# Economic Relations After the Kennedy Round

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What was the Kennedy Round?

* “The sixth round of GATT trade negotiations, was designed to promote international trade: between the industrialized countries of the West, between developed and less developed countries, and—to some extend—between countries having different economic systems” (15).

The Five Themes (17):

1. Negotiating techniques for dealing with tariffs and non-tariff barriers
   1. The across-the-board approach
      1. US opposed, EEC favored
   2. The disparities issues
      1. Identifying a disparity: 30% is the minimum, 10% for minimum gap
   3. The list of exceptions
      1. Hoped to eradicate this list.
      2. US and EEC had large exceptions lists (+ 18%). Britain’s list was short (+8%).
      3. Impossible to agree on a general automatic disparities rule between EEC and US.
2. Problems with agriculture, “montant de soutien”, worldwide agreements for certain products (amount of subsidization done to agriculture)
3. Participation of developing countries in this round and their positionality
   1. What determines a developed vs. developing country?
   2. Less developed countries had: quantitative import restrictions and tariffs, revenue duties, internal fiscal charges, state monopolies
   3. Developing countries were practically excluded from negotiations. Overpowered by developed countries which was not supposed to happen in this round.
   4. Average tariff cut to developing countries: 26%. Reciprocity was not expected by developed countries
   5. Most developing countries protect imports through licensing or exchange control systems
   6. Terms agreed to:
      1. Standstill provision; no new barriers by industrialized countries against exports of less developed countries
      2. Elimination of quantitative restrictions
      3. Duty-free entry for tropical products by Dec 31, 1963
         1. US withdrew because EEC did not match. Affects sugar, fruit, rice, vegetables, seeds, oils
      4. Elimination of tariffs on the primary products important in the trade of less developed countries
      5. Reduction and elimination of tariff barriers on exports of semi-processed and processed products from less developed countries. At least a 50% reduction of the present duties over next three years
      6. Progressive reduction of internal fiscal charges and revenue duties by industrialized countries by Dec 31, 1965
      7. Industrialized countries will report to GATT in July every year about steps taken in past year.
      8. Contracting parties should give consideration to the adoption of other appropriate measures which would facilitate the efforts of less developed countries to diversify their economies, strengthen their export capacity, increase their earnings from overseas sales
4. Trade with socialist countries especially Czechoslovakia and Poland
5. Institutional framework for trade negotiations

Poland:

* Poland had monopoly of foreign trade so it was confusing why they participated. They had no duties.
* What Poland wanted:
  + Full application of most-favored-nation treatment to imports from Poland as regards tariffs; elimination of quantitative restrictions, contractual rights on tariff reductions where Poland has a principal supplying interest, maintenance at their current level of Poland’s traditional exports of agricultural products, non-discrimination
* Poland will increase imports and contracting parties gradually to abolish restrictions applied to Polish products

Politics:

* Complicated negotiating in Geneva – “EEC members behind the back of the commission” (100)
* Embarrassing government members leads to committees that do nothing when questions are asked that they don’t know
* American businessmen say there is not enough done to reduce Europe’s non-tariff barriers
* What is the role of communist countries in GATT?
* Government might defend deviates from the direct interests of businessmen because businessmen can be present and leads to a conflict of interest
* Political considerations work in favor of East-West trade

Non-tariff barriers:

* Must be dealt with one by one so they were not a focus of this round
* American Selling Price
* Trade Expansion Act
* Anti-Dumping
* Roosevelt Reciprocity Act
* Listed on Page 185
  + Quantitative restrictions
  + State trading and state monopolies
  + Government procurement policies
  + Internal taxes and border taxes linked to these
  + Anti-dumping measures
  + Practices in regard to assessment of duties, including valuation for customs purposes
  + Administrative and technical regulations which may hamper imports
  + Restrictive business
  + Patents

Problems with linear tariff reduction:

* Countries with very low average level of tariffs will not have balance of advantages. These countries are: Australia, Canada, New Zealand, and South Africa

# Products affected

Agriculture:

* Kennedy Round contributed little to liberalization of trade
* Agriculture requires new negotiation. Don’t decrease barriers, harmonize products and competition
* EEC came up with idea of margin of support on a given agricultural product. It should be equal to the difference between the price of the product on the international market and the remuneration actually obtained by the national producer in the country. US rejected.

Cereal, meat, dairy products:

* Germany refused to agree to fixing of common target prices for cereal
* Minimum price for wheat raised by 17%
* The Cereals Arrangements

Paper, aluminum, steel, cotton, textiles, and chemical products

* Cuts of more than 40% on chemicals, machinery and transport equipment, misc. manufactures

Crude materials, petroleum, non-ferrous metals

* Tariffs generally low or non-existent for these

Sugar and Cocoa:

* Carried under UNCTAD auspices

Manufactured products:

* Higher tariffs on semi-manufactured products compared to raw
* Higher on finished than semi-manufactured

Automobiles:

* Europe’s taxes on automobiles discriminate against large cars

Energy:

* Coal and oil have heavy controls which put these into another set of trade barriers

Interesting Quotes and Descriptions:

* “I have made the tacit assumption that the way to remove trade barriers in the future is the way it has been done in the past, by bargaining with other countries. We remove our barriers, they remove theirs. We are, after all, not talking about something the United States can do all by itself, nor have we very good means of persuading other countries to remove barriers except by offering them something. It is true that this view runs full in the face of much economic logic which shows that since it is the American economy that suffers from putting impediments in the way of its imports, unilateral action to remove them would be a good turn to ourselves. Nevertheless, the advantage of bargaining as a way of dealing with the rest of the world (which is not likely to respond simply to high-minded example) is to me compelling” (139).