SUMMARY OF REMARKS BY THE REPRESENTATIVE OF
THE UNITED STATES AT THE MEETING OF 13 DECEMBER 1963

My delegation would like to make a few remarks concerning the relationship of the work of this Committee to the past and future work of the GATT in reducing tariffs and other barriers to trade.

As a matter of fact, a great deal has been done, already, in past tariff negotiations. The reductions achieved have been beneficial for all of us. The United States, for instance, has reduced its tariff to about half of what it was thirty years ago. Even so, there remains much to be done in the further reduction of tariffs and in the progressive removal of other barriers to trade.

For this reason, we expect great things from the forthcoming Kennedy Round of trade negotiations. If the Kennedy Round succeeds, we hope to reduce tariffs again by half, but this time over a period of five rather than thirty years. We regard the forthcoming period as one in which to make a giant effort to reduce trade barriers.

Will we succeed in effecting a near 50 per cent reduction? This, in our view, is the central question of the moment. It must be a central question for less-developed countries too. For if the Kennedy Round fails, or if there are only minor reductions in the tariffs of the major trading countries, it is a foregone conclusion that the less-developed countries cannot expect major benefits. They could hardly wring a profit from a bankrupt enterprise. On the other hand, if there is a 50 per cent linear tariff reduction, less-developed countries will benefit, and they will do so without having to make a 50 per cent cut themselves and, indeed, without being expected to offer full reciprocity in concessions of any form.

What effects, then, might we anticipate from commitments to go even further by giving tariff preferences to all less-developed countries on selected products?

Would we not expect the result to be that one or more of the participants in the linear plan should find it desirable to modify the plan either to provide for less than 50 per cent MFN reductions (thus allowing more room for preferential concessions) or, failing this, to provide for a larger number of exceptions than would otherwise be considered necessary?
The less-developed countries now have certain economic advantages which should enable them to increase their production and exports of certain lines of light manufactures. The underlying logic of trade on the principle of comparative advantages tends to call for these less-developed countries to diversify and move into light industries, while developed countries "move over" to the production of more advanced manufactures. This is a point made by representatives of several less-developed countries in this forum on a number of occasions. But here we must recognize the obstacles to such structural adjustment in developed countries. The labour-intensive industries into which the less-developed countries might be expected to move most advantageously are in many ways the most sensitive ones in the developed countries. They are often old industries, established early in our industrial development and facing problems of unemployment.

In these circumstances, proposals for preferences give rise to problems. As regards this area in which developing countries have natural advantages on which they should be able to capitalize, the need is not to accord preferential tariff advantages. Rather it is to work at the erosion and elimination of high tariffs, restrictive non-tariff measures and discrimination based on fears of low-cost competition. Broad, substantial, tariff reductions expected in the Kennedy Round and extended to less-developed countries can be an important factor in opening markets for less-developed country manufactures. Delegates who were present when Ambassador Blumenthal addressed the Sub-Committee on Relations with Less-Developed Countries will recall that he assured the Sub-Committee that the United States would do all it can to have as few items of interest to less-developed countries on the list of exceptions to the linear tariff reduction programme and to make sure that we get the deepest possible tariff cut all round. Further, regarding non-tariff barriers, the United States has very much in mind that developed countries must do their utmost to deal with this problem from the point of view of helping the less-developed countries.

Now we all know that there will be much opposition from industry in industrialized countries arising from fears of low-cost competition. We are not yet sure how strong this opposition will be or what will be necessary to overcome it. But, we must look at that problem realistically, and this entails recognition of the fact that if preference is accorded, industry is going to feel that its case for special non-tariff safeguards is strengthened. The adoption of preference proposals is, therefore, in our view likely to work directly against our objective of progressively reducing non-tariff barriers to less-developed country exports of manufactured and semi-manufactured goods. Even if preferences were accorded only on selected items, there is the danger that the special safeguards demanded by industry would not be selective but would be of general application.

The United States also fears that any preference plan generally acceptable to developed countries would perpetuate, complicate and perhaps extend on an unequal basis existing arrangements between developed and developing countries so that the anticipated benefits, if any, would remain with only a portion of the less-developed countries.
United States consideration of the overall utility of preferences this far has led it to the judgment that less-developed country trade would benefit more from non-discriminatory reduction of tariffs and elimination of non-tariff barriers than from preferences. Accordingly, we believe that the contracting parties should base their efforts on the former course of action. In thus questioning the workability of preferences and their fairness to all less-developed countries, the United States would like the Working Group to weigh again the potential of the forthcoming trade negotiations. For most products, resulting duties should be low enough to render preference margins of relatively little importance. (Examples were then given showing the relatively low levels which would exist for a number of products of particular interest to less-developed countries if present tariffs were cut by 50 per cent.)

These low duties, reinforced by a determined agreement to remove non-tariff barriers, should permit less-developed countries to profit by certain natural advantages in labour and raw material costs and compete more satisfactorily in the markets of developed countries.

We subscribe fully to the joint objective of providing greater opportunities for the developing countries to increase their standards of living and export earnings. In our view, the most promising way to achieve this goal is for us all to try to provide for the expansion of production and trade in those products for which they have a natural economic advantage.