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Trade Relations in a Difficult Period

an Interview with Mr Olivier Long, Director-General of the General Agreement
on Tariffs and Trade, Geneva

Mr Long, have the lofty aims agreed upon during the Kennedy Round materialised up to now?

Yes. The tariff reductions agreed upon during the Kennedy Round have been put into effect according to schedule. Three-fifths of the tariff concessions have so far been implemented. The remaining two-fifths will be in force from 1st January 1971 to 1st January 1972. In addition, many countries have accelerated their Kennedy Round tariff reductions on products of interest to the developing countries, and five countries—Argentina, Canada, Iceland, Ireland and Switzerland—have already either completed or virtually completed their whole scheduled tariff cuts.

During the Kennedy Round a separate Agreement Relating Principally to Chemicals was also negotiated. This agreement,

by which the USA agreed to trade the ending of the so-called American Selling Price system of valuation against European tariff cuts on chemicals and a change in motor vehicle taxation arrangements as well as action on a few other non-tariff barriers, is still awaiting action by the US Congress.

Non-Tariff Restrictions

To what extent have tariff reductions which followed the Kennedy Round been substituted by other non-tariff restrictions?

There seems to be a fairly widespread, but in my view wholly mistaken, impression that new non-tariff restrictions have been introduced to take the place of reduced tariffs. What has happened is that existing non-tariff barriers have become more visible, and relatively more

significant, as tariffs have gone down. In GATT, one of our principal tasks in the past year or so has been to assemble an inventory of non-tariff barriers to trade. This inventory is formidable—it contains about 800 items—but in general it consists of practices, taxes and so on that have been in force for a long time.

The seriously strained trade relations between the EEC and the USA are at the moment a major subject of discussion. A growing number of defenders of protectionism in Europe is demanding measures against the American Selling Price system. US officials and advocates of protectionism, on the other hand, accuse EEC's agricultural policy of being protectionist. How do you look upon the restrictive activities in Europe and the USA?

Relationship EEC—USA

I believe that foreign trade relations are in a difficult period. On the other hand, one should certainly not exaggerate the difficulties. International trade itself has recently been enjoying a period of unprecedented growth, to which the decrease in tariff protection achieved during the 'sixties has certainly contributed. World trade now amounts to over \$270 bn annually. It was perhaps to be expected that after the great steps taken in the direction of trade liberalisation there would be a resurgence of protectionist tendencies. Naturally we have been made particularly aware of such tendencies when they have appeared in the United States and in the EEC, because these are the world's largest trading units. But I believe that governments recognise that the GATT rules for foreign trade, founded on the twin principles of non-discrimination and reciprocity, have served them well, and that they ought not to be abandoned. Moreover, GATT provides a forum where difficulties can be discussed and settled. I see no reason why we should not come to sensible solutions, acceptable to all.

But sensible solutions of the matter of protectionism seem to be very difficult to arrive at. The EEC has expanded protectionism beyond its frontiers by promoting Preferential Agreements with countries in Southern Europe and Africa. President Nixon announced at the end of 1969 that he will follow a similar policy. Are these Preferential Agreements compatible with GATT?

The agreements of association which the EEC has concluded with certain countries are being discussed in GATT with a view to dealing properly with these matters. Thus far, the United States has not concluded agreements of this kind. The

General Agreement permits free trade areas and customs unions, provided that these are in accordance with a number of specific rules. The Contracting Parties may grant waivers of the GATT rules, or take other appropriate decisions. What really matters is to maintain the world-wide multilateral trading system.

Demands of Developing Countries

Developing countries are not making things easier for GATT by increasingly demanding special tariff preferences which do not agree with GATT regulations. Is the collaboration between GATT and UNCTAD—but also between GATT and other international organisations—efficient?

There seems now to be fairly general agreement on the principle of establishing a generalised, non-discriminatory system of preferences in favour of imports of industrial products from the developing countries into the developed countries. The details of this proposed system are being worked out in UNCTAD and, as far as the developed countries are concerned, in OECD. GATT is not a legal straight-jacket, laying down eternal rules; it is an agreement which sets out principles for the conduct of world trade that its member countries believe it is in their long-term interest to accept. The Contracting Parties have repeatedly stated their readiness to take appropriate action to accommodate the general non-discriminatory scheme of preferences within the rules of GATT when the scheme has been negotiated.

As far as the second part of your question is concerned, GATT maintains close links with all international organisations interested in world trade, and in particular has regular exchanges of views with UNCTAD on matters of common concern.

Trade liberalisation between East and West has not made much progress in the past, although there are some Eastern European countries which are associated with GATT. How do you judge the future possibilities of negotiating agreements with other countries, which are only capable of having a very limited amount of foreign trade outside the Eastern bloc?

Trade between East and West

Czechoslovakia is a GATT member of long standing; Poland joined more recently; Romania and Hungary have requested membership. No doubt these countries seek to enlarge and to diversify their opportunities for trade with GATT member countries. I do not think that one should look for spectacular results in the short run, but it can certainly be said that the current efforts in GATT to seek mutually acceptable solutions to the problems that arise are characterised by goodwill on all sides.

A New Round in 1971

You have called for a new round in 1971 to occupy itself predominantly with the abolishment of non-tariff trade obstacles. Do you believe that this initiative is likely to succeed?

Since November 1967, GATT has been engaged on a comprehensive programme to see what can be done to free trade further. This programme gives considerably more attention to non-tariff barriers than in the past, but I would like to emphasise that we continue also to be much concerned with the possibilities for further tariff reduction. The programme has required the compiling of the inventory of non-tariff barriers I mentioned earlier; now we are engaged in looking at the ways in which these barriers might be

tackled. Certainly we shall meet unfamiliar problems in formulating, as we are required by Member Governments to do during 1970, our conclusions on possible concrete action that might be undertaken. Non-tariff barriers are of great variety: some may lend themselves to bilateral negotiation; others to action by drawing up new codes of conduct or by elaborating the present GATT rules, and so on. But by about the end of 1970 we expect to be technically ready to start meaningful action. It will then be up to Governments to take the necessary decisions, and to determine when they feel ready to get started. In

the meanwhile, and so as to provide a good point of departure for future action, the Member Governments agreed at their session in February 1970, that it was desirable that governments should avoid introducing measures that would aggravate the problems and obstacles they were about to attack.

**Emphasis: Non-Tariff Barriers
and Agriculture**

And when do you expect a new round of customs tariff reductions on the lines of the Kennedy Round?

One should not try to fashion one negotiation along the lines

of another: I would warn against thinking in terms of the past. We are now dealing with the tariffs that remain after six tariff negotiations have taken place in GATT. The most recent of these negotiations, the Kennedy Round, alone reduced industrial tariffs in the major trading nations on the average by about one-third. It may well be, therefore, that the emphasis will shift for the time being to non-tariff barriers and agriculture, although I certainly do not exclude action on tariffs. We must look at protection as a whole. As for the timing, I have already said that it will be for governments to give the necessary starting signal.

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PROBLEME DER EINFÜHRUNG DES CONTAINERVERKEHRS

(Problems of Introducing Container Traffic)

by Klaus Beplat

The container revolutionises the traditional forwarding business. The focal point of the present study is the analysis of problems arising in the enterprises from the introduction of container traffic. The highly specialised supply of container capacities, which are being developed or are already operating, will under all circumstances try to attract that demand which is necessary for their utilisation. It is therefore justified to compare the significance of containerisation for a certain sector of the transport business with the structural changes which industrialisation involved.

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