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Perspectives of a New Liberalisation Round

by Dr Wilhelm Hanemann, Bonn *

The dollar crisis and the temporary import surcharge imposed by the Nixon Administration have awakened the free-enterprise world to the dangers of creeping protectionism. But what must now be done in order to secure trade liberalisation? The following articles deal with this very important question.

The question whether there will be a new multi-lateral round of negotiations within the framework of GATT has again become highly topical through recent events in international trade and currency relations. Restrictions placed on imports of the United States by President Nixon on August 15, 1971, as part of his new economic policy, it is true, have been lifted again but they had threatened to provoke retaliatory measures of the USA's trading partners, who had been affected by them. Had it come to such a development, this would have inevitably produced a fateful escalation of new restrictive measures and countermeasures, leading in the end to a worldwide relapse into protectionism.

This is also why, for some time now already, there has been more and more pleading, from many sides, in favour of greater international efforts to make the level of liberalisation, that has so far been reached, safe against undermining in the future.

The Need for Joint Efforts

Trading nations who, like the Federal Republic of Germany, are strongly dependent on international trade for the wellbeing of their entire economy must support such efforts actively from an intelligent appreciation of their own economic interest. Therefore, the Federal Government has repeatedly and forcibly declared that it believes joint efforts for this purpose to be indispensable. It has gone further than that: Professor Karl Schiller, the Federal Minister of Economics, when speaking at the European Meeting of the Federal Association of German Industry in late April 1971 in Hanover—which was long before the last international trade and currency crisis—stated that the EEC's answer to protectionist efforts must be a policy favouring a breakthrough forward, which means a concerted counter-offensive towards

even more liberalism in world trade. This is the German answer to the question whether there should be a new worldwide round of liberalisation.

The Abolition of Tensions

To campaign for such reforms, resulting in further substantial cuts in tariff charges and in dismantling the so-called non-tariff obstacles in the way of trade, would also be a decisive blow for eliminating tensions which result from the regional preferences of the EEC. At the same time, a new worldwide round of negotiations would instil new life into GATT as a multilateral stage for international trade relations, thus greatly mitigating the difficulties arising from the formation of several big trading blocs in the world. Especially the latest phase of events within the United States/EEC/Japan trading triangle has demonstrated the kind of repercussions which bilateral trade policies may have on overall world trade, if they are highly charged with purely political considerations.

Therefore, it may very well be described as an important step forward that EEC member states, in agreement with the four new membership candidates, have decided on December 12, 1971,

to take part, under Article 110 of the EEC Treaty, which enjoins upon members a liberal trade policy, in all-embracing negotiations on widening and strengthening international trade links and on further liberalisation of world trade,

at the same time promising to support a more faithful fulfilment of GATT rules and regulations,

and acknowledging the need for new international measures for doing away with non-tariff obstacles for trade, but paying heed to the special requirements of international trade with farming produce.

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These intentions agree with the higher degree of responsibility for worldwide trade which has been accruing to an enlarged European Community.

That the Community has placed itself unmistakably behind the principles of GATT is a clear rebuff to all those who wanted to profit from the chances of a new round of negotiations for encasing tomorrow's world trade into a framework of rigid new rules, although it goes without saying that the unexpected and unprecedented economic growth after the last war was mainly due to the adherence to GATT's principles. Nobody has yet been able to find more effective guidelines than these, and they should therefore remain in being without change.

This does not, of course, mean that new negotiations about the whole range of GATT arrangements should never make the attempt to work out new wordings of rules or their more precise interpretation. It might, for example, be a good thing if GATT members examined the possibility of erecting suitable barriers against future changes in currency relations automatically affecting adversely free international trade.

In this field, OECD has done valuable spadework in suggesting that future talks on the entire compass of trade might lead to easier and more incisive measures to protect foreign trade against an imbalance in international payments.

Multilateral Solution of Farming Problems

In its Declaration of Intent, the European Community has paid particular attention to agricultural problems and to non-tariff obstacles to trade. In both fields, it will probably only be possible to work step by step for long-term solutions. As to world trade in farming produce, conspicuous progress will, moreover, be achieved only if and when international negotiations lead to multilateral solutions, in which all interested trading partners, among whom there must naturally be the European Communities, take part.

But also the United States will have to cooperate. As is well known, special permission was granted to the USA by GATT in 1955 to keep in being or to introduce restrictive policies on farm produce imports, especially through import quotas. If the USA could be persuaded to give up existing and to do without new quotas for farm produce, this would greatly reduce the threatening character of present problems.

Mutually balanced concessions in regard to non-tariff obstacles to trade are technically extremely difficult to put into practice. Only most careful preparations for such steps will be able to over-

come them. GATT has established the principle of reciprocity in this field and demands quantification of individual concessions on such obstacles to trade, because otherwise, they can hardly be made negotiable. But such quantification is anything but simple, if such vastly different instruments of policy are to be compared, such as export subsidies, national standardisation rules, public purchasing and tendering regulations, import licences, and so on, and so forth. All of these frequently lead to distortions of competition in international trading, and their restrictive effect is often more decisive than even a relatively stiff tariff. High import duties are known and calculable factors, and as GATT obliges its members not to chop and change tariff concessions, their impact is foreseeable.

As to non-tariff obstacles to trade, international trade is often a victim to unforeseen interference, in the first instance, because the multitude of national administrative regulations is scarcely known abroad, a fact which is deplored especially by developing countries, and justly so.

Pump-Priming through Negotiations

In its Declaration of Intent, the EEC has not touched upon the problem of tariff reform. But there are great chances for improving the flow of world trade through tariff changes. The EEC will have shortly to negotiate a new harmonisation of tariffs within GATT, because of the Community's impending enlargement, and it might be from there that the pump-priming for a new multilateral tariff round could come.

The desirable aim ought to be another reduction of import duties by one half worldwide, through gradual tariff cuts. Apart from this, tariffs should be harmonised, sector by sector, especially for products of manufacture. The ultimative objective of such tariff reduction ought to be the creation of worldwide sectoral free trade for clearly defined groups of products, as the springboard from which later complete and worldwide free trade—a complete abolition of all tariffs—could be aimed at.

At present, firm predictions are, of course, impossible about the presumable date when a new all-embracing round of negotiations may start. However, the declarations of intent which have been made recently by all the principal partners in world trade seem to justify the hope that such a new round will soon start. The chances for new multilateral talks would be improved if present bilateral trade negotiations between major trading partners on topical issues of trade policy would soon come to a successful end.