

Bolz, Klaus

Article — Digitized Version

## The Kennedy round—a success for all?

Intereconomics

*Suggested Citation:* Bolz, Klaus (1967) : The Kennedy round—a success for all?, Intereconomics, ISSN 0020-5346, Verlag Weltarchiv, Hamburg, Vol. 02, Iss. 6/7, pp. 177-179, <https://doi.org/10.1007/BF02929852>

This Version is available at:

<https://hdl.handle.net/10419/137765>

**Standard-Nutzungsbedingungen:**

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

**Terms of use:**

*Documents in EconStor may be saved and copied for your personal and scholarly purposes.*

*You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.*

*If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.*

ing ownership over 16 million acres have been issued. In fact, however, redistribution has advanced much further than this, as the number of applications pending for new title deeds confirming ownership of land on which the cultivator dwells now by virtue of squatters' rights is extremely high, and the issue of these deeds moves very slowly, as enormous red tape is involved in the process. At the moment of writing, there are still pending applications for confirming the redistribution of a total of 40 million acres.

Socially, agricultural reform has set in motion a giant movement of transformation whose ultimate effects cannot even be gauged yet. The entire upper layer of the rural population has lost its former power, and polarisation of Bolivian society into two utterly alien and opposed classes has given way to a new social fabric based on smallholders' property. The destruction of the political power of the big landowners of the past has been the "conditio sine qua non" for socially integrating the Indian population. After

large landholdings had been carved up, a number of new types of organisations emerged, called "sindicatos agrarios", whose task, though mainly political, also touches other sectors, e.g. through their building of rural schools. They are to stand for the Indian population's interest in its relations with the authorities, and they have exerted strong pressure for accelerating the redistribution of land.

Electoral reform added to agricultural reforms endowed even the illiterates with voting rights, and thus social integration of the Indians was hastened. The delegates representing their interests thus obtained access to executive and legislative power. Social and economic integration of the Indian population is far from having been completed, but agricultural reform has been one of the essential conditions without which no progress in this direction would have been possible, even though it suffers from numerous blemishes and shortcomings.

## THE GATT TARIFF NEGOTIATIONS

# The Kennedy Round—a Success for All?

By Klaus Bolz, Hamburg

Protectionists in the West as well as politicians and economists interested in centralised planning have all alike lost the, for the time being, last round in the tug-of-war between "free trade" and "autarchy" that has taken place since World War II and even longer.

Kennedy's intention for the 6th GATT tariff round was born of the desire for world-wide economic liberalisation and has not least also been an answer to the challenge by EEC. The hope has been behind the occasionally world-embracing American target of a partial Free Trade Area with EEC also to achieve a close political partnership between the USA and the strengthened Europe by means of establishing economic ties.

EEC, created in 1957 with American political aid, has been integrated remarkably fast and brought in its wake quite a considerable economic growth in its member-states. Because of the internal liberalisation and its effects, coupled with the results of the shielding externally, the Americans have been looking at EEC as a discriminatory entity in Europe. The development in Europe as well as the strictly speaking selfish aims of its economic and foreign policy urged America to attempt a world-wide break-through in the sphere of trade policies. The tediousness of the negotiations not leading to decisions surely indicated the

fact that, for some GATT-partners, the efforts towards liberalisation were premature. Prior to serious talks and negotiations the partners often had first to seek a fixation of their own factual approach. This was not only applicable to the EEC, which for the first time acted on behalf of the six member states as a negotiating partner.

### **GATT—a Fragment of the Havana Charta**

There has been no lack of unsuccessful attempts to liberalise world trade in the era following the national integration of economies during the 'thirties and the 'forties. So, also the so fiercely contested Havana Charta never became effective. What was at stake at the Havana Conference was actually the incorporation of the participating countries into a common liberal order. Even the concession of exceptions from the general rule of liberalisation and several compromises could not prevent ultimate failure, especially as American trade policy had already been steered onto lines contradictory to the Havana Charta. GATT, a fragment of the Havana negotiations, however, has not been without success in its efforts towards the reduction of trade barriers. But the techniques of balancing and counter-balancing the various tariff positions one against the other were bound to lead up to a diminishing marginal yield of the results of the negotiations.

The practised method of negotiating did not offer a basis even to the big economic powers for a further fundamental trade liberalisation. The same sort of thing has more recently been shown by the comparatively meagre results of the Dillon Round. With the Trade Expansion Act passed by the American Congress the pre-condition for President Kennedy's initiative for a further promising GATT round of negotiations had been forthcoming. This piece of legislation stemmed from the recognition of the fact that it was possible for the President to pursue a favourable economic policy and a foreign policy based on the claim for the leading Atlantic part only if and when in the position to lean on this particular authority for the trade policy.

### **Not All Aims Reached**

The negotiations of the 6th GATT Round, the Kennedy Round, have been concluded. Although the meetings' records are not yet available, its result is clear. It would appear unproductive to lament over the outcome remembering the aims initially hoped for. Neither have the industrial tariffs been linearly reduced by 50% nor agriculture been freed from the most important obstacles, the problem of disparities been solved or the petty tariffs removed...

Simplified and sub-divided into groups the results present themselves as follows: the tariffs on most industrial goods are reduced by an average of 35%, for motorcars, among several other items, they come down by 50%. A provisional solution has been arrived at for the tariffs on chemical goods. The world's agricultural problems, however, remained essentially unsolved in spite of having agreed, for instance, on an increase by 17% above their present level of world prices for cereals.

At this juncture the question of the significance of the results of the Kennedy Round arises. According to GATT Secretary-General, Eric Wyndham White, the agreements cover about one-third of the industrial countries' trade volume (\$ 40,000 million on the 1956 basis). Some seventy participating countries expect major impulses for their further prosperity from this package of tariff reductions which by far surpasses what had been achieved by the Dillon Round and, in fact, is the most comprehensive one in history. In theory for all, but in practice it can be said only for the economically more powerful countries that the anticipated increase of world trade volume will, in view of intensified competition, force industrialists and traders to plan and think, and act, anew. Domestic markets will have to be defended, new and hitherto in part strongly protected foreign markets to be conquered.

For the strongest negotiating partner at the Geneva Conference, the EEC, the significance of the results can globally be assessed in but a limited scope. Germany, whose industrial products are marketed outside the EEC to the extent of more than 60% of the total, rightly stakes greater hopes in the effects

of the tariff reductions than for instance France with its particular economic and industrial structure.

America, the second most weighty partner in the negotiations, thinks in terms of better chances to penetrate the EEC market. Besides direct investments, the export is expected to become the second secure pillar for the USA within EEC. It is uncertain whether the agreed tariff reductions will as a feature of the general trend bring about fewer US investments.

For Great Britain as a potential member of EEC the effects of the tariff negotiations are bound to be particularly interesting. It is possible that the tariff reduction will enhance what national economic policies alone have so far failed to bring about, namely that British industry will through modernisation and rationalisation gear itself on the fresh wind of competition. Considering the fact that in any case some time is left for Britain's industry before it will have to face unlimited competition within EEC, the five-year period of tariff reductions as stipulated by the Kennedy Round will surely be a welcome preparatory stage for Great Britain. The tariff reductions render the sojourn in EEC's waiting room easier for Britain and other countries; the ditch between EEC and EFTA has become shallower.

### **The Position of the Developing Countries**

For the developing countries' export endeavours in the field of industrial goods the tariff reductions bring theoretical advantages, too. It is true, the practical effects of the tariff negotiations will be rather small because in most cases the tariff reductions will be inadequate for those countries to become really competitive. Clearly disadvantageous for the developing countries is, however, the increase by 17% of world prices for cereals. Their imports of cereals will thus become considerably dearer, and in certain cases there will be a worsening of their debt position. The extensive problems of the commodity sector have remained unsolved, but especially their solution might have tended to stabilise and/or increase the developing countries' prosperity. The fact that the developing countries went away from Geneva almost empty-handed is regrettable but, at the same time, characteristic of this trade conference. Only he who was present continuously and "nursed a regular contact with his computers" was capable of struggling hard for genuine gains; the developing countries were obviously badly represented. The toughness with which the rich nations staked their claims and came forward with offers left little elbowroom for the interests of the weak who had but little, or nothing, to offer.

The fact alone that the Kennedy Round did not end in failure is to be taken as its success. Since 1962, the world had been too deeply entangled in the adventure of the Kennedy Round. A failure of the negotiations would have meant not only stagnation but possibly even a setback in the endeavours to

liberalise world trade. Protectionist circles gaining more and more ground in several countries, as things were, would have found their arguments strengthened and as a result obtained influence.

While the USA were the initiators of the Kennedy Round, the dragging progress of the negotiations soon paralysed the interests of wide circles in the American economy and of American politicians markedly. There-

against, the interest of the EEC in the tariff round rather became greater; the anxiety lest it end in failure grew with the negotiations nearing their end. The in spite of all firm attitude of the EEC and its tactical skill vis-à-vis the USA, who up to the end played for high poker stakes and were periodically even prepared to let the Conference end in failure, yielded, apart from economic successes, a remarkable political gain for the Community.

## EUROPEAN ECONOMIC COMMUNITY

# Common Market—also for the Building Industry?

By Dr Rolf O. Brenner, Frankfurt/Main

**T**he European Economic Community has in the first ten years of its existence grown into the biggest trading power of the world. Since 1957 its foreign trade has doubled, while its internal trade has quadrupled. On July 1, 1968, the projected customs union will become a reality, and with it the first great phase in European economic integration will have been completed.

During this first stage of the EEC the main efforts were directed towards the dismantling of tariff barriers within the Community, the establishment of a common tariff on imports from countries outside and the elimination of quotas and other restrictions. The building trade, being by nature a service industry, was only marginally affected by all this; the movement towards European economic integration has up to now passed it by.

Once the customs union is achieved, however, the higher aim comes into view: economic union. Fundamental problems have yet to be solved before the economic union becomes a reality. No longer will streams of commodities merely have to be directed into new channels by eliminating artificial barriers. It will rather be a question of creating conditions conducive to the merger of the economies of the six member states of the EEC and of harmonising their economic policy and its instruments. Step by step all enterprises within this Common Market must be enabled to compete on equal terms. To achieve this, legal provisions, taxation laws as well as regulations governing trade and industrial activities must be brought into line. It is, after all, only possible to speak of a genuine European common market, if there exists a common policy on trade, taxation and finance as well as a common policy on competition and social affairs.

The Treaty of Rome does not affect the building industry directly. As far as the building industry is concerned, the existence of a customs union is irrelevant, because "building on the other side of

the frontier" is not subject to duty, nor is any duty levied on building imports.

At most could the customs union be of importance to the builder, if he takes his equipment with him to a building site abroad. In view of the fact, however, that all EEC countries allow builders to bring in their machines and equipment under excise bond procedure, the problem of dismantling existing tariff barriers loses nearly all of its importance.

### **Special Features of the Building Market**

A European building market is by its very nature governed by factors different from those that determine a common commodity market. The building market is essentially different from a commodity market. This applies to production as well as to pricing. There is no comparison between erecting a building and manufacturing a commodity. Building activities are not carried out in one and the same place; a factory is stationary, building takes place on ever changing sites. Furthermore, building activities vary from each other and are frequently difficult to compare: the erection of buildings is not the same as the manufacture of goods of the same kind; mass production—apart from a few clearly defined exceptions—is neither possible nor usual. These special features of the building trade also have a bearing on the price structure and give the market their character. Many of the risks inherent in each building contract cannot be precisely determined in advance. General experience in building helps, it is true, but more often than not it is uncertain whether the same conditions will recur in each particular case. The calculations of prices and in consequence the builder's estimate depend on intangibilities which will weigh all the heavier in the scales the less the individual builder tendering for the contract knows about variations in local market conditions.

To this must be added variations in legal standards. Any entrepreneur wishing to build in a country other