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GATT Negotiations Close at Hand

The GATT negotiations will begin shortly. We had a conversation with Ministerialrat Jürgen Kühn, the head of the section in the Federal Ministry of Economic Affairs, which deals with basic issues of trade policy including GATT in particular, about the state of the preliminary work and the outlook for the impending negotiations.

IE: Herr Kühn, at the GATT Meeting of Ministers in Tokyo last autumn the countries taking part agreed to use the time pending the effective opening of the actual negotiations for intensive analytical and statistical studies. What progress has been made with this work?

KÜHN: The work has been advanced greatly in the past year and is in effect about to be completed. Immediately after the Ministers' meeting in Tokyo agreement was reached among the major trading countries that the important subjects for negotiation were to be covered once more in depth. They include issues bearing on the tariff negotiations, non-tariff barriers, agriculture, developing countries and, lastly, the safeguard clause and sector negotiations. The last two subjects apart, the ground has been virtually cleared during the past twelve months so that effective negotiations could now begin very quickly if the political will for them exists. The technical side of the work is about to be concluded, and the two topics mentioned last are being taken up.

IE: A few things have been happening this last year. Catchwords are the "oil crisis" and

the complex of raw material problems. What impact have these factors had on the work? Has there been a shift in the salient points?

KÜHN: It is very difficult to answer this question in one sentence. On the one hand, it is to be noted that the technical work initiated as a result of the Tokyo conference has gone ahead on the chosen track without major change. The GATT working groups which are dealing with these technical matters had been given a proper directive by the Tokyo Ministers' conference and lack even the formal authority to decide new keynotes and priorities by themselves. On the other hand, the preliminary technical work has not, of course, remained entirely unaffected by the events which you mentioned. It may well be said that the changes which have taken place since Tokyo have given all the negotiating parties a greater awareness of the urgency and necessity of comprehensive trade negotiations. They have come to realize that the list of subjects which, I mentioned, emerged in Tokyo may no longer be comprehensive enough and new subjects must be broached, including for instance the trade in raw mate-

rials or export restrictions. A final decision as to whether effective negotiations should be opened on issues like this one must however only be taken after the starting signal has been given for effective negotiations. So this is still an open question.

IE: You have mentioned the export restrictions. What particular role will export restrictions play in the negotiations, considering especially that industrialised countries with substantial raw material resources, like Canada and Australia, are opposed to their inclusion in the negotiations? Is this question still in suspense, or have tangible plans already been drawn up?

KÜHN: It is in the nature of negotiations that two or more parties must come to an agreement, and there is clearly a conflict between the divergent interests on many of these subjects. Our interests are those of an importing country. We are naturally against the world trade being subjected to export restrictions. Countries with economic interests swayed by raw material exports would perhaps prefer being able in certain situations to apply export restrictions. It is very difficult at

this moment to predict what chance there is of the various groups of countries agreeing on details. But you must not forget that we have also something to offer to the exporting countries in the negotiations. The raw material exporting countries are for instance greatly interested in exporting their commodities in a more processed form. In the long term they do not want to be suppliers of primary products only, and among the subjects for negotiations we see a real chance to provide import facilities for processed products in return for assured supplies of raw materials. To put it in concrete terms, we should lower our tariff rate for processed copper in return for an assurance that, except in cases of grave emergency, our access to the copper mines and the supply of crude copper will not be curtailed.

IE: There is another very important raw material — oil. In this context the question arises whether GATT is really the proper forum for suitable negotiations seeing that important oil producing states such as Iran, Saudi Arabia and Venezuela are not even GATT members.

KÜHN: I cannot give you a complete list at this moment but a number of oil countries have definitely indicated an interest in taking part in the negotiations without being members of GATT. It is one of the essential features of this new round that participation is not confined to GATT countries. We assume that quite a number of countries outside GATT — about 20, it is believed — will actually take part in the negotiations.

To what extent we shall eventually succeed in dealing with oil as part of the negotiations is really very difficult to foresee today when the preliminary technical work is only just being concluded. A great deal will de-

pend on whatever interests these countries may wish to safeguard by taking part in the GATT negotiations. To judge from the available indications it is by no means to be ruled out that negotiations about chemical derivatives of oil products may prove of interest to one or other of the oil countries which are perhaps still standing aside at this moment.

IE: Taking all in all, it is nevertheless conceivable that the GATT position in this matter will be undermined; the Arab-European dialogue, for instance, is a bilateral affair which affects the world trade generally.

KÜHN: I do not know whether such an antithesis is justified. You must not forget that the Community and the Arab countries which are GATT members are bound to observe the GATT regulations in the context of the Arab-European dialogue. They must, for example, take account of the principle of most-favoured-nation treatment — that a concession to one country must be extended to all others, etc. This all really goes to show that there is not such a sharp conflict between bilateral and multilateral negotiations as you suggest.

IE: Another question about the role of GATT and its relative importance: Beside it there is UNCTAD with its various committees aimed chiefly at allowing the developing countries a greater share in the blessings of world trade. One cannot help feeling that the ultimate result of the GATT negotiations so far has been more or less of a success chiefly for the industrialised countries. That the developing countries' share of world trade has been continually declining in recent years may perhaps be mentioned as evidence. If GATT — as you indicated earlier — is still occupied with the old issues while the salient problems have been changing

a great deal in the last year or two, it should really be asked whether one should not turn to another forum that is more widely conceived, such as UNCTAD.

KÜHN: That is a subject which played a major role in the discussions in Geneva. The German view on this issue is fairly simple: we do not want an antagonism between these two organisations but believe that both should cooperate in the new negotiations. Each has its own specific aspects: GATT is an organisation involving contractual rights and duties whereas UNCTAD, lacking such a legal status, has stronger political overtones and is trying to bring the interests of the developing countries more effectively into play. In our view the two are not incompatible. Both aspects may quite conceivably lead to the interests of the developing countries receiving more attention in the negotiations. We regard it as an auspicious sign for such cooperation that the Secretary General of UNCTAD attended the latest meeting of the committee for the preparation of the GATT negotiations and that the Trade and Development Board of UNCTAD at its recent meeting agreed on a resolution which lays renewed emphasis on cooperation between the two organisations. This resolution was adopted unanimously which means that it reflects the views of both industrialised and developing countries.

As regards the assessment of the achievements of GATT up to now, permit me to express a somewhat different view. The tariff cuts and the removal of trade barriers through GATT have benefited all countries. Naturally the benefit was greatest for countries with an export structure which allows them to make actual use of the removal of the obstacles to trade. They include of course the indus-

trialised countries but also — and this fact is often overlooked — the developing countries which have advanced beyond what may be called the first stage of economic development. If you analyse the progress made by the various groups in the sphere of world trade, you will see that the largest growth rates in world trade have been recorded for the exports of manufactured goods from the developing countries. Over the last — I would say, six or seven — years the industrial exports of the developing countries have risen more strongly even than the exports of manufactured goods from the industrialised countries. You may object that theirs was a low starting point. That is correct. But the figures show that countries like Korea, Hongkong, Taiwan, Mexico and Brazil have coped with the "take-off" phase and taken full advantage of the tariff reductions agreed in the Kennedy Round. This being so, it must be the objective of our development aid to enable more developing countries than the handful which I have named to put themselves in a similar position. But you cannot regard the tariff cuts and removal of trade barriers as a kind of exclusive enterprise of the industrialised countries. They are of benefit to all countries, and it is our firm aim that the kind of concessions made and the range of products selected for the new round shall lead to more extensive positive achievements for the developing countries.

IE: How great are in fact the chances for a removal of tariff and non-tariff barriers? Its favourable balance of payments situation makes it easy for the Federal Republic to adopt a liberal stance but the removal of trade barriers is likely to involve other industrialised countries, where the payments position is less favourable, in greater political problems.

KÜHN: That question also looks well ahead and is very difficult to answer at present but I believe that the balance of interests of almost all the countries which have now stated that they are willing to engage in these negotiations is in principle similar. The outcome of the oil situation is that all countries in the world depend more than ever on foreign currency earnings to pay the higher oil import bills. We do not want trade competition by means of subsidies but under normal and easier conditions. This however can only be achieved if all countries reach agreement to lower the artificial trade barriers — the existing tariffs and quantitative restrictions and the other obstacles to trade — and thus through increased exchanges of goods provide an opportunity to augment the foreign currency earnings available to meet the larger oil bills.

IE: In the past, the developing countries think, there have been abuses of the safeguard clauses of Article XIX GATT in particular. Are there any indications now that the analytical studies have been completed which suggest the introduction of more narrowly defined protective clauses leaving less scope for such abuses?

KÜHN: Let me first say something about your initial observation. I do not believe it quite right to refer in such general terms to too frequent resort to safeguard clauses. For the Federal Republic of Germany, for instance, it can be stated that the safeguard clause has not been invoked in a single case in the last few years. On the other hand, there have been import surcharges in the USA and now the import deposits in Italy; regrettably one state or another will always on occasion resort to protective measures which affect the developing countries like others. No gen-

eral conclusions however should be drawn from this.

As for the future developments, we are working in the Community for stronger international surveillance of the use of safeguard clauses, i.e., for surveillance by an agency within the framework of GATT. This would probably have a positive impact and make recourse to safeguard clauses more difficult.

IE: Have you also sanctions in mind?

KÜHN: That, too, is one of the possible subjects. The possibility of sanctions being imposed already exists in GATT but little use is being made of it because of the danger of a chain reaction; in the course of the negotiations we should like to review this question once more in detail.

IE: You pointed out in the beginning that the date of the opening of negotiations will from now on depend on the political will. Could you define this political will in somewhat more concrete terms? What exactly is involved?

KÜHN: The political will must be substantiated by decisions of the crucial political bodies in the major trading countries, and that means in practice the US Congress and the Council of Ministers of the European Community. These two bodies must now issue the chief negotiators with an unequivocal political mandate to open effective negotiations. In the USA the discussions on a bill to this effect will soon come to an end, and in the European Community we expect that in the next few weeks we shall also be able to prepare a decision of the Council of Ministers putting the Community in a position to enter into effective negotiations. We are now closer to the opening of effective negotiations than we have ever been before.