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Costs and Benefits of “Special and differential” treatment for developing countries in GATT/WTO: An African perspective

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1. Introduction

"Special and differential" (henceforth S&D) treatment covers the set of rights and privileges provided in the framework of the General Agreement on Tariffs and Trade (GATT) and its successor institution the World Trade Organization (WTO) for its developing and least developed country members, and from which the developed countries are excluded. In essence, these rights and privileges endow these countries with a unique status by granting them more favourable access to the markets of the developed countries while also giving them substantial policy discretion in their own domestic markets. Thus, S&D treatment in the GATT/WTO context combines, in varying proportions, a right of enhanced access by developing and least developed countries to the markets of the developed countries with the right of developing and least developed countries to limit the access of developed countries to their own markets.

In operational terms, the first of these S&D rights is exercised through trade preferences granted to developing and least developed countries in developed countries markets, while the second right is secured by the maintenance of trade barriers at home. The second element of the S&D rights is, in some sense, broader than the use of trade barriers to protect the domestic markets of the developing and least developed countries. It includes as well substantial exemption from several important GATT/WTO disciplines that apply to developed country members. In particular and prior to the changes agreed to during the Uruguay Round of multilateral trade negotiations, S&D treatment covered various additional rights. For example, it permitted developing countries to use quantitative restrictions for infant industry protection and balance of payments purposes, to create preferential regional and global trading arrangements among themselves without extending such preferences to non-members in accordance with the most-favoured-nation (MFN) principle of GATT/WTO, and to benefit from multilateral trade negotiation agreements, in accordance with the MFN principle, without being obliged to observe reciprocity.

An analysis of Africa's position in the WTO framework and a review of the region's current trade patterns, features and prospects suggests that S&D treatment for developing countries in global trading arrangements should be of particular relevance to Africa. It is worth noting, to begin with, that Africa provides about a quarter of the membership of WTO, while the region contains the largest number (compared with other developing regions) of the least developed countries recognized by the WTO. Any trading rule or arrangement that sets aside specific rights and privileges for developing and least developed countries is thus likely to be significant for the African region.

The relevance of S&D treatment, especially preferences, for Africa emanates primarily from the overall significance of developed country markets for African exports. Approximately 80% of these exports find markets in Organization of Economic Cooperation and Development (OECD) countries; and the European Union, as a unit, accounts for over 50% of all African exports. World merchandise exports grew rapidly, in both volume and value, during the 1980–1995 period; recovering from a 1% average annual decline during 1980–1985, world merchandise exports grew by an annual average of 12% over 1985–1990 and 7.5% over 1990–1995 (WTO, 1996).

The Africa region failed to share in this virtually global trade expansion; its exports declined by an annual average rate of 8% over 1980–1985, recovered enough to grow at an annual average of 5% during 1985–1990, but fell back to zero growth rate during the 1990–1995 period. As a result, Africa's share of world merchandise exports fell almost two-thirds from approximately 6% in 1980 to about 2% in 1995. The decline in Africa's share of world merchandise exports was a dramatic 50% between 1985 and 1995. In addition, compared with other regions, Africa has a small share of total exports derived from manufactured products. In 1995, the share was 28% for Africa compared with Asia's 83%, Latin America's 50% and the world average of 76%. Correspondingly, African exports contain a much larger share of primary commodities; this was 64% in 1995 as against Asia's 15%, Latin America's 49% and the world average of 24%. Africa's unusually heavy reliance on primary commodity exports clearly influences the region's perspectives regarding S&D treatment for developing countries in the global trading system.

For all participating countries, developed, developing and least developed, there exists, presumably, a shared common interest in a global trading system that delivers benefits at a reasonable cost. More specifically for developing and least developed countries, one of the central concerns of trade policy for development is the terms of access of their exports to the markets of the developed countries. In addition, these countries cling to the right to offer special governmental support to their infant industries and to deal with their balance of payments problems, using various trade policy measures that may have the effect of restricting imports. These concerns raise important issues regarding the extent to which developing and least developed countries need to be accorded S&D treatment in the global trading system and whether a claim to S&D treatment could compromise the achievement of other (and perhaps more significant) benefits.

Even when the idea that developing countries should receive S&D treatment in the global trading system is widely accepted, based partly on the understanding that the more developed and richer countries should transfer income to the poorer countries and partly on the recognition of the special difficulties of the latter countries, two other issues for debate also surface. First, it is not necessarily self-evident that income transfers should be made through S&D treatment; other mechanisms that may be more efficient could be available. Second, it is worth examining whether S&D treatment provides appropriate incentives for developing and least developed countries to pursue policies that do in fact more rationally promote their development.

It is in this context that the question of whether S&D treatment for developing countries has yielded much benefit in concrete terms becomes pertinent. This question, in turn, has several dimensions. One focuses on the actual consequences of S&D treatment for developing countries and is aimed at determining what gains are realizable therefrom. Another concerns itself with estimating the actual costs associated with those gains, and a third dimension examines the extent to which the realized gains are likely to outweigh the costs incurred. In other words, a cost-benefit analysis of S&D treatment would determine not only whether there are accruable benefits but also whether these benefits are large enough to swamp the costs involved. This analysis would, in turn, assist in answering the ultimate question: Is clinging to S&D treatment in the best interest of the developing and least developed countries, or could they obtain better and more durable results from the global trading system by giving up their claims to S&D treatment and accepting to participate on the same basis and subject to the same set of rules as the developed countries?

This paper focuses on many of the issues and questions raised above, and does so specifically from the perspectives of African countries—against the background of the special features of their economies, their trade policy and development experience, and their experience within the global trading system. In the process, Section 2 traces the origins and tracks the evolution of S&D treatment for developing countries in the GATT/WTO framework and indicates its current status after the Uruguay Round of multilateral trade negotiations. Sections 3 and 4 deal, respectively, with the benefits and costs of various elements of S&D treatment and Section 5 concludes the paper.

2. Origins and evolution of "special and differential" treatment

The guiding principles

S&D treatment of developing countries in the global trading system derives its origins from several inter-related ideas and pressures dating back to the early 1950s. Prominent among these were the recognition by the developed country members of GATT that the trade problems of their developing country counterparts were in certain ways fundamentally different from their own, the desire to keep developing countries within the framework of trade rules established under GATT, and the prevailing intellectual climate regarding development that provided strong support for trade intervention as a legitimate and potent instrument of development. Subsequent changes in each of these perspectives, particularly in the 1970s and 1980s, have weakened the apparent consensus on the need for S&D treatment for developing countries. As a result, the conceptual foundations and operational principles of the special treatment of developing and least developed countries in the GATT/WTO framework have been subjected to sustained attack and erosion.

An implicit assumption upon which GATT was based was that its effective operation as a body of rules designed to guide international trade relations would automatically lead to the economic growth and development of all participants, developed and developing countries alike. This assumption rested on the premise that GATT would provide an environment in which the most efficient industries in developing countries would be able to expand by finding markets all over the world and would, therefore, enhance the achievement of the development goals of these countries (UNCTAD, 1985)

The observed realities of the 1950s and 1960s failed to validate these assumptions. It became clear that developing countries were not deriving much benefits from various GATT multilateral trade negotiations and that very few of these countries actually participated in the GATT process (Hindley, 1987; Blackhurst, Enders and Francois, 1995). A 1956 GATT report on international trade provided strong confirmation of this trend by demonstrating that a disproportionate increase in exports accrued to the developed country members of GATT. This, in turn, led GATT to appoint a group of experts with the mandate to examine international trade trends with particular reference to the performance and prospects of developing countries. This expert group produced the Haberler Report (GATT, 1958), which concluded, first, that various domestic policies in the developed countries contributed significantly to the decline in the exports of developing countries and, second, that the developing countries were experiencing special difficulties in the GATT negotiating process (Whalley, 1989; Hindley, 1987). On the first count, the report demonstrated that high tariffs faced exports of developing countries on a wide range of products in which they probably had comparative advantage. On the second count, developing countries were handicapped in negotiating reductions of those high tariffs because they were often not the principal suppliers of many of the products.

Furthermore, a study of the barriers against the exports of developing countries conducted during 1960/61 by a GATT committee concluded that these countries often had little or nothing to offer in return for requesting developed countries to lower the tariffs on products of particular export interest to them. Hindley (1987) suggests why developing countries had little to offer in multilateral trade negotiations aimed at reducing tariffs. First, the imports they regard as essential for their development, such as intermediate and capital goods, carried zero or minimal tariff duties. Second, they needed to impose substantial tariffs on the remaining imports, given their heavy dependence on trade taxes as sources of government revenue in the absence of alternative tax handles. These concerns imply that developing countries could not effectively participate in the normal GATT negotiation process.

Their willingness and ability to participate were further constrained by their limited leverage in the globalized negotiating framework and the structural features of their economies. Compared with the developed countries, the developing countries were economically small while their exports were typically concentrated on a limited number of commodities. The latter feature of the typical developing country economy rendered it particularly vulnerable to greater terms of trade volatility and greater susceptibility to external shocks in general. As a result, the nature of their balance of payments problems could be more long term and thus call for extended use of trade restrictions. They could, of course, place greater reliance on exchange rate changes for restoring external balance. But in reality, their usually thin foreign exchange markets could not be relied on to sustain appropriate exchange rate changes without causing some potentially large dislocations in the domestic economy.

In essence, therefore, the perspective that was apparently ascribed to the developing countries during the 1950s and 1960s implies that while the GATT framework could assist in enhancing their growth and development, their economies have peculiar characteristics that constrain their trade prospects and these should justify their being given special status under the global trading rules and arrangements embodied in GATT. In particular, the peculiar features of their economies show up most prominently in four key areas:

- Their balance of payments problems tend to be endemic and long-term and may call for the use of trade restrictions.

- Their trade prospects are poor because their exports are relatively income inelastic; special access to developed country markets may be needed to enhance their export prospects.

- Their growth and development could be significantly enhanced through industrialization and export diversification which, it was believed, could be achieved through domestic protection.

- In the absence of more viable alternative sources of government revenue, they are obliged to rely quite heavily on trade taxes.

For these reasons, elements of special status for developing countries in the GATT framework would include considerable domestic autonomy in the use of trade policy to deal with balance of payments problems, promote industrialization and raise government revenue.

In addition, these elements would also include preferential access to developed country markets as a means of offsetting their poor export prospects.

Hudec (1987) argues convincingly that the peculiar features of developing country economies cited as a basis for according them special status under GATT had been recognized and acknowledged even before GATT was established. In particular, in negotiating the original charter of the International Trade Organization (ITO), the stillborn predecessor of GATT, the United Nations Economic and Social Council voted an amendment to the draft resolution requiring the negotiations to (Hudec, 1987: 9):

> ...take into account the special conditions which prevail in countries whose manufacturing industry is still in the initial stages.

According to Hudec (1987: 15), not only did the negotiations acknowledge the legitimacy of the claim "that the special position of developing countries justified some dispensation from the GATT-ITO legal discipline; this principle was recognized from the very beginning of the drafting process". In effect, the discussion leading to the establishment of GATT explicitly acknowledged that developing countries were at a significant disadvantage in relation to the developed countries particularly in terms of competing in manufactured exports where comparative advantage could be influenced by economies of scale, learning-by-doing and other externalities. This recognition also subsequently gave birth to the concept of generalized trade preferences in favour of developing countries in developed country markets—a key component of S&D treatment designed to enable developing countries to expand their manufactured exports and, in the process, encourage industrialization. In this context, preferential tariffs on imports from developing countries would reflect the fact that they are at a lower level of development and establish equality of treatment between them and domestic producers in developed country markets (UNCTAD, 1985).

The origins of several key S&D components can also be traced to the prevailing view of development in the 1950s and 1960s. As will be shown below, various aspects of this view cover the growth and overall economic management concerns of developed countries as well, at least in the early stages.

In broad terms, this view implies that developing country economies could derive some benefits from trade protection. The infant industry argument provides one such area of benefit. It begins with the proposition that comparative advantage can be enhanced or changed through learning-by-doing, suggests that government assistance may be necessary to overcome market imperfections that constrain appropriate investment in the learning process, and concludes that import protection could be a mechanism for enhancing learning. Clearly, the market system in typical developing countries contains a substantial amount of imperfections and distortions that could make purely market directed investments sub-optimal (Stiglitz, 1996). In such circumstances, it would be possible to improve the situation by using properly managed government intervention. Because of the inherent difficulties of using more appropriate intervention instruments, developing countries are often obliged to use trade protection (Rodrik, 1992). Thus, a development strategy that embodies this view would regard as acceptable or even desirable the use of trade policy instruments (including tariffs and quantitative restrictions) to restrain imports. In addition to their use in support of the infant industry rationale, however, trade protection can also serve as an important source of government revenue and may be used to curb conspicuous luxury consumption.

This development strategy has two other dimensions that have significant implications for trade policy. First, the strategy suggests that by prioritizing among imports so as to favour imports of intermediate inputs and capital goods that are regarded as particularly critical to development, higher rates of productive investment can be sustained and, hence, more rapid growth can be achieved. Second, a development strategy that embodies an infant industry component requires long-term commitment regardless of the occurrence of external shocks to which developing economies are particularly susceptible. This suggests the need to insulate key industries from external shocks. Both sectoral prioritization and insulation from external shocks can be achieved by an appropriate use of import restriction measures.

To the extent that these arguments are valid and the development strategy based on them feasible, developing countries would be led to demand from the global trading system the right to maintain control over their own trade policy and to vary this in ways that assist in promoting their industrialization, expanding their manufactured exports and hence their overall economic growth and development. This right would not, in fact, be fundamentally different from the dispensation that developed countries also gave themselves in both the GATT and the ITO charter. Hudec (1987) shows that the very large number of exceptions provided for the benefit of producers in developed countries in these documents amounts to an endorsement of the view that trade restrictions could be used as legitimate and appropriate instruments for facilitating development. In particular, these exceptions included the right to use quantitative restrictions in agricultural imports, to use export subsidies, and to impose discriminatory import restrictions as a means of dealing with balance of payments problems.

Not only were these rights acquired, they were actually used quite liberally. According to Hudec (1987: 25), as of 1 January 1954, 16 of the 20 developed country members were restricting imports for balance of payments reasons and 9 out of the 14 developing countries were doing likewise". Moreover, virtually all of these 25 countries (developed and developing alike) were using discriminatory quantitative import restrictions. The major difference between the developed and developing countries in this regard emanates, apparently, from changes in their respective economic situations. Thus, as developed countries gradually pulled out of their postwar balance of payments crisis, they were better able to refrain from resorting to the exceptions built into GATT; on the other hand, the balance of payments situation of many developing countries failed to show such dramatic improvements. This may have induced the developing countries to cling even more tenaciously to these exceptions.

The evolution of various elements of S&D treatment for developing countries in the global trading systems has broadly reflected the motivations and origins discussed above. In particular, the build up, and expansion processes of specific S&D provisions in GATT that culminated in the establishment of the generalized system of preferences (GSP) closely followed the intellectual support for import substitution industrialization policies that prevailed in many developing countries through the 1960s and 1970s. Similarly, the failure of these policies, the realities of development in the 1980s and early 1990s, and the emerging consensus in support of outward-oriented development strategies are associated, broadly, with the winding down and narrowing of the scope of S&D treatment.

Pre-Uruguay Round S&D status

At the launch of the Uruguay Round of multilateral trade negotiations in 1986, several key elements characterized the S&D treatment of developing countries in the GATT framework. Prominent among these were the right to impose quantitative import restrictions to protect infant industries and combat balance of payments problems, exemption from the obligation to offer reciprocal concessions as a condition for benefiting on an MNF basis from concessions made by developed country GATT members, eligibility under the GSP to enjoy lower rates of duty on their exports to preference-granting developed country markets, and the right of developing countries to grant one another preferential tariffs without extending these to other countries on an MNF basis. Each of these provisions evolved in specific sequences over time; the evolutionary process reflected some of the broad considerations alluded to above.

Article XVIII was the first concrete attempt by GATT to incorporate into its basic law a major element of the concerns of its developing country members. Along with Article XII (for developed country members), this provision permits members to use trade restrictions when their foreign exchange reserves reach unacceptably low levels. The 1954/55 review of GATT articles made a number of significant changes to Article XVIII that in effect specified separate conditions under which trade restrictions could be used to protect infant industries and to deal with balance of payments problems. As a result, Article XVIII acquired three major component parts. Part A permits developing countries to modify previously negotiated tariff bindings in order to assist the establishment of a particular industry. But when this provision is invoked, compensation is expected to be offered or, in the alternative, retaliation may result. Part B permits the use of trade restrictions for combating balance of payments problems, and Part C permits developing countries to use quantitative import restrictions for infant industry protection. Like Part A, however, the use of Part C is subject to compensation or retaliation in the absence of a negotiated agreement.

The decision of developed countries not to insist on full reciprocity from the developing countries for the concessions being made to them is reflected in Article XXVIII bis(3), which indicates that the needs of developing countries to use import duties for general economic development and fiscal purposes should be borne in mind during tariff negotiations.
In spite of the S&D rights created for developing countries in the GATT framework up to and including the 1954/55 review of GATT articles, their trade problems continued to generate concern. In this context, the 1963 GATT ministerial meeting recognized the need for a formal institutional framework for dealing more effectively with these problems. The meeting also approved a declaration accepting the objective of duty-free access for tropical products without expecting reciprocity from developing countries. Finally, it set up a working party to explore the issue further.

While the study by the GATT working party concluded against extending tariff preferences to developing countries in 1965, the meeting of UNCTAD I had, in 1964, discussed the proposal advocating free entry into the developed country markets of developing country exports of manufactures for an initial period of ten years. Due partly to pressures from outside the GATT itself, the continued emphasis on the trade and development problems of the developing countries induced a further revision of the GATT in 1965 by the addition of a new Part IV.

This addition did not provide any new S&D rights for developing countries, but it did offer a permanent form in the text of GATT for some of the existing appeals for special treatment. More specifically, Part IV adds three articles to the 35 articles in parts I-III of the GATT and, as its title suggests, it focuses primarily on trade and development issues. Article XXXVI recognizes the development needs of developing countries and the importance to them of improved market access. It concludes with a restatement of the principle of non-reciprocity. Article XXXVII suggests that trade negotiations should give priority attention to products of special interest to developing countries, and Article XXXVIII provides for joint action in studying the export potentials of developing countries.

Part IV was largely a diversion, but it failed to stem the pressure for trade preferences in favour of developing countries. Finally, in 1968, during UNCTAD II, the principle and objectives of a generalized and non-reciprocal system of trade preferences for developing countries received approval. The objectives of this initiative were to increase their export earnings, promote their industrialization and accelerate their rates of economic growth. These objectives were to be achieved by granting to the developing countries tariff preferences in the markets of developed countries without reciprocity, on all products.

The GATT provided legal backing for this agreement by its decision of 25 June 1971 to waive the provisions of its Article I for a period of ten years, thus making it legally possible for its developed country members to offer trade preferences to developing countries without offending the MFN principle.

S&D treatment for developing countries in the GATT framework probably reached its peak in the Tokyo Round. At the launch of this round, developed country members of GATT accepted the idea that existing S&D treatment would serve as the basis of the participation of developing countries in the trade negotiations. The Tokyo Round produced, in 1979, a framework agreement entitled "Differential and More Favourable Treatment, Reciprocity and Fuller Participation of Developing Countries, also known as the "Enabling Clause", which refined or redefined some elements of S&D treatment. In particular, it provided permanent legal cover for the continuation of various GSPs beyond the original ten years indicated in the waiver of Article I granted in 1971. It also identified the "least developed countries" as a separate category of members that should be accorded even more favourable treatment than the group of developing countries, and it specified the S&D elements of various codes agreed to in the Tokyo Round. Finally, the Enabling Clause codified the "graduation" principle by which developing countries would be expected to take on more and more of the obligations of GATT membership as their economies grew stronger. This has generally been interpreted to mean that developing countries will progressively give up various components of S&D treatment as they achieve higher levels of economic development (Laird and Sapir, 1987), although the Enabling Clause itself contains no specification of appropriate criteria for graduation.

S&D provisions contained in the Tokyo Round codes are in three categories. One type consists of offers of technical assistance meant to help developing countries comply with the new rules. A second category provides developing countries with rights to weaker discipline in certain respects, and the third group provides exemptions from the new obligations based, largely, on the presumed limitations of administrative capacity of developing countries. Thus, in the subsidies code, the prohibition of export subsidies on non-primary products was not applicable to exporters from developing countries. Similarly, both the standards and valuation codes either excused developing countries from using standards they consider inappropriate for their development needs or permitted them to set aside particular provisions on a transitional basis.

Post-Uruguay Round S&D status

The next major event to have significant implications for the evolution of S&D treatment for developing countries in the GATT framework was the Uruguay Round. This round did not start with an agenda to modify any S&D provision—the entire issue was not even on the agenda. When the Uruguay Round (UR) was launched in September 1986, the launch statement contained an explicit promise that the developing countries would be accorded S&D treatment in the negotiations in accordance with the terms of the framework agreement established in 1979 at the Tokyo Round. As the UR negotiations proceeded, however, significant elements of S&D treatment came up for discussion and modification. Most of the changes in S&D provisions that occurred during the UR can be traced to one institutional innovation that was adopted as a guiding principle for the round. This is the "Single Undertaking" principle, which requires that all members of GATT/WTO would be bound by more or less the same set of rules. The acceptance of this principle automatically reduced the scope of many of the existing S&D provisions. In particular, the developing countries are called upon to meet virtually the same standards on a broad range of market access issues as the developed countries. In other areas, S&D provisions have been reformulated essentially in the form of longer time periods within which developing countries should implement the newly negotiated agreements. But for the new category of least developed countries, quite a few of the post-Tokyo Round S&D provisions have survived the UR changes and therefore remain in place. Perhaps the single most important S&D provision to survive the UR without modification for both developing and least developed countries is the GSP. Appendix A presents a fairly comprehensive description of the changes. This forms the basis of the analysis below.

An important area in which the standard of behaviour of developing countries is expected to match that of developed country members of GATT/WTO relates to the use of quantitative import restrictions and special assistance to producers. There are instances, under the new agreements, in which the pendulum appears to have swung the other way round. In other words, in these instances developed country members now have greater advantage in the use of certain otherwise prohibited instruments. For example, developed countries can use quantitative import restrictions virtually without challenge in textiles and for safeguard actions. Similarly, the agreement on subsidies intrinsically favours developed countries by allowing their use for basic research and development, labour training and environmental protection that are more appropriate for developed countries and prohibiting their use for items such as product development that could be more relevant for developing countries.

Prior to the UR, S&D provisions covered two key issues in the general area of market access. One was the binding of tariffs and the other was reciprocity. Both have been modified significantly. Tariff binding has now become mandatory for developing countries as it has always been for their developed counterparts. What continues to exist is difference in the level of tariff binding; because there has been much greater trade liberalization in developed countries, their tariffs are bound at much lower levels than those of developing countries.

The result with respect to the second issue is less clear cut. Although the UR did not explicitly revoke the pledge of developed countries not to expect reciprocity from the developing countries, many developing (including African) countries actually made significant concessions during the round (for details, see Harrold, 1995).

S&D provisions regarding the use of quantitative restrictions for dealing with balance of payments problems were radically modified by the results of the UR. The new understanding imposes more restrictive rules and procedures for using quantitative restrictions beginning with the commitment to publicly announce time schedules for the removal of existing import control measures taken for balance of payments purposes. Key elements of these new rules and procedures include the agreement to give preference to "price-based measures" (such as import surcharges, import deposit, etc.) and thus avoid the use of quantitative restrictions unless price-based measures fail to restore the external payments position. Where the use of quantitative restrictions is justified, it must be limited in duration and restrict imports on a non-discriminatory basis. There are two exemptions to the across-the-board rule, and both relate to "essential" imports, i.e., import of products that satisfy basic consumption needs and those that help to improve the external payments position by enhancing output and exports such as capital and intermediate goods.

The right of developing countries to use export subsidies under pre-UR S&D provisions has also been sharply curtailed. Under the new subsidies agreement, developing countries, except those with per capita income below US$1,000, are required to eliminate export subsidies within eight years. With respect to sectors and issues such as agriculture, services, trade-related investment measures and intellectual property protection, the remaining elements of S&D treatment for developing countries amount to lower levels of concessions and longer transition periods before compliance is achieved. But, in each of these cases, least developed countries continue to have access to the full S&D provisions.

The agreements relating to technical barriers to trade and safeguards appear to preserve the pre-UR S&D rights of developing countries. Under the former, the developing countries are not required to use international standards that are not appropriate for their needs or which may hinder the preservation of indigenous technology. In the latter case, a developing country's exports to a market cannot be countervailed as long as its share of total imports of the product is 4% or less. In addition, developing countries are exempt from safeguard actions if their share of total imports is 3% or less.

It should be clear that in the post-UR era S&D treatment for the developing countries reduces essentially to extended transition periods over which the same levels and scope of obligations as those relating to developed countries would be assumed. This compares with what was, in several key cases, a permanent derogation of basic GATT/WTO obligations. For the least developed countries, however, S&D provisions pre- and post- UR are not too far apart. For both categories of countries perhaps the single most important element of S&D treatment that survived the UR reforms without any significant change is the GSP.

3. Benefits of S&D treatment

Various S&D provisions were inserted into the GATT/WTO framework as part of the desire to deal, in a systemic way, with several characteristics and deficiencies that, more or less, define the economies of developing countries. An approach to identifying and assessing the benefits of these provisions should, presumably, link the benefits to the special features and deficiencies at which the provisions are targeted. This is the focus of the analysis that follows.

Nurturing infant industries

A key element of S&D treatment for developing countries recognized the need to nurture their infant industries. GATT Article XVIII, Section C, enabled these countries to take appropriate measures to protect infant industries. It is not uncommon to view industrialization as a major indicator of economic development; hence rapid industrialization has been a goal of economic policy in many developing countries. Active economic policy to speed up the development process has also involved efforts to develop a country's technological capabilities, build up its domestic capacity to manufacture a range of products, and promote exports.

Active policy to alter the speed and character of industrialization is justified by the existence of specific market failures and externalities that could cause a sub-optimal share of the economy's resources to be allocated to the industrial sector, in the absence of corrective measures (Rodrick, 1992). In other words, manufacturing investment and capacity could remain too small, relative to the economy's resource endowments, if the negative effects of these market failures and externalities are not corrected by appropriate policy interventions. The pervasiveness in developing countries of pronounced market failures, as well as such phenomena as learning-by-doing, economies of scale and other externalities that are inherently tied up with modern manufacturing and service activities, provides strong support for interventionist and non-neutral policies, including the use of various measures to protect and promote infant industries.

The market failures that are likely to be of special significance in developing countries emanate from various sources (Rodrik, 1992; Stiglitz, 1996). In the early stages of development, markets may be missing or not sufficiently well developed to provide good signals for resource allocation. The existing private markets typically have inadequate incentives for investing in the production and acquisition of information and expertise needed to boost the level of technology at which the developing economy operates. In addition, when the increasing returns and learning-by-doing associated with modern manufacturing are combined with shortage of capital, the small firms in the typical developing country may be stunted. In these circumstances, infant industry protection and support are important means of ensuring that the young firms can gain the experience required to lower their cost of production and eventually become fully competitive. The backwardness of developing countries (broadly measured by their distance from the international technology frontier), the market handicaps that characterize their economies at the start of the development process, and the time required to establish and nurture markets and marketing institutions, and to acquire and build up the capacities to compete with advanced country firms, all point in the direction of a necessary period of infant industry protection as a prelude to rapid industrialization and overall economic growth.

It is widely recognized, in this context, that subsidies may play an important role in the development programmes of developing countries. In particular, subsidies granted contingent upon export performance or use of domestic in preference to imported inputs in the production process could be valuable instruments of trade and industrial policy. Such performance-based incentive systems are associated with important benefits. Stiglitz (1996: 157) argues that "government intervention through a performance-based reward system ... provides strong growth-oriented incentives ..." When such a system is based on exports, it could serve as an objective and efficient selection mechanism for the award of subsidies. Since export markets are more likely to be competitive and firms competing in international markets gain from spillovers in marketing and production know-how, a firm that succeeds in the export market is more likely to be economically efficient. Thus, a performance-based subsidy award system is likely to promote efficiency and ensure that only industries with real long-term growth prospects are provided with infant industry protection and support.

The benefits to developing countries of the S&D provision for infant industry protection go well beyond theoretical arguments. The mechanism through which local firms are protected in a captive home market subject to an export performance target, enabling them to make high profits that in turn finance higher rates of investment, to learn by doing and to improve the quality of their products, is one that has been aggressively, effectively and successfully used by the East Asian countries (Singh, 1995). Their experience suggests that trade and industrial policies that take advantage of the S&D provision on infant industry protection could not have been successful without the imposition of export performance standards.

Protecting the balance of payments

GATT Article XVIII, Section B, provided developing countries with the flexibility to impose quantitative import restrictions to protect their balance of payments. This S&D provision is a recognition of the special difficulties that the developing countries have often had in maintaining balance of payments equilibrium as they pursue their development goals. Given the volatile terms of trade and the greater susceptibility to external shocks that characterize many developing countries, especially those that are heavily dependent on the export of primary commodities, these economies may suffer from undesirable "stop-go" cycles associated with recurring balance of payments crises. The S&D provision under discussion enables developing countries to use discretionary trade and payments controls for dealing with short-term balance of payments problems and hence permits them to commit themselves to a long-term development strategy without having to change direction abruptly at the onset of a balance of payments crisis.

A development strategy that includes strong elements of infant industry protection and import substitution is not necessarily or inherently prone to external payments instability or "stop–go" policy cycles. Macroeconomic stability and external balance are not incompatible with any degree of trade protection. Regardless of its trade orientation, appropriate fiscal and exchange rate policies should enable an economy to maintain external balance. However, the typically thin foreign exchange markets of developing countries may impose serious constraints on the efficacy of exchange rate policy in dealing with abrupt and large external imbalances. Similarly, the other important objectives of fiscal policy often preclude its exclusive focus on balance of payments concerns. In these circumstances, many developing countries have found the flexibility provided by GATT Article XVIII, Section B, particularly useful in dealing with abrupt external imbalances.

Macroeconomic stability (which includes external balance) is widely recognized as a necessary condition for fast and sustainable economic growth. Hence, a feasible development strategy would aim at ensuring a current account balance while simultaneously achieving a rate of growth that is as high as possible. The balance of payments may be viewed, in this context, as the main constraint to fast economic growth. It can be argued (see, for example, Singh, 1996) that when trade and industrial policy instruments such as import controls and export promotion are effective in relaxing the balance of payments constraint, they directly promote macroeconomic stability and thus enhance the prospects for long-term growth.

Non-reciprocity

Non-reciprocity is the S&D provision that confers on developing countries the benefits of trade liberalization in developed countries without requiring them to similarly open up their own trade regime. The beneficiary developing countries would obviously gain, in terms of improved exports, from additional and enlarged access to the liberalized markets of developed countries. The liberalization of their own trade regimes would also bring welfare gains to the developing countries but these can be associated with significant fiscal costs when a developing country is heavily dependent on trade taxes as a source of government revenue. As Rodrik (1992: 312) points out, "practical and administrative considerations dictate that trade taxes will be an important source of revenue for a poor country; the poorer the economy, the higher the reliance on trade taxes". By implication, the lower a country's level of development, the more significant may be the non-reciprocity S&D provision.

Trade preference schemes

The acknowledged need of developing countries for special assistance to gain access to the markets of developed countries is met through the S&D provision embodied in the GSP schemes. The GSP arrangement has often been cited as the major element of S&D treatment for developing countries in the GATT/WTO framework that produces concrete benefits (Whalley, 1989).

The GSP was designed with three objectives in view: to provide generalized, non-reciprocal, and non-discriminatory system of preferences in favour of developing countries as a means of increasing their export earnings, promoting their industrialization and accelerating their rates of economic growth. Assessments of GSP benefits have typically focused on the first of the three objectives, the implicit assumption being that the achievement of this first objective would probably be associated with the attainment of the other two. Based on this perspective, there has emerged a broad consensus that the reduction of trade barriers by developed countries, through various GSP schemes, is economically beneficial for developing countries.

In principle, the GSP can be shown to yield benefits to developing countries through several channels. First, since the GSP implies the reduction or elimination of an import duty, it can be expected to increase the volume of exports from beneficiary countries. Second, even if the volume of export is not significantly affected, the GSP could still boost the returns to the exporters from developing countries. Third, if the GSP applies in a case in which beneficiary countries also enjoy comparative advantage over all other producers, the resulting positive trade effects are the same as those commonly associated with non-preferential tariff reductions. Fourth, when GSP applies in the case where the beneficiary countries do not have comparative advantage over other producers, the preferences generate trade diversion but the developing countries still derive benefits. In particular, such benefits may feed into more dynamic long-term effects to the extent that they enable infant industries to grow and ultimately permit the evolution of comparative advantage. In sum, any trade induced by the GSP would generate, from the perspectives of beneficiary developing countries, a higher return on the resources used than would ordinarily be available without preference.

Various studies (e.g., Baldwin and Murray, 1977; Sapir, 1981; Karsenty and Laird, 1986; Langhammer and Sapir, 1987; Laird and Sapir, 1987) have attempted to estimate the actual quantitative trade benefits derived by developing countries from various GSP schemes. In general, these estimates relate potential trade benefits to the volume of dutiable imports of preference granting developed countries and the product coverage of each GSP scheme. The latter variable determines the level of imports eligible for GSP treatment. While the levels of GSP-eligible and GSP-receiving trade provide an indication of trade benefits, a more correct indicator is the additional trade, emanating either from trade creation or trade diversion or some combination of both, that results from the preferential scheme.

The studies generally show that the various GSP schemes have yielded benefits to the preference-receiving countries. According to Laird and Sapir (1987), roughly 50% of dutiable imports in OECD countries up to the early 1980s were GSP-eligible; of this, only 50% actually received GSP treatment. Hence, only 26% of the dutiable imports of the OECD countries from beneficiaries of their schemes actually enjoyed GSP treatment. In its review of the first decade of GSP schemes, UNCTAD (1985) broadly confirms this general result for 1982. According to this source, total imports of OECD preference-giving countries from developing countries amounted to $267 billion, out of which only $63 billion (or 24%) were eligible for GSP treatment and only $28.2 billion (or 10.5%) worth of imports actually received preferential treatment. A decade later, UNCTAD (1995) shows that in 1993, total imports of preference-giving countries from GSP beneficiaries amounted to about $439 billion, of which approximately $305 billion (or 69.5%) were dutiable. But only $172 billion (or 56.3%) were GSP-eligible and, of this, only $82 billion (or 47.9%) actually received GSP treatment. In other words, only 27% of all dutiable imports were granted preferential access.

For 1983, Laird and Sapir (1987) estimated that up to $4.6 billion worth of imports by OECD countries could be attributed to various GSP schemes. While this gain was due mostly to trade creation, it represented only 8% of beneficiary country exports to OECD markets and less than 4% of dutiable OECD imports. Over the 1976–1993 period, the total value of preferential imports under various OECD GSP schemes increased at an average annual growth rate of 12.7%, from $10.4 billion to $79 billion (UNCTAD, 1995: 6).

Since the GSP schemes cover mostly manufactured products, developing countries with wider industrial and more diversified manufactured exports have gained more than those relying on exports of agricultural products and raw materials. Hence, up to the early 1980s, there was a remarkable concentration of GSP benefits among a few developing countries; the top three (Hong Kong, South Korea, and Taiwan) accounted for as much as 45% of total GSP gains. The concentrated nature of GSP benefits remained largely unchanged through the early 1990s. UNCTAD (1995) reports that in 1992 between 6 and 12 of the largest beneficiaries accounted for 71% – 80% of the preferential imports of Japan, the United States and the European Union. In summary, it is clear that GSP schemes provide some benefits to preference-receiving countries. The gains so derived are relatively small, however, when compared with the total exports of developing countries and are heavily concentrated in a few beneficiary countries.

Preferences and African trade

Yeats (1994) offers a comprehensive analysis of special trade preferences and their consequences for African trade. This analysis shows that as a result of Lomé preferences, as much as over 95% of each African country's exports enter the EU duty-free. In addition, and as Appendix B shows, non-oil exports from six African countries (Congo, Gabon, Guinea, Niger, Sierra Leone and Tanzania) face a zero duty rate in the EU market; Uganda faces the highest duty rate of 0.6%, while Togo and Zambia follow with a rate of 0.5%. Non-oil exports from other African countries attract EU import duty rates ranging from 0.1% to 0.4%.

These relatively low preferential tariff levels provide African countries with pre-Uruguay Round preference tariff margins that are several percentage points lower than those facing non-preference receiving exporters of similar products in the EU market (again, see Table 2). The smallest preference tariff margins (i.e., less than 2 percentage points) apply to non-oil exports from Ethiopia, Liberia and Sudan; the highest (almost 5 percentage points) applies to exports from Swaziland. For the majority of African countries, non-oil exports enjoy preferential tariff margins of 2 to 4 percentage points in the EU market.

Lomé trade preferences are not without restrictions, which inherently limits their impact. In particular, the ability of many African countries to effectively and fully utilize the available Lomé preferences is diminished by ceilings, quotas and other non-tariff barriers that apply apparently independently of the preference scheme. In addition, in several instances rigid rules of origin have also frustrated attempts to use the preferences.

The various preferential trade arrangements (including Lomé) that have been designed to benefit African trade have, on the whole, had a rather disappointing impact. They have clearly failed to help Africa expand and diversify its exports or even to maintain the region's share of EU or world export markets. In spite of the trade preferences enjoyed by many African countries, the region has continued to rely on a few primary commodities; it started to lose its market share internationally from the 1970s and over 20 years of special trade preferences have not succeeded in turning this trend around. The region certainly derives some value from the preferences but when related to the experience of other regions, it seems reasonable to suggest that trade preferences that are not associated with outward-orientation and export-enhancing policies in the recipient countries may be neither a necessary nor a sufficient condition for good export performance.

While this suggestion appears to be consistent with Africa's aggregate performance, it is important to note that several African countries have derived important gains from special trade preferences. Mauritius derived as much as 6% of its GDP over 1990–1994 from transfers linked to the price stability and guaranteed market access provided by the sugar protocol of the Lomé convention. Similarly, Botswana received annual payments averaging 24 million ECU from its export of beef to the EU under the beef and veal protocol of the

Lomé Convention. In the same way, Lomé preferences have played a significant role in those SSA countries exporting tobacco and other products covered by the protocols. In addition, several countries (including Mauritius, Kenya and Zimbabwe) that have succeeded in diversifying into non-traditional exports (such as clothing, processed fish, horticultural products, etc.) have achieved significant gains that can be closely associated with the special trade preferences.

When fully implemented, the Uruguay Round agreements will significantly reduce trade barriers and the resulting tariff reductions will, no doubt, erode the preferential tariff margins currently enjoyed by many African countries. To the extent that they suffer significant erosion of their trade preferences, they would also incur trade losses as their competitive positions deteriorate in the OECD markets and their exports are displaced by those from other countries.

While it is generally agreed that the generalized reduction of tariff barriers resulting from the Uruguay Round will endanger Africa's preferential tariff margins, estimates of the corresponding loss in exports vary. For example, one set of estimates (Yeats, 1994) suggests that complete liberalization of most-favoured-nation tariffs in the EU would generate total trade losses of over $250 million in Africa; for the 30 major SSA exporters, these losses would represent as much as 2% of their current export values. According to this estimate, the big losers would be Côte d'Ivoire ($57 million), and Mauritius and Kenya (with $25 million each). These estimates thus suggest that African countries will likely experience large net trade losses as a result of the impending Uruguay Round tariff cuts that virtually eliminate their preferential tariff margins.

These estimates probably reflect the worst case scenario, however. Other estimates (e.g., Harrold, 1995) offer reasons why African trade losses resulting from the erosion of their tariff preferences are unlikely to be very large. Preferential tariff margins on many manufactured products are already quite small. In any case, manufactures constitute only a small proportion of Africa's total exports. The predominant proportion of trade preferences benefit agricultural products and, as they apply to agriculture, Uruguay Round agreements are unlikely to generate a great deal of liberalization in the immediate future. Preferential access to EU markets will, in many cases, be safeguarded through allocation of minimum access quotas to qualifying African countries, at least until the expiration of Lomé IV. Thus, preferential gains derivable from the agricultural protocols, fishing agreements and textiles will still be available. Based on these considerations, Uruguay Round changes are expected to inflict a trade loss of $5.25 million on African countries in the EU markets. Note that even these lower estimates still indicate that African countries will suffer significant trade losses as a result of the erosion of their Lomé trade preferences.

The estimates of trade losses resulting from the erosion of Africa's Lomé preferences do not take explicit account of the possible effect on export supply response of recent policy reforms and the increasing shift towards an outward-oriented development strategy in many African countries. An important factor behind Africa's ineffective utilization of the market access opportunities provided by Lomé preferences is clearly inadequate export supply response, especially with respect to manufactured products. To the extent that the emerging shift to greater outward-orientation is accompanied by more robust export response, the *potential* African trade losses associated with the region's preference erosion could be much larger than any of the current estimates suggests. This point has a second and equally important implication. Many African countries have been embarking on difficult structural adjustment and policy changes aimed ultimately at altering incentives to favour outward orientation and the promotion of a diversified basket of exports on the assumption that preferential market access is guaranteed under the Lomé framework. Any fundamental and adverse change in this basic assumption—whether caused by significant preference erosion or the unraveling of the Lomé framework itself—could have disastrous consequences for overall policy reform in Africa.

4. Costs of S&D treatment

Critique of S&D provisions in the GATT/WTO framework comes from several directions. Sometimes, the critique reflects the belief that there is nothing special about developing or low income countries that could set them apart for any S&D treatment, particularly in the area of trade policy. At other times, the critique is based on the idea that trade-restricting development strategies impose an unnecessary cost on developing countries instead of assisting to speed up their development process. Whether specific S&D provisions give developing countries an undeserved "free ride" in the global trading system or permit them to suffer from the self-inflicted pain of wrong-headed policies, various criticisms of these provisions imply that they are associated with certain costs that are borne either by the "beneficiary" developing countries themselves and/or by the global trading system as a whole.

Costs of infant industry and balance of payments protection

Focusing specifically on S&D provisions relating to infant industry and balance of payments protection, Hudec (1987) considers them harmful on at least two counts; first, they permit developing countries to take "market-distorting" measures, and second they amount to the abandonment of any real effort to limit or control the use of such measures by these countries. To the extent that the use of such "market-distorting" measures are, indeed, counterproductive, they could impose a cost on the developing countries themselves. This basic criticism can be (and has been—see Whalley, 1989) taken further. The continued justification for the S&D provision on balance of payments protection is questioned in the belief that, in the current economic environment, exchange rate changes supported by appropriate macroeconomic policies should be adequate for balance of payments adjustments. Thus, the continued use of quantitative import control measures to deal with external imbalances when more effective price-based and non-market-distorting alternatives are available would impose a resource allocation inefficiency cost on the economy.

Both strands of this basic criticism ignore or assume away those special features of developing and low income countries whose explicit recognition gave birth to the S&D provisions in the first place. When appropriate markets are missing or underdeveloped for various reasons, price-based measures are unlikely to provide correct signals for efficient resource allocation decisions. Notions of inefficiency costs associated with inappropriate policies in the context of well functioning markets with full information do not typically carry over into situations where these assumptions are patently violated.

Less fundamental objections to these S&D provisions have also been raised. Balance of payments justification for quantitative import restrictions may have a hidden sectoral protection intent. Thus, because of more stringent procedural requirements of GATT Article XVIII, Section C, compared with those of Section B, some developing countries appear to have found it relatively easier to obtain GATT "cover" for infant industry protection under the guise of balance of payments protection. In making this supposition, Anjaria (1987) argues that in a large majority of developing countries that declared Article XVIII B restrictions, the measures covered less than half of import categories; moreover, if these restrictions were truly for balance of payments purposes, they would cover all import categories.

This argument misses an important rationale of balance of payments protection in developing countries. Typically, the goal is to maintain current account balance at a rate of economic growth that is as high as possible. In this context, imports of capital and intermediate goods are treated as "essential" and are thus protected from import control measures. As a result, quantitative import restriction measures taken for balance of payments purposes tend to cover "non-essential" consumer goods primarily, not necessarily because there are any existing industries in this sector to be protected but simply because they constitute the "discretionary" imports that can be curtailed without derailing the country's development programme.

The down side of non-reciprocity

The S&D provision that grants non-reciprocity rights to developing countries can, in principle, be associated with at least two different types of costs. First, lack of reciprocity may make it more difficult for developed countries to reduce trade barriers to exports from developing countries. Second, absence of obligatory and binding reciprocity may preclude the GATT/WTO from serving as an "agency of restraint" for developing countries and thus make it more difficult to resist the claims of local protectionist interest groups.

The second type of cost may be particularly significant. As Wolf (1987: 664) argues, "a principal reason for participation in GATT negotiations is not just to obtain improved access abroad but to make it politically easier to liberalize at home". A reciprocally bargained international agreement can, in this context, strengthen the hands of a developing country that wishes to resist undesirable protectionist measures championed by local producers. It is not necessarily the case, however, that the non-reciprocity S&D provision removes the right of any developing country to use the GATT/WTO institutional framework as an agency of restraint, since the provision does not prevent developing countries from reducing and binding their tariffs.

The fist type of cost associated with non-reciprocity assumes that developed countries would treat exports from developing countries more liberally if a mutually reciprocal relationship was established (Hudec, 1987). There may be some substance to this assumption. It appears that certain restrictions on the coverage of various GSP schemes as well as pressures to "graduate" certain product groups and developing countries out of the GSP are not entirely unrelated to lack of reciprocity. For the majority of developing countries, however, it does not seem clear that their commitments to reduce trade barriers against exports of developed countries play a significant role in determining the amount of market access they can expect in return.

The disadvantages of trade preferences

Criticisms of various GSP schemes focus largely on their many limitations, which preclude the realization of the full benefits that they could generate if they had been implemented, as originally conceived, as "generalized and non-discriminatory" preferential systems. In effect, the costs associated with the GSP emanate largely from these limitations.

First, since the GSP provisions are non-contractual and therefore subject to unilateral modification or withdrawal at the pleasure of preference-granting countries, they may not provide a reliable and stable basis for investment decisions. Long gestation types of investments made in developing countries on the basis of incentives provided by the GSP may be jeopardized by sudden changes and modifications to the system. Second, Wang and Winters (1997) argue that trade preferences impose significant costs that could ultimately subvert long-term development. It is suggested, in particular, that the desire to retain the privileges of GSP schemes open preference-receiving countries to immense pressures to accept various conditions imposed by preference-granting countries, while the incentives generated by GSP schemes tend to create inefficiencies in production and trade, divert resources from critical sectors and encourage rent-seeking instead of productive investment.

5. Concluding comments

The various S&D provisions that evolved in the context of the GATT/WTO framework were established in response to the special problems of developing countries and against the background of the prevailing views of the development process. Many of these special problems, especially those emanating from underdeveloped and missing markets, imperfect information, and economies of scale, continue to be relevant, particularly in the developing countries of Africa. The underlying philosophical view of trade policy and its role in the development process has undergone more dramatic changes. Common policy thrusts, reflecting current thinking, generally emphasize the opening of developing country economies to world markets and elimination of anti-export biases in domestic policies. Yet, in the light of significant market failures that remain in many developing countries, there continues to be an important role for trade and industrial policies aimed at building the domestic capacity to manufacture a range of products, developing technological capabilities to support this effort, and promoting exports. Both theoretical considerations and the practical experience of East Asian countries suggest both that government intervention is often necessary and that a performance-based reward system can serve as an efficient subsidy allocation system.

Viewed from this perspective, the interests of developing countries would be better served by an analytically based deliberative process in the context of which each of the various S&D provisions is reviewed and, where necessary, suitably reformed. A dispassionate analysis of accumulated development experience would not support the total elimination of the S&D provision for infant industry protection; what it might suggest could be a tighter formulation of the rules and enhanced surveillance of their implementation. A preference for price-based measures over quantitative control measures for dealing with balance of payments problems makes sense in circumstances where foreign exchange markets can be relied on to restore external balance without causing large domestic dislocations. In other words, the thinness of the typical developing country markets and the greater terms of trade volatility to which such countries are susceptible deserve careful consideration in reformulating an S&D provision on the management of balance of payments that would not only be efficient but also effective and equitable.

Following the conclusion of the Uruguay Round, non-reciprocity in its full sense has probably receded into the status of a non-issue. Many developing countries have been engaged in the unilateral liberalization of their trade regimes, they made some tariff concessions during the round and have agreed to bind their tariffs. It should be clear, however, that reciprocity does mean that developed, developing and least developed countries will have the same tariff levels. It is not unreasonable for developing and least developed countries to retain the discretion for the disciplined use of appropriate trade and industrial policies for the purposes of protecting and promoting infant industries, dealing with chronic balance of payments problems and deriving fiscal revenue.

In spite of the severe limitations that rob it of its full potential, most studies of the GSP scheme confirm it has yielded over time small but significant benefits, particularly to those developing countries that had acquired the appropriate supply-response capabilities. Interestingly enough, such major GSP beneficiaries have not, in fact, suffered from any of the "costs" theoretically associated with the scheme. This suggests that the reform of the system should focus specifically on those limitations—product coverage, graduation criteria, rule of origin and safeguards—with regard to which multilaterally negotiated changes might further enhance the benefits derivable from the scheme.

Appendix A
Post-Uruguay Round S&D Provisions

Subject	Developing Countries	Least Developed Countries

1. Safeguards	• Measures extendable for an additional duration of 2 years beyond the general limit of 8 years • Can re-apply measures more often • No safeguard action can be taken against a product originating in a developing country if its share of imports is less than 3% or not more than 9% for a group of developing countries.	• Same as for developing countries " " " "
2. Balance of payments	• Simplified consultation process applies	" "
3. Subsidies - export	• Not prohibited for LDCs with per cap. income <$1000	• Not prohibited
- import substitution	• Not prohibited for 5 years from 1995	• Not prohibited for 8 years from 1995
4. Anti-dumping	• Special consideration when action is contemplated	• Same as for developing countries
5. TRIMs	• Temporary deviation allowed for balance of payments protection	• Same as for developing countries
	• Elimination of prohibited measures within 5 years from 1995	• Elimination of prohibited measures within 7 years from 1995
	• Time extension can be requested	• Time extension can be requested
6. Technical barriers To Trade	• Developing country members not bound to use international standards	• Same as for developing countries
	• Technical assistance to be provided	• Same as for developing countries
Subject	Developing Countries	Least Developed Countries
7. Customs valuation	• May delay	• Same as for developing

	implementation for a maximum period of 5 years	countries
8. Agriculture - Tariff reduction	• Lower levels of reduction over longer period	• No commitment required
- Domestic support	" "	• No commitment required
- Export subsidy	" "	• No commitment required
9. Textiles and clothing	• More favourable treatment for small producers	• More favourable treatment
10. Services	• Special considerations	• Same as developing countries
	• Technical assistance	• " "
11. TRIPS	• Longer transition period: 5 years, extendable to 10	• Longer transition period; 10 years subject to further extension
12. Dispute settlement process		• Obligatory provision for good offices, conciliation for mediation

Appendix B: The incidence of OECD tariffs on selected sub-Saharan African countries

Exporting country	OECD average African tariff	OECD average Preference margin	European Community African tariff	European Community Preference margin	Japan African tariff	Japan Preference margin	United States African tariff	United States Preference margin
Angola	0.2	-1.5	0.3	-3.2	1.8	0.0	0.1	-0.04
Botswana	0.3	-2.8	0.1	-2.9	0.0	-2.1	3.5	-1.1
Cameroon	0.4	-2.5	0.1	-2.8	0.0	0.0	2.1	-1.1
Central African Republic	0.2	-2.2	0.2	-2.3	0.0	0.0	0.0	-1.1
Chad	0.4	-2.7	0.2	-2.9	2.5	0.0	1.6	0.0
Congo	0.1	-1.4	0.0	-2.2	0.0	0.0	0.3	-1.6
Côte d'Ivoire	0.7	-3.1	0.3	-3.3	1.2	-0.5	3.3	-2.0
Ethiopia	0.7	-1.3	0.1	-1.9	1.5	-1.3	2.0	0.4
Gabon	0.6	-2.0	0.0	-2.7	0.0	0.0	2.9	0.7
Ghana	1.0	-2.2	0.1	-3.1	2.3	0.0	2.6	-0.9
Guinea	0.6	-2.3	0.0	-2.9	1.8	-1.9	1.9	-1.0
Kenya	0.5	-3.3	0.2	-3.5	2.4	-1.1	3.1	-2.3
Liberia	0.6	-1.7	0.3	-1.9	0.0	-0.3	2.5	-1.1
Madagascar	0.5	-2.0	0.4	-2.7	0.8	-0.2	0.8	-1.0
Malawi	1.1	-2.4	0.1	-3.5	0.0	-0.1	5.4	-0.6
Mali	0.4	-3.4	0.2	-3.5	0.0	-1.6	3.1	-2.2
Mauritania	1.7	-2.3	0.2	-3.9	3.6	-0.4	1.2	-1.6
Mauritius	1.3	-3.1	0.2	-3.4	4.8	-1.1	6.4	-1.8
Niger	0.1	-3.0	0.0	-3.0	0.0	0.0	3.3	-1.6
Nigeria	2.7	-0.9	0.1	-2.6	3.7	-0.8	5.2	0.7
Senegal	0.5	-3.3	0.3	-3.5	3.6	0.1	4.9	-1.2
Sierra Leone	0.5	-3.1	0.0	-4.0	2.6	-0.7	2.3	-0.2
Sudan	0.1	-1.5	0.1	-1.9	0.0	0.0	0.7	-1.0
Swaziland	0.8	-4.4	0.5	-4.9	6.7	-3.0	3.5	-1.9
Togo	0.3	-2.8	0.2	-2.8	9.8	-0.8	0.2	-2.8
Uganda	0.9	-2.4	0.6	-3.0	0.0	0.0	2.1	-0.3
United Republic Tanzania	0.1	-2.3	0.0	-2.5	1.4	-1.0	0.0	-2.4
Zaire	0.3	-2.1	0.1	-2.4	0.0	-0.5	1.3	-1.1
Zambia	0.3	-1.7	0.5	-2.9	0.0	-0.6	1.4	-1.4
Zimbabwe	0.9	-2.5	0.2	-3.3	1.2	-1.0	4.0	-1.0

Notes:

1. Negative values show the average preferential tariff margins (in points) that the African exporter has over all other exporters of the same goods.
2. Positive values indicate that the exporter faces a higher than average tariff due to preferences other countries receive.

Source: Yeats (1994).

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