

ISSN 0856-6291

ECONOMIC AND SOCIAL RESEARCH FOUNDATION
(ESRF)



Implications of the Uruguay Round
Agreement On
Tanzania's Development

Policy Dialogue Series No. 001

IMPLICATIONS OF THE URUGUAY ROUND AGREEMENT ON TANZANIA'S DEVELOPMENT

1.0 INTRODUCTION

- 1.1 This policy dialogue paper aims to provide an overview and an assessment of key aspects of the Uruguay Round that are of specific relevance to Tanzania.
- 1.2 The Uruguay Round, which was instigated by the developed countries and especially the United States, marks a major departure from the previous trade negotiations in the framework of GATT. Hitherto, the scope of trade negotiations centred on regulation of trade in goods. However, acting in response to the recession of the early 1980s in the developed economies, resulting from a sluggish rate of growth, the Uruguay Round extended the scope of multilateral trade negotiations to other areas, including : Trade-Related Aspects of Intellectual Property Rights (TRIPs), trade in services, Trade Related Investment Measures (TRIMs) agriculture, textiles and clothing, balance of payments provisions, safeguards, anti-dumping measures and countervailing duties, subsidies, and rules and procedures governing the settlement of disputes.

1.3 Central to the thrust of the Uruguay Round was the hope that the persistent balance of payments deficit and the declining competitiveness of the US economy would be turned around by need-specific multilateral decisions which would regenerate and foster markets for US goods and services. The United States was particularly eager to bring into the multilateral framework those areas in which it had developed competitive edge, namely trade in services and trade related investment measures. The US was also eager to improve its market access in agriculture where it perceived as enjoying competitive advantage.

2.0 THE OUTCOME OF THE URUGUAY ROUND

The Uruguay Round, as reflected in the Final Act which was adopted at Marrakesh, Morocco in April 1994, embodied the following agreements:

2.1 Agreement on Trade-Related Aspects of Intellectual Property (TRIPs)

2.2.1 Until the 1980s, protection of intellectual property rights had never constituted part of the trade regime. The central interest focused on the public rather than on the patent holder and patents were viewed as means for promoting transfer and indigenous development of technology. However, with science-based technologies

becoming a key factor for competitive advantage, developed nations decided to side with their transnational corporations by seeking to safeguard their interests. The agreement on TRIPs is testimony to the thrust.

- 2.1.2 Protection of intellectual property rights is inherently anti-competition and anti-liberalisation since they provide a higher level of protection to monopoly owners who can fix prices at high levels and manipulate the market to foster their interests. These rights, moreover, which embrace patents, trademarks, copyrights, industrial designs, geographical indications, layouts of integrated circuits and undisclosed information, reinforce the technological asymmetry that exists between developed and developing countries and its impact is the consignment of developing countries to being mere markets for goods and services resulting from such property rights.

- 2.1.3 The TRIPs Agreement provisions for the Least Developed Countries (LDCs) relate to transitional period, technical assistance and transfer of technology. LDCs are allowed to delay the application of the agreement for 10 years (with one year grace from accession to the WTO) compared to 5 years for other developing countries. Tanzania is categorised as a Least Developed Country.

2.2 **Agreement on Trade in Services (GATS)**

2.2.1 It should be noted that developing countries were vehemently opposed to introducing trade in services under the framework of GATT largely because of their low technology level which erodes their competitive edge vis a vis the transnational corporations of developed nations. GATS covers all sectors of international trade in services such as banking, air transport, telecommunications, professional services, tourism, financial services, construction, maritime transport and insurance.

2.2.2 The GATS principally outlines general obligations such as the extension of Most Favoured Nation (MFN) principle, maintenance of transparency and a commitment to liberalisation. Article XVI of GATS provides specific commitments regarding foreign market access to financial services and free movement of labour.

2.2.3 GATS provides both short-term exemptions and long-term development considerations for the Least Developed Countries. These embody the following:

- taking into account the serious problems of LDCs when applying the GATS.
- giving priority to LDCs when negotiating

specific commitments and when determining greater participation of developing countries in trade in services.

- paying special attention to requirements of LDCs in the progressive liberalisation in trade in services.
- availing to LDCs more technical assistance in the application of GATS.

Agreement on Trade-Related Investment Measures (TRIMs)

The agreement on TRIMs identifies four investment measures which are deemed to be in line with the GATT provisions on according national treatment and on general elimination of quantitative restrictions. These are measures which impose on foreign investors the obligation:

- (i) to use local inputs;
- (ii) to produce for export as condition of using imported goods as inputs;
- (iii) to balance outgoings of foreign exchange on imported inputs with foreign exchange earnings through export;
- (iv) not to export more than a specified proportion of the local production.

- 2.3.2 Pursuant to the TRIMs Agreement, the measures taken with respect to the four investment categories outlined above must be notified within 90 days of entry into force of the Agreement establishing the WTO and they will have to be eliminated within 5 years by the developing countries and 7 years by the least developed countries. The Agreement provides flexibility for a developing member country to deviate temporarily from the obligation to eliminate such measures for balance of payments constraints, infant industry promotion etc.
- 2.3.3 The TRIMs Agreement lacks a provision to deal with restrictive business practices of foreign investors.

2.4 **Agreement on Agriculture**

- 2.4.1 The Uruguay Round has made history by bringing agriculture in the GATT/WTO framework. It must be understood, however, that liberalisation of agriculture and globalisation of agriculture have emerged following achievement of self sufficiency in the production of key agricultural products by the developed countries, and after these countries having achieved exportable surpluses and after the share of agriculture in their GNP touching a very low level. Such removal of agricultural protection and subsidies could lead to escalation of prices of food in world markets. Of course such price increases can provide net benefits for developing countries as a whole. However, countries afflicted with food deficits, many of where are LDCs, can suffer

income losses as they would have to pay for higher bills of food imports.

2.4.2 However, the agreement on agriculture provides several special considerations with respect to developing countries. These include:

- their commitments to liberalise is limited to only two thirds of those undertaken by developed countries.
- implementation period is 10 years instead of 7 years for developed countries.
- a reduction of domestic support in the total value of production is restricted to maximum of 10% vis a vis 5% for developed countries.
- a number of items have been excluded from the list of domestic support measures, as well as export subsidies, which are subject to reduction. Developing countries can claim exemption for subsidies linked to development programmes, such as investment subsidies and input subsidies for low income producers. Subsidies on marketing costs, internal transport etc may also be exempted.
- least developed countries are additionally exempt from all commitments concerning export subsidy, domestic support measures and tariff cuts.

2.5 Agreement on Textiles and Clothing

2.5.1 The Agreement to integrate trade in textiles and clothing into GATT by phasing out the discriminatory and protectionist Multi-Fibre Agreement (MFA) is, theoretically, a major gain for developing countries. However, the scheme of phasing out over a 10 year period means that the envisioned liberalisation may not commence from the outset of the Agreement.

2.5.2 Developing exporting countries should not, therefore, expect to benefit from meaningful trade liberalisation in textiles in the immediate future given the stipulated structure of integration of the MFA into GATT/WTO. Indeed, if the liberalisation of sensitive items can be postponed until towards the end of the implementation period, there would be little incentive for developed countries to liberalise such sensitive items. Conversely, during the Uruguay Round, developing countries have significantly liberalised market access by reducing textile tariffs significantly.

2.6 Understanding Balance of Payments Provisions of the GATT 1994

2.6.1 Understanding Balance of Payments Provisions of the GATT 1994 is critically important as it affects the position of the developing countries especially vis a vis their claim to special and differential treatment.

2.6.2 Clearly, the relevant text puts the developing countries on an equal footing with the other WTO members in so far as the imposition of restrictions on balance of payments grounds is concerned. In this context, developing countries are committed to offer preference to price-based measures such as import surcharges, import deposit requirements etc and imposing quantitative restrictions only when price-based measures cannot arrest a sharp deterioration in their external payments position.

2.6.3 The text of the "Understanding" does also contain provisions which enable the developing countries to apply import restrictions for the purpose of protecting infant industries as they had existed before (Article XVIII A and XVIII C of GATT). In other words, the adoption of the "Understanding" erodes the flexibility which governments had in applying import restrictions as a form of leveraging economic development.

2.7 **Settlement of Disputes**

2.7.1 The dispute settlement system under GATT left much to be desired. Therefore, the Dispute Settlement Body (DSB) of the WTO is a welcome development since it attempts to plug the loopholes which used to exist. It is envisioned that the DSB will thus facilitate certainty and predictability.

2.7.2 However, the DSB already reflects areas of weakness. The key one being that the enforcement of any dispute

settlement action is entirely dependent upon the complaining country's willingness and ability to take action on its own, rather than the WTO being the instrument of enforcement. The second area of weakness is that the dispute settlement mechanism still relies, as under GATT, on denial of market access. This sanction is obviously ineffective for a country with a small market or which is under various kinds of pressure. Thirdly, the dispute settlement mechanism has been diluted, ab initio, when the USA added a rider to the effect that decisions of the DSB involving the US could be reviewed by US courts.

2.8 Agreement on Safeguards

2.8.1 Article XIX of GATT had provided for safeguards against serious injury to domestic industry caused by a sudden spurt in the imports of a particular product. This safeguard was, overtime, undermined by the industrialised countries who resorted to restrictive measures outside GATT within the framework of "voluntary" agreements invariably imposed through pressure by the more powerful trading partner. The MFA was hallmark of such measures. Other similar measures, described as "grey area measures" included voluntary export restrictions, price monitoring system etc. These measures were clearly ultra vires the GATT legal framework.

2.8.2 The Agreement on Safeguards in the Final Act of the Uruguay Round represents a major improvement. It

prohibits gray area actions and provides for the phasing out of the existing ones within four years, to be extendable for another four years in exceptional circumstances.

- 2.8.3 Future safeguard measures will be applied generally on Most Favoured Nation (MFN) basis. No safeguard action will be taken against a developing country which claims not more than 3% of the total import of the product being subjected to such action.

- 2.8.4 Still, the Agreement on Safeguards has inbuilt weaknesses. For example, the MFN basis of the new safeguard arrangement is weakened by the provision of the so called "quota modulation", that is discriminatory application of quotas. In other words, an importing country may allocate its global quota among exporters in proportion to the extent of the injury caused to them. This arrangement introduces through the back door some of the most abusive elements of protectionism practised by major trading powers.

- 2.8.5 The Agreement on Safeguards, above all, does not apply to trade in textiles, to GATS or to trade in agricultural products. This means that for 10 years, developed countries will continue to apply restrictions on a discriminatory basis against by far the most important export product of developing countries.

2.9. **Anti-Dumping Measures**

The entire justification of anti-dumping measures is price differential. Yet for developing countries, price differential may be caused by factors other than the anti-dumping. The stage and structure of development of an economy is invariably the core reason for price differential. As such, anti-dumping measures are basically discriminatory as they apply mostly to developing countries.

2.10. **Agreement on Subsidies and Countervailing Measures**

This is another area where developing countries have been left worse off in the Uruguay Round. Prior to the conclusion of the Uruguay Round, developing countries were free to subsidise their exports and, indeed, part of the economic miracle of the East Asian countries was enabled by export subsidies. This situation has been changed by the Uruguay Round Agreement on subsidies. The Agreement prohibits direct subsidies on exports and inputs for the production of goods for export. All existing subsidies must be phased out within five years. In the case of the LDCs, the period for phasing out subsidies is eight years. And whilst one of the conditionalities embodied in structural adjustment programmes being implemented by many LDCs is phasing out of subsidies, the Uruguay Round Agreement further limits the option of LDCs and it is

seen as one of the emerging cross-conditionalities synchronised between the WTO and the IMF/World Bank.

3.0 **THE WORLD TRADE ORGANISATION (WTO)**

3.1 Developing countries did not anticipate that the conclusion of the Uruguay Round would lead to the establishment of an over-arching body to implement the results of the Uruguay Round. Developing countries had been generally opposed to the need for a comprehensive trade organisation within the framework of GATT in view of their inclination towards the transformation of UNCTAD into an International Trade Organisation as originally envisaged in the Havana Charter of 1948.

3.2. The principal article (Article II para 1) which establishes the WTO stipulates:

“The WTO shall provide the common institutional framework for the conduct of trade relations among its members in matters related to the agreements and associated legal instruments included in the Annexes to this Agreement”.

3.3. One of the most critical implications of the WTO from the point of view of the developing countries is the cross retaliation that it will permit. The WTO will administer the Understanding on Dispute Settlement which provides for cross retaliation (Article 22 (3)). It is

envisaged, that since developing countries will, for instance, find it difficult to penetrate the services market of the developed countries, the latter will find it difficult to retaliate in the same services sector against non-compliance on the part of developing countries. As such, it would seem that the burden of retaliation for acts of non-compliance by developing countries in the services and TRIPs sectors will fall on their general exports of goods to developed countries. This will be disastrous.

- 3.4 At the same time, the WTO legitimates and universalises Section 301 of the US Trade and Competitiveness Act which provides for cross-retaliation. Though the WTO Agreement restrains unilateralism in the application of provisions such as Section 301 and calling for recourse to the WTO dispute settlement procedures, reality has already proven that national laws are affected in an overriding manner.
- 3.5 WTO requires all Members who accede to it to be party to all the trade agreements and understandings it includes. There is no option to opt out of one without being obliged to opt out of all.
- 3.6 GATT used to extend a basic right to non-discriminatory access by members for their exports of goods in the markets of other members. This provision (Article XXX of GATT) has now been sacrificed by the creation of WTO and, by acceding to the WTO, developing

countries would be losing their original basic rights under GATT.

- 3.7 Article III (5) of the WTO provides for cooperation between the WTO and the IMF/World Bank to achieve greater coherence of global economic policy making. This provision may lead to the imposition of cross-conditionalities on developing countries in the areas of money, finance and trade and leaving the developed countries with wide latitude to apply restrictive trade measures.
- 3.8 Throughout the Uruguay Round negotiations, no proposal was submitted to tamper with Article XXIV of GATT which permits a departure from the MFN principle for the purpose of establishing a free trade area or customs union. This Article has now been abrogated.
- 3.9 The WTO lacks a provision to curb restrictive business practices of transnational corporations whose intra-trade in the 1980s was estimated to be 40% of global trade. The code of conduct for transfer of technology and a code for transnational corporations drawn up by the United Nations have been abandoned through pressure of developed countries.
- 3.10 The inclusion in the Uruguay Round of trade-related new issues has opened the gates for introduction of other issues onto the WTO agenda. Already, three new issues with damaging impact on developing countries are

being tabled. These are : trade and environment, trade and labour standards or the 'social clause' and competition policy.

- 3.11 On competition policy, the agenda of developed countries is the removal of all trade barriers to their exports of goods and services in the markets of developing countries and the right of establishment and national treatment for their firms in these countries. But developing countries have their own interests. They may need to protect their economies and retain sovereignty over economic decisions vis a vis the restrictive trade practices of developed countries. At the recent WTO Ministerial Conference in Singapore (9-13 December, 1996) it was agreed to constitute a working group to study issues raised by Members relating to the interaction between trade and competition policy, including anti-competitive practices, in order to identify any areas that may merit further consideration in the WTO framework. It was further proposed that the working group draw upon the work undertaken by UNCTAD and reference be made to the MIDRAND Declaration.
- 3.12 With respect to the subject of trade and environment and labour standards whose thrusts are to bring in trade rules to govern the production process, the concern of developing countries is that the application of trade rules to the production process is another form of protection directed at hitting the developing countries over

products where they have comparative advantage. Developing countries do not view the introduction of such rules as neither intended to protect the environment or the human rights of workers in their countries nor to enable free trade to act as an avenue for a downward harmonisation of environmental and labour standards. To the developing countries, environment and labour standards are predicated on a country's level of development. If the standards of developed countries are to be imposed on developing countries, whatever comparative advantage the latter possess in terms of lower costs of production would be wiped out. Interestingly, at the WTO Ministerial Conference held in Singapore in December, 1996, it was agreed that the WTO Committee on Trade and Environment "will examine the scope of the complementarities between trade liberalisation, economic development and environmental protection." At the same time, the Conference rejected "the use of labour standards for protectionist purposes" and agreed that "the comparative advantage of countries, particularly low-wage developing countries, must in no way be put into question."

4.0 CHALLENGES ON TANZANIA

- 4.1 The challenges of the Uruguay Round on Tanzania are largely the same as those affective on developing countries and especially the LDCs of which Tanzania is specially categorised.
- 4.2 Basically, there are four main challenges to be faced.

Loss of Preferences

- 4.2.1 First, assessments of the impact of the Round on Africa show that the continent may lose up to US\$3 billion per annum during the initial years of implementation. The losses will result mainly from the erosion of the special preferences at present enjoyed under the Lome Convention as well as the increase in the food import bills of the net food importing countries. Preferences of African countries will be eroded by an average of 30%. Exports of tropical products from ACP countries will suffer losses as much as 51% due to loss of preferences. **(OECD: A Preliminary Assessment of the Impact of the Uruguay Round on Developing Countries, Paris, 1994)**. Cuts of 20% in domestic support and 36% in export subsidies would raise their food import costs by US\$ 808 million and their net income losses by US\$1.1 billion **(UNCTAD/WIDER Study on Agricultural Trade Liberalisation in the Uruguay Round, Geneva, 1990)**. FAO estimates that Africa's food import bill is likely to grow from an average of US\$ 6.0 billion in 1987/89 to US\$10.5 billion in 2000, of which US\$0.5 billion will be due to the effect of the Uruguay Round. **(FAO: Assessment of the Current World Food Security Situation; Rome, 1995)**. Tanzania will feel the adverse impacts of these overall losses.

Escalation of Tariff Rates

- 4.2.2 Second, Africa should, theoretically, gain from the expansion of trade that would result from the lowering

of tariffs in non-European markets, including the US and Japan, not previously covered by special preferences. However, tariff cuts on goods of export interest to developing countries are less than those on goods of export interest to developed countries. For instance, in developed countries, tariff reductions for industrial goods average 38% for imports from all origins, but only 34% for imports from developing countries. (**GATT: Analysis of the Draft Final Act of the Uruguay Round, with special attention to the aspects of interest to Developing Countries, Geneva, 1993**). Indeed, the escalation of tariff rates according to degree of processing will remain high on several product groups of export interest to developing countries, particularly leather, coffee, tea, jute, fabrics, cocoa products and tropical fruits. It is also worth noting that Africa's level of competitiveness is generally low and that it may fail to exploit the lower tariffs.

Erosion of Policy Autonomy

- 4.2.3 Third, African countries are not well placed to take advantage of the opportunities in the **new areas**, such as services and intellectual property while their dealings with foreign investors may be constrained by the provision of TRIMs. Indeed, when applied to countries like Tanzania, the TRIMs Agreement will most likely

undermine any plan or strategy of self reliant growth based on the technology, capital goods and raw materials available locally. The TRIMS Agreement generally restricts policy autonomy in the area of foreign private investment.

High Level of Productivity and Competitiveness

4.2.4 Fourth, the principles of progressive liberalisation and free markets underpinned by the Uruguay Round Agreement will inevitably favour those countries that have been able to achieve a high level of productivity and competitiveness vis a vis those, like Tanzania, that still have a long way to go to achieve such status. Take the case of liberalisation of agricultural exports. Obviously, such exports from countries like Tanzania will face the following challenges:

- their competitiveness will improve only in relation to the domestic suppliers in importing developing countries. They will still have to compete with suppliers in developed countries and newly industrialising countries.
- advantages gained by way of higher market prices may be outweighed by the disadvantages of exchange rate fluctuations.
- price is not the only factor of competitiveness. Agricultural exports depend on efficiency and effectiveness of micro-management-over issues

such as product quality, adherence to product specifications, delivery schedules etc. Infrastructure bottlenecks may also militate against required efficiencies.

- 4.3 Other critical challenges to respond to include the following:

Elimination of Subsidies

- 4.3.1 By committing to eliminate subsidies which have an impact on export prices, countries like Tanzania have lost one of the most important instruments for pursuing an export-led growth. In turn, the ability of Tanzania and other developing countries to impose quantitative restrictions for balance of payment purposes is severely curtailed.

Strict Patent Requirements

- 4.3.2 The TRIPS Agreement which prohibits the practice of granting process patents in pharmaceutical, chemicals, food processing etc will be a strong disincentive to R&D efforts in countries such as Tanzania because a large part of the present process of making incremental innovations on technologies acquired from abroad will be declared illegal and hence will have to be dismantled. This means that Tanzania and other developing countries will not be able to leapfrog into the new technologies through free copying of technologies, and

advantage which was well exploited by the Tiger economies of East Asia, China and India. In those developing countries where prices of drugs have been heavily lowered due to inventions by local scientists, based on a policy of process patent in the pharmaceutical sector, the introduction of product patent will precipitate increase in the prices of life-saving drugs. The TRIPS Agreement has, moreover, catapulted a tighter and expanded international legal regime for protecting and enforcing intellectual property rights. Yet, the national laws of most developing countries, including Tanzania, are presently not geared to this new legal dispensation, nor do they have institutional and human resource capacities to administer and enforce the new legal demands of TRIPS at national levels.

The Negative Impacts of GATS

4.3.3 By implementing GATS, the following far-reaching consequences for Tanzania type economies will arise:

- loss of right to control the transfer abroad by foreign firms of resources earned in the form of profits, interest, royalties etc.
- failure to control equity participation in local firms or expansion by foreign firms.
- inability to impose any restrictions on the number of experts that a foreign firm may decide to bring in.

- inability to determine scope of liberalisation of the service industry.
- 4.3.4 the lack of provision in the GATS Agreement on curbing restrictive and anti-competition business practices of transnational corporations.
- 4.3.4 the annulment by the Annex to the GATS Agreement of free movement of labour to seek employment in foreign markets. It is estimated that restrictions on such migration is costing the relevant countries some US\$50 billion per annum in remittances foregone.

Adverse Effect of Agricultural Liberalisation

- 4.3.5 The decision to bring agriculture under multilateral discipline. Whilst developing countries and LDCs in particular will not be required, for several years, to liberalise agriculture, still they have acceded to the Agreement on Agriculture. Although for Tanzania those subsidies have been removed, circumstances may arise where subsidies and other forms of domestic support to agriculture would have to be given. The implications for Tanzania would then be critical because they would affect policy plans of food security, agricultural self sufficiency, agricultural exports and prices, crop pattern and even consumption pattern.

Anti-Dumping

- 4.3.6 Anti-dumping measures which are largely directed against imports at low prices affect mostly the developing countries. Yet low costs constitute a key factor of competitive advantage for countries like Tanzania. Thus anti-dumping measures erode the competitive advantage of would be low cost economies like Tanzania.

Notification Requirements

- 4.3.7 The burden of complying with the extensive notification requirements is heavy due to inadequate administrative and institutional capacities.

5.0 POLICY AND STRATEGY RESPONSES

- 5.1 The new challenges posed by the Uruguay Round Agreement necessitate the development of effective policy responses. Most developing countries like Tanzania have already acceded to the WTO. Thus their immediate challenge is how to minimise the negative impact caused by the commitments they have undertaken under the Uruguay Round and how best to exploit the opportunities which have presented themselves.
- 5.2 For countries like Tanzania to survive and compete in the new international trade regime the following policies and strategies need to be adopted:

- commitment to compete with developed countries without many of the preferences and privileges previously enjoyed.
- take full advantage of the flexibility and loopholes in the WTO Agreement when enacting domestic legislation to give effect to the Uruguay Round Agreements. For example, in giving legislative effect to the TRIPS Agreement, Tanzania should provide maximum number of exclusions from patentability. Tanzania should also restructure and shape its national laws on intellectual property in order to take fuller advantage of new technologies.
- carefully monitor the future evolution of the rules and practices under the various regimes of the WTO.
- ensure that the WTO/IMF-World Bank co-operation is not restricted to surveillance of the trade and other policies of developing countries alone and is not used to impose cross-conditionalities.
- renegotiate the agreements or part of the agreements which severely harm interests of developing countries.
- press for negotiations on the liberalisation of labour movements.

Loss of Preferences

- 4.2.1 First, assessments of the impact of the Round on Africa show that the continent may lose up to US\$3 billion per annum during the initial years of implementation. The losses will result mainly from the erosion of the special preferences at present enjoyed under the Lome Convention as well as the increase in the food import bills of the net food importing countries. Preferences of African countries will be eroded by an average of 30%. Exports of tropical products from ACP countries will suffer losses as much as 51% due to loss of preferences. (OECD: **A Preliminary Assessment of the Impact of the Uruguay Round on Developing Countries, Paris, 1994**). Cuts of 20% in domestic support and 36% in export subsidies would raise their food import costs by US\$ 808 million and their net income losses by US\$1.1 billion (UNCTAD/WIDER **Study on Agricultural Trade Liberalisation in the Uruguay Round, Geneva, 1990**). FAO estimates that Africa's food import bill is likely to grow from an average of US\$ 6.0 billion in 1987/89 to US\$10.5 billion in 2000, of which US\$0.5 billion will be due to the effect of the Uruguay Round. (FAO: **Assessment of the Current World Food Security Situation; Rome, 1995**). Tanzania will feel the adverse impacts of these overall losses.

Escalation of Tariff Rates

- 4.2.2 Second, Africa should, theoretically, gain from the expansion of trade that would result from the lowering

of tariffs in non-European markets, including the US and Japan, not previously covered by special preferences. However, tariff cuts on goods of export interest to developing countries are less than those on goods of export interest to developed countries. For instance, in developed countries, tariff reductions for industrial goods average 38% for imports from all origins, but only 34% for imports from developing countries. (**GATT: Analysis of the Draft Final Act of the Uruguay Round, with special attention to the aspects of interest to Developing Countries, Geneva, 1993**). Indeed, the escalation of tariff rates according to degree of processing will remain high on several product groups of export interest to developing countries, particularly leather, coffee, tea, jute, fabrics, cocoa products and tropical fruits. It is also worth noting that Africa's level of competitiveness is generally low and that it may fail to exploit the lower tariffs.

Erosion of Policy Autonomy

- 4.2.3 Third, African countries are not well placed to take advantage of the opportunities in the **new areas**, such as services and intellectual property while their dealings with foreign investors may be constrained by the provision of TRIMs. Indeed, when applied to countries like Tanzania, the TRIMs Agreement will most likely

- press for inclusion in GATS the control of restrictive business practices of transnational corporations.
- prepare for discussions on additional new areas.

5.3 More specifically, the following policies and strategies need to be adopted:

- improve the international competitiveness and level of productivity of goods and services.
- ensure greater government involvement in economic management without interfering with the rules of the market.
- develop inter-linkages within regional and sub-regional economic blocs embracing production sectors and expansion of trade in raw materials, intermediate goods, finished products and a wide range of services.
- seek increased aid from the developed countries to be devoted exclusively to economic restructuring and improvement of infrastructure, productivity and competitiveness.
- urgently address the reduction of net food imports and promote domestic food production. Extend livestock and fishery as part of the overall food security strategy.

- adopt improved arrangements for stockpiling surplus food and better management of water resources.
- ensure that the business community and other economic actors have a good understanding of the substance of the Uruguay Round Agreements and assist them to take full advantage of the opportunities which the Agreements provide and to minimise the negative effects.
- provide a framework for strengthening national capacities for the implementation of the Uruguay Round Agreements.
- develop an effective mechanism for consultation at OAU, COMESA, SADC and EAC levels, particularly on the impact of the Uruguay Round Agreements on regional integration.
- adapt national legislations to make them conform with the requirements of the Uruguay Round and WTO Agreements.
- organise advisory missions and training programmes on the use of the Dispute Settlement Mechanism.
- promote an African collective endeavour on obtaining further improvements in the GSP schemes in favour of products of particular export interest to Africa.

- explore within the regional and sub-regional economic grouping the growing export opportunities particularly with respect to geographical diversification of trade towards South East Asia and Latin America.
- exploit new market opportunities in traditional agricultural sectors as well as processing industries.
- With the phasing out of the Most Favoured Nation Status, develop strategies to bolster exports of textiles and clothing through popularisation of artistic traditional African designs based on African art and patterns.
- improve the efficiency of service industries to cope with increased foreign competition in the provision of services for the domestic market and increase participation in the export of such services as tourism and computer services.
- lead the crusade for consolidation and strengthening of Africa's programmes for regional and sub-regional cooperation and integration. Africa needs regionalism more than any other region in the world.
- aim to remove all tariff barriers on goods of regional and sub-regional origin entering intra-regional and intra-sub-regional trade in the shortest time possible.

- improve infrastructure, particularly transport and communications, water and power supplies, create bigger sub-regional markets and co-ordinate macro-economic policies over a larger integrated market as the basis for seriously attracting direct foreign investment.
- accelerate the pace of economic growth and structural change and create an improved and stable macro-economic framework.
- build up and strengthen capacity in the field of science and technology and formulate effective policies for education and training in science and technology for development.
- revamp and expand facilities for human resource development with particular attention to the needs of industry.