

of the Kennedy Round were finally negotiated by May 15, 1967. The new tariff schedules were signed and announced June 30 when the authority granted to the United States President under the Trade Expansion Act of 1962 was due to lapse.

Two time-tables for implementation were agreed to. The first involves tariff cuts in five equal annual instalments beginning Jan. 1, 1968 and ending Jan. 1, 1972, as provided under the United States Trade Expansion Act. The second time-table meets the convenience of the EEC, which makes a final move to the common external tariff on July 1, 1968. In the latter case, 40 p.c. of the agreed cuts would be implemented on July 1, 1968 and the remaining 60 p.c. in three equal annual instalments beginning Jan. 1, 1970 and ending Jan. 1, 1972. The final and complete adjustments to new tariff levels for all industrial countries would thus come on Jan. 1, 1972.

The agreement includes tariff concessions covering about \$40,000,000,000 (U.S.) of world trade in 1966 terms. The United States offered concessions on approximately \$8,500,000,000 of its imports. There will be an estimated reduction of 35 p.c. in duties by 37 countries accounting for about 75 p.c. of world trade. Average tariff reductions will amount to 38 p.c. in Britain, 35 p.c. in the United States and in the EEC, 30 p.c. in Japan and 24 p.c. in Canada, although reductions on many industrial products will be as much as 50 p.c.

Essential Features

There are four basic elements of the Kennedy Round agreement. The *first* involves the most far-reaching tariff cuts in the 20-year history of the GATT. After full implementation, the average level of duties in the United States, Britain and the EEC will be in the range of $6\frac{1}{2}$ to $8\frac{1}{2}$ p.c., compared with 12 to 18 p.c. prior to the agreement. It is true that the concept of average (in the sense of a simple arithmetic average of tariff rates) can be misleading in that it may conceal important factors such as the high tariff rates on commodities important in trade. On the other hand, low rates of duty on even a large number of unimportant commodities are hardly conducive to the expansion of trade since the duty element in trade in such commodities is insignificant. Nevertheless, it provides a measure of the broad magnitudes and serves to show that the resulting tariff levels on most manufactured goods in the EEC, Britain and the United States will probably cease to constitute any significant barrier to trade.

The *second* important element involves negotiations in the field of agriculture where higher minimum and maximum prices have been negotiated for wheat. This constitutes an important concession by large importing countries like Britain and Japan to such wheat exporters as Canada and Australia. Considering the difficulties involved in working out realistic quality-price relationships under the old International Wheat Agreement, agreement on this point constitutes a major advance. Another important feature lies in the fact that a program of food aid to developing countries has been written into the structure of the new agreement under which all developed countries,* whether exporters or importers of wheat, will make agreed contributions to a 4,500,000 metric ton annual food aid program.

The *third* element is the conclusion of a new anti-dumping code† which provides adequate safeguards for the legitimate interests of foreign exporters and of domestic producers by securing application of the principles already laid down in the GATT.

The *fourth* element was the inclusion, for the first time, of negotiations on non-tariff barriers to trade. The most important point here was the American Selling Price (ASP) system on benzenoid chemicals under which duty is calculated on the wholesale price of the domestic product rather than on the landed cost of the imported product, resulting in considerably higher duty.‡ The EEC, which took special objection to this system,

* The United States, the EEC, Canada, Australia, Britain, Japan, Sweden, Switzerland, Denmark, Norway and Finland. The United States share of the annual contribution will be 42 p.c., that of the EEC 23 p.c. and of Canada 11 p.c.

† To come into effect July 1, 1968.

‡ This system has been in operation under legislation adopted in 1922 when the United States chemical industry was still in an "infant" stage.