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REVIEW OF KENNEDY ROUND RESULTS FROM
THE STANDPOINT OF DEVELOPING COUNTRIES

Preliminary Summary of Results

1. In its meeting concluded on 27 July 1967, the GATT Committee on Trade and Development discussed arrangements for reviewing the results of the Kennedy Round from the viewpoint of developing countries. For this purpose the GATT secretariat prepared a general survey of tariff reductions made by the six major industrialized participants in the negotiations - namely, the European Economic Community, the United States, the United Kingdom, Japan, Sweden and Switzerland - on selected products of particular export interest to developing countries. The six markets mentioned above account for more than 90 per cent of all imports by the industrial countries from the developing areas. The survey comprised 367 product headings of the Brussels Tariff Nomenclature (of which: agricultural products 79, non-agricultural raw materials 47, fuels 6, and manufactures 235), and close to 10,000 individual items in the six import tariffs. The product headings surveyed cover more than 95 per cent of all exports from developing to developed countries.

2. To facilitate comparisons between duty rates in force before the Kennedy Round and those which will be applicable when the results are fully implemented, the product headings comprised in the GATT secretariat survey were grouped into twenty-three commodity classes, such as tropical products, processed foodstuffs, clothing, machinery, etc. The tariff items in each class were presented in frequency distributions according to their level both before and after the Kennedy Round and, subsequently, according to the depth of the cut (i.e. less than 50 per cent, 50 per cent, more than 50 per cent but less than 100 per cent, and complete elimination).

3. Two major qualifications have to be made before the results of the review can be discussed. The secretariat survey presents the tariff reductions in unweighted averages. It would have been of some interest to know the current
trade values corresponding to each tariff item included in the survey. Such an evaluation of the Kennedy Round results could not be prepared in the short time available. It should be noted, however, that weighting by actual values of trade conducted under each tariff item, which is the only weighting system readily available, could give only a very approximate assessment of the importance of the tariff reductions negotiated. The true importance of these tariff reductions can only be measured in terms of the incremental trade which they will generate. For obvious reasons, this cannot be calculated, or reliably estimated, in advance.

4. Also, the summary does not indicate how the incidence of tariffs at different stages of the processing of the commodity has changed in each of the product classes and groups as a result of the Kennedy Round. For this purpose it would be necessary to describe changes in tariff profiles, i.e. the sequence of tariff rates applicable to a raw material and the products it leads to at the successive stages of processing. This analysis could not be performed for lack of both time and complete sufficiently detailed data.

5. The seventy-nine agricultural product headings, which include both temperate zone and tropical foodstuffs but exclude cereals and most meat and dairy products, covered over 2,000 items in the tariffs of the six major import markets. While 11 per cent of these items were duty free before the Kennedy Round, the proportion has now risen to 19 per cent. The proportion of items dutiable at more than 15 per cent ad valorem has declined from 49 to 38 per cent.

6. The 235 manufactured product headings included slightly less than 7,000 tariff items. The proportion of duty-free items has been raised in the Kennedy Round from 5 to 7 per cent; the category of items dutiable at less than 10 per cent ad valorem now comprises 62 per cent of all items as against 32 per cent before the Kennedy Round. The categories dutiable at more than 15 per cent ad valorem now comprise 14 per cent of all items as against 35 per cent before.

7. Going into sub-divisions, duty reductions on tropical products will mean that 33 per cent of all items in this sector will be accorded duty-free entry as compared to 13 per cent prior to the Kennedy Round. In many instances, previous suspension of duties on tropical products are now consolidated in the GATT concessions. Further, about 36 per cent of the dutiable products will be subject to rates of 10 per cent ad valorem or less, as against 42 per cent at present; while the proportion of items dutiable at more than 10 per cent declines from 42 to 28 per cent.

8. In processed foodstuffs, the proportion of duty-free items rises from 6 to 12 per cent; that of items dutiable at less than 10 per cent, from 25 to 32 per cent; while the proportion dutiable at more than 10 per cent declines from 67 to 54 per cent.

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9. In cotton yarns and fabrics, the great majority of reductions have been made on items dutiable up to 10 per cent ad valorem. Tariff items subject to duties within this range now account for 63 per cent of the total as compared to 44 per cent before the Kennedy Round, and the proportion of duty-free items has risen from 2 to 4 per cent. Further, items subject to duties between 10 to 15 per cent and 15 to 20 per cent ad valorem, which accounted for 26 and 16 per cent, respectively, of all items in this group before the Kennedy Round, represent now only 18 and 14 per cent respectively. The share of tariff items dutiable in the range of 20 to 25 per cent will now be 4 per cent as compared to 10 per cent previously. Duties exceeding 25 per cent ad valorem are now negligible in this product class. According to an agreement reached in April 1967, the Long-Term Cotton Textile Arrangement was extended for a period of three years as from 1 October 1967. In respect of a number of items, duty reductions by the EEC are tied to the life of this Arrangement.

10. In clothing, there were and are no duty-free items. However, items dutiable at less than 10 per cent will represent 12 per cent of the total as against 4.5 per cent at present; and 32 per cent of all items will be dutiable in the range of 10 to 15 per cent as against only 5.5 per cent at present. Before the Kennedy Round 53.5 per cent of all items in the group were dutiable at more than 20 per cent ad valorem; this proportion will now decline to 29.5 per cent.

11. In leather and leather manufactures (excluding footwear) of interest to developing countries, tariff items in the duty range of 0 to 5 per cent, accounting for 7 per cent of all items in this product class before the Kennedy Round, now represents 32 per cent. On the other hand, the proportion of items dutiable at more than 10 per cent has been reduced from 61 to 28 per cent of all items.

12. In footwear, the proportion of items dutiable at less than 10 per cent rises from 16 to 65 per cent.

13. In wood manufactures, including plywood and veneer, the proportion of items in the category of 0 to 10 per cent ad valorem duties rises from 28 to 72 per cent.

14. In miscellaneous manufactures of export interest to developing countries, mainly articles of cork, plaiting materials, basket work, artificial flowers, furniture, toys and sports goods, the proportion of items in the 0 to 10 per cent duty category has been increased from 25 to 66 per cent, while that of items dutiable at more than 20 per cent has been reduced from 25 to 7 per cent.

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