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SOME IMPLICATIONS OF EUROPE 1992 FOR DEVELOPING COUNTRIES

by

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TABLE OF CONTENTS

RÉSUMÉ

Les partenaires commerciaux de la Communauté européenne sont simultanément affectés par la mise en place du marché unique européen qui implique des modifications importantes du système économique et législatif européen et par les conséquences de ce marché qui seront caractérisées par une augmentation de l'efficacité et de la croissance. Les évaluations initiales ont démontré que, dans l'ensemble, pour le reste du monde, les bénéfices égalaient les coûts. Cependant de nombreux pays en développement sont directement touchés par les changements sectoriels qui vont se produire dans chaque pays. A cause du niveau relativement élevé de spécialisation de leurs économies et de leurs structures commerciales, les effets sur chaque pays en développement sont donc potentiellement considérables.

Pour les pays en développement, les changements probablement les plus importants seront : la suppression de toutes les barrières tarifaires dans les échanges intra-communautaires, ce qui va améliorer la compétitivité de la communauté vis à vis de ses fournisseurs ; l'harmonisation des droits d'accise (TVA), mesure qui sera favorable aux producteurs de café, de thé et de cacao et défavorable aux producteurs de tabac ; l'harmonisation des quotas sur les textiles et les vêtements dont les résultats sont liés à la re-négociation de l'accord Multifibres ; l'harmonisation d'autres mesures de protection qui risque d'entraîner des complications ; une redéfinition de la politique d'immigration qui sera probablement nocive ; une approche commerciale basée sur la réglementation qui devrait avoir des effets bénéfiques et donnera à la Communauté européenne un pouvoir de négociation plus fort, ce qui peut comporter des risques. Si l'on exclut les trois derniers exemples cités dont l'importance ne doit pas être sous-estimée, les évaluations proposées dans ce document laissent penser que pour les pays en développement, dans leur ensemble, les avantages nets du marché unique européen devraient être positifs. Il est probable que ces avantages iront surtout vers des régions comme les pays de l'OPEP, les pays ACP et le Maghreb qui sont toujours des exportateurs, surtout de produits primaires, et dont la majeure partie des échanges commerciaux se fait avec la Communauté européenne. Les NIE d'Asie et autres pays asiatiques pour lesquels l'exportation de produits manufacturés est plus importante, pourraient être les grands perdants s'ils ne savent pas tirer parti des gains potentiels -- non quantifiables -- résultant d'une croissance élevée dans la Communauté européenne.

SUMMARY

Both the process of formation of the Single European Market, which implies major economic and legal changes in Europe, and the results, which imply greater efficiency and growth, affect the Community's trading partners. Initial calculations have suggested that, in aggregate, the benefits for the rest of the world roughly balance the costs. But many developing countries are directly affected by individual sectoral changes. Because of the relatively high degree of specialisation of their

economies and trading patterns, the effects on individual developing economies are therefore potentially large.

The changes which are likely to be most important for developing countries include: the removal of all barriers to intra-EC trade, which improves the competitiveness of EC relative to non-EC suppliers; the harmonisation of excise duties, which is helpful to coffee, tea and cocoa producers, and harmful to tobacco producers; the harmonisation of textile and clothing quotas, whose effects will depend on the renegotiation of the Multi-Fibre Arrangement; the harmonisation of other protection, which is potentially damaging; immigration policy, which is likely to be harmful; a more rule-based approach to trade, which should be beneficial; and making the EC a stronger bargaining unit, which is more likely to be harmful. Excluding the last three of these likely effects, whose importance should not be underestimated, calculations in this paper suggest that the net benefits of the Single European Market for developing countries taken as a group should be positive. They are likely to go mainly to countries -- OPEC, ACP and Maghreb countries -- which are still exporters mainly of primary goods and have a high share of their trade with the EC. The NIEs and other Asian countries for which manufactured exports are more important could be net losers, if they do not adapt to take advantage of potential gains from higher EC growth.

PREFACE

The Development Centre is carrying out a major research project on Globalisation and Regionalisation as part of its 1990-1992 Work Programme. The Project aims to provide a better understanding of the economic and political forces that are working for, and against, the formation of regional economic groupings in Europe, the Western Hemisphere and Pacific Asia, and how those forces interact with the forces (essentially microeconomic) that are driving globalisation. The purpose is to assess their implications for the strategies and policies of various categories of developing countries.

Current concern with the issue of regionalisation first emerged with the 1985 launching of the European Community's Single Market programme ("EC 1992") and subsequent fears that a "fortress Europe" would disrupt the multilateral trading system. The proliferation of non-tariff barriers to trade since the early 1980s, notably in Europe and the United States, and more recently the inability to successfully conclude the Uruguay Round of GATT negotiations, have undoubtedly heightened that concern. The likely creation of a North American Free Trade Agreement (NAFTA) and movement toward greater *de facto* economic integration in Pacific Asia can be seen, in part, as responses in those regions to Europe's Single Market programme.

This Paper sheds important light on the implications of "EC 1992" for developing countries. It identifies the various types of Single Market effects, analyses their economic implications, and assesses their significance for specific groups of developing countries. It argues that while the net impact on the developing countries overall is likely to be relatively small, and positive, looking at the net result can be misleading: different sectoral effects mean that the potential impact, negative as well as positive, can be quite significant for specific groups of developing countries.

In looking at the different sectoral effects of Europe's Single Market programme for different groups of developing countries, in assessing the influence of events in Eastern Europe on those effects, and in highlighting the considerable importance for the developing countries of the outcome of the Uruguay Round, this Paper -- written by a leading British development economist -- constitutes an important contribution to the Centre's research on Globalisation and Regionalisation.

Louis Emmerij
President of the OECD Development Centre
April 1992

INTRODUCTION

The Single European Market programme (often referred to hereafter as 'SEM' or '1992') was intended to improve the performance of the European economy, and, more specifically, its competitiveness vis-à-vis the rest of the world. The means chosen were internal ones directed at increasing the efficiency of production and markets in Europe. This process gives rise to various types of effects on the rest of the world, which derive from: (i) the macro-economic effects of completion of the SEM (which were the only ones considered, however inadequately, in the original EC reports); (ii) the various legal, administrative, and other intermediate steps required as part of the process; and (iii) the reorientation of the EC and its members toward a more collective and formal relationship to other countries and to multilateral organisations.

A major restructuring by a region which is a principal trader and investor in the world economy will inevitably have significant effects on other countries, in aggregate macro-economic terms, but also in terms of highly specific effects on areas and industries. These effects were not explored in the original studies of the Cecchini Report (and the quality of the sectoral studies carried out in conjunction with that Report is too poor for them to be relied on even for predicting internal EC effects). This omission was partly because the importance of SEM effects to third countries was not appreciated, but also because the Cecchini Report, like the whole SEM debate, focused on the costs and benefits for the EC. Only more recently have studies begun to focus on individual areas and sectors (some are listed in the references) and it is still difficult to make accurate quantitative estimates of the external effects of 1992, especially for the developing countries. One reason is that many decisions have still not been made which will affect primary products and manufactures of particular interest to LDCs. A second reason is that the economic and the industrial response within EC countries to the measures already taken remains uncertain and difficult to measure, making it hard to estimate the impact of that response on the rest of the world. A third is that many of the 1992 effects interact inextricably with other international negotiations in progress, including the Uruguay Round, MFA and GSP. The continuing failure to conclude successfully the Uruguay Round also causes further delay as decisions on some EC policies are deferred. Where the effects depend on changes in relative EC preferences or trade barriers, they cannot be known until the extent of the new multilateral arrangements is known. Finally, other events, most notably those in Eastern Europe but also the general economic health and prospects of the EC, will, as always, be crucial determinants of domestic and external economic policy as well. Nevertheless, it is not too early to assess the nature and direction of SEM effects to warn and guide industrial and official policy-makers. This paper describes where there will be effects and indicates broadly for whom these will be positive or negative.

For our purpose, it seems useful first to take a relatively broad view of the scope of SEM effects. Indeed, one of the most important results of the SEM initiative has been the increased awareness within but also outside the EC of the opportunities for mobility of both products and factors of production. Actually, many of these opportunities have existed for years, but if improving internal markets is the essence of 1992, it seems reasonable to include the improvement in information about them as part of the SEM effect. 1992 also transfers more power or competence to the Commission, as does the inclusion in GATT of the 'new areas' (services, trade-related investment measures and intellectual property rights), so the two are intertwined.

This paper first describes the various types of legal and other SEM-related actions which are likely to have some effect on developing countries. Then it looks at the economics of those effects. After indicating what other negotiations impinge on the outcome, it turns to an examination of how the effects vary for different categories of developing countries.

TYPES OF 1992 EFFECT

Legal Barriers to Intra-EC Movement

In spite of the general rule that EC external trade policy is EC-wide, individual EC countries have maintained national quotas and other special arrangements with non-EC countries. Textile and clothing controls under the MFA are bilateral. Other controls have been imposed on footwear, from Taiwan, South Korea and Brazil, and on electronic goods and toys from South East Asia (as well as those against Japan). For bananas and rum, there are special trade arrangements with 'traditional suppliers' to France, the United Kingdom and Italy, which give those suppliers advantageous quotas before allowing in competing imports, and for Germany, to allow it to use more efficient suppliers. At present, these arrangements can be enforced at intra-EC borders because non-EC goods can be deprived of the benefits of the customs union under the EC's Article 115, which allows barriers against goods circumventing a national control.

The most conspicuous, if not the most important, objective of 1992 is precisely to remove border controls. The initial position of the Commission was that Article 115 was 'inconsistent' with the SEM. More recently, particularly for bananas, ways of enforcing it at other points (essentially controls on the principal importers) are under discussion, but on the other hand, there has also been increasing legal questioning of whether this Article is legitimate even under pre-1992 legislation (given EC competence on trade policy). Clearly for most if not all goods, national quotas will cease to be effective.

The possible substitutes for national quotas are:

- measures with equivalent effect (promised, but not spelled out, for bananas);

- community quotas, which are increasingly probable for footwear and cars, possible for electronic goods, and perhaps possible for textiles and clothing as discussed later under MFA (such quotas would effectively increase protection becaue not all countries now face quotas);

- no controls (expected by the Commission for a few marginal goods, possibly in long run for textiles and clothing);

- a new weapon, especially for any new goods which may appear and stir up protectionist pressure.

If the last option is chosen, anti-dumping actions are the obvious candidate. They are as fast and can be as precisely targeted on supplying countries as bilateral quotas. They will, however, in principle be at the EC, not member country, level, which means that protecting individual EC countries without restricting sales to those which do not have home industries to protect will be more difficult. Anti-dumping measures are also subject to legal review, which has the potential to be an effective constraint on their use (see also the Conclusion).

Fiscal Harmonisation

Excise duties and VAT will not be required to be uniform, but permitted bands will be established, eliminating some peaks and troughs. For developing countries, the VAT measures are unlikely to be significant except in a few specialised areas, such as children's clothing, and indirectly, because the agreement on new arrangements for intra-EC sales facilitates free movement across borders. But removing the German and Danish duties on coffee (41 and 15 per cent, respectively) could lead to a significant increase in coffee imports. Duties on cocoa and its products and on tea are also high in some countries, so that bringing them closer to the EC average will probably increase imports of cocoa and tea as well. In tobacco, on the other hand, health concern has meant an agreement to move not to the average, but nearer to the highest; this could lead to a doubling of the average duty and cut tobacco imports significantly. All these decisions seem almost certain, but the timing has already moved back; coffee and cocoa were originally in, then removed from, the EC's offer for immediate action on tropical goods at the Mid-Term review in the Uruguay Round. Removal of these duties remains formally on the Uruguay Round agenda, but there is also a formal commitment to it under the SEM.

Public Procurement and Credits

If member countries are forced to free these from tying at the national level, so that tied aid and export credits are moved from the national to the EC level, their value to recipients could increase. There have been no announcements on policy, and it would now be very late to introduce a *de jure* derogation. But implementation may be unenthusiastic, and the practical effect is likely to be limited as tightly as national EC governments are able to achieve.

Agreement on or Mutual Recognition of Standards

The principal issue here is not, as has sometimes been argued, that developing countries might not be able to meet higher standards. Fears of the effect of common EC standards are expressed at least as strongly by US or Japanese suppliers, and they are indeed frequently the first potentially harmful 1992 effect cited. The problems posed by EC standards include those of access to the standard-setting process; of obtaining timely information about new decisions; of recognition of non-EC testing or safety procedures; and of potentially erratic enforcement at different EC borders and/or failure of customs officials in one country to accept proof of acceptance by those of another. In all cases these problems may arise either for legitimate reasons or to conceal protectionist aims. (The banning from some EC countries of British cattle offers a practical illustration, even though it was intra-EC.) And, of course, they are precise parallels of EC complaints about Japanese impediments to trade.

Developing countries are likely to suffer from all these problems -- and do not have the resources to imitate the United States, for example, in setting up a branch of their own official standards bureau in Brussels. They will also suffer because the act of setting standards increases the barriers to market entry (in the industrial organisation, not the trade, sense). An exporter will need, first, to check whether there are rules about how his product is made or sold (this is not self-evident: for some products, but not all, there are regulations about the size of packaging, form of labelling, etc., as well as the more predictable health or safety requirements), and second, to know how to find the most recent regulation, and how to ensure that he has timely information about any changes. Exporters from LDCs are inherently more likely to be either new producers or new entrants to the EC market. They also, for geographical reasons, face the problem that many of their agricultural and maritime products have no close counterparts in the EC countries -- unlike temperate products from the United States and Japan -- so that there is no domestic EC lobby to restrain regulators from setting unnecessarily complex or high standards to protect themselves from any risk of consumer complaint.

The products standards which are most likely to affect developing country producers are in toys, fireworks, plants, fruit and vegetables, for which decisions have largely been made; fish and shellfish, for which standards are being drawn up and are likely to be more stringent than the present EC average; and possibly in meat. The other major area is financial services, where EC regulations are being introduced as these services are freed for intra-EC trade (they are potentially important particularly for some Asian NIEs which are already financial centres). There are also changes for tourism (e.g. on contracts and on legal liabilities) which affect the division of responsibility between a provider of a service and the contractor, and for air transport, which raise minimum requirements on noise and safety.

Controls on Intra-EC Transport

Road transport of goods is still regulated by national quotas which are negotiated bilaterally and often require licences for journeys between member states (including the largest). Such licenses are not normally available for suppliers from a third country, and they impose clear costs now on all companies operating across several countries. These quotas and licenses will end for EC companies, but not for non-EC companies. Restrictions on transport within an EC country will also be liberalised, although still subject to control (Croner, 1990).

These changes were treated by the Commission as of negligible importance in its 1988 assessment of 1992 effects (Commission, 1988), but they clearly impose barriers to a company attempting to gain economies of scale from EC-wide operations, and relaxing them is less likely to benefit a non-EC company, especially if it is dealing with only one member country. Their removal is therefore likely to benefit traders in member countries more than importers.

Border Controls

All the measures listed are intended to ensure that no goods will need to be checked at borders (as all must be now if only to ensure that neither they nor their carrier come under one of the present controls). But the consequent freedom from checking, documentation and delay will have an extraordinarily significant effect additional to the individual measures that make it possible, and it is probably one area where the EC estimates of 1992 effects are seriously too low. This is what EC industry or commercial sources list first as the 1992 effect: the freedom from delays and bureaucratic 'hassle' for any shipment. Although the EC's reports suggest that these are important 'only' for small firms, this is probably a very limited view, based on a methodological error (they asked the wrong people in large firms). There are, moreover, many small firms (particularly in the most border-controlled industry, clothing). Studies of firms' behaviour suggest that administrative improvements have a large impact. The improvements will benefit non-EC suppliers once they have crossed the EC border, but the benefit will be much less than for EC suppliers: goods must still meet all border requirements and obstacles once, and once the fixed costs of this compliance are met, the marginal costs of additional borders before the final destination are small. External small firms may never reach the inside.

Monetary Union

The reductions in risks or costs from fixed exchange rates or a common currency, like the removal of borders, benefit all traders within the EC, including -- but by less -- outside countries.

One special class of non-EC countries deserves mention: the members of the Franc Zone. These countries have already diversified their trade away from France towards other European Exchange Rate Mechanism (ERM) members. Although Dieter Frisch, the EC Director General for Development, stated on 6 June 1990 that maintaining the Franc Zone was not technically inconsistent with greater monetary union, pressures from EC monetary union could add to those from the costs of maintaining the Franc Zone to encourage France to end the Franc Zone.

Immigration, Refugees, etc.

The absence of internal border controls requires common external standards (or at least 'mutual recognition' of standards) for people as well as goods. The probability, especially given the panic in Southern Europe over African immigration, was always that for developing countries these standards would be nearer to those of the more restrictive EC countries. The general concern about Eastern Europe and ex-Soviet migration may lead to further efforts to tighten controls, but potentially also to intra-EC conflicts. As a member of the Schengen group[1], Germany is already facing a conflict between its obligations to that group and its offers on Polish admission. Greece, faced with Greeks from Albania, could face a similar conflict. Special relationships with developing countries which could lead to difficulties include those of Portugal with Macao and Brazil, and of the United Kingdom with Hong Kong and South Africa. In addition to the unpleasant social and political effects, greater restrictiveness could limit the efficiency effects of the SEM by raising labour costs. And it would limit the national income of potential labour-exporting developing countries.

Systemic Changes

One important systemic or structural effect of the coincidence of the completion of the SEM with the reorganisation of Europe is likely to be a decision at some point that the boundaries of the EC must be fixed. It is not possible for a country (as it is increasingly becoming) to continue to behave like a trading area, which periodically may admit new members. Each expansion has been more complex as the 'acquis' of arrangements and legislation must be adopted by the new member and adapted by the old members.

The SEM does not itself embody any changes in external protection or in assistance among the member countries. But to the extent that industries or other groups with lobbying power in the weaker countries suffer from any of the internal adjustments required, it is possible that such changes will increase. An increase in protection would damage external suppliers. Setting rules of origin or national input requirements to restrict the benefits of trade concessions to developing countries (a problem for ACP and GSP beneficiaries), or to extend the coverage of quotas (e.g. the proposal to include products of Japanese car companies' US and UK operations in quotas for Japanese cars), could increase risks for the trading system as the EC looks for fewer, but more precisely targeted, forms of trade intervention after 1992. Any increase in the EC's regional budget, on the one hand, is not very likely to damage developing countries (except for the effect from the macroeconomic damage to income and growth in the EC), because this budget does not compete directly with EC aid budgets.

ECONOMIC IMPACT

Trade Creation and Diversion

Lowering costs within the EC will lead to some trade diversion, that is to EC products competing with outside suppliers, as well as to the intended trade creation, i.e. the shift from purchasing domestic output to importing from fellow members. The original analyses of the effects of the SEM assumed that these shifts would be greatest in the industries which are least integrated across country borders already, because those industries are likely to be the ones which have found present barriers a problem. In the long run, this should be true, implying that the greatest SEM effects will be in services, where in many cases Common Market effects will be appearing for the first time.

In the short run, however, industries which already have substantial cross-border trade may be the first to spot the new openings, because they are already aware of the opportunities and therefore conscious of present barriers as obstacles. Other industries, like textiles and clothing, which the EC identified as integrated, in fact appear to have much progress still to make before their structure takes as much advantage of economies of scale as their US counterparts. Industries with very little integration now may have much to gain, but may not do so immediately. It was the services sector that was the slowest to perceive the 1992 benefits, and to begin lobbying for them, because many firms had so little previous experience of cross-border supply.

The benefits from these increases in trade should include a once-off increase in EC output and real income (the famous Cecchini 4.5 to 7 per cent) from greater efficiency. This gain is almost certainly already happening; the question is how much remains to come through, how quickly. More efficient markets may produce a permanent gain in the rate of growth of income (as emphasized by Baldwin); this gain was not estimated in the EC reports, even though it was clearly among the original purposes of the SEM.

The positive SEM effect on EC income will obviously have a positive impact on extra-EC imports. But that impact is likely to be smaller than implied by a normal aggregate marginal import coefficient, precisely because it comes from a particular, internal efficiency diversion, not from a trend or an undifferentiated growth in output. The back-of-the-envelope calculation of the impact (using orders of magnitude derived from IMF simulations) is: 1 per cent extra growth per year in the EC, so 0.5 per cent in industrial countries, so 0.25 per cent in developing countries, ranging from 0.4 per cent for advanced NIEs to 0.2 per cent for Africa or Latin America. Conclusion: analysts of 1992 effects on developing countries must move very quickly to looking for area- or sector-specific effects.

A priori, most, if not all, of these gains are likely to go to primary products, which are less likely to suffer from trade diversion than manufactures. Among manufactures (and services), losses from diversion are most likely for those products competing with those produced in the EC; gains from trade creation are most likely for non-competing or exceptionally income-elastic products. (Reasonable estimates of demand elasticities have suggested a rough balance of the creation and diversion effects for manufactures as a whole, as is shown in the calculations later in this paper.) Against this general conclusion, however, it is also likely that in the longer run, any increase in income (and *a fortiori* in growth) and change in structure would favour the most adaptable producers. Combined, these conclusions imply relatively favourable results: for NIEs in the long run, with their more advanced exports; for some commodity exporters (especially exporters of goods that benefit from the additional specific tax gains); and possibly for tourism or other new service exporters (with high income elasticities). They also point to better prospects for Africa than the aggregate calculation of SEM effects does; they suggest about the same prospects for Latin America (better on commodities and tourism, worse on manufactures) as does the aggregate calculation; and they paint what is perhaps a worse picture for Asia as a whole, because of the weight, at least in the short run, of EC-competing manufactures. But the diversion of extra-EC imports towards primary and away from manufactured products may not be regarded by developing countries as wholly without cost to national objectives.

The LDC manufactures most likely to suffer from diversion (before allowing for the specific trade policy changes discussed above, and below) are the standardized goods available within the EC: textiles, clothing, footwear, leather goods, electronic components, toys, steel, other metal products and chemicals. The LDC services most likely to suffer if there are significant improvements in EC efficiency are in transport, both air and sea.

The reason for expecting high diversion of services to EC suppliers, and most trade in services to be created in the EC, is more fundamental however. Many of the trade barriers which the SEM is intended to reduce are related to services not previously freely traded within the EC (most obviously in transport, banking and insurance). Increasing EC trade in these services and lowering their cost is at the heart of the SEM, and should make them more competitive relative to externally supplied services.

To the extent that the SEM results simply in a substitution of services produced in one EC country for those produced in another, the direct external effect remains small (except for the efficiency effects considered in the analysis of goods integration). But if this substitution leads to a real increase in that service's competitiveness in third markets, other suppliers could lose market share there. Favourable effects on non-EC countries could only come about: if the lowering of internal EC barriers made it easier for external suppliers to obtain advantages of scale, provided EC barriers to imported services were not insuperable; or from lowering the costs of services imported from the EC; or from changes in EC regulations for particular services as part of the standardization process; or from the dynamic effects on EC demands for income-elastic services.

Finally, as many services remain highly regulated nationally and internationally, the shift to EC competence in negotiations could also mean a significant weakening in the bargaining power of the EC's trading partners, especially developing countries. In air transport services, this shift has been mentioned as a problem for Africa (Tovias); but it could also affect the competitive Asian NIEs and ASEAN countries, which might also lose some of their competitive advantage.

Terms of Trade

The effects of the more efficient internal market, which come initially through lower costs (of transport and of easier access to lower-cost goods in other member countries) should lower EC export prices. Lower prices enhance EC competitiveness in third markets, hurting producers in other countries, but by the same token they improve other countries' terms of trade.

Inflation

The lower level of EC prices might affect inflation (from continuing efficiency gains), but not necessarily. If it does, lower inflation could affect nominal interest rates. But higher investment (in the EC, and now also in Eastern Europe) could increase the returns to and cost of capital, raising real interest rates. Monetary union or fixed exchange rates, on the other hand, could reduce competitive revaluation and lower real interest rates. Lower inflation or higher real interest rates would certainly damage the interest of debtor countries.

Trade Creation and Diversion in Factors of Production

An increase in growth (or even just in output) should lead to an increase in total investment, and a relative increase in EC growth should also lead to investment diversion, certainly to produce for EC markets, probably to within the EC, both to be near those markets (and to gain from all the border effects discussed above) and because of the fall in relative costs (from those same effects). The developing countries will be affected by both causes, but perhaps more than other non-EC countries by the cost-based diversion because it is they, not the United States or Japan, which have most benefited in the past from investors seeking low-cost suppliers. Total foreign investment going to developing countries has recently gone especially to the Asian NIEs and ASEAN countries, notably Singapore, Malaysia and Thailand (and China); the share of FDI in total domestic capital formation has been high in these countries plus the Philippines. EC investment has also gone to a few sub-Saharan African and Latin American countries, especially Brazil (from Germany). The characteristic FDI pattern of the 1980s was already a shift by the major overseas investors from developing to developed countries (Davenport and Page 1991, Langhammer, 1991). This shift was most pronounced for Japan (from 56 per cent to 38 per cent for stocks of investment in manufacturing and non-manufacturing industry in developing countries between 1978 and 1988), while US FDI showed little change. Within the EC, the United Kingdom, Germany and the Netherlands all showed changes of 4 to 8 percentage points, leaving the 1988 figure at about 15 per cent; for Germany, at least, there was a clear investment shift to the EC, in particular to the new members, Spain and Portugal. Any increase in the relative attractiveness of the EC would therefore reinforce an existing trend.

While investment decisions are made by a small number of companies on the basis of sector- or company-specific opportunities, which makes it difficult to give quantitative estimates of actual or potential diversion, most of the implications of 1992 for investment in developing countries appear to be negative. The dynamic effects as well as the immediate efficiency effects of the SEM are designed to encourage growth and investment in the EC, and EC-based investors will be best placed to take advantage of the various legal and other changes summarised earlier; only investment abroad to meet the SEM-induced demand growth for imports in the EC, a rather indirect route, could offset any diversion. Moreover, the diversion will be not only by EC investors but by those based in other industrial countries (increased investment by Japanese and US companies is already evident) and even by some in the developing countries themselves. There is already investment in the EC by firms from Asian NIEs, ASEAN countries, and Brazil (in Spain and Portugal) to take advantage of the SEM. While perhaps questionable from a global efficiency-of-capital point of view, this investment, assuming it is efficient, will raise the national income (although not, directly, the output) of those countries.

It is probable that labour costs will rise in the present low-cost EC countries if there is some levelling-up of social costs, and in the EC as a whole, first, as a result of higher incomes, later, because of higher productivity due to the increased supply of capital. In contrast to the EC's increased attraction of external capital, however, social and political pressures in the EC are likely to prevent its economically desirable attraction of external labour, thus limiting the EC's gain in output, and preventing other areas from achieving the income gain that would otherwise accrue from 'trade creation' in labour.

Use of Protection

The effects on the world's trade regime of more Community-wide quotas and more use of anti-dumping by the EC will depend on the overall nature of the outcome of the Uruguay Round. Both EC-wide quotas and anti-dumping are, in their immediate effects, at least as protectionist as the country quotas which they replace. Although general quotas might seem to offer greater scope for external suppliers to increase exports to the most protected national markets in the EC, in MFA goods the existing flexibility which allows some switching between countries and between years of unused quotas has already brought most suppliers to virtually full utilisation of their quotas in all markets for their constrained goods; products with any unused quotas also tend to have these available in all markets. The principal effect of EC-wide quotas may therefore be to introduce quotas for suppliers and for EC countries where none exist at present. This is also the most likely outcome for non-MFA goods, a particularly likely target being footwear, which has achieved the highest EC market penetration in manufactures of any developing-country product (13 per cent in 1985, Mori), ahead even of textiles and clothing (9 per cent). Several EC countries already have VERs or industry-to-industry agreements with various Asian NIEs as well as Latin American suppliers (e.g. Brazil), and there is Community-wide surveillance. But if the Uruguay Round is eventually largely successful, and specifically if the MFA is put on a transition path to elimination, as would be likely, the quotas will be seen as temporary, and further discretionary interventions could be restrained.

Anti-dumping raises real uncertainties. So far, its growing use has been seriously protectionist. But it could also be used as a weapon by developing countries to mitigate any reduction in their barriers required in the Uruguay Round. A potentially even more important limit on its abuse by the EC is that, unlike VERs or other unofficial restraints, anti-dumping is ultimately subject to legal definitions, however biased (and the definitions are themselves ultimately subject to GATT). Anti-dumping is therefore ultimately subject to legal challenge -- in 1991 GATT did challenge the EC's use of it -- and is not totally a matter for unaccountable administrative discretion.

OTHER INFLUENCES ON EC-DEVELOPING COUNTRY TRADE AFTER 1992

Uruguay Round[2]

Preoccupation with 1992 nearly prevented the EC from supporting the holding of a GATT round at all, and still means that both the Commission and economic interests in the EC countries are much less concerned with its outcome than is true, for example, in the United States. (This may help explain, although not excuse, the EC's apparent lack of serious preparation and competence, in both the technical and the non-technical sense, at Brussels in December 1990.) But the SEM and other intra-EC negotiations have given the EC experience in negotiating on non-goods issues, like services, and on trade-related issues, like subsidies with international effects, which is very relevant to the 'new issues' in the Uruguay Round. The EC knows how to find ways to broaden the competence of international negotiations and to encourage countries to accept international 'interference' in what previously were seen as areas of national competence. The EC's experience in looking beyond trade to domestic trade-affecting measures can, however, be used to extend the boundaries of protection as well as those of trade negotiations.

The simultaneous occurrence of the GATT negotiations has operated as a constraint on full-blooded protectionism from 1992 -- the same restraining influence the EC intended them to have on the United States -- and the interaction of some eventual negotiating success, in areas like agriculture and textiles, with the administrative difficulties and financial costs of maintaining country-by-country controls could encourage more genuine EC opening of internal trade to external suppliers. If textiles and clothing trade is to be opened up, then finding a substitute for Article 115 to deal with these sectors just for a short transitional period requires too much effort; and if there is to be no substitute, then protecting other national markets becomes too difficult to bother, especially if it is only to benefit a few insignificant banana exporters in the Caribbean. But of course, in the event of an increase in external protectionism, the reverse chain of argument could apply.

One trend observed in the Uruguay Round negotiations could also influence other EC relations with LDCs: the increasing likelihood that the 'special and differential' (SAD) treatment which GATT offers to developing countries will be confined as much as possible to the least developed countries (LLDCs), although perhaps to a less restrictive group than under the current UN definition of that group. As primary producers, these countries are likely to gain most or lose least from 1992 in any case, and defining them as the 'deserving poor' could make the losses of other developing countries from 1992 seem more acceptable.

Multi-Fibre Arrangement

The most likely outcome now seems a transition period of increasing quotas, helping small, new, uncompetitive suppliers first, but culminating by about 2000 in a high-tariff, high-anti-dumping, but non-quota international regime. The favourable interaction between such a process and the SEM transition has been discussed above. The exact implications by product and country remain uncertain, and the combination of these two transitions with the reintegration of the Eastern European (especially east German) textile and clothing industry into Europe suggests that the structural and probably also the technological transformation of these industries in the 1990s will be as massive as in the last 20 years. This likelihood makes these industries a high risk, although potentially high return, area for any supplier -- one that would be particularly hazardous for new suppliers, for those which need to be risk-averse (i.e., for those with heavy debts), or for those without the specifically Asian tradition of using clothing as a first manufactured export.

GSP

The tendency to restrict GSP benefits to lower-income countries, if not exclusively to the LLDCs, is already well established. If GSP arrangements are renewed, this tendency is likely to continue, particularly if any progress on overall tariff levels or in tropical products, textiles, or agriculture in the Uruguay Round means the EC must avoid further reducing the relative preference given to the ACP countries over other GSP beneficiaries.

Eastern Europe

At present, only the types of effect are beginning to be evident, and in many cases not even their direction is obvious. The principal effect, regardless of the increasingly perfunctory commitments not to allow assistance to those countries to damage LDC interests, will be to limit LDC opportunities in the EC, in general and in the new potential stemming from 1992. Integrating Germany completely, and other countries partially, into the EC industrial and trading structure will increase pressure not to accept additional opening to other areas until the restructuring of European industry is 'complete'. In a few primary commodities, but much more in low-technology manufactures, the Eastern European countries compete with the middle-income developing countries, already likely to gain least or to lose from 1992 (e.g. in cotton, clothing, and footwear). Higher income there may, however, further improve opportunities for the semi-luxury (i.e. income elastic) primary goods like coffee and bananas. Eastern European countries are already receiving concessions on GSP treatment which go beyond those normally available for their income level, as well as removal of quotas. The large inefficient east German clothing industry could be a disaster -- for eastern Germany if it disappears, but for its middle-income competitors if it acquires west German efficiency with east German labour costs.

Although the very short-run prospects are in doubt, if Eastern Europe grows more rapidly after its initial drop in output, it will, like the EC itself, be a competitor for scarce investment funds. Like '1992', the events of the last couple of years have diverted attention, and therefore information-gathering, by potential traders and investors towards Europe, and therefore, at least relatively, away from the rest of the world. Increased or diverted investment could raise the global cost of capital. On the public-sector side (and however the flows may be presented eventually in the DAC's ODA accounts), personnel previously dealing with developing countries -- in technical assistance, foreign ministries, even simply in accounting for the 'non-diversion' of funds -- are being diverted from LDCs to Eastern Europe. Incremental funds will be diverted. Germany has been an above-average importer from and investor in LDCs. Any trade gains which middle-income countries might have made from 1992 are very likely to be reduced, and any losses increased, because of this new competitor.

HOW 1992 WILL AFFECT DIFFERENT DEVELOPING COUNTRIES

The structure of EC imports is more the outcome of a complex set of preferential and protective interventions in trade than of the free interplay of international competition. Once one excludes the ACP states, the EFTA countries with duty-free access for manufactures, the Mediterranean countries with a network of special arrangements, the Eastern European countries with a variety of new special concessions, and the beneficiaries of the GSP, one finds that the EC's MFN tariffs apply to just seven countries: Australia, Canada, Japan, New Zealand, South Africa, Taiwan and the United States. Moreover, the first six are further restricted by various VERS or, especially, in CAP goods that have their own controlled regime; which effectively leaves only the United States. The most significant 1992 effects on the developing countries, at least in the short term, and certainly the most likely to be measurable after the event, will therefore be in the direct outcome of changes in policies, rather than from the broader macro-economic trends (the latter could well be more significant in the long run, if they were calculable).

The EC, much more than the United States, is traditionally an importer of primary, not of manufactured, goods from developing countries. For primary goods, the income and price effects of trade creation are likely to be small, but trade diversion to Community suppliers is unlikely. For manufactures, trade creation effects could be larger, because income elasticities are higher, but these are also the goods where trade diversion could be large. Some, like textiles and clothing, are subject to special, non-competitive-market, regimes. The EC is also accustomed either to negotiations that go well beyond ordinary trade relations, i.e. those within the EC, or to dealing with groups that expect to behave more like client-states than equals (the ACP, EFTA). It is therefore difficult to make economic forecasts of the outcome of 1992 effects (or indirect Eastern European effects) without making further assumptions about policy. It is also clearly the case that, as Frisch (1990) has pointed out, the effects will depend very much on the active response of the countries affected:

> [The EC] will help its African partners to take advantage of the new opportunities offered by a dynamic and enlarged market, but on condition that they themselves approach these opportunities with a will and not with resignation.

Some very preliminary indications of the trade creation and diversion effects can be computed using what seem to be reasonable price and income elasticities and 1987-8 trade shares for the nine single-digit SITC trade categories, with the Cecchini Report estimates of 5 per cent for the GDP effect and 1 per cent for the expected efficiency effect on relative prices of EC exports used to estimate the terms-of-trade benefit to importers from the EC[3]. Those aggregate calculations exclude any effects on particular products. For new products it is difficult to know what the market limitations of the horticultural and other goods which are being used as niche products will be, and whether these will be significantly helped either by income increases or by greater product mobility among the EC countries, leading to economies of scale in marketing. In most cases such products still account for very small shares of developing countries' exports -- the major exotic fruits, even taken together, account for less than 6 per cent of total EC imports of developing-country fruit and nuts -- so the omission is unlikely to be quantitatively important. (This is one illustration of the importance of distinguishing between the macro-economic effects, calculable with traditional economic tools, considered here, and the potential, opportunity-based, effects which cannot be calculated in this way but which attract most concern; the calculations also ignore various second- and higher-order effects in third-country markets, but as long as the initial effects are as small as reported here, it seems safe to ignore the indirect ones.)

Calculations of the price effects are based on the Cecchini Report estimates of 'market integration' effects, including those discussed above under the various technical, standard-harmonisation, and service-integration effects. As indicated earlier, the size of these effects may well be underestimated, but is particularly difficult to quantify because of the assumptions needed about how important non-cost obstacles are in cost terms, and to what types of trader they are important; the difficulty also stems from the fact, again noted previously, that some final decisions have not yet been made. Unlike income effects, it is also difficult to know how to convert them into the export prices relevant to the calculations, given the various competitive and regulatory structures of the different markets. The effects will be largest in machinery and transport, given the structure of these markets, and these sectors constitute a high share -- about 30 per cent -- of total EC exports to all developing countries (cf. Table 11)[4].

The tables for each group of developing countries also indicate the order of magnitude to be expected from any direct sectoral effects. For the MFA, the percentages quoted are the changes that could be expected in each area's exports in this sector if individual EC member-country quotas are abolished (the total EC quota remaining the same), on different assumptions about the amount the exports could expand to markets where quotas were previously binding. (The figures quoted do not indicate the potential effects from any reforms in the MFA as a whole that could result from either GATT or MFA negotiations, and therefore do not distinguish among different areas which might gain more or sooner from different replacement regimes.) In a few cases, especially under the 25 per cent assumption, these gains would be restricted by the overall quota assumed for the EC.

For bananas, rum, and sugar -- and because the present commitment is that there will be no loss to the ACP countries -- the assumption is that there is no SEM effect. The present value of banana exports is given to indicate how significant they are -- or, for cynics, how vulnerable the exporters are to a change in the EC's commitment. The assumption of no effect could be slightly too favourable for the ACP and unfavourable for the rest of the Western Hemisphere if the commitment is interpreted in a limited manner, i.e. as protection of present market volumes, not market shares, with the income gains all allowed to accrue to other suppliers. Bananas, at least, have a relatively high growth for a primary product because of changing tastes. In the medium and longer term, structural changes in the ACP countries, with or without EC assistance, are very probable.

The value of footwear exports is given for those countries where it is important, again to indicate the potential significance of controls.

The tables do not include any calculation of effects on services trade. If trade-related services are assumed to increase in line with trade, and an income elasticity of 4 is used for travel (quite arbitrarily, because I am not aware of any good econometric work in this field), a potential gain for all developing countries can be calculated at about 0.2 + 1 = 1.2 billion ECUs (1987 prices), against which 0.3 should be offset for a similar allowance for trade-related imports of services, and (based on estimates of investment in the developing countries) 0.4 for investment-related services, including interest and profits. The semi-respectable estimates for trade-related services are thus almost offsetting, but probably negative. It seems plausible that the tourism effects should be large and positive, and any investment negative, but it would be wrong to attach any higher significance than that to the other estimates[5].

The final set of effects, which depend on behaviour and responses in the EC and in the developing countries -- in terms of investment, of finding and promoting new exports, of movements of labour, and of the system more generally -- cannot be put in these tables, but their probable direction for each area is indicated briefly in the text, based on how the different areas have behaved in the past.

ACP countries

The African, Caribbean, and Pacific countries associated with the EC through the Lomé agreements have been guaranteed preservation of their present special arrangements for access to EC markets (in bananas, sugar, rum), but the figures (Table 1) for their banana exports -- more than half their gain on all primary trade -- show how vulnerable they would be to any loss here. Most ACP countries do not appear to have benefited from their existing EC preferences in trade in manufactures (including exemption from MFA), but the few which have -- Mauritius, perhaps Jamaica, Zimbabwe -- could gain from the trade creation for manufactures, and they may lose less from trade diversion than the sectoral averages used for the calculations summarised in Table 1. As they are still mainly primary exporters, the ACP countries will gain from the higher EC income. Cocoa and coffee producers (in Africa) will gain substantially from the excise tax changes, although these gains will be offset by some tobacco losers (Zimbabwe) -- total LDC exports of these products to the EC are shown in Table 9 -- and perhaps also by tighter EC meat or shellfish standards. The lack of previous gain means the ACP countries may lose little from any erosion of preferences because of changes in MFA or GSP. They have not shown great ability to take advantage of new opportunities in the past, so the passive results calculated here may not be too misleading.

The calculations suggest that the ACP countries will be net gainers on trade, unless there were to be serious erosion of the protection for their special position on bananas, etc. This will be particularly true of countries like the major cocoa and coffee producers in Africa. No allowance is made for negative effects from erosion of preferences. Only Mauritius has a high share of textiles and clothing in its exports (30 per cent) and its exports began before it received ACP preferences; it seems likely that it can continue without the special advantages. There, and in other suppliers, the ACP privilege of freedom from tariffs, rather than from MFA controls, appears to have been more important. (Tariffs on MFA goods are probably the least likely to be reduced even if the Uruguay Round succeeds, so this preference will not be eroded.) Jamaica has also done better than average on exports, but appears to have gained more from its CBI preferences to the United States, so again no allowance is made for relative loss of ACP preference.

The ACP countries' SEM gain is the largest in proportion to the size of trade of any of the areas (even before allowing for extra gains from excise duty effects), and because the ACP countries' exports to the EC are more than half their total exports, the gain is significant for them. Moreover, because the share of machinery in their imports is the largest for any area (Table 11), their gains from the price effect are particularly large as well. In the longer term, however, their problem remains as it appears to have been in the past: they are not well placed, or perhaps not well structured or prepared, to take advantage of the dynamic effects of the SEM, either on trade or on investment opportunities from the EC. Although, for this exercise, that they will do relatively well is probably a reassuring conclusion, that they tend not to gain very much (or have much to lose) from external effects is a more worrying problem for them in the long run[6].

Mediterranean Countries

These countries have gained market share from their existing preferential access to the EC, and are likely to gain from the increases in demand. Although they have no obvious sectoral gains, they still have a substantial amount of primary trade so that the trade creation effects will outweigh the trade diversion effects. Because their imports exceed their exports, they should also gain more than the average (or than the ACP countries) on terms of trade (Table 2).

The Mediterranean countries are also likely to have substantial non-trade gains. The countries (although not the frustrated migrants) will gain from economic support intended to discourage migration and to compensate for tighter control. Those countries (especially Turkey) which hoped for closer association, even membership, are, however, even less likely to get it as Eastern Europe moves ahead in the queue (and the waiting list may be closed).

Maghreb

Algeria, Morocco, and Tunisia are principally exporters of primary goods (notably fuels, but also other minerals and some foods) to the EC. Their gains will thus outweigh their losses from trade diversion (Table 3), although there are risks to some of their agricultural products from diversion to the Mediterranean members of the EC. Morocco and Tunisia are vulnerable to any restraints on footwear, and this could significantly affect their gains from the SEM. Textiles and clothing constitute more than half their exports of manufactures, and about a third of their total exports, so that they could be affected by MFA changes: they are not subject to it formally, although they face other apparently less restrictive quantitative restrictions in this sector, and therefore could lose exports by loss of EC preference.

South Asia and China

Any gains on the MFA would be more important for all Asian countries than for other areas, because exports of textile products are more important for them, actually and potentially; this is especially true for Sri Lanka, 8 per cent of whose exports are in this sector. The very low labour costs in South Asia and China also make them more likely to gain investment to meet higher EC demand than other areas, and they are well placed in some new services, like data-processing, programming, and publishing. Among the less industrialised countries, some will gain from some primary commodities (e.g. China from cotton), although India will lose from any fall in tobacco exports. India and Sri Lanka will gain on tea (tea and coffee together account for 43 per cent of Sri Lanka's primary exports to the EC). But for each of the South Asian countries and for China, manufactures constitute at least 80 per cent of total trade with the EC, so unless there are gains from renegotiations of the MFA -- their principal manufactured exports are textiles and clothing -- they will lose from the SEM in trade effects (Table 4). The estimated loss is quite small, however, and could be balanced by terms-of-trade effects because the South Asian countries' imports from the EC are substantially greater than their exports -- although their imports of machinery are relatively small (Table 11) so the calculation here may overestimate their gain. Although textiles and clothing are a small share in all developing countries' imports from the EC, they are particularly small for the South Asian countries -- 5 per cent, compared to an average of 15 per cent for all developing countries -- so that these countries, with the NIEs and ASEAN countries, are particular targets for the EC's efforts to secure concessions on barriers to its exports in exchange for any changes in the MFA.

China has a less favourable composition of exports to the EC, so the trade-diversion effect of SEM is likely to be greater, while its positive trade balance with the EC reduces its likely gains from lower prices. The trade effect is thus even worse for China, and is not completely offset by the terms-of-trade effect.

Asian NIEs

These economies are the bigest losers from the measurable effects of the SEM (Table 5). Their exports are almost exclusively manufactures, and their trade surplus with the EC limits the benefits from price effects. On the sectoral side, they face considerable risks, and only limited and belated possibilities of gains. They will lose from any restriction or postponement of general, GATT-related benefits for middle- or higher-income developing countries (including the various transitional 'modalities' suggested for the abolition of the MFA). Imposition of Community-wide quotas for footwear or electronics goods would be directed at them, and they have been among the first targets of the rise in anti-dumping actions. They are also the markets whose opening to EC goods (especially clothing and leather goods) has been made a condition for EC support for any progress on the MFA. Even if the proposed directives on safety of toys and fireworks and on health standards for fish and shellfish were written and administered only for safety purposes, these economies would be most affected, and any protectionist element will be directed at them.

The Asian NIEs are, however, on previous evidence, much more flexible and accustomed to introducing new products to new markets than either the United States or other developing economies, including the ACP and Latin American countries. They may therefore be better able to meet new EC barriers to entry or to benefit from the growth effects of the SEM.

Some of the services in which the Asian NIEs are most prominent, notably shipping, air and financial services, are among those in which the SEM should have the strongest efficiency effects on European industries. The effect should therefore be negative for their Asian competitors, perhaps particularly Singapore, for which air transport is an important source of revenue (Langhammer, ASEAN), although in air and financial services the SEM may also have offsetting trade-creation effects because they are also characterised by high income-elasticity of demand.

The Asian NIEs' own growth may remain sufficiently high, relative to West or East Europe, for them to escape diversion of private investment funds to either part of Europe, and their manufactures are probably more competitive than Eastern European products. In sum, the direct '1992' effects on the Asian NIEs will be negative, but they are also the developing economies most likely to be able to take advantage of any new opportunities created by the SEM.

ASEAN Countries

The picture for these countries (Table 6) is similar to that for the Asian NIEs. They are, however, not yet as dependent on manufactured exports, which constitute about 51 per cent of their exports to the EC (although a high proportion of Thailand's agricultural exports are subject to restrictions, the trade diversion effect is much smaller). On the sectoral side, these countries also face the same potential delays in benefits and new obstacles as the NIEs, but the pressures and the effects on them will be slightly less strong in each case. They have more to gain from any reform of the MFA (textiles and clothing are 6 per cent of Thailand's exports), and would probably gain sooner than the NIEs because the phasing of the planned transition is likely to try to restrict the NIEs' exports longest. They probably have less to lose from footwear restrictions. The effects will be negative, but smaller, and these countries probably have the same potential as the NIEs to respond to new opportunities, although they are more like the South Asian countries in their significant vulnerability to sectoral effects in both the MFA and some primary goods. In services, the net effect on Thailand (specialising in tourism, with potential trade-creation gains) could be favourable.

Latin America

Most of Latin America's exports to the EC are primary products, and clear gains are likely in these products (Table 7). The net trade effect is therefore likely to be positive, and the price effect makes a useful addition to this. But within this aggregate, the usual distinction between primary exports and manufactures is particularly important. There are clear, immediately good prospects for the coffee exporters, and for banana exporters once guarantees to the ACP start to slip and Eastern European demand rises. Tobacco losses will offset these for some countries in the region.

Latin America's current trade in manufactures with the EC is low. Only three countries -- Argentina, Brazil and Peru -- have much to gain in EC trade from any reforms in the MFA, and even for them textiles and clothing exports are not very important. They are unlikely to be among the earliest gainers from any MFA relaxation. The high share of shoes in their exports exposes them to a serious potential negative effect. This is particularly serious for Brazil, and the high share of its trade in shoes and in other manufactures with Germany exposes it to further threats from changes in German trading patterns and policy (discussed below).

They are also at a disadvantage in the face of intended and unintended changes in policy towards imports. Without strong already-existing trade links, lack of information is likely to make them vulnerable to new or changing standards which will act as barriers to entry. Their intermediate labour costs and poor growth prospects make them particularly vulnerable to competition for trade or investment from the poorer members of the EC or from Eastern Europe (many of their clothing products are in direct competition with the latter at present). Their poor transport links are an additional obstacle. Their hoped-for new exports of shellfish, plants, fruits and vegetables are all on the new standards list, which could make market-entry more difficult. Like the Asians, they will lose from any diversion of capital or trade concessions away from middle-income, non-European countries.

While the effects of the SEM on Latin America's major exports at present to the EC may therefore be neutral or positive, its effects on the exports which the Latin American countries are trying to expand -- and more generally on their strategy of industrialisation and diversification of exports away from the United States -- are seriously negative. To offset their dual disadvantage of being middle-income countries and having no 'special relationship' with the EC -- except for the presence of what the EC can regard as common-market-like organisations in Central America and the Andean Pact[7] -- they would need goods, services, or investment opportunities in which they are clearly superior to the ASEAN countries and Eastern Europe. These will be difficult to identify. The SEM effects are therefore likely to be negative in the medium term, after one-off short-term gains on primary products, and although the flows seem small, the effect of the SEM on their long-term strategy probably explains their apparent disproportionately high level of concern about 1992.

OPEC

The size of the SEM effect for OPEC countries has become particularly uncertain because of the changes not only in oil prices but in perceptions of how risky it is to depend on oil as a fuel. The direction of the effect (Table 8) is not in serious doubt, however, as there is little further possibility of trade diversion within the EC. Machinery and transport have a particularly high share in OPEC imports from the EC, so these countries could gain even more than estimated here because of the terms-of-trade effect on import prices. Most countries, but particularly France and the United Kingdom, have legislative provisions for tight control of trade (and stocks and usage) in the field of energy, but since the 1970s there has been no talk of developing a Common Energy Policy to remove external dependence and protect domestic suppliers (notably the United Kingdom) from external competition, on the lines of the Common Agricultural Policy and Davignon's steel strategy. There is a possibility that the formation of the SEM could extend the legal possibility of such a regime, but no sign at present that it will be implemented.

Indonesia, for which non-oil exports are also important, is vulnerable on sectoral effects, but even for Indonesia the magnitude is dwarfed by the fuel export and aggregate import effects. OPEC is a clear gainer from the SEM.

All Developing Countries

Table 9 summarises these results for all developing countries[8]. Looking at average results is potentially misleading (as is obvious from the area discussion) for three reasons. First, whether the effect is positive or negative depends strongly on whether an area exports mainly primary goods to the EC, for which the effects are positive, although small, or manufactures, where the trade-diversion effects are greater than the trade-creation effects. The total figure for the net effect is therefore simply small (and, given the considerable uncertainty over all the elasticities, insignificant). The principal SEM benefit is to producers of fuel: on the elasticity assumptions here, and with no allowance for future policy changes, this accounts for 70 per cent of the total primary product gain from trade creation. The effects on coffee, tea, and cocoa producers will also be extremely important, especially among the small and poor exporters of the African ACP countries. Secondly, the effects on individual products appear small relative to the aggregate effects, but the area tables show that in the affected countries or areas, these can be the most important. Thirdly, the importance of any of these effects for countries and areas depends on each country's or area's share of trade with the EC.

If the higher estimates for the output effect of the SEM were used, trade diversion would be even greater, sharpening the contrast between the impact on manufactures- and primary-dependent areas and countries. These estimates might also point to a stronger price effect (improving the terms-of-trade gain), but if this effect were very large, the effects of competition in third-country markets (cheaper EC exports damaging LDC exports in non-EC countries) could not be ignored, and the very simple partial effects calculated here would cease to hold. Strong dynamic SEM effects (the Baldwin argument) would also suggest large changes in the industrial structure of the EC, and therefore in the composition of its imports, which would further invalidate the assumptions used here. It is therefore best to consider the results indicated as first-round effects, with the length of that round rather indeterminate. It is probable that a large proportion of the effects have already been anticipated, and can be seen in the high investment and import performance of the EC over the last three to four years. The more long-term effects depend too much on the dynamic structural changes within the EC, and on the interaction of the SEM with all the other factors affecting the changing industrial structure of 12 complex economies, for it to be possible to estimate aggregate or sectoral SEM effects with greater precision.

One general result, however, is clear and important. The bias towards favouring primary trade, which is found at both the aggregate and special product level, is significant because it suggests that the SEM will reinforce a difference that already exists between EC-LDC trade and US-LDC trade -- the greater share of primary products in EC-LDC trade -- and because it goes against many developing countries' own preferences or strategies for reducing dependence on primary exports. The EC has a lower share of the market for developing-country manufactured exports than for their exports as a whole (Table 10), while the US share is much higher. Japan also has a more primary-product based trade with LDCs, but this pattern is consistent with Japan's general dependence on primary imports. The EC pattern, in contrast, is not simply the result of its overall composition of trade, and it applies (as does the contrast with the United States) in its trade with Latin America. There is thus a strong risk that the SEM will prolong the EC's old-fashioned pattern of trade with developing countries.

How important is any of this to developing countries? As Table 11 shows, the EC is still an important market for many of them. It is most important for Africa (which corresponds closely to the ACP countries, used in the previous analysis) and is also particularly important for OPEC, because of its higher dependency on imports of fuels than the United States (or other European countries). It is least important for the Asian countries, but is not insignificant either for them or for the Latin American countries. The EC's relatively greater importance in trade in primary products holds for all the areas (except Africa, where these products constitute such a large share of total trade that the comparison is of little significance).

Combining these shares with the effects shown in Tables 1 to 9, it is clear that although the aggregate effect for all developing countries is small (1.5 per cent of 22.5 per cent), the effects on Africa and Asia could be important: of the order of 1 per cent on their exports for the assumed 5 per cent increase in EC output. In the case of Africa, this effect reflects the EC's weight in the region's exports; in the case of Asia, it reflects the size of the effect from the EC's increase in output. Manufactures now constitute roughly half of the EC's total imports from developing countries, and half or more for all areas except OPEC (Tables 1 to 9). For manufactures trade, as well as in total trade, the EC is most important for Africa, and therefore it is in that region that the measurable SEM effects are most important (Table 11). Because the effects stem from the EC's high share in Africa's trade (and the direction of trade is difficult to change rapidly) and because Africa has shown itself less able to respond actively to trade effects in the past, the actual effects are likely also to be largest there. For the other areas, the effects of the SEM are likely to be more indirect, in discouraging Latin America and the Asian NIEs and new-NIEs from trying to diversify more towards the EC in an effort to reduce their dependence on the US market. The effects are also more likely to be offset by initiatives in those countries to adapt to the SEM: such reactions are more characteristic of these areas, and will be easier because it is product composition, not area patterns, that must change.

From the EC point of view, developing countries still take almost 40 per cent of its extra-EC exports (down from 46 per cent in 1980) and supply 40 per cent of its imports (of which a fifth is fuels). Africa, which is the least important supplier of EC imports among developing areas (10 per cent), has a similar position as a market for EC exports (11 per cent) (Mori). The important markets for the EC are OPEC (about a quarter) and Asia excluding the NIEs and ASEAN countries (about a third); the NIEs and ASEAN countries, Latin America, and the Mediterranean countries, each take about 10 to 12 per cent. The EC's principal markets by country are Saudi Arabia, Hong Kong, China, India, and the other NIEs -- which are all also among its principal suppliers (although in 1988 the single largest supplier was Brazil). Thus, except for Saudi Arabia, the effects of the SEM in the countries which are the EC's principal trading partners are likely either to be negative (in the NIEs, ASEAN countries and China), or to depend on how special sectors are treated (as indicated above for India and Brazil, for example).

It should also be noted that the individual EC countries' patterns of trade with the various groups of developing countries are quite different from one another, and that this heterogeneity could have implications for policy. One reason is that some EC countries may be better able than others to protect their 'clients' from any protectionist decisions. But there could also be more direct effects, such as from the diversion effects of the reunification of Germany and the redirection of Eastern European trade, both of which are likely to be felt most strongly by Germany's LDC trading partners.

For all developing countries, the largest EC countries are of course the most important markets. Germany now takes a quarter of their exports to the EC; France and the United Kingdom take about a sixth each, and Italy slightly less (Table 12). (The major change in the last 15-20 years has been the decline in the United Kingdom's share from a quarter.) For Africa, France and Germany are now the principal markets -- each taking about a fifth of its exports to the EC -- while the share of the United Kingdom has declined sharply (to about 13 per cent, from 19 per cent in 1970). Germany is also particularly important for the Asian NIEs and ASEAN countries (for services as well as goods [Langhammer, ASEAN]), for the other Asian countries, and for Latin America, while France and Italy are particularly important for the Mediterranean countries (and OPEC). Spain's importance is greatest for Latin America, but even here it falls behind Germany, France and Italy.

Germany's main individual suppliers are Brazil, the NIEs, China, Libya and India. France has a similar pattern, with Saudi Arabia, Algeria and Morocco replacing Libya and India. For Italy, the NIEs are not important suppliers (although Hong Kong is an important market) and it is oil exporters, Brazil, and China that take the lead. For the United Kingdom, the NIEs, Brazil, India and China, and Saudi Arabia are the most important suppliers.

These trade patterns of individual EC countries confirm the inferences drawn from the general EC pattern of trade, in terms of the particular goods and countries that are crucial to determining the overall effects of the SEM on developing countries. Particularly important are the special sectoral or country-specific effects on Brazil, India, China, and the NIEs, and any effects stemming from the special influences on Germany.

FINAL THOUGHTS

The objective of the SEM is not just to remove obstacles to trade, but quite deliberately to improve the functioning of markets. This means that there are important constraints on the extent to which analysing the impact of particular policy changes following from the SEM exercise can lead to a judgement of the total impact. Although it is convenient to discuss the effects of the SEM in conventional terms, of trade diversion or creation, those effects do not -- in contrast to the consequences of admission of new members, or of the North American or other new free trade agreements -- stem from the lowering of traditional tariff barriers to trade, which has already happened (except for the remaining transitional arrangements for Spain, Portugal, and Greece). The barriers potentially affected by the transition to the SEM, for services and factors of production as well as for goods, go well beyond conventionally defined non-tariff barriers; the process includes removal of all controls at borders, agreements on recognition of standards, and regulations -- of a type usually found only within national economies -- of disparities among taxes and also of business practices, cartels or mergers. Even for conventional non-tariff barriers, it is now well accepted that 'tariff equivalents' are not in any useful sense equivalent. The addition of measures to liberalise and to regulate labour and capital movements creates potential new types and combinations of diversion effects.

The way in which the process is being implemented, and encouraged, has also created very powerful information effects. These effects are both direct, in terms of the numbers of changes of which economic decision-takers need to be aware, and indirect: the EC has created the desire to be informed by giving strong, but unspecific, emphasis to the existence of 'new opportunities'. Moreover, non-EC countries are unambiguously disadvantaged with respect to this information effect, especially those countries which are too poor (or for whom the EC is too small a market) to afford to pay for such information, or those which are particularly distant (in terms of current trade contacts), or, of course, those which the EC has no interest in informing. Meeting this need for information could be the most effective way for the EC to counter any general damage to developing countries from 1992, and to act directly on their perception of a 'fortress'.

Even if there is some tendency, in accordance with the normal EC discriminatory approach to trade, to see the regionalism of 1992 as standing in contrast to, if not as an obstacle to, the multilateral or GATT approach, there is very little evidence from the experience of developing countries in the last 20 years to support the view that trade is moving into regional blocs. Reducing trade with previous principal markets has been characteristic of all the successful developing countries, and of the various area groupings, and it is precisely because 1992 offers obstacles to this reduction (vis-à-vis the United States) that it worries Latin America. On the EC side, its turning to Eastern Europe can be regarded as a sign that the EC also does not perceive any particular pattern or hierarchy of regional partners as fixed. (To misuse the usual metaphor of the EC's 'pyramid of preferences', it has moved the bottom step of its pyramid of preference to near the top.) While the transformation of an already strong and occasionally badly behaved Common Market into a single economy, very conscious of its economic power, causes many justifiable concerns to the rest of the world, a new 'regionalism' is not one of them.

The pattern of the GATT Round can be taken, whether it succeeds or fails, as showing the interactions of a variety of *ad hoc* negotiating groups, formed around different interests in different subjects (Cairns, the EC with developing countries against the United States in textiles, very mixed groups in TRIMS and TRIPS). Even more important, the Round tended on several central issues to move back to legally definable (and therefore legally accountable) regimes, however protectionist they may be in the first instance. Negotiating on agriculture, textiles and clothing, and services at all was an advance on their exclusion from previous Rounds; anti-dumping, NTBs and standstill and rollback were all included without controversy (even if with little progress): these were 'new areas' in the preceding Round. The success of the FOG (functioning of the GATT) group -- its trade surveillance offshoot produced nine reports on countries' trade policies -- and the serious efforts to improve enforcement of GATT decisions may stem partly from the financial costs of the uncertainties of the present position, partly from the administrative and political costs of the highly interventionist modes of agriculture, textiles and clothing and services; but they are also consistent with the more general swing back of the pendulum at national levels to greater emphasis on 'improving the functioning of markets' -- in reaction to the previous emphasis on leaving decisions to markets, without sufficient concern for the pre-conditions which are needed for markets to produce either efficient or satisfactory decisions. In 1990 the pendulum swung even further (perhaps another 'Eastern Europe' effect) to looking not just within domestic economic structures but within domestic politics to question whether countries are democratic. An example is the statement by the UK Foreign Secretary Hurd on 6 June 1990:

> Economic success depends to a large degree on effective and honest government, political pluralism and observance of the rule of law, as well as freer, more open economies.

Similar statements appeared from USAID and even World Bank sources. Most EC statements have been less interventionist in other countries' political systems, putting more emphasis on the need for administrative efficiency and economic accountability -- perhaps another example of the EC's experience in dealing with a variety of systems within the Community (Frisch 6 June 1990):

> Africa's democratic deficit is obvious and constitutes an obstacle to development. However, the Community will have to be careful -- and this is my personal opinion -- not to try to simply transpose in the name of a new 'political conditionality' constitutional models that have shown their worth in our countries and are now being experimented with in the Eastern European countries. I believe that we have to give Africans the freedom to choose ways to democracy that are the most appropriate to the structure of their societies, provided such choices are based on a broad consensus of the population.

Any increased acceptance of a broader role for the GATT outside trade in goods, strengthened by the EC's own transformation and negotiation of the SEM, could be used to encourage recognition that the new types of costs imposed by 1992 require compensation for damaging effects on non-member countries similar to that required by existing GATT rules from a new common market. Although the actual effects may be small, acceptance by the EC that there is legitimate cause for concern would in itself help to offset the concern created by its original failure to consider the rest of the world in its plans for the SEM. It would also provide some of the information which other countries need to mitigate their losses.

NOTES

1. France, Germany, Belgium, Luxembourg and the Netherlands have already removed routine border checks among themselves.

2. For a fuller treatment see Page, *et al.*, 1991.

3. The elasticities and calculations are based on those reported in Davenport and Page (1991). For primary goods, the elasticities are between .5 and .7, except for fuels, at 1.2; for manufactures they are about 2 except for machinery and transport, at 2.4. Diversion effects are expected only for manufactures, and are highest (about 5) for chemicals and for machinery and transport, and about 2 for the others. That report gives a fuller discussion of the details and limitations of the methods, and some calculations for four of the groups presented here: ACP, Mediterranean, Maghreb, and Western Hemisphere.

4. The calculations for the ACP, Maghreb, Mediterranean, and Western Hemisphere countries allow for different import composition in calculating these effects; the other areas do not.

5. For a more detailed discussion of services, see Davenport and Page, 1991, pp. 70-73.

6. Some are members of the Franc Zone. As indicated above, the SEM in itself will not alter these arrangements.

7. These have benefited from significant EC financial and technical assistance.

8. The areas overlap, so the effects reported in table 9 for all developing countries are not the sum of the effects in the area tables.

Table 1

EFFECT OF '1992' ON ACP COUNTRIES
(million ECUs)

		Côte d'Ivoire	Kenya	Zimbabwe	St. Lucia and St Vincent
Exports to EC	16374	1772	484	492	94
Imports from EC	13843	987	702	253	49
Trade creation					
Primary goods	543				
Manufactures	315				
Trade diversion					
Manufactures	477				
Total Trade effect	361				
% Exports to EC	2.3				
Price effect	231				
Total effect	592				
Structure of Exports to EC[a] (percentages)					
Agriculture	33.5				
Energy		16.9			
Manufactures	49.2				
Sectoral Effects (million ECUs)					
Footwear	0.5				
Bananas	336				

Source: Own calculations using EC 1990 and Davenport and Page 1991; Mori for structure.

Note: 1987 values used.
[a] Mori data for Africa.

Table 2

EFFECTS OF '1992' ON MEDITERRANEAN COUNTRIES
(million ECUs)

Exports to EC	29302
Imports from EC	34164
Trade creation	
Primary goods	733
Manufactures	1434
Trade diversion	
Manufactures	1918
Total Trade effect	250
% Exports to EC	0.8
Price effect	474
Total effect	724
Structure of Exports to EC (percentages)	
Agriculture	15.4
Energy	25.2
Manufactures	59.2

Source: Own calculations using EC 1990 and Davenport and Page 1991; Mori for structure.

Note: 1987 values used.

Table 3

EFFECT OF '1992' ON MAGHREB COUNTRIES
(million ECUs)

		Morocco	Tunisia
Exports to EC	15423	1929	1542
Imports from EC	7919	2253	1782
Trade creation			
Primary goods	244		
Manufactures	370		
Trade diversion			
Manufactures	534		
Total Trade effect	80		
% Exports to EC	0.9		
Price effect	90		
Total effect	170		
Sectoral Effects			
Footwear	71	40	31

Source: Own calculations using EC 1990 and Davenport and Page 1991.

Note: 1987 values used.

Table 4

EFFECT OF '1992' ON SOUTH ASIAN COUNTRIES AND CHINA
(million ECUs)

	South Asia	Pakistan	India	Sri Lanka	Bangladesh	China
Exports to EC	5056	1231	3265	270	290	7004
Imports from EC	8022	1606	5638	375	403	5802
Trade creation						
Primary goods	30					56
Manufactures	391					529
Trade diversion						
Manufactures	436					689
Total Trade effect	-15					-104
% Exports to EC	-0.3					-1.5
Price effect	80					58
Total effect	65					-46
Structure of Exports to EC[a] (percentages)						
Agriculture	8.6					
Energy		11.0				
Manufacture	80.4					
Sectoral Effects						
Footwear		13	110			130
MFA potential growth (percentages)						
if 10% on subquotas		1.7	3.9	5.1		2.8
if 25% on subquotas		1.9	4.5	11.9	5.8	

[a] China and LDCs excluding Mediterranean, Latin America, OPEC, Asian NICs, and Africa.

Source: Calculated using EC 1990 and Davenport and Page 1991; Mori.

Note: 1988 data. China is not included in South Asia except in structure data.

Table 5

EFFECT OF '1992' ON ASIAN NIES
(million ECUs)

		Singapore	S Korea	Taiwan	Hong Kong
Exports to EC	24478	2993	7233	8064	6316
Imports from EC	19691	4066	4391	4459	6766
Trade creation					
Primary goods	12				
Manufactures	2574				
Trade diversion					
Manufactures	4077				
Total Trade effect	-1491				
% Exports to EC	-6.1				
Price effect	197				
Total effect	-1294				
Structure of Exports to EC[a]					
Agriculture	4.3				
Energy		0.1			
Manufactures	95.5				
Sectoral Effects					
Footwear			357	471	54
MFA potential growth (percentages)					
if 10% on subquotas		2.3	3.0	3.4	2.6
if 25% on subquotas		5.8	4.0	6.8	5.3

Source: Calculated using EC 1990; Davenport and Page 1991; Mori.

Note: 1988 data.
[a] 4 NICs and Malaysia and Philippines.

Table 6

EFFECT OF '1992' ON ASEAN COUNTRIES[(a)]
(million ECUs)

		Thailand	Malaysia	Philippines
Exports to EC	6606	2713	2685	1208
Imports from EC	4639	2072	1385	912
Trade creation				
Primary goods	446			
Manufactures	102			
Trade diversion				
Manufactures	464			
Total Trade effect	-18			
% Exports	-0.3			
Price effect	44			
Total effect	26			
Sectoral Effects				
Footwear		53	7	16
MFA potential growth (percentages)				
if 10% on subquotas		3.7	1.1	3.3
if 25%		8.0	2.7	7.0

Source: Calculated using EC 1990 and Davenport and Page 1991.

Note: 1988 data.
(a) Excluding Singapore and Indonesia which are included in the NICs and OPEC, respectively.

Table 7

EFFECT OF '1992' ON LATIN AMERICAN COUNTRIES
(million ECUs)

		Peru	Brazil	Argentina
Exports to EC	19350	645	7274	1889
Imports to EC	13489	658	3354	1757
Trade creation				
Primary goods	502			
Manufactures	495			
Trade diversion				
Manufactures	751			
Total Trade Effect	246			
% Exports	1.3			
Price effect	208			
Total effect	454			
Structure of Exports to EC (percentages)				
Agriculture	30.9			
Energy	16.3			
Manufactures[(a)]	52.6			
Sectoral Effects				
Footwear			156	
Bananas	741			
MFA potential growth (percentages)				
if 10% on subquotas		3.5	4.0	1.8
if 25% on subquotas		8.7	5.4	4.5

Source: Own calculations using EC 1990 and Davenport and Page 1991; Mori for structure.

Note: 1987 values used.
(a) This includes some semi-processed included in primary goods above.

Table 8

EFFECTS OF '1992' ON OPEC COUNTRIES
(million ECUs)

		Indonesia
Exports to EC	31851	2134
Imports from EC	31198	1934
Trade creation		
Primary goods	1556	
Manufactures	515	
Trade diversion		
Manufactures	847	
Total Trade effect	1224	
% Exports	3.8	
Price effect	312	
Total effec	1535	
Structure of Exports to EC (percentages)		
Agriculture	3.3	
Energy	87.3	
Manufactures	9.3	
Sectoral Effects		
Footwear (million ECUs)	16	
MFA potential growth (percentages)		
if 10% on subquotas	2.7	
if 25% on subquotas	4.4	

Source: Own calculations using EC 1990 and Davenport and Page 1991; Mori for structure

Note: 1988 values used.

Table 9

EFFECT OF '1992' ON ALL DEVELOPING COUNTRIES
(million ECUs)

Exports to EC	108492	
Imports from EC	104675	
Trade creation		
Primary goods	2804	
Manufactures	4434	
Trade diversion,		
Manufactures	5655	
Total Trade effect	1582	
% Exports to EC	1.5	
Price effect	1196	
Total effect	2778	
Structure of Exports to EC (percentages)		
Agricultural	12.7	
Energy	30.0	
Manufactures	52.9	
Sectoral Effects		
Footwear exports (m.ECUs)	1367	
Banana exports (m.ECUs)	1554	
MFA potential growth (percentages)		
if 10% on subquotas	3.1	
if 25% on subquotas	5.2	
Excise duties	value	percentage change
Coffee	457.2	11.6
Tea	4.5	1.2
Cocoa	47.0	3.2
Tobacco	-147.1	-13.8

Source: Own calculations using EC 1991 and Davenport and Page 1991; Mori for structure

Note: 1987 values used.

Table 10

IMPORTANCE OF EC TO DEVELOPING COUNTRY EXPORTS RELATIVE TO OTHER INDUSTRIAL COUNTRIES (1987)
(percentages)

	EC	US	Japan
All developing countries exports by market			
Total	22.5	25.8	12.1
Manufactures	18.8	34.5	6.8
Africa	52.3	6.7	0.5
Latin America	11.8	49.6	2.5
Asia	16.9	36.9	8.3

Source: UNCTAD Handbook

Table 11

IMPORTANCE OF EC IN DEVELOPING COUNTRY TRADE (1987)
(percentages)

	All Developing Countries	OPEC	Non-OPEC	Western Hemisphere	Africa	Asia[a]
EC share in exports						
Total	22.5	29.3	21.0	20.5	57.5	15.2
Food	29.9	29.7	29.9	30.2	59.3	16.7
Agric. raw materials	26.3	26.6	26.2	28.5	53.7	17.3
Ores, metals	29.6	15.2	30.8	29.8	54.1	8.3
Fuels	24.1	28.1	13.8	13.9	59.0	0.3
Manufactures	18.8	18.9	18.8	11.8	52.3	16.9
EC share in imports						
Total	24.8	37.3	22	19.3	50.5	15.1
Manufactures	30.6	39.9	28.2	24.7	58.6	19.2

Source: UNCTAD Handbook

Note: [a] Excluding the Middle East

Table 12

GEOGRAPHICAL BREAKDOWN OF THE COMMUNITY'S IMPORTS (1987)
(SHARE AS PERCENTAGE OF TOTAL EC IMPORTS FROM GROUPS OF LDCS)

	Mediterranean Countries	Latin America	OPEC	Asian NICs + ASEAN	Africa	Rest of LDCs	Total LDCs	World
Belgium-Lux	7.9	5.9	5.6	3.4	12.8	2.9	5.4	8.7
Denmark	1.0	1.7	1.0	2.1	0.5	2.4	1.6	2.7
France	23.9	15.1	17.6	13.8	21.9	12.2	16.0	16.6
Germany	16.8	26.4	13.7	31.0	19.3	36.7	25.7	24.0
Greece	2.7	0.8	3.1	1.4	1.4	0.4	1.5	1.4
Ireland	0.5	0.4	0.1	0.9	0.8	0.6	0.5	1.4
Italy	20.8	13.9	26.1	7.4	13.5	6.6	14.2	12.9
Netherlands	5.6	8.9	12.5	8.3	7.7	10.8	9.9	9.5
Portugal	2.7	1.8	2.1	0.5	2.5	0.6	1.5	1.4
Spain	5.9	12.8	11.8	4.0	6.4	2.6	7.2	5.2
United Kingdom	12.2	12.3	6.2	27.1	13.2	24.2	16.5	16.2
EC (12)	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Mori

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