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# GATT Round Ante Portas

**A**lthough the next multinational trade negotiations are scheduled to begin in autumn 1973, the growing number of reports and statements dealing with and quarrels over international trade problems seem to indicate that the new round is unofficially under way. Its first critical phase will start in March when the compensatory negotiations as the result of the EEC enlargement are opened in Geneva. The main difficulties will focus upon grain. Until December 31, 1972, Great Britain imported grain levy-free from the USA, Canada, Australia and others. But since January 1, 1973, the EEC system of variable import levies for grain is also valid in Great Britain.

According to GATT regulations the new common levy of a Customs Union should not exceed the level of each member nation. Since British import levies on grain have been raised to the EEC level third countries demand from the Common Market that it should either limit the variable levy to a maximum of 30 p.c. or compensate losses in grain exports by lowering levies for other agricultural products. The Community argues that a compensation has already taken place through the reduction of British tariffs for industrial goods to the lower EEC level and is not willing to concede compensation in the markets for farm produce. On the other hand, there have been first hints that the USA could withdraw from international trade agreements if other countries continue to build up tariff walls for their agricultural products.

No doubt the confrontation between the EEC and the USA during these compensation negotiations will be hard. Since the outcome will have a deep influence upon the atmosphere of the next GATT round, it should be interesting to observe whether both sides are willing to find a solution to the problems with due regard to the September trade round. For the next GATT conference must not only bring about more favourable trade relations between the industrial nations, but also a shift to a better international division of labour between developed and developing countries. And this aim will only be achieved if the participants accept the old and develop some new trade principles.

In the industrial products sector it will be necessary to work towards complete abolition of tariffs in the developed countries. At the same time national protection of certain industries should be gradually eliminated through harmonisation and reduction of non-tariff barriers. Industrial countries will also have to devise new measures to assist less developed countries (LDCs) in their efforts to export industrial goods to the markets of industrialised countries, since the moderate export stimulation of the preference schemes now in force will diminish if a process of gradual tariff reductions towards zero is introduced. The initiation of joint actions by industrial nations to advise developing countries e.g. in the form of marketing and distribution assistance and the introduction of suitable schemes for the restructuring of their own industries could help the LDCs more than existing preference schemes. Furthermore, it would be an advantage to developing countries if concessions which the industrialised nations grant each other could automatically, but without reciprocity, apply to LDCs. This would call for a turning away from the GATT principle of unconditional most-favoured nations (MFN) treatment — as demanded by developing countries and a growing number of international trade experts.

In addition to a reduction of tariff and non-tariff barriers to industrial trade the forthcoming GATT round will also have to discuss the extremely restrictive trade practices of the developed world in the agricultural sector. High farm-support prices, import quotas and variable levies have stimulated production in certain fields, cutting off the market foreign goods produced at lower costs and inducing overproduction that either has to be destroyed or dumped on world markets at much lower prices. This protectionist agricultural policy has also had adverse effects on LDCs' exports. The USA and the EEC should therefore not be surprised if the Third World continues to point accusing fingers at them, if they insist that they are not ready to discuss the principles of their agricultural policy during the forthcoming worldwide negotiations.

*Carsten R. Moser*