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GATT Versus Protectionism

Hubert Höping, Hamburg

The Kennedy Round which ended in 1967 appeared to have achieved a breakthrough of a worldwide liberalisation of international trade. The following years, however, have been dominated by headlines like "protectionism" and "trade war". True, the target of an open world economy continued to be proclaimed officially, but on both sides of the Atlantic national egoism maintained the field. The big industrialised countries seemed to have little interest in a further trade liberalisation. The dollar crisis and the United States' import surtax in fact illustrated very clearly the risks of creeping protectionism and prepared the ground for a counter-offensive.

Although the annual meeting of GATT at the end of November, 1971, raised hopes, its results are widely considered to be unsatisfactory, since in spite of the many questions raised no decisions have been taken. But the meeting showed clearly that the partners to the agreement finally realise that as soon as possible a long-term solution of international trade problems must be embarked upon.

True, behind all this there is the compulsion originating from the fact that the expansion of the EEC will disturb the delicate balance of trade concessions as achieved in GATT. According to the GATT regulations on the formation and expansion of customs unions, third countries are entitled to demand compensations for the loss of concessions they had formerly

been granted. In line with article No. XXIV, paragraph 6, negotiations on compensations are a coercive provision. The so-called Dillon Round offers a good example of such negotiations. When, on the basis of the Treaty of Rome, the EEC harmonised the customs tariffs of its six member states and introduced a common external tariff, the compensatory negotiations of the Dillon Round started. Due to this legal basis also the extended EEC will have to make new tariff concessions in compensation for former, but now cancelled, concessions.

Free trade on a regional basis does not contradict the objectives of GATT as long as it does not lead to new trade obstacles for third countries. But progress on a regional level must necessarily be balanced by advances on a worldwide scale, in order in the long run to avoid trade diversion and to secure an additional creation of trade. Negotiations in accordance with article XXIV, paragraph 6, of GATT can therefore not take the place of long-term efforts for a worldwide liberalisation of trade. More is required than negotiations on compensations in order to enable a trade policy adequate to the seventies. Their target must be the further development of a dynamic world trade and a system of well-balanced concessions between the big industrialised countries. This, however, requires the readiness of the United States, Europe and Japan to discuss international

trade problems multilaterally on a worldwide scale within the competent framework of GATT and to strive for solutions acceptable to all parties concerned.

The developing countries' problems must also be paid more attention within the scope of these negotiations. The Third World had been disappointed by the representation of its interests in GATT and already in 1964 succeeded in holding the first World Trade Conference (UNCTAD) that in the meantime has become a permanent institution. However, UNCTAD, too, could so far not realise the objectives striven for in the field of trade and development policies. A more effective GATT in close cooperation with UNCTAD should be able to pave the way for the solution of this problem which is of such enormous importance for the future. In spite of all regional progresses in the formation of customs unions between industrialised countries the worldwide responsibility of the big advanced nations must not be ignored. This, too, recommends a further removal of international trade barriers and a liberalisation of world trade.

The recent past has proven that in all countries strong protectionist powers are at work which can only be checked by progressing liberalisation measures. Worldwide liberalisation of trade within the framework of GATT is the only alternative to a return to protectionism with all its only too well-known consequences.