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Will the Kennedy Round Succeed?

Extension of the EEC Commission's Authorisation to Negotiate Increases Chances of Success

Interview with the Federal Minister of Economics, Herr Kurt Schmücker, Bonn

INTERECONOMICS: Minister Schmücker, the Kennedy Round was originally meant to liberalise world trade. In the light of the experience during the Dillon Round—when there was much bargaining over individual customs and an average cut of import duties by only 8% was achieved—it was proposed to apply to the Kennedy Round the linear method of cutting tariffs. Yet, the aim of achieving in this way a general lowering of duties (by 50%) has been badly jeopardised by the submission of lists of exceptions. The danger therefore arises of returning to the old bargaining method. In this connection the EEC is being accused of having stood out by submitting particularly long lists of exception. Is this allegation justified?

SCHMÜCKER: Let me first deal with the starting point of your question. It is correct to say that on May 6th, 1964, a GATT conference on ministerial level reached agreement to aim at a general cut of customs duties on industrial goods by 50%. But right from the beginning it was clear to every-

body that this aim could only be a hypothetical working basis and that certain exemptions could not be avoided. No country in the world is nowadays in a position to cut certain import duties in half without endangering its own economy. On the other hand, there was a consensus of opinion that exemptions would only be justified where a higher national interest was at stake.

In submitting its lists of exceptions the EEC has stuck to this principle. However, within the EEC which is still in the process of establishing a common market it is, no doubt, much more difficult to determine the "higher national interest" than it is in other countries whose economy is not subject to such structural changes. Despite all this the Community has succeeded in compiling a justifiable list of exceptions. It affects no more than about 20% of all EEC imports that are subject to import duties, or, taking total trade with third countries into account, only 9% of all imports. This calculation, it is true, excludes some groups of imports

where special circumstances prevail. This goes for instance for the import of cotton textiles the future of which is at present under review within the framework of negotiations for prolonging the International Cotton Agreement. The question of cutting import duties on them will only arise when the future of the international agreement has been clarified. Similar are the circumstances in respect of chemical products. Here the lowering of the common tariff depends on the USA modifying its Selling Price System which in the opinion of its trading partners does no longer conform with present day conditions.

Besides, no partner to the negotiations has so far been able to refute the EEC case for exemptions. Therefore I maintain that in the light of the exceptional difficulties and the structural changes during the transition to the Common Market the allegations that the EEC has submitted an unduly long list of exemptions and thus endangers the success of the Kennedy Round is not justified. Seen from the German view we would rather have waived certain wishes for exemption; but the EEC is a community where a just equalisation of the interests of all partners matters.

INTERECONOMICS: Beyond this it is alleged that the EEC endangers the success of the Kennedy Round by its agrarian protectionism. The USA is known to be interested particularly in low farm prices within the EEC so as to be able to increase its own farm exports. There is therefore some doubt in various quarters whether the EEC really wants the quickest possible conclusion of the Kennedy Round. Such doubt concerns especially the policy of the German Federal Government which in the negotiations between the EEC partners has been pressing for higher farm prices.

KURT SCHMÜCKER

Federal Minister for Economic Affairs and the Federal Government's representative in the Ministerial Council of the EEC, has contributed considerably to bringing about an extension of the EEC-Commission's authorisation to negotiate. After a long period of inactivity as regards the Kennedy Round the road towards a worldwide tariff reduction within the framework of GATT seems to be open now.—Kurt Schmücker was born at Lönningen/Oldenburg and after passing a high-class secondary school providing humanistic education and a commercial school he was thoroughly trained as a journalist and publisher. After having been a prisoner of war Schmücker worked in his parent's printing office which he took over in 1954. His political career he started as cofounder of Junge Union (Junior members of CDU) in Oldenburg. As Chairman of the Economic Committee and of the Federal Working Group "Middle Class" he became a member of the Federal Government in 1963.

SCHMÜCKER: These doubts are not justified. We are anxious to see a successful conclusion to the Kennedy Round not only in the industrial but also the agricultural sector. It is clear that, like in any other country, we cannot simply put aside the interests of our own agriculture. But it would be wrong to assume that by our farm policy we are trying to block the negotiations in the Kennedy Round.

On the other hand, I do not wish to belittle the difficulties arising from the fact that there are simultaneous negotiations on establishing a Common Market for farm products and on offers being made to the Kennedy Round. Yet it would be a crude simplification to regard these difficulties as solely due to the EEC farm prices. Though I do not overlook the importance of the question of farm prices, this is only one factor in the negotiations. The various subsidies and other protective measures applied by many countries—not least by the USA—also play an important part. It is really not quite correct to draw general conclusions about a link between low farm prices and a success of the Kennedy Round. It is rather decisive—and this also the USA admits—what impact the common agricultural policy of the EEC as a whole has on the international agricultural situation.

In this connection I think it important to point out that the agreement on common grain prices has enabled the EEC to submit to the Kennedy Round comprehensive proposals for a world wide readjustment of what is probably the most important market for farm products, and this is the grain market. The decision on grain prices within the EEC has thus created an important starting point for any progress in the talks on agriculture within the Kennedy Round. We seriously hope that on the other sectors of the market for farm products, too, we shall find early and constructive solutions which will facilitate the Kennedy Round negotiations.

INTERECONOMICS: Some people have said that despite a 50 % cut in customs duties on industrial goods the Americans would still maintain customs so high as to keep the protection of their own industries virtually intact even after a successful Kennedy Round, whereas EEC, in the case of a 50 %

reduction in industrial import duties, would be practically “stripped naked”. Others have pointed out that such a situation would make it impossible for the EEC to offer substantial tariff concessions should there be a later round of customs reductions within GATT. Could this be the reason why—as some people suspect—the EEC is now being very cautious over customs concessions?

SCHMÜCKER: It is very difficult to draw a comparison between the customs level of the USA and that of the EEC. This is because the common tariff as a whole has its origin in the arithmetical average of the national customs duties of the EEC member countries. This has meant the automatic removal of extremely high as well as of extremely low tariff rates. At present the EEC rates centre round an arithmetical average of about 11.7 %. The American tariff, on the other hand, comprises both many very low customs duties and quite a number of very high ones; the American tariff therefore contains much greater variations than the EEC tariff. Using the same method of calculation as for the above EEC figure, the arithmetical average of the American tariff rates is about 17.8 %. This situation has created so-called disparities, i.e. customs tariff differences between individual countries with regard to identical goods. When there are striking disparities a country with high customs duties will undoubtedly be better protected against imports—even if these duties are halved—than a country whose customs are already lower. Where there are substantial disparities the EEC, therefore, in general rejects a 50 % cut in its customs duties and offers only a smaller reduction. This procedure conforms to a resolution of the Ministerial Conference of GATT of 1963 which reads that in the case of substantial disparities, i.e. such as are liable to affect trade, reductions in customs duties shall not be linear but shall be made in accordance with special rules.

INTERECONOMICS: In reply to objections to the American Selling Price System, the “Buy American” Act and anti-dumping practices the United States has pointed out that the EEC has similar non-tariff trade barriers. In this context they have mentioned taxation on motor vehicles, coal quotas, tobacco monopolies, and last but not least the

whole complex of agricultural market regulations in the EEC countries. In view of these weighty arguments, will not the EEC have to make concessions, and if so, to what extent?

SCHMÜCKER: I referred to the American Selling Price System already earlier. It probably had its justification in 1922 when the American dye-stuff industry was only beginning to be developed; but it certainly is no longer justified at a time when the US chemical industry is the most powerful in the world. Under this system of valuation a tariff protection is being reached sometimes which is far in excess of 100 % of the value of the imported goods. In most cases this American system is classed as one of the non-tariff trade barriers. But in fact it is so closely linked with the tariff system that it cannot be compared with other measures such as taxes on motor vehicles which, though they also interfere with international trade, are not directly connected with imports. We must, therefore, distinguish very carefully between these matters if we want to reach sound decisions. And so I would welcome if the Americans, too, accepted this and if they asked only for customs concessions and not for taxation or quota measures as a response to their abolishing the Selling Price System.

The same applies to the anti-dumping practices of various countries. These should be scrutinised separately and not be mixed up with other issues. Especially in this field the EEC countries have thoroughly justified requests to the USA and Canada.

As to EEC's agricultural market regulations, these will have to be examined in detail in the context of offers and counter-offers in the agricultural sector. I think, however, one should not make already difficult agricultural problems even more difficult by asking that the EEC should, in exchange for American good will in the industrial field, make agricultural concessions as well.

INTERECONOMICS: Both the Americans and the Secretariat of GATT have repeatedly said that the Kennedy Round must be successfully concluded by the 30th June, 1967, because that is when the authority conferred by the United States Congress on the

American President expires. With this time limit the EEC is being urged to speed up its action. Do you see any chance of negotiations even after that date, and what significance should one attribute to American interest in a success of the Kennedy Round in connection with this question?

SCHMUCKER: First of all, we shall do everything in our power to settle matters by that time limit which indeed does play a major part. As regards the EEC, this means that we have to hurry up to reach decisions on a number of questions which in any case must be decided sooner or later during the formation of a Common Market. Given good will, it should be perfectly feasible to reach joint conclusions within the available time in the industrial sector; but we cannot yet say whether this will also be possible in respect of all agricultural questions because the

agricultural negotiations proper of the Kennedy Round have not even started.

The outcome of the EEC Council meeting of 9th to 11th of May, 1966, suggests that within the near future the negotiating authority of the EEC Commission will be extended also in the industrial sector. This will have a substantial influence on the further course of trade negotiations in Geneva.

The plan for a world-wide regulation of agricultural marketing represents a very ambitious target for the Kennedy Round. Some individual questions—I would mention that of an International Wheat Agreement—have already been the subject of negotiations for a number of years without any concrete results having been achieved. Considering the multitude of agricultural problems it will be extremely difficult to come to satisfactory conclusions in every sector by

June 30th, 1967. But it would mean some success if certain basic principles could be settled and details were then further discussed after the conclusion of the Kennedy Round. As to the question whether and within which framework any further negotiations might take place even after 30th June, 1967, we need not worry over details at this stage. My view is that we should now do everything to speed up the current talks and reach some decisions. But suppose we do not finish in time: with good will among all EEC members and the special interest of the United States in a success of the Kennedy Round, ways will be found to make the preparatory work done up to that point a complete success. I know that American economic circles seriously desire that the discussions which have begun should in no circumstances be allowed to be broken off for good because of the expiry of a set time limit.

The Kennedy Round Can Succeed

Interview with the American Deputy Special Representative for Trade Negotiations in Geneva, Ambassador W. Michael Blumenthal

INTERECONOMICS: Mr. Ambassador, there are at least two theories about the Kennedy Round: on the one hand, it is said to be a trade war between the Common Market and the USA. On the other hand, you yourself, in particular, have said that it is impossible that this should have been the original meaning of the Kennedy Round. You have said repeatedly that the Kennedy Round is a world-wide project. Therefore our question is: does this second theory really exclude the first? It could be that whilst being a worldwide project, because the USA and the Common Market are the most important partners and this is where the worst problems arise, there is the everlasting threat of a trade war.

BLUMENTHAL: A trade war is, I think, the worst possible way and the least applicable way of expressing what we are doing here in Geneva. In a trade war people are competitively raising tariffs, dumping products, doing all the things that do not lead to fruitful, mutually beneficial increases in

the volume of trade, whereas in trade negotiations, which are what the Kennedy Round is, we are trying to create the conditions for a fruitful increase without difficulties between the parties. You are right that it is on the one hand multilateral negotiation with many countries. At the same time three or four countries, the EEC, the US, the British and the Japanese, are the most important partners, and you are also right that at the same time in a negotiation there are many firmly held differences in point of view which have to be negotiated. That is what a negotiation is for. But that is not a trade war. So we have both of those things: we have a multilateral negotiation, a few big partners negotiating very hard together and having differences. But they have one thing in common, and that is the desire to make a success of the negotiation, with significant liberalization in industry and in agriculture.

INTERECONOMICS: What about the developing countries, which are also taking part in the Ken-

nedy Round? The developing countries have said very often that they feel themselves at a disadvantage vis-à-vis the "industrial club" represented in GATT. What do you think is the role of these countries?

BLUMENTHAL: Well, I think the developing countries do have some very serious trade problems. Some of those problems relate to the instability of the prices for their raw materials and the imbalance between raw material production and their need for capital goods. These are things that we are not really able to cope with in the Kennedy Round.

These are the sorts of things that have to be dealt with in commodity agreements dealing with particular commodities. On the other hand in the Kennedy Round there is an opportunity which, I think, these countries are increasingly recognizing and which will afford them some real benefits. That is why so many of them (over 20) are actively participating. To give an example: The United States has made offers to these countries

on the products that they export to us. I have looked at the figures for countries like Brazil, like Argentina, some of the African countries, Latin American and Far Eastern countries and they range, generally, from offers to cut out tariffs by 50 % on to 80, 90 and even to 98 % of all their dutiable exports to us. Of course this alone will not solve their economic problems, but it is a very important factor. And they recognize it and, therefore, they are interested in it. Now I assume that other countries, like the British, like the EEC, like the Japanese, are making a comparable effort, although we do not have exact figures for them.

INTERECONOMICS: The developing countries are very often placed at a disadvantage purely because of the range of products. The whole system of agricultural protectionism doubtlessly weighs very heavily upon the developing countries. For example, cotton textiles are very heavily protected—the exception lists will probably even be accepted in the negotiation. In this connection it has been suggested that because of these factors the developing countries would not gain the same benefits from a linear tariff reduction as would industrialised countries, should the Kennedy Round be a success.

BLUMENTHAL: It is true that many of the developing countries are most interested in tropical products, and that the tropical products fall into the category of agriculture and therefore are not subject to a linear cut of 50 %. It is also true that there is a special problem in the field of cotton textiles. On the other hand some countries are making a special effort and I hope all countries will do so as we proceed. We have made a special effort; that is why our figure for offers of interest to developing countries is so high. In the case of the EEC we are waiting. And we hope that they too will make a special effort. They have promised to do so. So, certainly, there are important benefits. The developing countries have always told us that these reductions in barriers on tropical products are very important to them. Now, it is clear that there are some agricultural commodities (meat or sugar), for which many

countries have special arrangements and that in these areas the possibilities for vast increases are limited. And that is a disadvantage. Referring to cotton textiles, I think there are real possibilities. You say that they will probably be excluded. That is not necessarily true. We hope that in this field also we can reach agreements to liberalize trade restrictions significantly, both on tariffs and on quantitative restrictions.

INTERECONOMICS: In connection with agriculture, it has been objected that the United States are using the developing countries as an excuse for placing more emphasis upon the interests of American agriculture in the Kennedy Round. What do you think of this objection?

BLUMENTHAL: I think that this complaint does not have any basis in fact. I do not think anyone can accuse us of being unwilling to explain our own interests and defend them very vigorously. I have not really seen much comment to the effect that anyone here in Geneva or in Washington has been hiding behind the back of the developing countries. We have spoken very directly about our own interest and do so all the time. We have a vital interest in agriculture. We have made no secret of it at all. We stand on our own feet in this regard.

INTERECONOMICS: The United States reproach the Common Market for pursuing a policy of quite distinct agricultural protectionism, and there is no doubt that this is so. But, on the other hand, it cannot be denied that the US also support their own agriculture. Even if their method of so doing is different from that of the Common Market, this does not alter the fact that such support exists. What do you think of the assistance given to your domestic agriculture in this context?

BLUMENTHAL: First of all, I think we must admit that in the field of agriculture all of us have been at various times following policies that are not fully in accordance with liberal trade principles. You can say we are all sinners in this field. The question is the degree of sin and what we do in the future, rather than what we have done in the past. There are some very important points that should be remembered as we look for means to increase trade in this area.

In the United States we have learned, and we have learned very painfully that a fixed price or a law cannot control agricultural production. Therefore, when we have guaranteed prices to our farmers we have always guaranteed them for a certain quantity or a certain limited production in terms of area.

W. MICHAEL BLUMENTHAL

since 1963 has been the US-President's deputy Special Representative for tariff negotiations resident in Geneva. As deputy to Governor Herter, the former Secretary of State, Ambassador Blumenthal upholds the American interests in the Kennedy Round of GATT. His personal willingness to serve and his intellectual capacity made Blumenthal one of the few or—as a rumour in Geneva has it—even the only expert in the most difficult matter of those tariff negotiations. Prior to his work in Geneva—between 1961 and 1963—he had been chairman of the American delegations to the negotiations on the Agreement on Cotton Textiles and on the International Coffee Agreement. In addition, he had been the American delegate to the UN-Commission for Raw Material Trade and to the Conference of Punta del Este creating the Alliance for Progress. Blumenthal who was born in Germany studied economics at Berkeley and Princeton and there took his degrees of a Bachelor of Science in Economics (B. S.), of a Master in Public Affairs (MPA), and of a Doctor of Economics (PH. D.). Before joining Crown Cork International Corporation in 1957, whose Vice-President he was until 1961, Blumenthal had been professor of economics in Princeton.

We have always told them that if we give them a certain price guarantee they must cut their production, they must limit the acreage on which they grow their production, they must undertake certain obligations to take land out of production.

What we are worried about in the Community is that the common agricultural policy in many areas does not have this element. It has a relatively high price policy which is guaranteed to all farmers, for any production they can grow. And it has that guarantee by means of what we consider to be an absolute protection at the border, namely the variable levy, which does not really allow others to compete on a price basis. And furthermore it has in it the possibility for what is called restitution payments and what we consider to be export subsidies, whereby surpluses created through a high price can be sold in third markets in competition with other efficient producers.

That is what worries us, because we feel that with high prices in the Community guaranteed for whatever the farmer can deliver it will certainly mean that you will have surpluses. And this will mean not only that we do not have a chance to compete in your market, because of the variable levy, but also that there is a danger in third markets.

I will give you one example: that is what has now happened in the famous case of poultry. We not only have lost our market for broilers in the EEC including Germany particularly, but the high price and the variable levy has resulted in a situation in the Common Market whereby there have been exports with a heavy subsidy from EEC countries into such other countries as Switzerland, Austria, even as far away as Japan. That is the problem. Now, one of the points that we must discuss in the Kennedy Round and that we are discussing is how to make commitments about internal policies, because in cases like this internal policies clearly have a vital effect on trade.

INTERECONOMICS: Can you tell us yet what concessions you expect from the Common Market?

BLUMENTHAL: I do not think that you can quantify this at this

time for one very good reason: the EEC, for reasons that you know about, is the only major trader which has not yet made any offers in agriculture. If you do not have concrete offers it is very hard to tell what more you want or whether what you get is sufficient. But I can give you a general comment: We would like to have a result in agriculture, whereby we can see two things. First, we would like to see limits on the degree of subsidization and protectionism around the world on the part of all countries. Not just the EEC, but the British, the Japanese, and we ourselves might make similar commitments. Secondly, we want to have an opportunity to maintain our present share of third-country markets and to compete (not a guarantee, but an opportunity to compete) for a share of the growth, because we think we are efficient producers without subsidies. It is very important for the United States, because about 20 — 25 % (involving some five or six billion dollars each year) of our exports is in agricultural commodities. It is of course even more important to countries like New Zealand where perhaps 90 % of exports is in agricultural products, or for Australia, or for such European countries as Denmark, or for such developing countries as Argentina. This is what we hope to accomplish. We will certainly be prepared to make similar offers about our market and to undertake commitments similar to those we are asking others to undertake. Now, we have put our offers on the table. We are ready. We hope, now, particularly after the Brussels agreement, that the EEC will soon be ready, and then a little later perhaps we can come back to your question and give you an answer, when we know these facts.

INTERECONOMICS: You have just introduced the word "competition" into the discussion. It has often been said that what agriculture is to the US, industry is to the Common Market. There, too, the competition argument is used — and, therefore, it can be said over and over again: American import practice is, after all, not really so very liberal! A pertinent example: the American Selling Price System for chemical products. Surely one is justified in

raising these queries? What does the United States require in return for making concessions in this field?

BLUMENTHAL: I think you really are asking two questions in one and I will try to answer both of them, one after the other. The first one is: are we liberal or more liberal, generally speaking, than other countries in the industrial field and if not, what are we prepared to do about it? And the second question is specifically about the American Selling Price.

On the first question I think that we have some areas in which our protection is quite high, and we have some practices which could not be characterized as liberal. We, however, feel that other countries are not entirely innocent either. And that there are similar areas of relatively high protection or similar instances of illiberal practices in the case of other countries. That is normal because some industries are less efficient. There are historical reasons for it, there are political reasons and social reasons for it; it would be very surprising if that were not the case. That is what the Kennedy Round is for. And of course we are ready to negotiate. In fact, when you look at the comparison of average tariff levels, where you have to be very careful about what figures you use, you find that, generally speaking, on an average basis the tariff levels of the EEC and of the United States are not so different. It is true that there are some areas in which we are very much higher. On the other hand in others we are quite low. But on the average we are about the same.

INTERECONOMICS: Yes this point is often examined from a different point of view. Here is a table put together by Prof. Bela Balassa, which shows both nominal and effective tariffs. This table supports your thesis strongly.

BLUMENTHAL: The best thing I can do is to cite what we think is a very fair, objective analysis¹ made by the Committee for Economic Development, which is a private organization in the USA. This analysis shows a number of different ways of calculating average tariffs. We can pick a way which makes us look very good, some-

¹ Committee for Economic Development: Trade Negotiations for a Better Free World Economy, New York 1964.

body else can pick a way which makes us look very bad. But the conclusion of this committee is that if you look at the different ways of calculating these things, if you take simple averages, if you take weighted averages, if you take effective ones, if you weight them by your own trade, by somebody else's trade, all sort of different ways, generally speaking the levels are about the same.

Secondly, we have particular areas where we have some non-tariff barriers. American Selling Price is one example. Other countries have other examples. Let me give you cases in point: You cannot import, except under quota, any coal from the United States into certain areas of the Community. Let me give you another example: There is a tax system in effect for automobiles in certain countries of the Community which has a highly restrictive effect. Let me give you a third example: There are restrictions on advertising of certain products. I am thinking of Whiskey as an example; advertising restrictions have a very protective

effect on the sale of Whiskey as compared to other competing spirits in certain countries of the Community. I can give you similar examples for the United Kingdom, or similar examples for Japan or for the EFTA countries. What I am trying to say is that there are certain areas in which each country has practices of this kind, and we also do. And one of them is American Selling Price. Now, we agreed in the Kennedy Round that we must deal not only with tariffs, but also with these non-tariff problems. In these matters no country will unilaterally make concessions. There have to be concessions of the other side. And that is now under active negotiation. So, we are certainly prepared to consider the concerns of other countries and to make an effort in the case of American Selling Price. But now we also hope that our partners, including the EEC, will give similar evidence of their willingness to provide a full quid pro quo for what we might be able to do in this area and in the other areas where they have some problems.

INTERECONOMICS: The United States is putting a great deal of emphasis upon June 30, 1967. This, of course, is when the President's special powers expire. We might well ask ourselves this question: If, on the one hand, the United States have such an interest in the success of the Kennedy Round and if, on the other hand, the technical difficulties are so great that this cannot be accomplished by that date, would not Congress have to agree to an extension of the special negotiating powers? Is this wrong? Or what are the crucial factors here?

BLUMENTHAL: I think it is very difficult to say what the Congress would do in 1967 if the President would have to ask for a renewal of the powers. Therein lies the problem: We do not know. But we must not close our eyes to the fact that the uncertainty is very great and that the dangers of having to go to the Congress are substantial. 1967 is a different year from 1962. And in 1962 the Congress gave unprecedented powers in the Trade Expansion Act, powers greater than

Nominal and Effective Tariff Rates of Major Industrial Countries (1962)

	United States		Common Market		United Kingdom		Sweden		Japan	
	nominal	effective	nominal	effective	nominal	effective	nominal	effective	nominal	effective
Thread and yarn	11.7	31.8	2.9	3.6	10.5	27.9	2.2	4.3	2.7	1.4
Textile fabrics	24.1	50.6	17.6	44.4	20.7	42.2	12.7	33.4	19.7	48.8
Hosiery	25.6	48.7	18.6	41.3	25.4	49.7	17.6	42.4	26.0	60.8
Clothing	25.1	35.9	18.5	25.1	25.5	40.5	14.0	21.1	25.2	42.4
Other textile articles	19.0	22.7	22.0	38.8	24.5	42.4	13.0	21.2	14.8	13.0
Shoes	16.6	25.3	19.9	33.0	24.0	36.2	14.0	22.8	29.5	45.1
Wood products including furniture	12.8	26.4	15.1	28.6	14.8	25.5	6.8	14.5	19.5	33.9
Paper and paper products	3.1	0.7	10.3	13.3	6.6	8.1	2.0	-0.7	10.5	12.9
Printed matter	2.5	2.2	3.3	-0.7	2.7	0.2	0.7	0.0	1.6	-4.2
Leather	9.6	25.7	7.3	18.3	14.9	34.3	7.0	21.7	19.9	59.0
Leather goods other than shoes	15.5	24.5	14.7	24.3	18.7	26.4	12.2	20.7	23.6	33.6
Rubber goods	9.3	16.1	15.1	33.6	20.2	43.9	10.8	26.1	12.9	23.6
Plastic articles	21.0	27.0	20.6	30.0	17.9	30.1	15.0	25.5	24.9	35.5
Synthetic materials	18.6	33.5	12.0	17.6	12.7	17.1	7.2	12.9	19.1	32.1
Other chemical material	12.3	26.6	11.3	20.5	19.4	39.2	4.5	9.7	12.2	22.6
Cleaning agents and perfumes	11.2	18.8	13.8	26.7	11.1	11.2	10.9	27.9	26.2	61.5
Miscellaneous chemical products	12.6	15.6	11.6	13.1	15.4	16.7	2.5	0.0	16.8	22.9
Non-metallic mineral products	18.2	30.4	13.3	19.8	13.6	20.9	6.0	10.0	13.5	20.8
Glass and glass products	18.8	29.3	14.4	20.0	18.5	26.2	13.8	22.6	19.5	27.4
Pig iron and ferromanganese	1.8	9.3	4.0	-13.8	3.3	17.9	0.0	-0.7	10.0	54.3
Ingots and other primary steel forms	10.6	106.7	6.4	28.9	11.1	98.9	3.8	40.0	13.0	58.9
Rolling-mill products	7.1	-2.2	7.2	10.5	9.5	7.4	5.2	13.2	15.4	29.5
Other steel products	5.1	0.5	9.9	20.9	17.0	46.8	5.4	9.5	13.4	14.1
Non-ferrous metals	5.0	10.6	2.4	5.0	6.6	19.4	0.4	0.6	9.3	27.5
Metal castings	6.6	10.0	12.4	21.0	16.0	26.9	8.0	34.7	20.0	32.5
Metal manufactures	14.4	28.5	14.0	25.6	19.0	35.9	8.4	16.2	18.1	27.7
Agricultural machinery	0.4	-6.9	13.4	19.6	15.4	21.3	10.0	16.0	20.0	29.2
Non-electrical machinery	11.0	16.1	10.3	12.2	16.1	21.2	8.8	11.6	16.8	21.4
Electrical machinery	12.2	18.1	14.5	21.5	19.7	30.0	10.7	17.7	18.1	25.3
Ships	5.5	2.1	0.4	-13.2	2.9	-10.2	0.9	-5.8	13.1	12.1
Railway vehicles	7.0	7.3	11.1	-0.2	21.1	33.3	8.7	13.8	15.0	18.5
Automobiles	6.8	5.1	19.5	36.8	23.1	41.4	14.7	30.5	35.9	75.7
Bicycles and motorcycles	14.4	26.1	20.9	39.7	22.4	39.2	17.1	35.8	25.0	45.0
Airplanes	9.2	8.8	10.5	10.8	15.6	16.7	3.7	3.0	15.0	15.9
Precision instruments	21.4	32.2	13.5	24.2	25.7	44.2	6.6	14.9	23.2	38.5
Sport goods, toys, jewelry, etc.	25.0	41.8	17.9	26.6	22.3	35.6	10.6	16.6	21.6	31.2

Source: Bela Balassa: Tariff Protection in Industrial Countries. An Evaluation. In: The Journal of Political Economy, Vol. LXXIII (1965), pp. 573.

we had ever had before. If the President has to go to the Congress to request a renewal, it involves legislation by both houses. There are 435 Congressmen in one house and a hundred Senators in the other. What they will do, nobody knows.

There is another point: it is not certain that the act that would emerge would be the same liberal act as we have had up to now. And this could be a really serious problem. That is why we have said that we must do everything possible to complete the negotiation prior to June 30 of 1967, so that this problem does not arise. We think it can be done.—But if we do not succeed, we will—all of us, all who want a successful Kennedy Round result—face a most difficult, uncertain and unpredictable situation.

INTERECONOMICS: If we understand you correctly, Mr. Ambassador, you are of the opinion that the sun of liberalism which shone upon the start of the Kennedy Round threatens to disappear and that the dark clouds of protectionism are gathering—not least in your own country.

BLUMENTHAL: I do not want to give the impression that there is a great wave of protectionist sentiment in the US. That would be overstating it considerably. What I do want to say is that under our system the President gets his authority first and then negotiates. This differs from the system in many other countries, where the government negotiates first and gets ratification afterwards. Getting the Trade Expansion Act extended would really mean that there would be another opportunity in the light of the negotiation and in the light of possible results for the Congress to have to pronounce itself, and it would mean that the outcome would be uncertain. And that would be natural, because obviously there would be industries

who have some fears. But it is just the process in which our laws are proposed and passed that creates some inbuilt complications, quite apart from whether protectionist sentiment today is higher than it was then.

INTERECONOMICS: So in any event it would be better if the Kennedy Round could be completed by 1967. What do you think of the prospects of completion in the light of the most recent decisions in Brussels of 9.—11. 5. 1966, by which the Common Market countries have undertaken to extend to the Commission the powers necessary for the Kennedy Round negotiations?

BLUMENTHAL: I think I would answer your question very clearly with: yes, it is possible to get a good result, a result in industry and in agriculture that goes far beyond what has been accomplished in the previous negotiations.

But the timing is now very tight. It requires first of all that the Community does indeed over the very next few weeks make the necessary decisions in agriculture and in the remaining areas of industry. For example we still do not have any offers in the pulp and paper field, we still do not have any firm offer in the field of aluminum. These decisions and the agricultural decisions must now be made very quickly. If we can get that and if we then are able to negotiate under really very tight time requirements with the speed of the negotiations very much accelerated, then I do not see any reason why we cannot complete the negotiation in good time. One can already see in many areas the outline of agreements on the horizon. One can see a tiny light at the end of the tunnel. I see no reason why, if we really work hard, we cannot travel through the tunnel and be out in the daylight. It is going to be difficult and there will be some tense moments. But it can be done.

I want to make one final point about why it must be done, and why we must all work hard. It is not only because we happen to have a problem with the authority from the Congress: it is also because the negotiation as a whole has now gone on for more than three years. We are now in the fourth year. And whereas a negotiation which is so ambitious does of course take a long time and requires much patience and careful preparation, there comes a point when decisions are either made or they are not made and cannot be made later. Countries will not spend ten or seven years sitting in Geneva to negotiate on trade matters. The developing countries who have been waiting for so long will not wait for ever, and this is understandable. There are serious problems in Europe, with the increasing discrimination between the EFTA countries and the EEC countries. By next year that discrimination may be almost complete, and the Kennedy Round results would be a means of reducing the barriers between the various groups in Europe.

All this is very important and it has to be done now, and I think that the moment is rapidly being reached where if it is not done now, it will never be done. This is an appreciation of the general situation, but we feel very much in the air that the moment for decision is coming one way or the other. And that is why we have said before. This is the year of decision. Not to decide is to decide to fail.

**) Erratum:—Prof. Dr. Ota Šik is Chairman of the Committee for the Planning and Administration of the Economy in Czechoslovakia and not—as had been published—of the KPC (Czech Communist Party). See Interview with Prof. Dr. Ota Šik: "Rapprochement of the Economic Systems in Eastern and Western Europe?" In: INTERECONOMICS, No. 2, February 1966, pp. 4.*

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