

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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Limited Distribution

ACCELERATED IMPLEMENTATION OF KENNEDY ROUND RESULTS

Statement by Director-General

1. At its last session the Council, on the basis of a statement by the Director-General, gave consideration to the problems for international trade created by the current pressures on the international payments situation and in particular those represented by the balance-of-payments difficulties of the United States (C/M/46, page 1). There was wide agreement in the Council that measures should be avoided which might lead to a reversal of the liberalization of world trade achieved under the aegis of the GATT over the last twenty years, including the substantial reduction of trade barriers agreed upon in the recent trade negotiations, and that a positive solution could be found to present trade and balance-of-payments problems.
2. The Director-General has subsequently undertaken consultations with a number of contracting parties. In the course of these consultations reference has been made to the balance-of-payments measures already taken by the Government of the United States, to the expansionary domestic economic policies undertaken by a number of important trading countries, and to the positive economic policy guidelines adopted by the European Communities. It is also to be noted that the implementation of two stages of the Kennedy Round reductions (a stage which, under the provisions of the Geneva Protocol, would be reached by the United States on 1 January 1969) by certain contracting parties already represented a considerable effort on the part of these countries.
3. In the hope that this would enable the United States to avoid taking restrictive measures to restore equilibrium in its balance-of payments, and as a further effort in this direction, the Governments of Austria, Canada, Denmark, the European Communities, Finland, Japan, Norway, Portugal, Sweden, Switzerland and the United Kingdom have informed the Director-General that they are prepared, subject to parliamentary and constitutional requirements, to accelerate the implementation of the tariff reductions agreed upon in the GATT Trade Negotiations, by introducing on 1 January 1969 the reductions which under the provisions of the Geneva (1967) Protocol, they are not required to implement until 1 January 1970.
4. Some of the Governments would have been prepared, if there could be general agreement to do so, to apply their Kennedy Round tariff reductions in full on 1 January 1969, but this was not possible. An alternative which emerged and

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on which there was a broad measure of agreement was that the Government of the United States may, if it so chooses, defer the tariff reductions scheduled under the Geneva (1967) Protocol for implementation on 1 January 1969.

5. This decision has been made upon certain hypotheses and if these were not fulfilled this would call for reconsideration by Governments of their decision and policies and no doubt there would be further consultations between the Governments concerned.

6. The Director-General has found in the course of his consultations that whilst these hypotheses are not in all cases identical there are a number of common or similar elements. In the first place the Governments have made this decision on the assumption that the United States would not find it necessary, in order to protect its balance-of-payments, to impose restrictions or surcharges on imports or a subsidy on exports. Secondly, the object of the acceleration of the tariff reductions, which presents problems for some Governments which have taken this decision, is to ensure the maintenance of the high degree of trade liberalization agreed upon in the recent GATT Trade Negotiations. In this connexion several of the Governments attach special importance to the implementation of the Agreement Relating Principally to Chemicals, Supplementary to the Geneva (1967) Protocol. It is also clear that, for the same reason, the adoption of protectionist measures, of such a nature as to endanger the general objective referred to, would lead to a new situation in which Governments would reconsider their decisions.

7. It is my understanding that Governments will continue to consult with the Director-General and with each other on this important matter. Some of the Governments have indicated that in the course of such further consultations they would consider what other measures may be possible in order to achieve the common objective.