay contained no such restrictions, however, while those with Mexico, Colombia and Guatemala were limited to an exchange of letters.

Developing countries which had concluded MFA (or MFA-type) agreements with the EU were entitled to duty-free entry under the GSP scheme, but for fixed quantities, which were considerably smaller than the quantitative restrictions (or quotas) set out in these bilateral agreements. The ACP and Mediterranean countries were entitled, however, under the terms of their preferential agreements with the EU, to virtually unrestricted duty-free access to the EU market for their textile and clothing exports. The EU did nevertheless conclude short-term arrangements for administrative co-operation with five Mediterranean countries, including Egypt, Morocco and Tunisia. The aim was to enable the EU to monitor certain of their exports, and to take action if necessary under the safeguard measures contained in the preferential economic co-operation agreements with these countries.

The following Table shows the EU's textile and clothing imports from developing countries under the Multifibres Arrangement:

EU imports of MFA products, 1991-93
(in million ECU and percentage shares)

		1991	1992	1993	1991	1992	1993
TOTAL*	Textiles	9 593	9 105	8 854	100%	100%	100%
	Clothing	20 496	20 805	21 868	100%	100%	100%
MFA countries	Total	27 193	26 584	27 185	91%	89%	89%
	Textiles	9 311	8 818	8 574	97%	98%	96%
	Clothing	17 822	17 766	18 611	88%	85%	85%
Maghreb countries**	Total	2 314	2 621	2 811	8%	8%	9%
	Textiles	145	167	165	2%	2%	2%
	Clothing	2 169	2 454	2 646	10%	12%	12%
ACP countries	Total	642	705	726	2%	2%	2%
	Textiles	137	120	115	2%	1%	1%
	Clothing	505	585	611	3%	3%	3%
Latin America	Total	787	724	620	3%	2%	2%
	Textiles	534	440	337	6%	5%	4%
	Clothing	253	285	283	1%	1%	1%
SAARC***	Total	3 328	3 572	4 282	11%	12%	14%
	Textiles	1 414	1 471	1 705	15%	16%	19%
	Clothing	1 914	2 100	2 577	9%	10%	12%
ASEAN	Total	3 140	3 276	3 339	10%	11%	11%
	Textiles	700	772	850	7%	9%	10%
	Clothing	2 440	2 504	2 489	12%	12%	11%
East Asia****	Total	7 458	6 726	7 218	25%	22%	24%
	Textiles	1 073	1 021	1 073	11%	11%	12%
	Clothing	6 151	5 706	6 143	30%	27%	28%

* MFA,Maghreb and ACP countries ** Maghreb: Morocco, Algeria, Tunisia
*** SAARC: India, Pakistan, Bangladesh, Sri Lanka, Nepal, Bhutan, Maldives
**** China, Hong Kong, Taiwan, South Korea.

Source: Eurostat.

It is clear that the Asian countries are the EU's major suppliers for both textiles and clothing: they accounted for half the total exports of MFA countries in 1993. The share of the ACP countries, however, was just over 2 percent, and that of the Maghreb countries 9 percent. While the Asian countries are also major exporters of textiles, their strength (as that of other developing countries) is in clothing. This is because clothing remains a labour-intensive industry, while textile manufacturing has become highly capital intensive, requiring far fewer workers.

From 1 January 1995 world trade in textiles and clothing is largely governed by the agreement reached during the Uruguay Round. Under this agreement all MFA products are being integrated into the GATT by stages between 1995 and the year 2005. Pending such integration, products which are subject to quantitative restrictions in importing countries must be increased annually, in accordance with growth rates set out in the agreement. Importing countries can take safeguard action under a specific transitional safeguard mechanism. At the same time all countries are required to improve market access, through such measures as tariff reductions and bindings, reduction or elimination of non-tariff barriers and easier customs, administrative and licensing formalities.

How the exports of developing countries will fare during the 10-year transitional period while trade in textiles and clothing gradually returns to GATT rules and disciplines remains to be seen. But the Asian countries can expect to retain their dominant position, although they will face much stronger competition from the countries of Central and Eastern Europe. The Mediterranean countries too are likely to face strong competition from these same countries in the growing outward processing trade (which is based on a division of labour, with "low-wage" countries carrying out the more labour-intensive operations, such as stitching, and returning the finished garment to the EU).

CHAPTER IV
THE EUROPEAN UNION AS A MARKET FOR DEVELOPING COUNTRIES

THE ACP COUNTRIES : The 70 African, Caribbean and Pacific (ACP) countries are at the very top of the "pyramid of privileges," having access to the EU market on the most favourable terms of any group of developing countries. This is particularly important for the 47 African members of the ACP group, as a much higher proportion of their trade is with the EU, than in the case of other developing countries. The following Table shows their two-way trade:

TABLE VIII

EU trade with the ACP* countries, 1980, 1985 and 1990-93 (in billion ECU)

	1980	1985		1990		1991		1992		1993	
EC-12 Imports	21	26	(6)	20	(3)	19	(-5)	18	(-6)	15	(-19)
EC-12 Exports	17	20	(7)	17	(0)	16	(-4)	17	(7)	16	(-4)
Trade balance	-4	-6		-3		-3		-1		1	

* 63 countries in 1980 and 1985, 68 until 1993, now 70 countries. The percentage change over the previous year is given in brackets.
Source: Eurostat, Luxembourg.

The ACP countries have not done as well as other developing countries; in fact EU imports from developing countries as a group rose by 4 percent in 1991 and while they fell in both 1992 and 1993, the falls were limited to 3 percent and 2 percent respectively. The ACP share of EU imports from all developing countries has also declined, from 16 percent in 1980 to 9 percent in 1993 (see Table IV). Part of the answer is to be found in the composition of ACP exports:

TABLE IX

Structure of EU imports from ACP countries, 1985 and 1991-1993
(in million ECU and percentage shares)

	1985		1991		1992		1993	
Total imports	26 196	100	19 134	100	17 954	100	14 903	100
Food, beverages (0,1)	6 822	26	4 947	26	4 847	26	4 746	33
Raw materials (2,4)	3 503	13	2 728	14	2 502	14	2 388	16
Fuel products (3)	12 331	47	6 645	35	5 644	31	4 000	27
Chemicals (5)	476	2	360	2	312	2	291	2
Machinery, transport (7)	202	1	522	3	869	5	589	4
Other manufactures	2 320	9	3 324	17	3 326	19	2 190	15

SITC chapters in brackets.

Source: Eurostat, Luxembourg.

In 1993 primary products still accounted for 76 percent of total ACP exports to the EU. The continued weakness of world commodity prices, especially oil prices; overvalued currencies (in the case of the 14 countries using the CFA franc) and changing food consumption habits in the EU, were responsible for much of the decline in ACP exports. The very favourable terms of the sugar protocol to the Lome Convention enabled the ACP countries to maintain their share of EU sugar imports, while both the Ivory Coast and Cameroon benefitted from the banana protocol.

The poor export performance of the ACP countries as a group is also due to the composition of the group. As many as 45 ACP countries, nearly all of them African, belong to the group of least developed countries. For several of the Caribbean countries the north American market is the more natural outlet for their exports, as is the Australian market and other regional markets for the Pacific countries.

Nigeria, whose exports consist almost entirely of oil and petroleum products, dominates ACP trade with the EU. Its exports, together with those of the four other oil exporting countries (Angola, Gabon, Cameroon and Congo), accounted for 36 percent of ACP exports in 1993. If the list is extended to include the five other leading ACP exporters (Ivory Coast, Mauritius, Zaire, Ghana and Kenya) then just 10 countries accounted for 62 percent of ACP exports in 1993.

Oil, non-ferrous metals and agricultural products account for much of ACP exports. The share of manufactured products remains small; textiles and clothing account for just 5 percent of the total. This is unlikely to change in the short term, given that much local production is destined for home markets.

THE MEDITERRANEAN BASIN COUNTRIES

The EU's relations with the non-member Mediterranean countries have been strongly influenced by such factors as geographical proximity, a tradition of economic interdependence and close historic and cultural ties. As a result, all developing Mediterranean countries, with two exceptions, are very near to the top of the "pyramid of preferences." The former Yugoslavia, which had a non-preferential co-operation agreement with the EU since 1980, was among the earliest GSP beneficiaries, along with Libya.

TABLE X

EU trade with the Mediterranean countries, 1980, 1985 and 1990-1993
(in billion ECU)

	1980	**1985**	**1990**	**1991**	**1992**	**1993**
EU-12 imports	22	41 (13)	35 (15)	36 (2)	33 (-8)	31 (-6)
EU-12 exports	26	38 (-1)	36 (8)	35 (-2)	34 (-2)	38 (12)
Trade balance	4	-3	1	-1	1	7

Annual percentage change in brackets.
Source: Eurostat

The share of the Mediterranean countries in the EU's total imports from developing countries has fallen in recent years. This is partly because two oil producing countries - Algeria and Libya - account for a high proportion of the total exports of developing Mediterranean countries: just over 40 percent in the early 1990s. The poor export performance of the southern Mediterranean countries has been largely due not only to the substantial drop in oil and gas prices but also the long-term erosion of commodity prices.

TABLE XI

Structure of EU imports from the Mediterranean countries
(in million ECU and percentage shares)

	1985		**1990**		**1991**		**1992**	
Total imports	37 145	100%	35 578	100%	36 424	100%	33 631	100%
Food, beverages (0,1)	3 427	9%	2 305	6%	2 394	7%	2 005	6%
Raw materials (2,4)	1 610	4%	1 462	4%	1 411	4%	1 196	4%
Fuel products (3)	25 832	68%	16 687	46%	17 161	48%	15 025	44%
Chemicals (5)	1 241	3%	1 831	5%	1 647	5%	1 509	5%
Machinery, transport (7)	1 370	4%	2 939	8%	3 177	9%	3 218	9%
Other manufactures (6,8)	4 829	13%	9 064	25%	9 187	26%	8 636	25%

SITC Chapters in brackets.
Source: Eurostat

The various co-operation agreements have helped the Maghreb countries in particular (1) maintain their share of the EU market for those agricultural products for which they are in competition with the Union's southern regions and (2) increase their exports of manufactured products, especially clothing. The fact is textiles and clothing now represent the largest group of manufactured products exported by the Mediterranean countries as a whole.

Morocco in fact ranked 8th among the EU's MFA and preferential suppliers in 1992, while Tunisia was 10th, ahead of South Korea, classified by the EU as a "dominant" supplier. Between 1988 and 1992 total Moroccan exports rose by two-thirds, while those of Tunisia doubled. The fact is that the EU absorbs as much as 74 percent of total Tunisian exports and 65 percent of Moroccan exports. While the EU's trade (exports and imports) with both countries has continued to rise, the trend is either less pronounced or even unfavourable in the case of Egypt, Jordan, Syria, Israel, Algeria and Libya.

LATIN AMERICA

Although Latin America's share of EU imports from developing countries has slipped in recent years to 14 percent, it still accounts for around one-half of EU imports of several agricultural and food products. The following Table shows the EU's trade with the 19 Latin American countries (excluding Cuba):

TABLE XII

EU Trade with Latin America, 1980, 1985 and 1990-1993
(in billion ECU)

	1980	**1985**	**1990**	**1991**	**1992**	**1993**
EU-12 imports	16 (24)	30 (7)	25 (-2)	26 (2)	25 (-6)	22 (-10)
EU-12 exports	13 (14)	15 (3)	15 (0)	18 (17)	20 (15)	24 (18)
Trade balance	-3	-15	-10	-8	-5	2

Percentage change over previous year in brackets.
Source: Eurostat

A high proportion of Latin American exports to the EU consists of agricultural products, foodstuffs and oil; exports of manufactures consist largely of semi-finished goods and simple manufactures. Exports to the United States contain a higher proportion of capital and consumer goods.

TABLE XIII

Structure of EU imports from Latin America, 1985 and 1991-1993
(in million ECU and percentage shares)

	1985*		**1991**		**1992**		**1993**	
Total imports	25 521	100%	25 903	100%	24 506	100%	21 941	100%
Food, beverages (0,1)	9 345	37%	9 455	37%	9 508	39%	8 894	41%
Raw materials (2,4)	5 087	20%	4 956	19%	4 514	18%	4 056	19%
Fuel products (3)	5 987	23%	2 951	11%	2 770	11%	2 100	10%
Chemicals (5)	639	3%	1 000	4%	888	4%	718	3%
Machinery, transport(7)	1 132	5%	1 953	8%	1 955	8%	1 665	8%
Other manufactures (6,8)	3 085	12%	5 108	20%	4 444	18%	3 998	18%

SITC chapters in brackets.
* E-10
Source: Eurostat

Six Latin American countries accounted for 84 percent of total exports to the EU in 1993. They were: Brazil, Argentina, Mexico, Chile, Colombia and Venezuela. Latin American exports consist of both tropical and temperate zone agricultural products and ores and metals (copper, tin, iron). Brazil, Paraguay and Argentina account for nearly all EU imports of soya bean oil cake and oil; Brazil and Colombia for a high proportion of its imports of green coffee, and Ecuador, Costa Rica, Colombia and Panama for just over half of all EU banana imports (as compared to 21 percent from the ACP countries).

Latin American exports of manufactures include automotive products, textiles and clothing, iron and steel products and non-electrical machinery and office and telecommunications equipment. Brazil is among the major beneficiaries of the EU's generalized system of preferences (GSP), usually in second or third place. However, some half dozen Latin American countries are generally among the 20 most important GSP beneficiaries.

ASIA

Asian countries, whose preferential access to the EU market is limited to the tariff concessions available under the Community's GSP scheme, see themselves at the very bottom of the "pyramid of privileges." The following Table indicates, however, a very high level of commercial dynamism on their part:

TABLE XIV

EU Trade with Asia, 1980, 1985 and 1990-1993
(in billion ECU)

	1980		1985		1990		1991		1992		1993	
Imports	21	(23)	32	(3)	57	(5)	69	(21)	72	(5)	81	(12)
Exports	16	(7)	36	(19)	48	(0)	51	(10)	56	(9)	71	(27)
Trade balance	-5		4		-9		-18		-16		-10	

Percentage change over previous year in brackets.
Source: Eurostat

The substantial increase in Asian exports suggests that, whatever their place on the "pyramid of privileges," Asian exporters have secured a growing share of the EU market. As a result of the sharp rise in their exports in 1991, Asian countries accounted for as much as 45 percent of all developing country exports to the EU, as compared to 15 percent in 1980.

Given Asia's substantial share of the EU market, it is both interesting and instructive to look at the shares of various groups of Asian countries:

TABLE XV

EU Imports from groups of Asian countries, 1985 and 1990-1993
(in billion ECU and percentage shares)

	1985		1990		1991		1992		1993	
Total imports	32	100%	57	100%	69	100%	72	100%	81	100%
SAARC	5	15%	7	12%	8	11%	8	11%	9	11%
ASEAN	10	33%	17	29%	20	29%	22	31%	26	32%
Newly industrializing economies*	14	45%	26	46%	31	44%	30	41%	31	38%
Chinese Economic Area**	13	40%	26	45%	32	47%	33	46%	37	46%

* South Korea, Hong Kong, Taiwan and Singapore
** China, Hong Kong and Taiwan
SAARC: Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, Sri Lanka
ASEAN: Thailand, Indonesia, Malaysia, Singapore, Philippines, Brunei
Source: Eurostat

The above Table suggests that not all Asian countries have been equally successful in penetrating the EU market. The SAARC group, which includes both India, one of the largest and most populated countries, and Bangladesh, the largest least developed country, has even lost market share in recent years. Paradoxically, what both these countries share with the newly industrializing economies is a rapid increase in their exports of manufactured products, even at the expense of their exports of agricultural products and raw materials. The following Table shows the structure of Asian exports to the EU:

TABLE XVI

Structure of EU imports from Asia, 1985 and 1991-1992
(in million ECU and percentage shares)

	1985		**1990**		**1991**		**1992**	
Total	26 133	100%	54 779	100%	65 625	100%	69 908	100%
Food, beverages (0,1)	1 385	5%	3 858	7%	4 344	6%	4 890	7%
Raw materials (2,4)	3 996	13%	3 518	6%	3 262	5%	3 233	5%
Fuel products (3)	123	1%	342	1%	310	1%	371	1%
Chemicals (5)	718	2%	1 423	3%	1 755	3%	1 966	3%
Machinery, transport (7)	5 281	18%	16 222	29%	19 994	30%	21 409	30%
Other manufactures (6,8)	14 630	49%	29 436	53%	35 960	53%	38 039	54%

SITC chapters in brackets.
Source: Eurostat

The share of manufactures in EU imports from Asia has risen from 69 percent of the total in 1985 to 87 percent in 1992 (as compared to 72 percent for the EFTA countries, for example). And it is not only imports from the newly industrializing economies which consist largely of manufactures; garments now account for nearly three-quarters of EU imports from Bangladesh. Even so, agricultural products accounted for a larger share of EU imports from the rapidly industrializing ASEAN countries than from SAARC in 1992: 22 percent of the total as compared to 13 percent.

These manufactures consist largely of textiles and clothing, on the one hand, and consumer electronics and office and telecommunications equipment on the other. Fifty-five percent of the EU's total imports of textiles and clothing came from Asia in 1992 (as compared to 19 percent from other industrialized countries). China alone accounted for 26 percent of imports from Asia, the SAARC countries for 53 percent and ASEAN for 16 percent.

As one might expect, the Asian countries are among the main beneficiaries of the EU's GSP scheme: they accounted for 55 percent of all GSP imports in 1991 - ECU 16.6 billion out of a total of ECU 30 billion, with the Latin American, Gulf and Central European countries accounting for the remainder.

CHAPTER V

HAS THE EU'S HELPING HAND HELPED?

Since its creation in 1958 the European Union has been helping developing countries to export more - and at more remunerative prices. But with what measure of success? Has there been an increase in the EU's overall imports from developing countries, together with a steady shift, away from raw materials to semi-manufactured and manufactured products? And if this in fact is the case, how far is it due to the EC's efforts?

Some tentative conclusions can be drawn, even on the basis of the limited statistical evidence presented in this paper. The developing countries as a group saw their share of total EU imports fall during the 1980s in value terms, but this was largely because of the sharp fall in oil prices. The fact is that oil accounted for as much as 60 percent of total EU imports from developing countries in 1980, as against 18 percent in 1993.

Broadly speaking, one would expect the countries at the top of the pyramid of trade preferences to have recorded the largest gains. In point of fact ACP exports have been declining, along with their share of the EU market. Manufactures account for around one-fifth of their total exports, an increase over 1985 (when it was 12 percent); but the shift from raw materials to manufactures is hardly in line with the the Lome Convention's generous trade provisions. During the mid-term review of the Lome Convention it was generally agreed that the preferential arrangements had not served to develop ACP exports or diversify their economies.

The developing Mediterranean countries have fared somewhat better: the decline in the level of their exports to the EU and their market share has been less than in the case of the ACP countries. What is more, the share of manufactures in the total exports of the Mediterranean countries doubled between 1985 and 1992, reflecting a sharp increase in their clothing exports.

The Latin American countries also have seen their share of the EU market fall in recent years. Manufactured products have accounted for around 30 percent of their total exports in recent years, as compared to 20 percent in 1985. Even so, it is clear that raw materials and agricultural products still account for a large part of Latin American exports to the EU (but not to the United States).

The Asian countries have out-performed all other developing countries in recent years. In 1993 they accounted for just under half of the EU's imports from developing countries, as compared to 15 percent in 1980. The shift from raw materials to manufactures has been dramatic, inasmuch as the latter now account for around 85 percent of all Asian exports to the EU.

Dividing the developing countries into four large groupings is not especially fruitful, although this is how the EU sees them for purposes of trade and trade policy. The fact is that a few countries dominate trade flows in each group. Thus just 10 of the 70 ACP countries account for two-thirds of their exports to the EU, while Algeria and Libya together account for some two-fifths of the total exports of the Mediterranean countries.

This pattern is repeated in the case of the Asian and Latin American countries also. The three countries that make up the Chinese Economic Area (China, Hong Kong and Taiwan), together with Singapore, account for over 50 percent of Asian exports to the EU, while half a dozen Latin American countries, including Brazil, Argentina and Mexico, account for over 80 percent of total exports to the EU.

The half dozen developing countries whose exports to the EU increased the most during the 1980s are a mixed bag in fact, for they include (in descending order) China, Taiwan, the former Yugoslavia, Thailand, South Korea and Pakistan. The 15 leading exporters to the EU in 1993 are also a very heterogeneous lot, as can be seen from Table V. However, what the five East Asian countries listed in Table V, and Thailand, have in common is that all of them have been following roughly similar strategies of export-led growth.

Preferential access to the markets of the EU, and other industrialized countries, clearly helped South-East and East Asian countries make a success of their export-led growth strategies. It is equally clear that in the absence of supporting policies which foster macroeconomic stability and encourage participation in the world economy, developing countries will find it difficult to benefit from trade preferences.

CHAPTER VI

RECENT DEVELOPMENTS

1994 may prove to be a watershed in trade relations between the EU and developing countries; in any case, these relations must be viewed against the background of such developments as the enlargement of the EU from 12 to 15 Member States on 1 January 1995, the conclusion of very wide-ranging Europe agreements with the countries of Central and Eastern Europe, the entry into force of the Uruguay Round agreements and the growing trend towards regionalism, as reflected in the reinforcement of the Asia-Pacific Economic Co-operation (APEC) forum and the creation of the North American Free Trade Area (NAFTA).

Two developments merit a closer look. The first is the completion of the European single market in many of its aspects on 1 January 1993, the other the entry into force of the Uruguay Round agreements on 1 January 1995.

THE EUROPEAN SINGLE MARKET

The advantages for exporters of selling to a single market are obvious: once their goods have complied with the necessary import formalities, they can be moved freely within the single market. This is particularly important as regards goods which are subject to quantitative restrictions or quotas, as is still the case as regards many textile and clothing items exported by developing countries.

Prior to 1993 such quotas were shared out among the 12 European Union countries under a burden-sharing formula. This was the case, for example, with GSP quotas and with the textile and clothing quotas established under the Multifibres Arrangement. But as this practice is incompatible with a single market, it was stopped. As a result, exporters can utilize their textile quotas more fully, by selling their goods to those EU countries where demand is strong.

The completion of the single market has also rendered another safeguard measure largely obsolete. Under Article 115 of the Treaty establishing the EEC, a Member State could protect its domestic market from the threat of disruption by refusing entry to products which had been legally imported into the EU through another Member State. In practice, the European Commission would authorize the Member State to close its frontiers to the product in question for a temporary period.

This is not easy in a single market, where the frontiers between individual Member States have been abolished. In other words, once goods have been cleared through customs at any entry point on the EU's external frontiers, it is very difficult to stop them from moving freely throughout the single market. Although Article 115 reappears in the 1992 Maastricht Treaty on European Union, it has been somewhat diluted and recourse to it is bound to prove far more difficult. The fact is that already in the run-up to the single market, the European Commission successfully persuaded those few Member States that made frequent use of Article 115 to refrain from doing so.

The disappearance of the EU's internal frontiers has also meant an end to disparities in import arrangements, and the introduction of unified import rules. Technical barriers to trade, such as technical rules and standards, are being removed, either through harmonization or by mutual recognition. Where they are being harmonized, European standards bodies, such as CEN and CENELEC, are working on the basis of work done at the international level. In the case of mutual recognition, once an imported product meets the requirements of the importing country, it can move freely throughout the EU as a matter of principle.

The single market is likely to benefit developing countries indirectly also. In undertaking to complete the single market, the successor to the earlier common market, the Member States obviously were more concerned with promoting European unity and economic growth than liberalizing imports. However, the elimination of internal trade barriers could be expected to bring about economies of scale, a better allocation of resources and increased investments in the EU's own manufacturing and service industries. These in turn would lead to higher growth rates - and probably will, once the EU as a whole moves out of recession.

The single market also means much greater competition, from both European as well as external suppliers. Even developing countries enjoying preferential access to the EU market will find it harder to compete, especially as tariff preferences are eroded, in line with the implementation of the Uruguay Round tariff agreements. Meanwhile, the EU is helping many developing countries manufacture to the new harmonized European standards, for example. The combination of a single market and a successful Uruguay Round will present developing countries with challenges as well as opportunities.

THE NEW WORLD TRADE ORDER

The Uruguay Round of multilateral trade negotiations was successfully concluded in Geneva on 15 December 1993, more than seven years after it was launched in the Uruguayan town of Punta del Este. For EU negotiators it resulted in a good agreement for both the European Union and for a world economy moving towards closer integration, under the stimulus of new technologies.

Implementation of the Uruguay Round agreements began on 1 January 1995, when the new World Trade Organization was inaugurated. The coming years will be marked, therefore, by a further erosion in tariff preferences for developing countries, as the EU and other industrialized countries implement the tariff cuts they negotiated, between themselves and with developing countries. This prospect was viewed with greater concern by countries at the top of the EU's pyramid of preferences, than by those countries whose preferential access to the EU market is based on the GSP scheme.

In fact, with the Uruguay Round successfully concluded, preferential arrangements may be said to have outlived their usefulness. The EU's final offer on manufactures amounted to an average reduction of 37-38 percent, while in the case of tropical products, both tariffs and tariff escalation (the more finished the product, the higher the tariff, in the case of products made from raw materials originating in developing countries) will be reduced.

However, the EU, like other industrialized countries, offered lower than average cuts on such products as textiles and clothing, fish and fish products, and leather, rubber, footwear and travel goods, even though tariffs on many of these products tend to be above average. What is more, tariff reductions are being implemented over a period of 5 to 10 years.

For most developing countries trade in goods is far more important than trade in services; even so, the latter already accounts for over 20 percent of the foreign exchange earnings of half the 88 developing countries that took part in the Uruguay Round. Hence the importance of the General Agreement on Trade in Services (GATS), which provides a framework for bringing the main services within the multilateral trading system.

The implementation of the Uruguay Round agreements should generate additional national income for developing (and developed) countries in two ways: by (1) providing them increased access to the markets of their trading partners, including other developing countries and (2) reducing or removing trade barriers, thus allowing domestic resources to be used more efficiently.

The implementation of the Uruguay Round will also ensure that trade is conducted in a transparent, predictable and open manner, in keeping with multilaterally agreed principles and rules. Many of these rules have been strengthened and now cover new areas, such as services. Coupled with the establishment of a World Trade Organization (WTO), the new rules should mean better protection for the developing countries and an end to gray area measures, such as voluntary export restraints.

Developments within Europe itself will affect the exports of developing countries in two different ways. With the countries of Central and Eastern Europe now enjoying preferential access to the EU market, competition between them and the developing countries will intensify, particularly in such sensitive sectors as textiles and clothing. However, the entry into the EU of Sweden, Finland and Austria can be expected to strengthen the ranks of the advocates of an open, multilateral trading system.

DEVELOPMENTS WITHIN THE EU

1994 also witnessed determined attempts by the EU to broaden and deepen its relations with each of the four major groups of developing countries. Thus as regards the ACP countries, both the EU and ACP countries agreed in 1994, during the mid-term review of the Lome Convention, on the need to place trade co-operation at the centre of their co-operation in future. To this end, plans were being drawn up to enable the ACP countries to take fuller advantage of the Convention to improve their trade performance.

However, as the tariff cuts agreed to by the EU during the Uruguay Round come into effect, the trade preferences granted the ACP countries (and developing countries generally) will be further eroded. While the EU turned down a request by the ACP countries for free access to the EU market for all their agricultural products as compensation, it nevertheless reaffirmed its readiness to consider specific measures to safeguard ACP interests. The EU also indicated the possibility of amending the protocol on rules of origin, annexed to the Convention, to allow cumulation to be extended to non-ACP developing countries.

The EU summit, held in Essen in December 1994, described the Mediterranean as "a priority area of strategic importance for the European Union." The summit reiterated the EU's willingness to establish a Euro-Mediterranean partnership. An important element of this partnership would be the progressive establishment of a free trade area between the Mediterranean countries themselves and between the region as a whole and the European Union.

The Essen summit also supported the EU's resolve to establish a new, comprehensive partnership with the countries of Latin America and the Caribbean. It called for an early start to negotiations with the Mercosur countries[1] for an inter-regional framework agreement on trade and economic co-operation, with the long-term goal of the gradual establishment of a free trade area for industrial products and services, and the gradual liberalization of trade in agricultural products.

The first-ever report on relations between the EU and Asia was drawn up by the European Commission in 1994. Entitled "Towards a new Asia strategy" it was prompted by the growing importance of East and Southeast Asia in the world economy, and called for "new proactive strategies." An important aim of these strategies would be to intensify reciprocal trade and commercial co-operation. The Essen summit reaffirmed the EU's wish to strengthen co-operation and dialogue at all levels with the countries and regional organizations in the Asia-Pacific region, in particular ASEAN.

The plans for developing closer relations with the four major groupings of developing countries seem to point to a slight readjustment in the pyramid of preferences. The highest priority, economic as well as political, is to be accorded to the Mediterranean countries, partly because of the need to ensure political stability throughout the Mediterranean region. But this does not involve any downgrading of the Lome Convention, which remains in force until the turn of the century. The EU in fact committed itself during the mid-term review to making the Convention's trade provisions more effective.

The EU's plans for a partnership with Latin America and the Caribbean states appear more detailed than its plans for a more pro-active strategy towards Asia. Certainly there is no suggestion of a free trade area with any part of Asia, even in the long-term. The fact is that the European perception of Asia, especially East Asia, is that of economically dynamic but commercially aggressive nations, from many of whom GSP benefits should be withdrawn over the next few years. This in fact seems to be the thrust of the new GSP scheme (see p.10).

What effect these various plans and proposals will have on trade flows between the EU and the developing countries remains to be seen. Their implementation is likely to take time, so that the exports of the various developing country groupings will continue to be influenced by the existing preferential arrangements and the EU's new GSP scheme.

The scheme has been designed to bring about a redistribution of GSP benefits in favour of the economically weaker, because less industrialized, countries of Asia and Latin America. The more industrialized developing countries can be expected to take advantage of the benefits available to them under the Uruguay Round agreements.

[1] Mercosur, the Southern Cone Common Market, was established by Argentina, Brazil, Paraguay and Uruguay in 1991, with the signature of the Treaty of Asuncion.

CONCLUSIONS

It is clear from the operation of the pyramid of trade preferences which has characterized the European Union's policy towards developing countries that preferential access is not enough, even when backed up by trade promotion measures and technical assistance. The inability of countries to which the EU has granted access to its market on very favourable terms to take advantage of them suggests that the policies pursued by the exporting countries themselves are just as important.

The experience of the East Asian countries seems to confirm this. The trade preferences extended to these countries through the generalized system of preferences (GSP) obviously helped them develop their exports to the EU market. After all, Asian countries are among the major beneficiaries of the GSP scheme, to the point where several of them face the progressive loss of GSP benefits in the next few years.

Two factors would seem to account for the success of such countries. The first is the dynamism of their entrepreneurs. The second is the readiness of their governments to support them in their efforts, not through subsidies but rather by creating a climate which is supportive of business and of investments, both domestic and foreign. Cultural factors clearly are an important element in the success of East Asian exporters, such as family solidarity, in the view of some Asian entrepreneurs.

But equally important has been the readiness of governments to accept the challenge of free market economics, and to liberalize their commercial and investment policies as far and as fast as possible. The fact that a large number of developing countries actively participated in the Uruguay Round of trade negotiations, and that a growing number of them have joined GATT in the last year or two, suggests that many developing countries now attach more importance to multilateral action.

With the growing competition for markets, exporters in developing countries probably have no choice but to hone their own skills, while their governments will have to accept the idea that benefits from here on must be mutual. Only the less advanced developing countries can still expect the kind of trade concessions that the EU granted all developing countries in earlier times; the others must accept that they have come of age.

ANNEX 1

European Union (EU-12)	Belgium, Denmark, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, United Kingdom.
EU-15	EU-12 plus Austria, Finland and Sweden.
EFTA	Austria, Finland, Iceland, Norway, Sweden, Switzerland.
MEDITERRANEAN BASIN	Algeria, Cyprus, Egypt, Jordan, Lebanon, Libya, Morocco, Syria, Tunisia, ex-Yugoslavia.
LATIN AMERICA	Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, Dominican Republic, El Salvador, Ecuador, Guatemala, Haiti, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay, Venezuela.
ASEAN	Brunei, Indonesia, Malaysia, Philippines, Singapore, Thailand.
NEWLY INDUSTRIALIZED ECONOMIES	Hong Kong, Singapore, South Korea, Thailand.
SOUTH ASIA	Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, Sri Lanka.
ASIA	ASEAN plus India, Pakistan, Bangladesh, Sri Lanka, China, South Korea, Taiwan, Hong Kong, Macao.
GULF STATES	Bahrain, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, United Arab Emirates.
OPEC	Algeria, Ecuador, Gabon, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, United Arab Emirates, Venezuela.

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