

reduction of tariff and non-tariff barriers to the expansion of trade. To this end, six rounds of multilateral trade negotiations have thus far been held under GATT arrangements. The net result of the first five rounds of tariff negotiations conducted under the aegis of the GATT between 1947 and 1962 was an appreciable reduction in some 60,000 tariff rates applied at the end of the Second World War by countries accounting for about 80 p.c. of world trade.

Approach to the Kennedy Round

All the first five rounds were conducted between pairs of countries negotiating reductions on tariffs on specific commodities. The tariff concessions agreed to were automatically extended to all other GATT members under its "most-favoured-nation" clause.* The scope for negotiations on this basis had been nearly exhausted and it was felt that a new basis for future trade negotiations might be linear or "across the board" cuts to be offered by participating countries.

The Kennedy Round was largely a United States initiative. The movement of the European Economic Community (EEC)† toward a common external tariff was exercising increasing discrimination against United States exports.‡ There was also an added threat to the United States agricultural exports posed by the common agricultural policy of the EEC. Another inducement for linear cuts came from the United States Trade Expansion Act of 1962 which replaced the Trade Agreements Act of 1934. Under this new legislation, the President of the United States was empowered to make linear cuts of up to 50 p.c. in United States tariff rates existing on July 1, 1962, and also to abolish duties on tropical products and those that were, on that date, 5 p.c. or less.

Terms of Reference

The stage then for the sixth round of negotiations was set at the GATT Ministerial Meeting in May 1963 when it was decided that comprehensive negotiations, with the widest possible participation, should begin in May 1964, to be conducted on the principle of reciprocity and covering all classes of products, industrial as well as non-industrial. A linear cut of 50 p.c. in tariffs formed the working hypothesis, subject to over-all reciprocity. Both tariff and non-tariff barriers to trade came under study. A number of industrial countries including the United States, Britain, the EEC and Japan adopted the linear approach, and terms of reference included special measures for the reduction of trade barriers to the exports of the less-developed countries, without insisting upon reciprocity.

Canada's Approach

It was recognized from the start that equivalent percentage reductions in tariffs would give a greater advantage to countries with a wider spread of, and higher, tariff rates, and that the working hypothesis of 50-p.c. linear cuts would not be appropriate in all cases on account of the special features of the economies of the countries concerned. This was especially true of Canada, a large proportion of whose exports consist of food-stuffs and primary products with already low tariffs. It was agreed, therefore, that Canada fell in the second category of countries which should offer tariff concessions equivalent, in effects on trade, to the benefits received. These countries, which also included Australia, New Zealand and South Africa, thus adopted the selective approach.

Negotiations and Results

Negotiations began in May 1964. Forty-seven countries, including the six EEC countries bargaining as one unit, all the major trading nations and some 30 less-developed countries, participated. These countries account for around 80 p.c. of world trade. Many difficulties were encountered and progress at times was slow but essential elements

* These concessions were also extended to those countries with which, even though they were not contracting parties to GATT, "most-favoured-nation" terms were exchanged under bilateral trade arrangements.

† Belgium, France, the Federal Republic of Germany, Italy, Luxembourg and the Netherlands.

‡ The common external tariff is scheduled to come into effect on July 1, 1968. It is based on the arithmetical average of the duties applied by member countries on Jan. 1, 1957, and will be applicable to all imports from outside countries.