Thai Journal of Development Administration Vol.34 No.4, October-December 1994

LIBERALIZING TRADE IN THE THIRD WORLD

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1. INTRODUCTION

1.1 Background

Since the beginning of the Post-WWII era, Third World development issues have been identified and theories endlessly and extensively defined, redefined, and debated. From modernization theories to the dependency models to the world-systems perspective, each major theory has attempted to explain and cure the ails of the underdeveloped world. Each model has developed according to the historical context in which it has emerged.

While forty years of theorizing and experimenting have produced no conclusive, universally applicable models, much has been learned. The world today is a very different place than it was forty, thirty, or twenty years ago. Nevertheless, when coupled with the circumstances of the contemporary world, knowledge from past experiences lends much constructive information to the ongoing Third World development debate.

This paper essentially argues that while there is no single, best approach to Third World development, and certainly no universally applicable model, there are a number of strategies which seem to have produced higher rates of success than others. This paper will focus on one general approach which has produced impressive results: trade liberalization. In the light of the apparently irreversible trend to global economic interdependence, the introduction of liberal trade policies in developing

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nations can act as a significant catalyst for growth - especially at this time.

This strategy will be offered in fairly general terms, and no attempt will be made to produce a universal model of development. If anything has been learned in terms of development it is that it is not valid to "talk of the developing countries as a broadly homogeneous group."[1] No single model can function across the board. The particular circumstances, values, traditions, etc. of each individual country must be considered. Nevertheless, there is substantial evidence which suggests that economic reforms[2] which favor liberal trade policies, albeit tailor-made to the specifics of each individual country, lead to real economic growth.

1.2 Scope

This paper briefly reviews the historical development of the major contending models of development, explores the current world trends and circumstances which provide a new context and climate ideal for trade liberalization, presents case studies of a number of countries who have pursued liberal trade policies and compares their results to countries which have followed other development policies. The paper also considers the role of the GATT in fostering the development of liberal trade policies among the developing world and offers a number of prescriptions.

2. DISCUSSION

2.1 Historical Theoretical Development

During the past four decades, three major development strategies have emerged. The following illustration briefly summarizes these major contending development models[3]:

CLASSICAL MODERNIZATION SCHOOL

- Developed in the 1950s by American Social Scientists.
- Promoted American Values, Ideals, and Methods.
- Assumed Development was Unidirectional, according to the American Experience.
- Viewed Tradition as Being Incompatible with Development.

CLASSICAL DEPENDENCY SCHOOL

- Developed in the 1960s in the Third World.
- Was Reactionary to the Failure of the Modernization School.
- Viewed the Relationship of the Third World to the West as Being Exploitative.
- Saw Dependency of the Third World on the West as Being Incompatible with Development.

WORLD-SYSTEM PERSPECTIVE

- Developed in the 1970s as an Outgrowth of the Dependency School.
- Examined the Totality of Economic Activity on a World Scale.
- Used the World Economy as Its Unit of Analysis.
- Divided the World into Three Strata: Core, Semiperiphery, and Periphery.

The key to understanding the emergence of these models lies in the consideration of the historical context in which each one was born. Each has attempted to explain the events of its day - especially in terms of the economic relationships between the developed and the developing worlds. Over time, they have been modified as new events have transpired which have fallen outside their explanatory frameworks.

These classical schools sought not only to describe, but to prescribe. Many of the development strategies pursued in the 1950s and 1960s were based on these models - primarily the modernization and dependency schools - and the results in most cases have ranged from poor to disastrous. The reasons for their failure have been heavily debated. From the perspective of liberal economics, the development problems of the 1950s and 1960s include essentially the following:

- Trade was not generally considered as a potential "engine of growth" in modern developing countries - as it had previously been for the United States and other countries.
- Internal development was stressed; imports were heavily restricted and investment went to import-substituting industries.
- Systems set up to discourage imports turned out to be more effective in discouraging exports.
- Governments grew excessively, mainly from the pervasive bureaucracies needed to regulate, control and direct industrial development, quotas, tariffs, etc., giving meaning to the Latin American joke that "the economy grows at night - while the government is sleeping."[4]

Simply put, the 1950s and 1960s saw the pursuit of poor economic policies by the weak and inefficient governments of many developing countries. Import-substitution became the strategy of the day until a divergence began to take place in the 1960s and the 1970s. During this period, many countries continued along the same road of closed economies and import-substitution. A few, however, followed a different course. Instead of closing their economies they opened them, embracing free trade. Many have experienced tremendous economic growth. Some of these will be considered later.

After four decades of experience, Dr. Alvin So, development expert and Associate Professor at the University of Hawaii, Manoa, states that the three basic theories described earlier continue to develop and mature and, in fact, converge.[5] However, as the applicability of the historical contexts of the past decreases and the world continues to change, strategies are needed which draw upon the experience of the past and better accommodate contemporary circumstances and trends.

2.2 Changing Context

2.2.1 A Changing Global Structure

Just as the development models of the past depended on historical context, so do contemporary models and theories depend largely on current trends, relationships and events. Developing strategies to encourage Third World development requires a clear understanding of and basis in contemporary global conditions, coupled with the learning of the past.

The tumultuous changes currently taking place in the world seem chaotic. Examples include the break-up of the former Soviet Union and the collapse of communism around the world, the apparent decline of the United States as a hegemonic power, an increase in the power of international regimes and multinational corporations, and many other significant changes and shifts in social, political and economic structures and relationships.

2.2.2 Global Interdependence

Yet amidst the confusion there is order, according to Dr. James Rosenau, Professor of Political Science and International Relations and Director of the Institute for Transnational Studies at the University of Southern California. He sees the turbulence of the times as being largely a result of an "ever-expanding global interdependence."[6] This phenomenon will be addressed in some detail as it is paramount to the trade liberalization strategy analysis that will follow, since this paper argues not only that liberal trade policies contribute to growth in developing countries, but that now is a particularly good time to implement such policies.

Rosenau sees the following five things as sources to the "parametric transformations" at work today:

1. The shift from industrial to post-industrial order with its technological advances - particularly microelectronic - which have made social, economic, and political distances so much shorter and the movement of ideas, pictures, currencies, and information so much faster, and thus the interdependence of people and events so much greater.

2. An increase in transnational issues: atmospheric pollution, terrorism, the drug trade, currency issues, and AIDS. (All are the direct products of new technologies or of the world's greater interdependence and are distinguished from traditional political issues by virtue of being transnational rather than national or local in scope.)

3. The reduced capability of states and governments to provide satisfactory solutions to the major issues on their political agendas, partly because the new issues are not wholly within their jurisdiction, and partly because the old issues are also increasingly intertwined with significant international components (e.g. agricultural markets and labor productivity), and partly because the compliance of their citizenries can no longer be taken for granted.

4. With the weakening of whole systems, subsystems have acquired a correspondingly greater coherence and effectiveness, thereby fostering tendencies toward decentralization (subgroupism) at all organizational levels that are in stark contrast to the centralizing tendencies (nation-statism or transnationalism) that marked the early decades of the century and those that preceded it.

5. The average adult today is no longer as uninvolved, ignorant, and manipulable with respect to world affairs as were their forbears, because of changing skills and orientations needed to cope with new issues of interdependence and adjust to the new technologies of the post-industrial order.[7]

As expanding technology in communications, transportation, and other areas increase the free flow of ideas, products, people, and problems, this global interdependence continues to expand and promote irreversible interconnections in virtually every aspect of life.

2.2.3 Diminishing Boundaries

Robert Reich, a member of the faculty at Harvard's John F. Kennedy School of Government and one of America's foremost political economists, addresses these rapidly changing global relationships further. In his book, **The Work of Nations: Preparing Ourselves for 21st Century Capitalism,** Reich identifies a changing global economic structure, largely unobserved by myopic nationalists, where national borders are fading and a need for international cooperation is expanding.[8] Reich attempts to put the disparate pieces of this seemingly chaotic world together to "paint a new picture, one more reflective of the realities of the emerging global economy and of the societies that are being shaped as a consequence."[9] His picture includes diminishing meaning in the notions of national economies, national products, national corporations, national technology, etc.[10]

Reich sees "nationalism" as a potentially destructive force blocking the recognition of the changes that are taking place in the world as well as the ability to become a part of it in a meaningful, positive way.[11] He says that "The real economic challenge facing every nation is to increase the potential value of what its citizens can add to the global economy, by enhancing their skills and capacities and by improving their means of linking those skills and capacities to the world market."[12] The need for better education in developing countries is critical to enable their citizens to participate in the global economy. One Harvard University economist states that "the lack of human capital (i.e., education), not lack of investment in physical capital, is what prevents poor countries from catching up with rich ones."[13]

2.2.4 Participating in the Global Economy

There is less and less a challenge of national competitiveness, as typically conceived. "There is no longer any reason for any nation to protect, subsidize, or otherwise support its corporations above all others, as some have argued."[14] Reich argues, "Rather than increase the profitability of corporations flying its flag, or enlarge the worldwide holdings of its citizens, a nation's economic fold is to improve its citizens' standard of living by enhancing the value of what they contribute to the world economy... It is not what we own that counts; it is what we do."[15]

The theme of "high-value" rather than "high-volume" is a concept that runs through Reich's books. He sites as examples some of "America's" largest corporations - General Electric, AT&T, Kodak, Sears, General Motors, etc. He notes that behind the American logos, significant structural changes are taking place within these organizations. Less and less are they involving themselves in the mass production of large volumes of goods and services accompanied by countless factories, laboratories, warehouses, and production workers and middle managers. No longer pushing standardized goods, they are decentralizing into groups and subgroups working all over the world where highly skilled problem-identifiers and problem-solvers are developing "high-value" products and services - "new applications, combinations, and refinements", geared to solving all kinds of new problems. They are helping customers recognize and understand their needs and finding ways to meet those needs with new and creative products. "In the high-value enterprise," says Reich, "profits derive not from scale and volume but from continuous discovery of new linkages between solutions and needs."[16]

Reich discusses the fact that as these high-value enterprises continue to decentralize and expand globally, they form "organizational webs", which replace "the old core pyramids of high-volume enterprise." No longer can they, nor their products, be labeled "American" or "French" or "Japanese."[17] This has enormous bearing on the beliefs of many that the way for the U.S. to regain its competitive edge is through the "American" corporation, since the very notion of an "American" corporation is changing dramatically. Reich notes a number of examples to illustrate his point such as that by 1990, 40 percent of IBM's employees were foreign and that over 20 percent of the total output of American-owned firms was produced on foreign soil - a figure that is increasing rapidly and rendering the notion of corporate nationality meaningless.[18]

Reich concludes emphatically that we are missing the mark altogether, focusing on the national economies of the past, rather than recognizing that each nation's economy is but a region of the global economy. As such, continuing the "zero-sum" strategy of nationalistic competition (consisting of only winners and losers) will only have the effect of corroding "public values to the point where citizens support policies that marginally improve their own welfare while harming everyone else on the planet, thus forcing other nations to do the same in defense."[19] Zero-sum nationalism also "endangers global economic prosperity. The neomercantilist premise that either they win or we win is simply incorrect. As one nation's workers become more insightful and educated, they are able to add more wealth to the world. Everyone on the planet benefits from smaller and more powerful semiconductor chips regardless of who makes them."[20]

Reich favors a cosmopolitan perspective with a "sense of global citizenship." He says that "positive economic nationalism would eschew trade barriers against the products of any work force as well as obstacles to the movement of money and ideas across borders." Internationally pooled subsidies and international agreements could be introduced to support and encourage efficiency of the global economy. Positive economic nationalism could "ease the transition of a work force out of older industries and technologies in which there was worldwide over capacity" which would benefit everyone.[21]

Much more could be said of this rising trend toward international interdependence. The intention here has been to characterize the current global climate - one under which liberal economics and free trade could foster economic development in the Third World, perhaps better than at any other time in history. A number of cases follow which identify several countries which have taken part in the evolution of this international economy and where they now participate fully. The economic results of these countries will be compared to several representative countries which pursued closed economic development strategies based on import-substitution. It will then be argued that as international interdependence increases, countries who have remained closed in the past will benefit by involving themselves more extensively in the global economy and that, simply put, never before has there been a better time to implement substantive economic reforms which favor the principles of liberal trade.

3 The Free Trade Experiences of Various Developing Countries

Given the increasing interdependence of the world economy, many countries of the developing world are currently beginning to develop free trade policies. A number of cases follow which describe the past and ongoing successes and failures of various countries with respect to development and specifically trade liberalization. An attempt is made to identify the reasons for their successes and failures by summarizing the specific economic policies which were pursued and then characterizing their results.

3.1 South Korea

Korea has achieved remarkable success in terms of creating real economic growth and increasing its citizens' standard of living. Korea's potential for economic growth seemed limited in the 1950s, given the fact that:[22]

- Korea has relatively few natural resources.
- Only 23% of Korea's land is arable and the climate is not favorable to agricultural activity.
- Korea has one of the highest population densities in the world (363 people/ square mile).
- Korea had been decimated by war. (Three-fifths of the cultivated land had been destroyed, property damage was in excess of $3 billion, most industrial facilities had been destroyed, the death toll was in the millions, and nearly a quarter of the population were left homeless refugees.)

Under the umbrella of massive Western aid, Korea began an import-substitution industrialization program in the 1950s under which it achieved only modest gains before finally converting to an export-oriented policy in the 1960s.[23] The following summary characterizes Korea's basic approach to trade liberalization and some of the results:[24]

Policy measures that were pursued:

- The Won was devalued to encourage exports.
- Export incentives were offered to compensate for high domestic inflation rates.
- The government controlled elements of the banking system to extend credit to potential export-oriented enterprises.
- Tax incentives were offered to exporters.
- Trade liberalization and tariff-reform measures were taken to increase market efficiency.

- Korea exploited its comparative advantage in low-cost labor to produce labor-intensive manufactured goods.

Some of the results:

- Exports averaged over 30% in annual growth during the 1960s and 1970s.
- National income from the industrial sector increased from 20% in 1960 to 42% in 1980. (Agriculture dropped from 38% to 16% during the same period of time.)
- High economic growth rates have led to periodic tax-rate reductions to further stimulate investment.
- Per capita income increased from $87 in 1962 to $1,600 in 1982.
- The GNP growth rate reached:

  2.2% in 1962

  6.9% in 1964

  8.1% in 1968

  and averaged 9% through 1979.
- Millions of new jobs have been created. (The unemployment rate went from 8.2% in 1963 to 3.9% in 1976 - during which time real wages increased at over 7%, accompanied by improvements in nutrition, literacy, longevity, infant mortality, and the consumption of automobiles, refrigerators, and other consumer goods.)

3.2 Singapore

Singapore offers another example of a successful export-oriented development experience. A city-state economy with essentially no natural resources, Singapore has used honest, efficient leadership, economic liberalism, hard work, and its strategic trading location to achieve a per capita income of US$5,000.[25]

Singapore was subjected to an import-substitution industrialization policy from 1959 through 1967, mostly during its union with communist Malaysia. After Singapore's expulsion from Malaysia in 1965, it began its shift back to a market-oriented economy. Its strategy of export-oriented industrialization included the following:[26]

Policy measures that were pursued:

- The government created incentives to export.
- Tax concessions on profits earned from export were established.
- Total foreign ownership of Singapore firms was allowed.
- No controls on capital movements or immigration were imposed.
- Incentives were created to encourage research and development in high-tech industries.
- The highest personal income tax bracket was lowered from 55% to 40%.
- Subsidies were created for manpower training programs.
- Unlike Korea, Singapore was able to fund all programs through tax revenues, incurring no foreign debt.

Some of the results:

- Real growth averaged approximately 9.3% between 1960 and 1980.
- Real wages and purchasing power grew accordingly.
- Per capita income increased from S$1,329 in 1960 to S$9,293 in 1980.
- Capital formation grew from 10% of the GNP in 1960 to 40% by 1980.
- Foreign investment rose at an annual rate of 50% from 1967 to 1972, from S$157 million in 1965 to S$3,380 million in 1975.
- Full employment was reached in 1970 following severe unemployment in the 1950s, even though the population grew from 1.6 million in 1960 to nearly 2.4 million in 1980 when a labor shortage ensued.
- Total imports and exports totalled S$7.5 billion in 1960 and exceeded S$92 billion by 1980, rising at an annual rate of 20% during the 1970s.

3.3 Taiwan

Like Korea and Singapore, Taiwan established an inward-looking import-substitution policy of industrialization during the 1950s. Bolstered by substantial foreign aid, this policy included the protection of high tariffs and quotas and an overvalued exchange rate to discourage imports and encourage domestic production. However, as economic aid from the U.S. began to dwindle in the late 1950s and early 1960s, Taiwan decided to promote exports. "To increase exports would require massive infusions of *private* foreign capital and technology. To earn foreign exchange, trade, not aid, became the watchword of developmental policy."[27] Taiwan's approach:[28]

Policy measures that were pursued:

- The New Taiwan Dollar was devaluted then allowed to stabilize at an exchange rate reflecting market supply and demand.
- The government liberalized and finally abolished the commodity import-quota system.
- Tariffs were reduced and import controls were liberalized.
- Three-year income tax exemptions were offered early on to encourage investment in certain categories of industries. (Later, even more generous tax incentives were introduced which have been directly linked to substantially increased growth rates.)
- Tax and company laws were revised.
- Factory establishment controls were relaxed.
- Interest rates were raised to encourage savings and reduce excess borrowing.
- Duty-free export processing zones were created.
- Exporters were reimbursed for customs duties and harbor dues imposed on imports used in the manufacturing of exports.
- Other incentives were created to control inflation and increase the efficient production of domestic goods.

Some of the results:

- Millions of new jobs were created during the 1960s and 1970s. (Full employment was reached by 1971.)
- Per capita income rose from a Post-WWII low of US$70 to US$2,280 in 1980.
- Real GNP has grown at an average annual rate of 9.2% over the last 30 years.
- The ratio of net domestic savings to national income has increased steadily, reaching about 30% in the 1970s, up from only 5% during the 1950s.
- The poorest segments of the population have benefited from higher real

household income rates than the richest segments, narrowing the gap between rich and poor.

3.4 Thailand

Thailand has also experienced impressive economic growth, especially in the past few years. Since 1978, the Thai economy has become increasingly free-market and export-oriented.[29] Some of the things Thailand has done and some of the results are:[30]

Policy measures that were pursued:

- The government has used a variety of export incentives, although market opportunities are thought to be responsible for most export growth.
- Tariff protection for key industries, such as clothing and textiles, has been used to some extent - although moderately compared to other developing countries.
- Tax incentives (exemptions and holidays), and credit subsidies, have been used to encourage export production.
- Investment incentives have been introduced.

Some of the results:

- Thailand's GNP espanded at 12% in 1988 and nearly 11% last year.
- Per capita GNP rose by nearly 50% over the three year period to 1989, from US$850 in 1987 to US$1,200.
- Since 1978, the proportion of manufactured goods in Thailand's total merchandise exports increased form 30% to 60%.
- By 1985, the leading export commodity became textile products, surpassing the previous leading export, rice. (Within two years, exports of Thai textiles rose to more than twice the level of rice exports.)
- The Thai manufacturing base for exports has diversified to include canned foods, plastic and rubber products, gems and jewelry, and electronics.

4. Liberalization and Legitimate Political Power

The cases of Korea, Taiwan, Singapore and Thailand are fairly representative of the experience of a number of countries, including Hong Kong, Chile, Colombia, Costa Rica, Ivory Coast, Malaysia, and others who have pursued trade liberalization policies.[31] As outlined above, all these cases share obvious commonalties in terms of specific trade liberalization reforms and mechanisms.

However, another common factor critical to their success is responsible and effective fiscal management by legitimate governments. One leading development expert, Dr. Tri Q. Nguyen, emphasizes the political aspect of development, blaming development failures largely on the weak political systems of LDCs.[32] His analysis of a number of cases (including both countries with successful and unsuccessful results) demonstrates "the overriding importance of the political dimension of development: The success or failure of development efforts made at the micro level ultimately depends on success or failure at the macro level, which in turn depends on whether the political leadership of an LDC succeeds or fails in building a viable polity."[33]

Of the success stories mentioned earlier (Korea, Singapore, etc.) the extent of government control varied in each case, but overall, each government demonstrated high levels of integrity as it pursued effective liberal economic policies. In the case of South Korea and Singapore, government was heavily involved in directing economic activities, but in both cases the use of power was legitimized by its positive and effective use.[34]

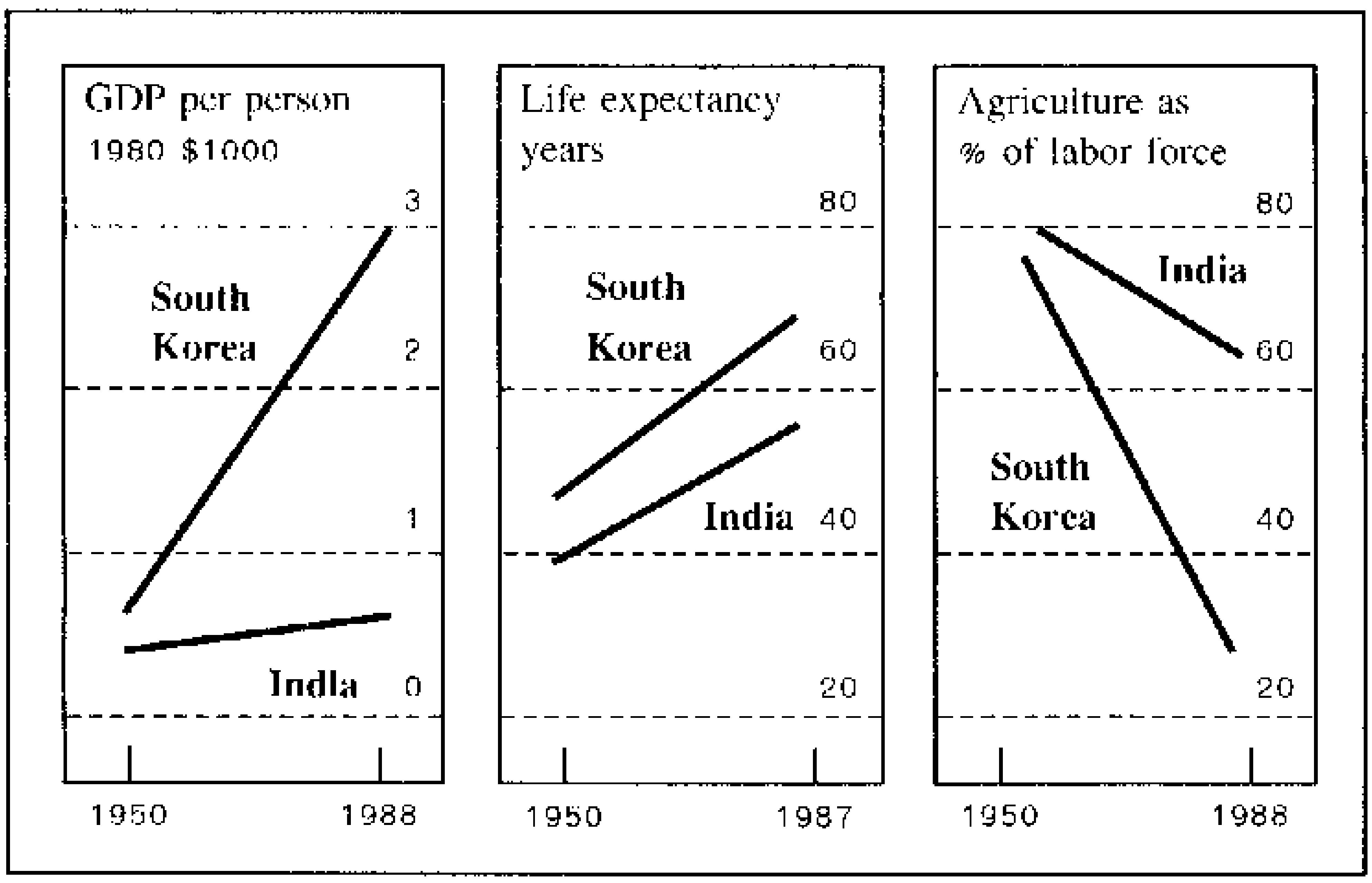
5. Some Comparisons

5.1 Ghana, India, and Others

During the same time that the countries summarized above were successfully pursuing policies based on liberal economics, much of the developing world was developing very slowly under closed economic policies which included import-substitution as the primary mechanism of development. The results for countries which pursued this strategy were poor across the board. The specifics of their programs will not be examined in great detail, but a small sample of some of their results will be presented for comparative purposes.

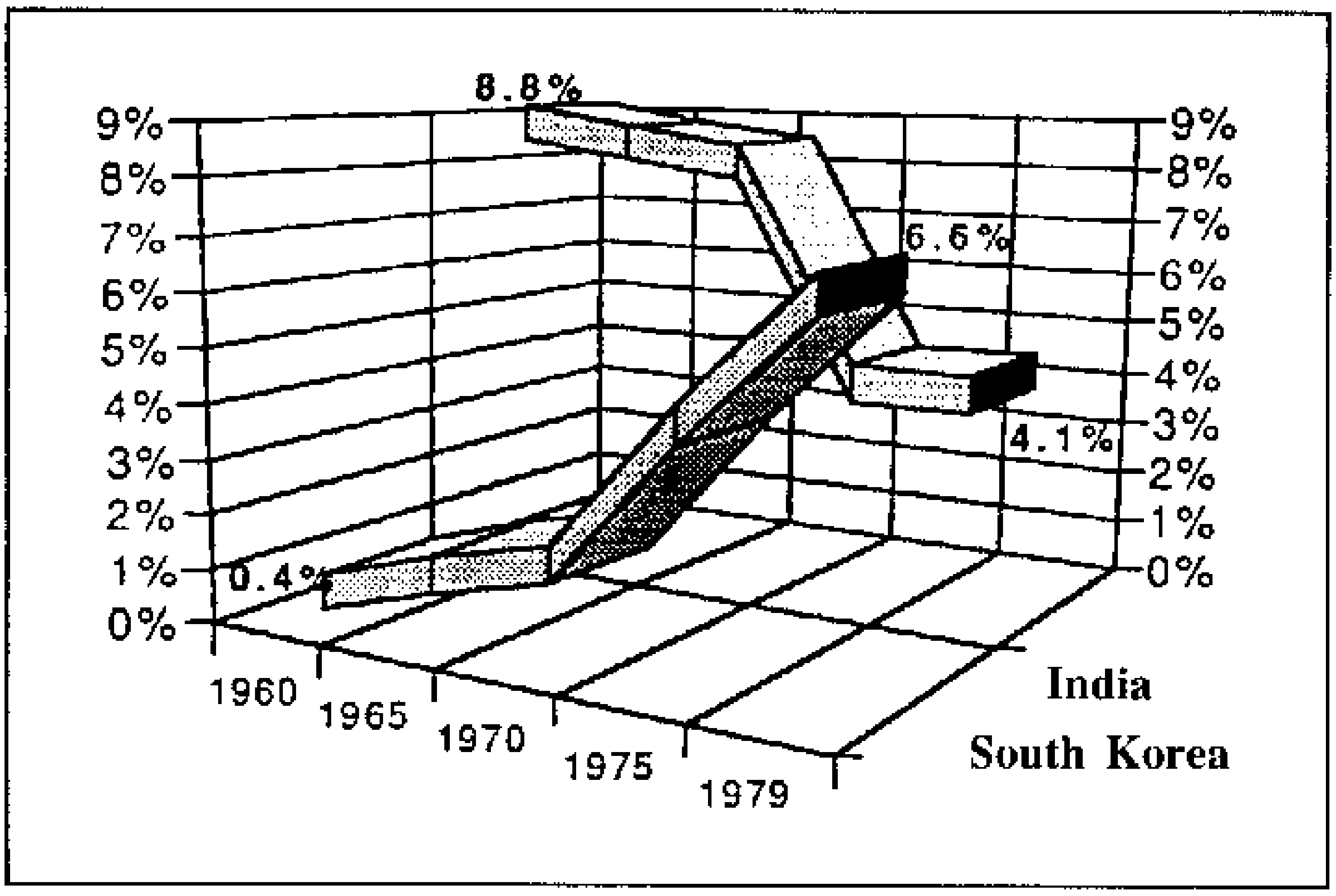
Ghana, for example, typifies the experience of a number of sub-Saharan African nations. In 1957, it was one of Africa's richest countries. It had the best educated population and was rich in resources (cocoa, gold, diamonds, bauxite, manganese, and mahogany). Per capita income was about the same as South Korea's - just under US$500. By the 1980s, however, South Korea's per capita income was five times that of Ghana. In fact, by the 1980s Ghana's per capita income had actually *decreased* nearly 20% to only US$400.[35]

Drawing a comparison between India and Korea may provide an even better example. In the 1950s, both shared similar economic conditions. Korea took the path of trade liberalization and export-orientation, whereas India maintained an inward-seeking policy of import-substitution. Some of the results are summarized here graphically:



Source: "The Third World: Trial and Error," **The Economist,** September 23, 1989, p. 4.

The divergent development paths of Korea and India's respective textile industries further illustrate the point. From 1960 to 1979, India's policies essentially protected the small-scale textile producers, discouraged the development of synthetic fibers, and gave no export incentives. Korea's policies, on the other hand, sought exactly the opposite. The results for India were stagnation, inefficiency and a loss of market share - the antithesis of the Korean experience.[36] The following table shows the relative percentage textiles market shares for India and Korea between 1960 and 1979:



Source: Dipak Mazumdar, "Import-Substituting Industrialization and Protection of the Small-Scale: The Indian Experience in the Textile Industry," **World Development** 19 (June 1991): 1206.

5.2 Failure Summarized

The problems of India and Ghana are essentially the same as many other under-developed countries. They are two-fold: bad government and inward-seeking economic policies. According to Nguyen:

> To shorten a long and complicated story, the failure of development efforts is assumed to be due basically to the weaknesses of the political systems of LDCs. Given the paramount importance of the political system in providing leadership and direction for all other systems - economic, social, and administrative - the political system's inability to fulfill its role adversely affects the performance of all other sectors.[37]

Unlike the success stories outlined earlier, many countries in the developing world have continued to pursue the ineffective economic policies which were popular in the 1950s and 1960s and have acquired inefficient, oversized governments. At least part of this propensity for over-sized government stems directly from highly protectionist, inward-seeking economic policies. According to **The Economist:**

> The result [of import-substituting] was a disaster. Almost immediately these countries found that their shortage of foreign exchange became much worse. The system they had set up to discourage the wrong sort of import turned out to be much more effective at discouraging every sort of export... Surprisingly, however, that was the least of their problems. Managing this protectionist apparatus - deciding what was an essential import and what was not, designating the industries that were to be encouraged, setting the necessary tariffs and quotas, and so on - embroiled governments in wide-ranging intervention across their economies. Among other things, that meant governments had to get bigger. The bigger they became, the bigger their ideas became.[38]

Peru offers a prime example of this sort of phenomenon. A few examples of how a constrictive, over-sized government thwarts economic development follow:[39]

- Nearly 60% of Peruvians are black market entrepreneurs.
- Approximately 289 days (6 hours per day) are required to register a firm in Peru. (It takes about 4 hours to accomplish the same thing in New York City; the Peruvian, therefor, has to work 433 times as long as a North American to start a business.)
- It takes about 12 years in Peru to organize an authorized street market.
- Of the existing retail markets in Lima, 274 were built illegally - part of the enormous informal economy - while only 57 were built with proper authorization.
- Most houses constructed in Peru's poor neighborhoods are illegal.
- If a representative of a small housing association wanted to organize the construction of a housing project for 100 families on a parcel of abandoned

government land, she or he would have to visit 52 government offices and fill out 207 different forms, working 8 hours a day for just under 7 years before the land could be conveyed for housing purposes.

- In 1985 there were only 3 legal conveyances of land in Lima and over 282 illegal occupations of government land.
- Of every \$7.00 that a small legal enterprise pays to the government, \$1.00 goes in the form of taxes while the other \$6.00 is absorbed in bribes, social costs, and bureaucratic red tape.
- Only 3.5% of all Peruvian homes are titled. (This means no collateral for mortgage loans to finance small enterprises; 80% of small enterprises in the U.S. are financed through home mortgage loans.)
- In Peru, and most of Latin America, property rights - even in the legal sector - are not secure.
- Peru makes 27,000 rules a year. (111 rules a day, 99% of which are made by the executive branch - only 1% by the legislative branch.)
- Peruvian managers in Lima spend 45% of their time involved in politics.
- Under Peruvian law there is no access to public information.

Anne Krueger, Vice President, Economics and Research Staff at the World Bank, summarizes the propensity for over-protectionist and over-sized government to preclude efforts for real economic growth:

> The experience of the past three decades has convinced almost all analysts that systems of direct controls and attempts to "thwart the market" are inefficient, if not ineffective, instruments for achieving virtually any objective. The enormous success of Europe and Japan in expanding output and raising living standards was clearly related to the sustained liberalization of trade and capital flows. For the developing countries, progress has differed markedly between countries, and a major explanatory factor has been significant differences in economic policies. The highly successful developing countries have generally had liberalized trade and payments regimes, which in turn

have been feasible only with relatively liberal domestic economic policies.[40]

6. GATT : Trade Liberalization Facilitator

As more and more developing nations begin to catch on and scramble towards free trade reforms, the GATT maintains enormous potential in helping them become a viable part of the expanding global economy. Never before have the LDCs and NICs of the world been in such a position to take part in the world economy and never before have they been so involved in GATT talks. According to T. Ademola Oyejide, an economist at the University of Ibadan, Nigeria:

> A good strategy for pursuing a development-oriented trade policy and international economic relations in developing countries, such as those in Africa, is to assist in sustaining an essentially open international trading system that also recognizes and takes account of significant differences in the level of development of various participating countries. A suitable forum for this is provided by the Uruguay Round of multilateral trade negotiations which has general objectives aimed at ensuring a more open global trading system while, at the same time, the general principles of the negotiations provide explicit recognition for the special situation of developing countries.[41]

6.1 Potential Uruguay Round Result: Net World Benefit

There seems to be little doubt as to the overall potential positive effects of the successful Uruguay Round, currently in its fifth year of negotiations. Three leading Canadian Economists, Trien T. Nguyen, Carlo Perroni and Randall M. Wigle have developed a model which predicts the benefits of both of two possible Uruguay Round scenarios: a maximizing "comprehensive" outcome where major reforms are achieved, and a more modest "face-saving" outcome where there is "enough of an agreement to preserve some sense of achievement but involving little progress on the contentious areas of agriculture, services and textiles."[42] Their results are impressive to say the very least.

The model combines similar commodities and similar countries into groupings, then predicts the impact of each of the two Uruguay Round outcomes on each commodity and country group. The following aggregates of commodities and countries can be used to interpret the results in the tables which follow.

Commodity Aggregation

AGR	*Agriculture and Food:* agriculture, food manufacturing, hunting, trapping.
BSI	*Basic Intermediate:* fabricated goods, primary metals, wood products, textile fibres, electrical energy, chemicals.
MIN	*Mining and Resource Extraction:* mining, energy products.
LIN	*Light Industries:* clothing, yarn, cloth, furniture.
FRF	*Forestry and Fishing Products:* timber, pulp and paper, fish landings.
FCG	*Finished Capital Goods:* vehicles and parts, machinery and equipment.
HTC	*High-Tech Manufactures:* pharmaceuticals, cosmetics, jewelry, instruments, scientific equipment, electrical machinery.
INM	*Intermediate Manufactures:* fixtures, electrical equipment, office supplies, printing and publishing.
SVC	*Non-Factor Services:* personal services, business services, government services.

Country Aggregation

AGX	*Middle-Income Agricultural Exporters:* Brazil, Argentina, Indonesia, Thailand, Malaysia, Philippines.
AGM	*Middle-Income Agricultural Importers:* South Korea, Taiwan, Hong Kong, Singapore.
CNP	*Centrally Planned Economics:* Bulgaria, Hungary, East Germany, Cuba, Mongolia, Poland, Romania, Soviet Union, Czechoslovakia, Yugoslavia, Peoples' Republic of China.
OWE	*Other Western European Economies:* Sweden, Norway, Finland, Switzerland, Austria.

USA	*United States of America*
CAN	*Canada*
EEC	*European Economic Community:* United Kingdom, France, West Germany, Italy, Holland, Belgium, Luxembourg, Spain, Portugal, Ireland, Denmark, Greece.
JPN	*Japan*
ANZ	*Australia and New Zealand*
ROW	*Rest of the World:* All other countries, notably, all of Africa, all of Latin America (except Brazil, Argentina, and Cuba), and all of Asia (except Peoples' Republic of China, Mongolia, Japan, South Korea, Thailand, Indonesia, Malaysia, Singapore, Hong Kong, Taiwan, and the Philippines).

The results of the simulation for the first scenario, a comprehensive agreement, are very favorable, predicting a significant increase in global welfare benefits if such a settlement is reached.

Comprehensive Agreement Outcome

Region	Welfare and (%)	Terms of Trade ($B)	Terms of trade (% change)
AGX	2.3	12.1	8.1
AGM	2.9	7.6	13.9
CNP	0.6	23.6	6.8
OWE	1.6	9.3	-1.5
USA	1.7	73.5	-0.8
CAN	2.5	9.3	1.3
EEC	1.7	60.4	-5.1
JPN	2.5	50.1	-4.2
ANZ	1.6	3.2	7.3
ROW	0.7	13.3	1.1
WORLD	1.5	262.5	

Percentage Changes in Sectoral Employment

	AGR	BSI	MIN	LIN	FRF	FCG	HTC	INM	SVC
AGX	-5.1	1.1	-4.3	44.3	1.9	-9.4	-6.7	-5.8	1.4
AGM	-27.3	25.8	-7.2	104.5	-5.4	-24.1	-18.5	-18.2	1.2
CNP	0.9	-0.3	-1.0	3.4	-0.1	-1.5	-0.8	-0.1	0.1
OWE	-29.0	2.4	5.0	-18.4	4.0	5.2	10.6	4.2	3.7
USA	-21.3	-11.6	3.8	-22.6	-6.4	9.0	8.6	6.0	4.2
CAN	-23.0	-12.1	1.2	-13.2	0.0	7.1	6.6	6.7	5.6
EEC	-32.3	3.0	7.6	-17.4	3.7	7.4	10.7	5.2	4.3
JPN	-40.5	6.3	5.9	10.9	-0.4	7.0	7.9	5.5	6.5
ANZ	2.1	-1.7	-0.7	-32.6	1.2	-7.1	-7.7	-7.1	0.3
ROW	3.7	-1.3	1.6	-10.5	-0.1	-4.9	5.9	-7.0	0.3

As an example for interpreting this table, a comprehensive Uruguay Round agreement could be expected to result in a 5.1% *decrease* in agricultural employment (AGR) among middle-income agricultural exporting countries (AGX). At the same time, an employment *increase* of 44.3% in the area of light industries (LIN) could be expected for countries in that same group (AGX).

Percentage Changes in Exports

	AGR	BSI	MIN	LIN	FRF	FCG	HTC	INM	SVC
AGX	19.6	-1.9	-7.9	364.8	-2.7	-11.9	-9.4	-13.5	-3.8
AGM	-4.8	-19.5	-6.4	284.4	-20.3	-23.6	-22.3	-16.3	-14.2
CNP	49.8	-6.0	-13.2	274.5	-7.3	-14.9	-11.8	-12.3	-3.2
OWE	-3.5	7.4	5.3	16.7	5.7	9.2	9.8	8.8	6.3
USA	18.7	11.3	1.2	43.2	11.1	11.7	16.4	14.4	8.0
CAN	6.0	-7.7	11.1	15.7	2.1	6.9	7.4	7.6	6.0
EEC	0.5	20.8	13.3	46.7	11.8	12.8	15.2	15.9	10.9
JPN	0.4	30.1	14.7	45.4	8.2	8.5	13.5	7.9	5.6
ANZ	22.1	9.7	-0.9	48.4	4.7	12.3	-2.2	0.9	1.0
ROW	68.9	2.8	2.7	2.4	3.6	6.0	7.5	1.1	1.3

As an example for interpreting this table, a comprehensive Uruguay Round agreement could be expected to result in a 2.2% *decrease* in high-tech (HTC) exports from Australia and New Zealand (ANZ). At the same time, an export *increase* of 12.3% in the area of finished capital goods (FCG) could be expected for these two countries.

The economists who developed this model say that the most impressive feature of the results is that they suggest that a comprehensive agreement could bring about a *Pareto-improving* policy change with a considerable net world benefit.

As the results indicate, the most negatively affected sectors in terms of employment and economic activity would be:

- The agricultural sectors of most developed economies and the agricultural importers region.
- The basic intermediate sectors in Canada and the US.
- The light industry sectors of all non-MFA countries.

Those who would benefit the most in terms of sectoral employment and increased export opportunities:

- The light industry sectors in the agricultural regions AGX, AGM and to a lesser extent, in Japan (JPN). (This would largely be a result of an expansion in the textile and clothing sectors in East Asian countries who would benefit from the elimination of the Multi-Fibre Arrangement.)
- The service sectors of all OECD economies and to a lesser extent, Australia and New Zealand.

The authors mention that "The negative impact on most of OECD agriculture is a reflection of the high levels of support currently given to this sector. This may explain the reluctance of some OECD countries (notably Japan and the EEC) to liberalize in this area. Agriculture is heavily subsidized in most OECD countries with the notable exception of Australia and New Zealand who are least negatively affected by liberalization."[43]

As was mentioned earlier, a face-saving outcome to the Uruguay Round would not yield such impressive results. Nevertheless, the results would still be *much* more favorable than if no agreements were reached whatever.

7. Ways GATT Can Specifically Help the Developing World

Arguably the most ambitious of all the negotiating rounds of the GATT, the Uruguay Round has the potential of truly widening the scope of international trading relationships to levels of unprecedented openness. The developing world has much to gain. Some of the specific aspects of trade currently being negotiated in the Uruguay Round which directly impact the developing world follow.

The MFA

The Multi-Fibre Arrangement (MFA) is described as being "one of the most comprehensive and discriminatory deformations of the international trading system", which "discriminates against developing countries' most important manufactures in a selective manner," and which "prescribes managed trade," and "contradicts both the letter and the spirit of the GATT..."[44] The MFA is a framework of "voluntary export restraints" regulating - and severely limiting - textile and clothing exports of most developing countries through a series of bilaterally negotiated quota agreements.

A number of strategies for dealing with the MFA are being considered as part of the Uruguay Round talks, ranging from different ways of re-structuring the MFA to eliminating it altogether. There is little question, however, that something should be done to allow the Developing World countries greater export opportunities so they can capitalize on their comparative advantages associated with the production of clothing and textiles.

Agriculture

Agriculture is another area where Developing Countries should be given greater opportunities.

> Opening agricultural markets would provide ready markets for the debt-burdened Latin Americas. Global liberalization of the agricultural sector would also be an important potential stimulant of growth in many developing countries... There is a direct link between excess production and protection of agriculture in Europe, the United States and Japan, and the solution to the debt problem and improvement of global food production.[45]

In a similar vein, Romeo M. Bautista of the IFPRI in Washington, D.C. notes that an imperative part of current GATT negotiations involves the "rolling back of developed country protectionism in both agricultural and labor-intensive manufactured goods" which would "give a boost to the export performance of LDCs in products of their comparative advantage."[46] (Currently Japan, some members of the EC - particularly France - and to some extent the United States are subsidizing their comparatively disadvantaged agricultural sectors.)

As for the argument that OECD countries' agricultural policies are based on national security issues, L. Alan Winters, an economist at the University of Birmingham, UK, concludes that such an argument "cannot withstand serious analysis."[47] He says the continuation of the security argument is a result of "the need of politicians and the farm lobbies to find unchallengeable excuses for supporting farming... What better way to scare the public into submission than to invoke threats to national security?"[48]

TRIPs

Trade Related Aspects of Intellectual Property Rights (TRIPs) is another central issue of the Uruguay Round which directly impacts the Developing World. Keith E. Maskus, Professor of Economics at the University of Colorado, Boulder, concludes that extending intellectual protection to the LDCs would benefit the patent and copywrite owners in the West and, indeed, produce a net world benefit in terms of resource allocation but would not be favorable to the developing world - especially the poorest segments.[49]

As such, and regarding current GATT discussions about TRIPs, Maskus says that it may be reasonable "to exempt the poorest developing countries from any negotiated disciplines on IP [Intellectual Property]."[50] GATT Director General Arthur Dunkel's latest proposal would give developing countries a 10 year transition period to come into compliance with intellectual property protection.[51] Maskus recommends that industrial countries compensate more developed Third World countries who do participate in gradual and flexible IP agreements, such as in the form of greater market access in textiles and agriculture.[52]

A closely related issue is that of technology transfer. Katherin Marton, Professor of Economics at Fordham University, Graduate School of Business Administration, and Rana K. Singh, former Director of the United Nations Centre for Science and Technology for Development, indicate a high correlation between inflows of technology to developing countries and export growth. They site Korea, Singapore, Taiwan and Hong Kong, and since 1987, Thailand as examples of recipients which have received substantial inflows of investment and technology. All of these, as mentioned earlier, have experienced rapid economic growth. They also note, however, that aggregate flows of technology to developing countries as a whole have been slow and declining.[53]

Greater Participation

As Third World countries are beginning to accelerate their trade liberalization efforts, their role in the GATT is beginning to increase as well. One proposal to help encourage LDC participation in the GATT would be the creation of an office of a legal ombudsman within GATT to represent the interests of requesting developing countries and, as occasion requires, initiate dispute settlements on their behalf.[54]

Protectionism

The whole purpose of the GATT is to reduce protectionist barriers to free trade among member nations by removing or eroding such things as tariffs, government subsidies, and quotas. Beyond these, however, there are other protectionist barriers to free trade which are being practiced more and more frequently. These non-tariff barriers (NTBs) are being actively pursued by many of the "free-market" countries of the industrial world. The most common NTBs, anti-dumping and countervailing-duty actions[55], are becoming increasingly commonplace. Julio Nogués, a senior economist at The World Bank, contends that this increase is the result of:

- The economic decline of industrial countries accompanied by a revival of protectionism.
- The extensive subsidies of the developing world, particulary Latin America.[56]

Nogués essentially argues that *both* government subsidies of exports from Third World countries and retaliatory actions of the industrialized world have been costly in economic and social terms.[57] The GATT framework needs to be enlarged to deal more effectively with *all* types of barriers to trade.

8. CONCLUSION

Prescriptions have been presented throughout this paper and will not be elaborated any further here except to say, in sum, that given the trend for increasing global economic interdependence, the historic failure of inward-seeking economic development strategies, and the success of market-driven, outward-seeking policies based on liberalized trade, developing countries would do well to embrace liberal economic policies, capitalize on their comparative advantages and become a part of the global economy.

And, in fact, many LDCs are doing just this. Many of the developing world's typically closed economies are beginning to open up. Regional trading blocks are forming not only in the developed world (e.g. the EEC and NAFTA) but among many groups of LDCs and NICs as well. A few examples:[58]

Andes Pact (Venezuela, Colombia, Bolivia and in time Peru and Ecuador.) This pact hopes to set a common external tariff of somewhere between 5-20%.

MERCOSUR (Argentina, Brazil, Uruguay and Paraguay.) By 1994, a completely free market in goods, services and labor is expected for Argentina and Brazil and by 1995, Uruguay and Paraguay.

CARICOM (English-speaking countries of the Caribbean.) This organization is in the process of establishing a common external tariff.

PAFTA (Pan-American Free Trade Area.) Called for by President Bush in his 1990 "Initiative for the Americas," this trading block would be an outgrowth of NAFTA and extend from "Alaska to Tierra del Fuego." During the past several years, 16 "framework" agreements have been signed with Latin American countries.

Group of Three Accord (Colombia, Mexico and Venezuela.) These countries are negotiating an agreement to remove all trade barriers by 1994.

ASEAN (Association of South East Asian Nations - Indonesia, Malaysia, Thailand, the Philippines, Singapore and Brunei.) This group recently signed an agreement to gradually reduce trade barriers to create an ASEAN free trade area in 15 years or less.[59]

A number of other bilateral and multilateral agreements and trading blocks are forming, all with the objectives of freeing trade and opening up economies. Unilateral economic policy changes are also being made to foster growth. For example, Brazil recently introduced new measures to create export incentives expected to generate an additional $3 billion in exports this year.[60] In an effort to stimulate imports as well, tariffs averaging 24% will fall to 17% by July of next year.[61] Incidentally, Brazil has also taken measures to clean up its government and correct some of its political barriers to trade liberalization. President Fernando Collor de Mello's entire cabinet recently resigned following allegations of widespread corruption. A prominent Brazilian banker expressed his approval saying, "The weakness of this government isn't economic, it's political, and this reform attacks the government's weakness."[62]

India offers another example of recent policy shifts in favor of trade liberalization. As part of India's economic program, traditionally protective trade regulations are being eased and government import/export controls are being freed.[63] Alan Oxley, Managing Director of International Trade Strategies, says:

> The Third World presents a mixed picture. There has been spectacular success, especially among the East Asian economies. Within a decade - sooner for some - they will have the full attributes of industrialized countries. The situation of these countries today may be compared to that of the democracies of Europe immediately after the Second World War. Their economies are not devastated, but for sustained growth they need an open international trading system and need to be encouraged to liberalize their own economies. They are demonstrating readiness to lower trade barriers and liberalize. Some face the choice now which faced Japan in the 1960s of basing continuing growth on exports and restricting access to domestic markets or of integrating their economies fully into an open international trading system.[64]

This paper has not argued that trade liberalization is the *only* way for developing countries to achieve economic growth. Indeed, development entails much more than simply increasing a country's per capita GDP. Development is about improving the conditions of people's lives, and a variety of strategies have been developed and are being practiced to do just that. Some of the most successful of these are relatively small endeavors working at the grassroots level.

Welfare issues abound and legitimate questions regarding the distribution and concentration of net gains in wealth remain. The moral factor has not been expressly dealt with in this paper, although it was implied in portions addressing the need for legitimate use of political power to bring about positive change.

Having been written from the perspective of an idealist advocate of liberal economics, it seems only fitting to end with Adam Smith - one who is most often quoted (or mis-quoted) for his economic theories. Perhaps his writings on moral philosophy are even more important. In the same spirit as Robert Reich's "global citizenship" mentioned earlier, Adam Smith has stated:

> Man, according to the Stoics, ought to regard himself, not as something separated and detached, but as a citizen of the world, a member of the vast

> commonwealth of nature. To the interest of this great community, he ought at all times to be willing that his own little interest should be sacrificed. Whatever concerns himself, ought to affect him no more than whatever concerns any other equally important part of this immense system.[65]

> One individual must never prefer himself so much even to any other individual, as to hurt or injure that other, in order to benefit himself, though the benefit to the one should be much greater than the hurt or injury to the other... There is no commonly honest man...who does not inwardly feel the truth of that great stoical maxim, that for one man to deprive another unjustly of any thing, or unjustly to promote his own advantage by the loss or disadvantage of another, is more contrary to nature, than death, than poverty, than pain, than all the misfortunes which can affect him, either in his body, or in his external circumstances.[66]

The argument of this paper has been that while *alone* they cannot cure all the ails of the developing world, economic reforms favoring liberal trade policies have proven to be effective tools in generating wealth and increasing living standards. The hope of this paper's author is that these and other sound development strategies will be pursued in the same spirit of altruism spoken of by the "Father of Economics."

FOOTNOTES

[1] "The Third World : Trial and Error," **The Economist,** September 23, 1989, p. 5.

[2] The critical need for substantive political reform along with economic reform in many countries is recognized here. It will be addressed later on but not in great detail as it is outside the scope of this paper.

[3] Alvin Y. So, **Social Change and Development.** (Newbury Park: SAGE Publications, 1990), pp. 261–63.

[4] "The Third World: Trial and Error," *op. cit.,* p.5.

[5] Alvin Y. So. *op. cit.*, p. 268.

[6] James N. Rosenau, Turbulence in World Politics: A Theory of Change and Continuity. (Princeton: Princeton University Press, 1990), p. 12.

[7] *Ibid.*, pp. 12-13.

[8] Robert B. Reich, **The Work of Nations: Preparing Ourselves for 21st Century Capitalism.** (New York: Alfred A. Knopf, 1991), p. 3.

[9] *Ibid.*, p. 8.

[10] *Ibid.*

[11] *Ibid.*, pp. 306-8.

[12] *Ibid.*, p. 8.

[13] "Economic Growth: Explaining the Mystery," **NECO**, January 4, 1992, p. 15.

[14] Robert B. Reich, *op. cit.*, p. 8.

[15] *Ibid.*, p. 301.

[16] *Ibid.*, pp. 81-86.

[17] *Ibid.*, p. 110.

[18] *Ibid.*, p. 120.

[19] *Ibid.*, p. 306.

[20] *Ibid.*, p. 308.

[21] *Ibid.*, pp. 312-14.

[22] Alvin Rabushka, *From Adam Smith to the Wealth of America.* (New Brunswick: Transaction Books, 1985), pp. 168-69.

[23] *Ibid.*, p. 170.

[24] *Ibid.*, pp. 171-74.

[25] *Ibid.*, p. 150.

[26] *Ibid.*, pp. 150-59.

[27] *Ibid.*, p. 163.

[28] *Ibid.*, pp. 163-68.

[29] "Thai Baht." **International Currency Review,** January, 1992, p. 251.

[30] *Ibid.*, pp. 249-51, and from Suphat Suphachalasai, "Export Growth of Thai Clothing and Textiles." **The World Economy** 13 (March 1990): 51 73.

[31] The Third World: Trial and Error," *op. cit.*, p. 5.

[32] Tri Q. Nguyen, **Third-World Development: Aspects of Political Legitimacy and Viability.** (London: Associated University Presses, 1989), p. 30.

[33] *Ibid.*, p. 96.

[34] *Ibid.*, p. 84.

[35] "The Third World: Trial and Error," *op. cit.*, p. 39.

[36] Dipak Mazumdar, "Import-Substituting Industrialization and Protection of the Small-Scale: The Indian Experience in the Textile Industry," **World Development** 19 (June 1991): 1208-1209.

[37] Tri Q Nguyen, *op. cit.*, p. 30.

[38] 'The Third World: Trial and Error,' *op. cit.*, p. 5.

[39] Hernando De Soto, "What's Wrong with Latin American Economies? Elections without Democracy, Regulations Without Law, a Private Sector without Capitalism," **Reason,** October, 1989, pp. 38-42.

[40] Armeane M. Choksi and Demetris Papageorgiou, eds. **Economic Liberalization in Developing Countries.** Oxford: Basil Black well Ltd., 1986, p. 15.

[41] T. Ademola Oyejide, 'The Participation of Developing Countries in the Uruguay Round: An African Perspective," **The World Economy** 13 (September 1990): 427.

[42] Trien T. Nguyen, Carlo Perroni, and Randall M. Wigle, "The Value of a Uruguay Round Success," **The World Economy** 14 (December 1991): 359.

[43] *Ibid.*, p. 368.

[44] Refik Erzan, and Paula Holmes, "Phasing Out the Multi-Fibre Arrangement.' *The World Economy* 13 (June 1990): 191.

[45] Alan Oxley, **The Challenge of Free Trade,** New York: St. Martin's Press, 1990, p. 24.

[46] Romeo M. Bautista, Price and Trade Policies for Agricultural Development," **The World Economy** 13 (March 1990): 105.

[47] L. Alan Winters, "**Digging for Victory** : Agricultural Policy and National Security,' **The World Economy** 13 (June 1990) : 188.

[48] *Ibid.*

[49] Keith E. Maskus, "Normative Concerns in the International Protection of Intellectual Property Rights,' **The World Economy** 13 (September 1990): 407

[50] *Ibid.*, p. 408.

[51] Terence Roth, "GATT's Negotiations Down to the Wire," **The Wall Street Journal,** March 6, 1992, p. A8.

[52] Keith E. Maskus, *op. cit.*, ;. 408.

[53] Katherin Marton and Rana K. Singh, 'Technology Crisis for Third World Countries." **The World Economy** 14 (December 1991): 201.

[54] T. Ademola Oyejide, "The Participation of Developing Countries in the Uruguay Round: An African Perspective," **The World Economy** 13 (September 1990): 439.

[55] Anti-dumping actions are applied against the supposed predatory pricing actions of

foreign exporters who are dumping goods at prices below market value. Countervailing duties are levied in order to compensate for unfair advantage against foreign exports which have been supported by government subsidies.

[56] Julio Nogués, "Less-Than-Fair Trade Cases Against Latin American Countries," **The World Economy** 14 (December 1991): 477-79.

[57] *Ibid.*, p. 490.

[58] Diana Brand, "Free Trade in Latin America: A Successful Way Out of Crisis?" **Intereconomics** 26 (November/December 1991): 286-95.

[59] Victor Mallet, "ASEAN Members Sign Pact on Area Tariff Cuts,' **Financial Times**, January 29, 1992, p. 7.

[60] "Brazil Acts to Boost Trade." **The Wall Street Journal**, February 19, 1992, p. A9

[61] *Ibid.*

[62] Thomas Kamm, "Brazil's Cabinet Resigns in Bid For Clean Slate, "**The Wall Street Journal**, March 31, 1992, p. A15.

[63] Suman Dubey, "India Relaxes Trade Policies For Five Years," **The Wall Street Journal**, April 1, 1992, p. A9.

[64] Alan Oxley, *op., cit.*, p. 23.

[65] Adam Smith, **The Theory of Moral Sentiments**, edited by D.D. Raphael and A.L. Macfie, (Indianapolis: Liberty Classics, 1982), p. 140.

[66] *Ibid.*, p. 138.

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