

'The day of international trade is dawning' from the Süddeutsche Zeitung (17 May 1967)

Caption: On 17 May 1967, the German daily newspaper Süddeutsche Zeitung welcomes the agreement reached the previous day in Geneva between 50 countries, including the United States and the six Member States of the European Economic Community, with a view to further liberalising international trade.

Source: Süddeutsche Zeitung. Münchner Neueste Nachrichten aus Politik, Kultur, Wirtschaft und Sport. Hrsg. Dürrmeier, Hans ; RHerAusgeber Proebst, Hermann. 17.05.1967, Nr. 117; 23. Jg. München: Süddeutscher Verlag. "Sternstunde des Welthandels", auteur:Thoma, Franz , p. 4.

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The day of international trade is dawning

by Franz Thoma

Three cheers! They haggled hard, but the customs experts did achieve something in Geneva. The Western countries of this world, it seems, are still able to reach a fair accommodation of their interests. This is a gratifying conclusion, not only for trade but for politics too. The global tariff negotiations that have been taking place in Geneva for the past five years — the Kennedy Round — have achieved at least partial success. Nobody really believed that the objective of halving tariffs could be attained. The reductions of 35 to 40 % that were achieved in the dramatic final push, however, came as a delightful surprise — not only because of these percentage figures, which far exceeded the results of all previous rounds of tariff negotiations conducted under the GATT, the arbitration body for international trade which normally works away so quietly at the peaceful Villa La Bogace by Lake Geneva, but also because a long-standing taboo was broken by the inclusion for the first time of duties on agricultural products.

To be sure, the problems of trade in agricultural products, which had been scrupulously avoided at all the previous tariff negotiations, were not quite resolved as the initiators of the Kennedy Round had wished — the major agreements on cereals, beef, etc., did not materialise. But the agreements that were reached on minimum and maximum wheat prices, on a comprehensive food aid programme and on a 25 % reduction in tariffs on some products certainly constitute more than a first step. Given that this round was frequently pronounced dead in the course of the five-year negotiating period, the result confirms the forecast that we made many years ago that no party would be willing or able to be held responsible for its failure.

Tariffs are prices

The expiry on 30 June of the negotiating authority granted to the US President compelled the main negotiating parties — the United States, the EEC, the United Kingdom and Japan — to pull together, which they did after a great deal of complex tactical manoeuvring. The economic result will be an increase in trade among the countries of the Western world, almost all of which are parties to the General Agreement on Tariffs and Trade (GATT) and which already account for some 80 % of the volume of world trade. And will the individual derive some benefit from this, too? Well, tariffs are prices; they affect the prices of a host of imported products. When tariffs fall, prices must fall, too. This is the result of the Kennedy Round, at least for the people of each of those 70 countries which have been participating in the Geneva tariff negotiations, although these people will feel the effects of the reductions only gradually, since the tariffs are to be cut back in five annual instalments. Customs duties on cars, for example, are to be lowered by 50 % over the five-year period.

Only the citizens of the Federal Republic of Germany, who live in a country with decidedly low tariffs, will be left rather empty-handed. To understand this, we must first take a closer look inside the maze of tariff policy. The fact is that, even if success had been achieved in halving tariff levels, customs duties in the Federal Republic would only have fallen to the 1958 level before Germany entered the European Economic Community. We are now moving towards the higher common external tariff of the EEC. It is a source of some comfort to us that, but for the felicitous outcome of the Kennedy Round, the common external tariff would still be some 35 % higher, if we disregard the generous 20 % by which the EEC cut this external tariff in anticipation of the tariff round.

This reference to the EEC brings us to a crucial development that has altered the entire shape of international trade. In the European Economic Community, the largest and, more importantly, the wealthiest import market in the world, the United States has found an equal partner on which she cannot impose her will as easily as on individual European countries. If Britain now joins the Community, too, an even more prominent role in international trade will be played by the EEC, operating in a self-assured and, as we certainly saw in Geneva, an enlightened manner. This phenomenon coincides with the current situation on the other side of the Atlantic, in the United States, where the traditional forces of protectionism are staging a comeback; the EEC, however, by making concessions from a position of strength, has stolen some of the protectionists' thunder.

Achievements of the EEC

There can be no doubt the EEC in Brussels was only too well aware that an extension of the Trade Expansion Act, the result of a deal which President Kennedy struck with Congress in 1962 after he had objectively assessed the shifts in the balance of international trade, was at best a fairly remote prospect and that the failure of the Kennedy Round would essentially have doomed all future tariff initiatives to failure too. The Community has helped to ensure that we need not run such a risk, one example of its intervention being its exchanges with the United States with a view to action by the US Congress on the controversial issue of duties on chemicals and chemical products. The aim of this initiative is the abolition of the totally outdated system for the calculation of American import duties on chemical products, a system rooted in the dark ages of protectionism.

This appraisal by the EEC will also strengthen the hand of those in the United States who have to struggle against tradition in order to gain acceptance for the present round of tariff reductions in their own country. Throughout her recent history, the United States has always been a country with high tariffs, which far exceeded 50 % until 1934, when the first Reciprocal Trade Act was adopted. Even today, there are still such rates on that side of the Atlantic, although there are also entirely duty-free product groups; the range of US customs duties, in other words, is far broader than in the EEC. The United States tabled a balanced package of concessions and counter-concessions, primarily as a means of achieving her original objective of having agricultural products included in the negotiations. The US position was supported by the developing countries, whose aspirations were certainly not satisfied by the Geneva compromise. Now, however, the United States will also have to draw conclusions in other areas, such as freedom of establishment, from this unparalleled liberalisation of international trade. This truly has been a turning point.

Everyone benefits

In Geneva, the main parties' common sense drove them to seek agreement; the tenacity with which the customary haggling was conducted suggests that the compromise that finally emerged will prove durable. Free trade benefits everyone. Let us hope that this fact is recognised widely enough to prevent the use of any tax manipulation to circumvent the tariff reductions that have now been agreed. As experience in the EEC has shown, there is always an inherent danger of such manipulation. If this recognition of the value of free trade were to culminate not merely in the present tariff reductions of the Kennedy Round but serve as the starting point for the complete elimination of trade barriers, these negotiations would be remembered as more than just a round of tariff talks. Because of them, the day of international trade would have dawned.