Preparations for the Nixon Round
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The next round of GATT negotiations—the so-called "Nixon Round"—will be opened at the ministerial level in Tokyo on September 12-14, 1973, and probably continue for several years in Geneva. Less developed countries (LDCs) which have not joined GATT but nevertheless wish to participate in the negotiations are to be invited for the first time. UNCTAD and IMF will be among the most directly engaged observers.

Since the beginning of this year the preparations for the Nixon Round have been in an active phase. The preparatory committee which was appointed by the contracting parties of GATT at the 28th council meeting in November 1972 met in Geneva on January 31, 1973. Though at this first consultation the industrial countries—especially the USA, the European Community (EC) and Japan—were neither willing nor able to state views on matters of substance (the EC in particular is urging that the preparatory committee should not exercise negotiation or even pre-negotiation functions), agreement was reached in principle on two points:

☐ More weight is to be attached this time to the removal of non-tariff barriers to trade, alongside a further comprehensive reduction of tariff rates,

☐ the interests of the LDCs are to receive greater consideration.

Of great importance is also the demand of the USA, Australia and many LDCs for world-wide liberalisation of the trade in agricultural products, a sector which had been largely excluded from the Kennedy Round.

Demands by the Third World

As was to be expected, the LDCs have already raised much more far-reaching demands in the preparatory committee. They took their stand on the objectives which have been formulated by the United Nations for the 2nd Development Decade and in particular on Resolution 82 (III) which was adopted at the third UNCTAD conference: Waiver of reciprocity, extension of the preference system and non-discrimination should be recognised as general guidelines for the negotiations. Amongst other Third World objectives in the coming negotiations are improved access to markets (especially for tropical produce), concessions on price policy and commodity agreements and a general exemption from the most-favoured-nation treatment for preferences accorded by LDCs to each other. The Third World, incidentally, refused to define its conditions for participation in the Nixon Round in concrete terms before aims and methods of the negotiations had been definitely fixed.

The preparatory committee will hold further meetings in May and June and present a report for the Conference of Ministers with detailed proposals for the negotiations by July 25.

In the view of the Director General of GATT, Olivier Long, the preparatory committee is also to enable the LDCs by early participation in the preliminary work to make a realistic appraisal of their negotiating position. Whether this aim itself is realistic will depend on the success of a project on which the United Nations Development Programme (UNDP) has embarked in implementation of UNCTAD Resolution 82 (III) and which owes its origin to the negative experiences of the LDCs during the Kennedy Round. In collaboration with UNCTAD's permanent secretariat in Geneva a team of experts is to be placed at the disposal of the LDCs for the duration of the Nixon Round to supply them with data and analyses (e.g. market studies) and other technical assistance they may wish to receive. Whether the LDCs will manage to form blocs to represent their interests before the Nixon Round begins remains to be seen.

About the preparations in the USA it may be said that President Nixon on April 10 sent the Trade Reform Bill 1973 to Congress. This Act will give the Administration negotiating powers for five years and authorise it in particular to

☐ raise or lower tariffs without limitation;

☐ Federal Ministry of Foreign Affairs.
In the EC instructions were given to the executive bodies at the summit conference on October 19/20, 1972, to work out a common standpoint for the next GATT round by July 1, 1973. The official communiqué of October 20, 1972, stated that the Community was willing to "participate in the open-minded spirit that it has already shown earlier... in negotiations based on the principle of reciprocity... in which the interests of the developing countries must be taken fully into account". In April the Commission submitted the draft of an EC concept for the negotiations to the Council of Ministers. The work of coordination within the framework of the EC will have the aim of equipping the Commission with comprehensive negotiating powers covering also questions of detail so as to avoid delays such as occurred during the Kennedy Round because matters had to be referred back to the Council of Ministers at short notice.

Statements from the camp of the industrial countries showing understanding for the distress caused to LDCs by shortcomings of trade policy have not been lacking. That aid can be no substitute for trade is generally recognised in principle. GATT itself was amplified in 1964 by Part IV with the intention of offering the LDCs improved access to other markets. According to Part IV it is no longer permissible to erect new trade barriers against products from developing countries, and such barriers as exist are to be removed. New rules of procedure have improved the facilities for cooperation inside GATT. The newly founded Committee for Trade and Development makes sure that these provisions are observed.

Position of the LDCs

It must however be noted that so far these steps have not greatly improved the position of the LDCs. Their proportional share in world trade has gone down further (from 21.3 p.c. at the beginning of the sixties to about 17 p.c. at the present time). Capital aid by industrial countries for the setting-up of industries in the Third World appears in a dubious light when no outlets can be found in the industrial countries for semi-manufactures and finished products from the LDCs. The latter are also facing special difficulties in the agricultural sector. The world is still far from an effective system of generalised preferences. The positive decisions of the Kennedy Round have been called in question by the frequent currency crises of recent years. And the indebtedness of some LDCs has greatly worsened.

Although the contracting parties have not yet defined their negotiating positions in detail, the key-points of the Nixon Round negotiations which have a special bearing on the conflict between

The EC's Common Approach

Europe will certainly agree with the United States on the need for a reform of the rules governing international trade to take the changes since GATT was established (in 1947) into account. But any reform should be undertaken with the clear objective of a further liberalisation of world trade and certainly not be used as an occasion for taking protectionist and restrictive measures.

US Trade Reform Act

The notably tough language of this bill has rekindled fears that the USA is getting ready for a confrontation with the EC and Japan and that it will treat the efforts for world trade liberalisation in the coming GATT Round as secondary to enforcement of its own interests. Observers in Washington however reported that this language has been chosen primarily for the domestic purpose of neutralising the strong protectionist forces in the legislature and public. It may be regarded as a positive result of these efforts that in the House of Representatives Wilbur D. Mills recently spoke up against bringing-in general import quotas and that George Meany, the powerful leader of the AFL-CIO trade union organisation, has lately been less uncompromising in his opposition to Nixon's ideas on trade policy.

That the President is to be given considerable discretionary powers regarding the use to be made of the restrictive measures should receive at least as much attention as the text of the Trade Reform Bill, for how these discretionary powers will be used may prove crucial.

FOREIGN TRADE

☐ negotiate the removal of non-tariff barriers to trade (subject to a Congress veto in some fields within 90 days);
☐ raise tariffs or impose other import restrictions against countries which discriminate against US exports;
☐ make use of the instruments of trade policy for keeping the balance of payments in equilibrium (e.g. by imposing temporary import surcharges or, in case of balance of payments surpluses, suspending or reducing tariffs);
☐ facilitate imports to combat inflation;
☐ expand trade with socialist and developing countries (by extending most-favoured-nation treatment to state trading countries and joining the generalised preference system - preferences however are ruled out for developing countries which will not let their reverse preferences expire by January 1, 1976).

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