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THE DEPARTMENT OF STATE DURING THE ADMINISTRATION
OF PRESIDENT LYNDON B. JOHNSON

NOVEMBER 1963 - JANUARY 1969

VOLUME I

ADMINISTRATIVE HISTORY

PART VIII

[Chapter 9
Chapter 10 (A+B)]

IX. INTERNATIONAL ECONOMIC RELATIONS

World economic affairs played a major part in US foreign relations during the Johnson Administration; and in the conduct of our economic policy abroad the Department of State not only had a leading role but in many key matters took the initiative. Among the significant US foreign policy actions in the economic field were our programs for promoting freer trade among nations; our efforts to strengthen the international monetary system; and our support of measures to improve the trade prospects of the low-income countries as a means to their development. The first of these programs was exemplified above all by the Kennedy Round of trade negotiations; the second resulted in a number of monetary reforms or emergency actions, including agreement on the creation of a new reserve asset -- the Special Drawing Rights -- and the Two-Tier Gold System; while in the third area perhaps the most important development was the move toward a system of trade preferences for less developed countries in the markets of the advanced nations, in which the United States took a leading part. The role of the Department in each of these areas and in related matters is set forth below.

KENNEDY ROUND

A. THE KENNEDY ROUND

1. The Setting

a. Domestic Preparations

By the time when the Johnson Administration took office, preparations for the Sixth Round of GATT trade negotiations, known as the Kennedy Round, were well under way. On the US side, legislation had been enacted giving the President broad authority to reduce tariffs, which he had requested in order to enable the United States to participate in a new round of multilateral negotiations focused on negotiations with the European Economic Community.[1/] Under this legislation, tariffs could be reduced generally by up to 50 percent of the July 1, 1962, rate -- across the board with a few

1/ Trade Expansion Act of 1962, Public Law 87-794.

exceptions -- and in some circumstances the duty could be removed. President Kennedy had accepted recommendations on April 24, 1963, that the authority in the legislation should be used to the maximum.[2/] The Executive Branch (the interagency Trade Information Committee and the US Tariff Commission) had scheduled public hearings, to start on December 3, 1963, on as inclusive a basis as the law permitted[3/] and against the background of a decision, concurred in by the Department of State, that products would not be arbitrarily excluded from consideration for negotiation.[4/]

2/ Memorandum for the President from Christian A. Herter, Special Representative for Trade Negotiations, April 17, 1963 approved by President John F. Kennedy, April 24, 1963.

3/ Notice of Proposed Trade Agreement Negotiation and Articles to be Considered for Negotiations, issued by President Kennedy, October 23, 1963; Notice of Public Hearings, Issued by Office of Special Representative for Trade Negotiations, October 21,1963; Notice of Public Hearings, issued by US Tariff Commission, October 21, 1963.

4/ Memorandum for the President from Dean Rusk, Secretary of State, April 22, 1963 and letter to Christian Herter from the Secretary, April 22, 1963 (both ~~SECRET~~).

b. International Preparations

On the international side, the major GATT countries had, in a resolution adopted by Ministers in May 1963, agreed on the desirability of comprehensive trade negotiations to open in May 1964. The following broad guidelines for the negotiations were approved: the basic tariff cutting plan should be across-the-board (linear, with deep and equal cuts, with limited exceptions, and with special rules to deal with disparities in tariff levels that were significant to trade); negotiations were to include agricultural products and non-tariff barriers; and barriers to exports of developing countries were to be lowered wherever possible, and these countries were not to be expected to give reciprocal tariff cuts.[5/]

These broad guidelines had been developed only after months of meetings of GATT preparatory working groups. The guidelines were substantially in accord with the positions

5/ Conclusions and resolutions adopted at Meeting of Ministers, May 21, 1963 (GATT Press Release 794).

which the US Government through its interagency committees had adopted as its objectives in the negotiations.

c. Main Issues

Two major issues which arose early in the international preparations for the negotiations were brought to the fore at the May 1963 Ministerial meeting and remained key problems throughout most of the negotiations. They involved principally the European Economic Community and were concerned with the rules for negotiating on "disparities" in rates of duty and rules for agricultural negotiations.[6/] The negotiation of non-tariff barriers, particularly the American Selling Price valuation system applied to certain chemicals by the United States, was a key issue involving the major participants. Treatment for less-developed countries was also a continuing issue.

6/ Memorandum for the President from Christian A. Herter, November 27, 1963 ~~(CONFIDENTIAL).~~

d. Department of State Position

In early 1963, the objectives and basic strategy for the negotiations, as viewed by the Department of State, were set forth in a letter to the President from Under Secretary George W. Ball.[7/] As long-run objectives of improving access for American exports, the negotiations would need the following elements: full participation by the United States, the United Kingdom, the EEC, Japan, Canada, Australia, New Zealand and the principal less-developed countries; deep across-the-board tariff reductions, using to the maximum the 50 percent authority provided by the Trade Expansion Act (TEA) -- limiting items to be excepted from such reductions; and effective arrangements for safeguarding access for US agricultural products to the markets of Europe.

7/ Memorandum for the President from George W. Ball, Under Secretary of State, March 8, 1963 on "Objectives and Strategy for TEA Negotiations" ~~(CONFIDENTIAL)~~.

To achieve these objectives, Under Secretary Ball recommended a firm decision to use the TEA authority to the maximum, which would mean a willingness to withstand domestic pressures. He also recommended that we be prepared to put US agricultural support and import policies on the international bargaining table.

As for the strategy, the Under Secretary pointed out that full and effective participation by the EEC was the key to a successful negotiation, especially since Canada, Japan and probably other countries doubted their ability to face competition resulting from deep linear tariff reductions. The essence of the tactical problem then, and as it turned out throughout the negotiation, was how to exert pressure on France to acquiesce in a Community decision to participate in far-reaching trade negotiations -- and to participate on a basis that would meet our essential requirements.

e. Department of State Involvement

The Office of the Special Representative for Trade Negotiations (STR), which had been established by the TEA, was responsible for the conduct of the Kennedy Round negotiations. It drew heavily on Department of State personnel both during the preparatory period and during the negotiations themselves. The Department participated throughout in the policy decisions and technical work and of the various committees established to advise and assist STR. A substantial part of the delegation negotiating in Geneva was drawn from the Department, with Foreign Service officers chairing most of the negotiating teams.

2. The Course of Advanced Preparations

a. Negotiating Rules

Once the Ministers had approved the holding of comprehensive negotiations, representatives of the major countries in the GATT Trade Negotiations Committee and its subsidiary bodies set to working out rules to flesh out the broad guidelines.[8/] At the formal opening of negotiations in May 1964 the GATT Ministers accepted another resolution which provided

8/ GATT Document TN.64/15 April 10; TN.64/25 May 11, 1964 and TN.64/SR.4 April 17, 1964.

very general rules for negotiations on industrial products, namely 50 percent tariff reductions, as a working hypothesis, and with a minimum of exceptions.[9/] To the concern of the United States, this left unresolved rules for negotiations on agricultural products and procedures for negotiations with developing countries.[10/]

Subsequent attempts to define the rules of these general industrial products more precisely and to reach agreement on agricultural products' rules were not successful. When major countries tabled their exceptions to a linear offer on November 16, 1964, and actual negotiations began, a number of points were still outstanding.[11/] As a whole, the rules were less precise than the United States had sought and contained gaps, but they were not otherwise contrary to US desiderata.[12/]

9/ GATT Document TN.64/27 May 11, 1964.

10/ GATT Document TN.64/SR.6 May 21, 1964.

11/ TN.64/35/Rev.1 December 3, 1964 and TN.64/36 December 3, 1964.

12/ TEC D-1 March 1, 1963 (OFFICIAL USE ONLY); TEC D-2 March 12, 1963 (OFFICIAL USE ONLY); TEC M-1 April 2, 1963 (OFFICIAL USE ONLY); TEC D-9 Rev.2 April 28, 1964; TEC D-4 April 16, 1963 (LIMITED OFFICIAL USE).

b. Disparities

Early in the preparations, a disagreement arose between the United States and the EEC on the general plan for the negotiations. The EEC, largely at French initiative, argued that the negotiations should result in harmonization of major country tariff systems and that rules should require high rates to be reduced by a greater percentage than low ones.[13/] EEC proposals were directed primarily against the United States and to a lesser extent the United Kingdom.

US efforts throughout were directed toward limiting the number of cases that could be considered as disparities, in order to prevent a drastic scaling down of the negotiations as well as to protect US direct interest in reciprocity. The United States sought to limit the effect of disparities on third countries which would have forced them to make counter-withdrawals and could lead to an unravelling of offers.[14/]

13/ Memorandum for the President from Christian A. Herter, November 27, 1963 ~~(CONFIDENTIAL).~~

14/ TEC D-5/64, February 18, 1964 ~~(CONFIDENTIAL);~~ Department of State Telegram 1720 to Geneva, February 20, 1964; and Circular Telegram 1663, March 11, 1964 ~~(CONFIDENTIAL);~~ GATT Document TN/64 SR.6, May 21, 1964.

The initial EEC proposal calling for 50 percent cuts between existing rates and for arbitrarily-set targets for groups of products was completely unacceptable to the United States. 15/ The sharp difference of views continued into the May 1963 Ministerial meeting when compromise language was adopted calling for "special rules of general and automatic application" in the case of "significant disparities". 16/

Efforts to work out these special rules continued, with the EEC and the United States making proposals and counter-proposals. Although differences were narrowed, the issue was finally left open with each participant free to adjust its position in the light of subsequent events. 17/

15/ GATT Documents Spec (63) 58, April 24, 1963 (RESTRICTED), L/2002 April 30, 1963 (RESTRICTED).

16/ GATT Press Release 794, May 29, 1963.

17/ GATT Documents: TN.64/NP/1, July 12, 1963; TN.64/NP/3 November 21, 1963; TN/NP/4 November 21, 1963; TN/64/11/Rev.1 December 10, 1963; TN.64/14/ Rev.1 April 10, 1964; TN.64/15 April 10, 1964 and addenda; ALL GATT RESTRICTED; and Department of State Telegrams GATT 1703 to Geneva, February 13, 1964 (LIMITED OFFICIAL USE) and GATT 1720 to Geneva, February 20, 1964; Circular Telegram 2327, June 12, 1964. TSC D-153/64 Rev.1, November 2, 1964.

When the EEC tabled its exceptions to a linear offer it listed many items as "partial exceptions", many of which were potential disparity items.[18/] In the first bilateral discussions, the Community indicated that "harmonization" was a factor in these partial exceptions.[19/] During bilateral negotiations in Geneva the Community tried several times to raise the disparity issue but was unable to pursue it because of lack of statistical information.

Toward the end of the negotiations, the EEC submitted a list of disparities which it intended to invoke.[20/] In response, the United States reminded the EEC of the absence of rules concerning disparities and stated that it might have to adjust its offers to the extent these disparities were invoked.[21/]

18/ TN.64 ~~(SECRET)~~ /1, December 3, 1964; Delegation memorandum drafted by Winston Lord, October 22, 1964 ~~(CONFIDENTIAL).~~

19/ TAGG A-393, March 26, 1964 (LIMITED OFFICIAL USE).

20/ EEC letter to GATT, February 9, 1967.

21/ Letter from Ambassador W. Michael Blumenthal to Theodorus Hijzen of the EEC Commission, February 27, 1967.

The US Delegation's initial analysis showed that this list was less damaging than anticipated.[22/] The Delegation requested restoration of full offers on a relatively few items.[23/] The EEC accepted this request and dropped some of its claims affecting third countries.[24/] Otherwise, this issue was settled within the context of the overall settlement.

c. Exceptions

The interagency Trade Staff Committee (TSC), of which the Department of State was a member, was in the first instance responsible for recommending items to be excepted for economic reasons from the US offer of a linear tariff reduction. On the basis of several months' review of information developed in public hearings and independently in various

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22/ Memorandum to Ambassador Blumenthal from Ernest H. Preeg, April 3, 1967 ~~(CONFIDENTIAL).~~

23/ Paper drafted by Ernest H. Preeg, May 11, 1967 ~~(CONFIDENTIAL).~~

24/ Letter from Ernest H. Preeg to Theodore R. Gates, May 24, 1967 ~~(CONFIDENTIAL).~~

agencies of the Government concerning the sensitivity of individual articles, the TSC submitted its recommendations to the higher-level Trade Executive Committee (TEC).[25/]

In opening the meetings of the TEC to consider the Trade Staff Committee recommendations, the chairman pointed to the desirability of entering these negotiations with the smallest possible exceptions list.[26/] With this injunction, the Committee narrowed the list considerably.[27/] The Department's position throughout the meetings of both committees was directed toward limiting exceptions to those required in the national interest so that the maximum possible concessions of benefit to US exporters could be obtained from our trading partners. Both in Washington and Geneva throughout the negotiations the value and probable consequences, both of the

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25/ TSC LD-34/64, Adds. 1, 2, and 3, September 1964 ~~(SECRET)~~.

26/ TEC M-10, October 1, 1964 ~~(SECRET)~~.

27/ TEC M-11 through M-20, October 2 through October 23, 1964 ~~(SECRET)~~.

concessions we were giving and of those we were receiving, were carefully calculated. Some offered concessions were withdrawn, even very late in the negotiations, because of the probable economic impact on US industry or because reciprocal concessions were not forthcoming from our negotiating partners. 28/

Even with the narrowing of the list until the proposed exceptions were small in relation to total imports, our exceptions still had a severe impact on some countries, particularly Italy, Japan, Iceland, and Switzerland. Accordingly, the Department sought to limit the list further by proposing removal of two products of interest to Italy and Iceland, and by supporting improvements which Governor Herter had made in the TEC list. It also sought

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28/ Commodity papers prepared in State Department on articles proposed as exceptions.

to prevent additional items from being added. 29/

While these internal preparations were going on US negotiators were continuing in the GATT Committees and in bilateral discussions with key governments to endeavor to work out rules to govern negotiations on agricultural products and to deal with disparities. It became apparent that the adoption of agricultural rules acceptable to the United States was unlikely, and the EEC Council asked whether we would lay our list down in November 1964 without agreed agricultural rules. The Department of State felt strongly that the United States must without fail hold to the November date in order to maintain the momentum of the negotiations,

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29/ Letter from Under Secretary George W. Ball to the Special Representative for Trade Negotiations, November 3, 1964 ~~(SECRET)~~; Memorandum and attachments to the Under Secretary from Philip H. Trezise, drafted by J.H. Lewis, November 2, 1964 ~~(SECRET)~~; Trade Expansion Act Advisory Committee Minutes, November 5, 1964 ~~(SECRET)~~.

demonstrate our seriousness about them and provide tangible incentives to others. It preferred that this be on the basis of agreed agricultural rules.[30/] Governor Herter's recommendation of November 9 that the United States table its industrial products exceptions list on November 16 even in the absence of agricultural rules was accepted by the President.[31/]

On November 16, 1964, Japan, the United Kingdom, the EEC, and Finland joined the United States in tabling industrial products exceptions lists. Austria, Denmark, Norway, Sweden, and Switzerland announced that they had no exceptions but that they reserved the right to reduce their offers if they did not obtain reciprocity.[32/] Canada, which claimed that

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30/ Memorandum to Under Secretary George W. Ball from EUR-William R. Tyler and E-G.Griffith Johnson, drafted by EUR/RPE-DRHinton and E/OT-JAGreenwald, October 26, 1964 ~~(CONFIDENTIAL).~~

31/ Memorandum for the President from Christian A. Herter, November 9, 1964 ~~(SECRET).~~

32/ GATT Document TN.64~~(SECRET)~~1, December 2, 1964 Report on exceptions lists. GATT SECRET GATT 6 - US Doc.1 "Nonagricultural Articles Excepted from the US offer of a Linear Tariff Reduction", November 16, 1964.

because of the nature of its trade it could not obtain reciprocity in linear negotiations, tabled positive offers on industrial products and indicated a willingness to reciprocate for all benefits it obtained.

3. The Negotiations

It was on the basis of lists mentioned above that actual negotiations opened in December 1964 - January 1965, with a multilateral confrontation and justification in which each participant justified its individual exceptions on national interest grounds and rebutted criticism of other participants.[33/]

It was also on the basis of these exceptions and offers lists that delegations began bilateral negotiations in February and March in an effort, first, to clarify certain aspects of the lists, and then to get the lists narrowed.[34/]

33/ Airgrams from Geneva, TAGG A-358, February 2, 1965 ~~(CONFIDENTIAL)~~; TAGG A-362, February 9, 1965 ~~(CONFIDENTIAL)~~; TAGG A-368, February 19, 1965 ~~(CONFIDENTIAL)~~.

34/ US Doc 1100/EEC, March 24, 1965; Delegation Memorandum of US-Canadian meeting, drafted by J.Twaddell, February 19, 1965; Delegation Memorandum drafted by Guy A. Wiggins - proposed Bilateral Negotiations with Canada, February 17, 1965 ~~(CONFIDENTIAL)~~.

a. Sectors-General

When participants examined each others' exceptions lists and completed their probing of possible improvements it appeared that results would be extremely thin in several industrial areas. Because of the importance of these sectors to some participants, it seemed likely that the latter would have to withdraw some of their offers, thus starting an unravelling process. Most major participants were affected by poor offers for steel, cotton textiles and chemicals, and the Nordic countries in particular were affected by lack of EEC offers on aluminum, pulp and paper. On May 10, 1965, the Director General suggested special multilateral discussions in these sectors in an effort to maximize results.[35/] It was recognized that reciprocity within each sector was not feasible but that progress in each would enable countries to be more forthcoming in other sectors. Although some

35/ From Geneva, Airgram TAGG A-435, May 23, 1965 ~~(CONFIDENTIAL).~~

multilateral consideration was given aluminum, pulp and paper, the negotiations were essentially bilateral.

b. Chemical Sector

The chemical sector was the most difficult and contentious part of the industrial side of the negotiations. European countries maintained that anything more than token reductions in their chemical tariffs was conditioned on the United States' eliminating the American Selling Price (ASP) valuation system. The United Kingdom, Japan, and the EEC all had excepted parts of their chemical tariffs from the linear offer, the EEC indicating that it had a "disparities" claim on many chemical items.

In the spring and summer of 1965 unsuccessful efforts were made by the Director General and the British delegation to get sector discussions started.[36/] Another effort was made later in the year.[37/]

36/ From Geneva, Telegram TAGG 3087, May 17, 1965 (LIMITED OFFICIAL USE); from Geneva, Airgram TAGG A-467, June 29, 1965 ~~(CONFIDENTIAL).~~

37/ Delegation Memorandum of Conversation, December 7, 1965.

Finally, in May 1966 actual negotiations in the chemical sector group got under way, with the EEC completing the tabling of its initial offer and the United States agreeing to explore the possibility of negotiation of ASP and explaining the basis upon which it might proceed. 38/

After the major participants had responded to the US working hypothesis proposal, a small high level group from the United States, the United Kingdom, Switzerland and the EEC met with the Director General on a personal basis to identify negotiating approaches to overcome the continuing impasse. 39/ The Director General thereupon suggested a package in which each participant would make additional offers. 40/

38/ From Geneva, Telegram TAGG 4046, May 5, 1966 (LIMITED OFFICIAL USE), and TAGG A-843, May 22, 1966 ~~(CONFIDENTIAL).~~

39/ From Geneva, TAGG A-130, November 9, 1966 ~~(CONFIDENTIAL);~~ TAGG A-129 November 9, 1966 ~~(CONFIDENTIAL);~~ from Brussels, Telegram 223, November 10, 1966; from Geneva TAGG A-157, December 4, 1966; from Geneva, Telegram 1894, December 19, 1966 ~~(CONFIDENTIAL~~, HANDLED AS LIMDIS).

40/ From Geneva, Telegrams 1916, December 22, 1966 ~~(CONFIDENTIAL~~, HANDLED AS LIMDIS), and 1917, December 22, 1966 ~~(CONFIDENTIAL,~~ HANDLED AS LIMDIS).

Meanwhile on the US domestic side, hearings had been held on the proposed conversion of rates of duty on products subject to ASP to new rates based on values determined by conventional methods. The interagency committees had developed a definitive US offer for the elimination of the ASP system, subject to Congressional approval. 41/ This was approved by the President in February 1967. 42/

In Geneva, proposals and counterproposals continued to be made, 43/ and finally, after it appeared that agreement was unlikely, a two-package settlement was reached. Since elimination of ASP would require Congressional action, US negotiators insisted that chemical concessions be implemented in two packages: first, a balanced settlement with substantial chemical concessions by all principal trading nations in the

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41/ The Department of State position, Memorandum for E-Mr. Solomon from ITP-Joseph A. Greenwald, January 26, 1967 ~~(CONFIDENTIAL).~~

42/ Memorandum for the President from William M. Roth, Special Representative for Trade Negotiations, February 15, 1967 ~~(CONFIDENTIAL).~~

43/ From Geneva, Telegrams 3520, May 5, 1967 ~~(CONFIDENTIAL),~~ and 3559, May 9, 1967 ~~(CONFIDENTIAL).~~

Kennedy Round; second, concessions by other countries in return for abolition of ASP. The EEC wanted to make all its chemical reductions contingent upon ASP elimination.

In the Kennedy Round package, all major participants agreed unconditionally to reduce duties on chemicals by differing amounts. The ASP package was conditional upon the United States' eliminating the ASP valuation system and making additional reductions. The United Kingdom and the EEC would make additional chemical duty reductions. Belgium, France, and Italy would modify their road-use taxes; Switzerland would eliminate restrictions on imports of canned fruits; and the United Kingdom would reduce its margin of preference on imports of tobacco.[44/]

c. Steel Sector

Sector negotiations on steel mill products were necessitated by concern over the European Coal and Steel

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44/ Report on US Negotiations, Volume I, issued by the Office of the Special Representative for Trade Negotiations.

Community (ECSC) offer to cut tariffs by 50 percent from base rates that averaged around 14 percent rather than from the 6 to 7 percent level in effect prior to increases to an average of 9 percent in 1964.[45/]

Starting in July 1965 a number of meetings of the steel sector group were devoted to exploring the possible harmonization of international steel tariffs. Prior to the Kennedy Round, US duties on steel were generally lower than those of other participants. Following this and a review of the rates of duty of each of the major participants, the United States proposed target rates.[46/] Throughout the negotiation the United States urged maximum possible tariff cuts by others. The United States had a modest export interest in some items and interest in cuts by other countries on items where, in the absence of such cuts, trade might be deflected to the

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45/ From Geneva, Telegram 962, September 7, 1966 ~~(CONFIDENTIAL).~~

46/ From Geneva, Telegram TAGG 4065, May 12, 1966 ~~(CONFIDENTIAL).~~

US market. The principal goal, however, was to keep steel in the negotiations, since failure to do so would have had serious effects on the overall negotiations. 47/ The target rates proposed by the United States became the basis for negotiations and led to an improvement in the ECSC/EEC offer. Other countries were able to maintain most of their offers, and Japan made greater than 50 percent cuts. The United States made relatively small reductions. 48/

d. Cotton Textiles Sector

The cotton textiles negotiations started with a proposal of the Director General for a package deal involving tariff reductions and more liberal implementation of the Long-Term Arrangement by importing countries in exchange for agreement to extension of the Arrangement by exporting countries. 49/

47/ From Geneva, Telegram 962, September 7, 1966 ~~(CONFIDENTIAL).~~

48/ Report on US Negotiations, issued by Office of Special Representative for Trade Negotiations.

49/ From Geneva, Airgram TAGG A-591, October 31, 1965 ~~(CONFIDENTIAL).~~

In a meeting the end of March 1967, agreement was reached in principle to extend the Long-Term Arrangement for three years.[50/] Within the context of the Arrangement the United States negotiated bilateral agreements with its main supplying countries which typically provided for an annual increase in quotas. The United States agreed to tariff reductions on cotton textiles that amounted to a weighted average reduction of 20 percent.[51/] Most importing countries cut their tariffs on textiles less than their average reductions on industrial products as a whole.

e. Agriculture

It was the express policy of the United States that agricultural products should be included fully in the Kennedy negotiations, with special negotiating rules to deal with problems arising from widespread use of support prices, export

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50/ From Geneva, Airgram TAGG A-359, April 2, 1967 (LIMITED OFFICIAL USE).

51/ Report on US Negotiations, Volume I, issued by the Office of the Special Representative for Trade Negotiations.

aids, import quotas and other non-tariff restrictions, particularly those stemming from the EEC's Common Agricultural Policy (CAP).52/ The United States recognized that such rules would require that it consider changes in its policies and practices limiting imports of agricultural goods, notably those relating to Section 22 of the Agricultural Adjustment Act. Initially the United States proposed that, where fixed tariffs were the only trade barrier, agricultural products would be included in the linear negotiations, and that where barriers other than fixed tariffs existed the products would be subject to concessions reducing protection by a comparable amount.53/

It was recognized internationally also that agricultural products presented special problems. Early in the preparations for negotiating it was agreed that for some bulk commodities, such as cereals, meats and possibly dairy products, negotiations

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52/ TEC D-2, March 1963 (OFFICIAL USE ONLY)

53/ TEC D-4/63, April 16, 1963 (OFFICIAL USE ONLY).

for removal of trade barriers should take place in the context of negotiations for arrangements.[54/] In view of the inability of GATT preparatory groups to reach agreement on a negotiating plan for agriculture generally, the GATT Ministers in May 1963 merely stated that the negotiations should "provide for acceptable conditions of access to world markets for agricultural products."[55/]

Acting under a mandate of the EEC Council of Ministers, the EEC Commission in February 1964 proposed a plan that would apply generally to all agricultural products in all countries under which the montant de soutien, or margin between producer prices and a reference price for each agricultural product in each country, would be frozen.[56/] Neither the United States nor any of the other major participants outside the EEC considered this plan acceptable as a basis for

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54/ GATT Documents L/1985, April 2, 1963; L/2002, April 30, 1963.

55/ GATT Press Release 794, May 29, 1963.

56/ GATT Documents TN.64/AGR/1, February 19, 1964; TN.64/AGR/2, March 11, 1964; TN.64/AGR/5, August 3, 1964.

negotiations, since it failed to provide for reductions in existing trade barriers and in fact would introduce new restrictions and increase protection even on some products on which GATT commitments existed.57/

As the November 16, 1964, deadline approached for tabling lists of exceptions to the linear offer on industrial products, the United States, supported by most participants, and the EEC were still far apart on agricultural negotiations despite our willingness to consider a flexible and pragmatic approach.58/ The US proposal would have allowed the EEC to make offers on products subject to CAP variable levies on the basis of its *montant de soutien* formula if accompanied by additional measures assuring genuine liberalization, including internal policies as well as protection at the border in the bulk

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57/ TEC D-6/64 (revised March 2, 1964; GATT Documents TN.64/23 Rev.1, May 4, 1964; TN.64/AGR/4, June 17, 1964.

58/ From Geneva, Telegram TAGG 2392, October 22, 1964, "Points of Agreement and Disagreement" prepared by GATT Director General.

commodities negotiations and providing for tariff reductions on products subject to fixed tariffs.[59/]

It was apparent that the concern of the EEC Commission, because of French pressures, to keep within the mandate given by the Council of Ministers, and the Commission's inability to negotiate meaningfully before the Community made a decision on a common grains price, would prevent it from reaching agreement on agricultural negotiations before November. Most other governments were not concerned over the need for additional rules and were prepared to "fly by the seat of their pants."[60/]

The United States faced the first of several decisions of whether to proceed with negotiations in view of lack of progress on agriculture and, if so, what tactics it should follow to maintain its basic position that a satisfactory negotiation must include agriculture as well as industry. The Department

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59/ GATT Documents TN.64/34, July 20, 1964; TN.64/SR.8, August 6, 1964.

60/ TEC M/9, September 30, 1964 ~~(CONFIDENTIAL).~~

urged proceeding with negotiations.[61] In early November the United States decided to table its exceptions on industrial products on November 16 as scheduled, in the expectation that substantive negotiations could begin early in 1965 on both industrial and agricultural products.[62] Basic to this position was the desire to transfer the decision on tabling from the United States to the EEC and thus put the onus on the French should there be a delay in starting actual negotiations.[63]

As a tactic for pursuing agricultural negotiations, Governor Herter proposed early in 1965 that efforts to get acceptable rules for agriculture be dropped and that the United

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61/ Memorandum to Under Secretary George W. Ball from EUR-William R. Tyler and E-G.Griffith Johnson, drafted by EUR/RPE-D.R.Hinton and E/OT-J.A.Greenwald, October 25, 1964 ~~(CONFIDENTIAL).~~

62/ Department of State Circular Telegram 800, November 2, 1964 ~~(CONFIDENTIAL).~~

63/ Department of State Circular Telegram 801, November 2, 1964 ~~(CONFIDENTIAL)~~; from Geneva, Telegram TAGG 2430, October 30, 1964 (LIMDIS/~~CONFIDENTIAL)~~; from Brussels, Telegram ECBUS 447, October 31, 1964 (LIMDIS).

States suggest a date for tabling offers as each participant saw fit.64/ The Department of State supported this tactic and opposed the attempt to get reconsideration of the inclusion of agriculture in the negotiations.65/ The President approved the STR proposal on January 21, 1965. It was agreed in April 1965 that negotiations on grains would resume on May 17, that proposals would be made on meat and dairy products by September 16 and that for all other products concrete offers would be made by that date.66/

Meantime, on June 30, 1965, a major internal crisis arose in the EEC, with the French refusing to participate in decision-making activities of the Community. During the next six months,

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64/ Memorandum for the President from Governor Herter, January 19, 1965 and letter from the President, January 21, 1965 ~~(CONFIDENTIAL).~~

65/ Department of State Memorandum to the Under Secretary from E-G.Griffith Johnson and EUR-William R. Tyler, drafted by E/OT-J.A.Greenwald and EUR/RPE-T.O.Enders, January 14, 1965.

66/ TEC M-1/65, February 10, 1965 ~~(CONFIDENTIAL);~~ GATT Documents TN.64/39 Rev.1, March 18, 1965 and TN.64/SR.10, April 14, 1965.

EEC activities in Geneva requiring new decisions were paralyzed, although the EEC negotiators carried on some routine business within their existing mandates.

During the period of the EEC crisis, the delegation and the Department had under consideration several plans for proceeding with the negotiations without EEC participation if necessary. These included negotiating on a most-favored-nation basis but restricting unrequited benefits to the EEC, withholding MFN treatment from EEC products (permanently or temporarily) or negotiating with a truncated EEC.[67/] This planning became academic with resumption of EEC activity in early 1966.

With the September 16 date for tabling agricultural offers looming and with the EEC almost certain not to make offers,

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67/ Letter from Ambassador Blumenthal to William M. Roth, November 17, 1965 ~~(CONFIDENTIAL)~~; Department of State Paper "Alternative Trade Patterns", November 10, 1965; Department of State Circular Airgram CA-5819, December 1, 1965 (LIMITED OFFICIAL USE).

the United States again had to decide whether to postpone the date with a possible consequent disengagement of agriculture from the negotiations.[68/] On August 18, 1965, the President approved Governor Herter's recommendation that we make specific offers on September 16 if major countries other than the EEC did so.[69/] The Department considered it essential for the United States to take the lead and table offers in order to avoid an indefinite postponement of the agricultural negotiations and possible collapse of the Kennedy Round.[70/]

The President subsequently approved the agricultural offers, with the understanding that those of primary interest

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68/ Memorandum for E-Mr. Solomon from ITED-Joseph A. Greenwald, July 26, 1965 (LIMITED OFFICIAL USE).

69/ Memorandum for the President from Christian A. Herter, August 9, 1965; TEC M-6, August 9, 1965 ~~(CONFIDENTIAL)~~.

70/ Memorandum to Under Secretary of State Ball from E-Anthony M. Solomon and EUR-John M. Leddy, drafted by E/ITP-J.A.Greenwald and EUR/RPE-D.R. Hinton, August 6, 1965; Memorandum to the Secretary from E-Anthony M. Solomon, drafted by E/OT-J.L.Katz, August 10, 1965; Memorandum to Under Secretary Mann from E-Anthony M. Solomon and EUR-John M. Leddy, drafted by E/TA-P.W.Lande and EUR/RPE-D.R.Hinton/ T.O.Enders, August 16, 1965.

to the EEC would be withheld until the EEC submitted its offers.[71/] The United States tabled its offers on September 16 and was joined by the United Kingdom and most other EFTA countries, Japan, Canada, Australia, and New Zealand.[72/]

After reaching agreement in July 1966 on a common agricultural policy for most major products, the EEC was ready to table its agricultural offers. The Department of State strongly supported Governor Herter in his position that all offers of principal interest to the EEC previously approved by the President should be submitted, subject to withdrawal as necessary to establish reciprocity, as opposed to making minimal offers in line with what the EEC was expected to do.[73/]

In initial US-EEC bilateral discussions of agricultural offers, the United States expressed disappointment that EEC

71/ Memorandum for the President from Christian A. Herter, September 10, 1965.

72/ GATT 6/US Doc. 3, September 16, 1965 ~~(CONFIDENTIAL);~~ TAGG A-574, October 7, 1965 ~~(CONFIDENTIAL).~~

73/ Memorandum for the President from Christian A. Herter, August 2, 1966; Memorandum for the Under Secretary from E-Anthony M. Solomon, drafted by E/OT-P.W.Lande, E/OT/GCP-C.Brown, EUR/RPE-T.O. Enders ~~(CONFIDENTIAL).~~

offers were for small cuts and included reference prices, while the EEC expressed disappointment that US offers were confined to tariffs. The United States refused to accept Community offers on the basis of the variable levy system.[74/] Following intensive negotiations and a US threat of substantial withdrawals of offers, the EEC improved its offers somewhat, and negotiations with the EEC were concluded at a low level, principally on the basis of fixed tariffs, and in the context of an acceptable grains arrangement. The United States obtained significant agricultural concessions from Japan, Canada, the UK, the Nordic countries, and Switzerland. Meat and dairy products were essentially excluded from the final Kennedy Round settlement.[75/]

74/ From Geneva, Telegram 1118, September 23, 1966 (LIMITED OFFICIAL USE); TAGG A-81, October 31, 1966.

75/ GATT 6/US Doc.5, November 30, 1966; Geneva's Telegram 2843, March 17, 1967 ~~(CONFIDENTIAL)~~.

f. Grains

The United States insisted that cereals should be included in the negotiations, probably in an international arrangement covering aspects other than tariffs. 76/ It hoped also that the Kennedy Round would influence the EEC in setting its common grains price at a level which would not stimulate increased production. 77/

The Kennedy Round Group on Cereals met during 1963 to identify elements to be considered for inclusion in an agreement. Negotiations started May 17, 1965; the United States proposed that the arrangement cover prices, production adjustments, access assurances, export subsidies, assurances of supply by exporters, and a food aid program. 78/ As anticipated,

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76/ TEC D-1, March 1, 1963 and TEC D-2, March 12, 1963.

77/ TEC D-23, December 20, 1963 and TEC M-5, October 1, 1963 ~~(CONFIDENTIAL).~~

78/ TAGG A-435, May 23, 1965 (~~CONFIDENTIAL~~); TEC D-8/1965 Rev. May 10, 1965 (~~CONFIDENTIAL~~).

the EEC submission was based on the montant de soutien approach and contained no specific access assurance commitment.79/

On the basis of discussions of the Group during 1965 and much of 1966 the GATT Secretariat prepared a draft skeleton cereals arrangement upon which detailed negotiations were held.80/ Early in 1967 the GATT Director General concluded that there appeared to be a general willingness to negotiate some form of international price range for wheat and a food aid component but that in the key area of "internal policy" it appeared unlikely that the wide differences between exporting countries on the one hand and the EEC on the other could be bridged.81/

In the final stages of negotiation the United States dropped its demand for access and the EEC dropped its demand

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79/ GATT Document INT(65)160, June 3, 1965 ~~(CONFIDENTIAL).~~

80/ From Geneva, Airgrams TAGG A-40, September 13, 1966 (~~CONFIDENTIAL~~ Exempted), and TAGG A-74, October 9, 1966 (LIMITED OFFICIAL USE).

81/ TAGG A-267, February 5, 1967 ~~(CONFIDENTIAL).~~

for a minimum price range on feed grains.[82/] The accord which was reached provided for a minimum and maximum prices for wheat and for a multilateral food aid program to be negotiated in a new World Grains Arrangement. The Department of State considered the food aid provision an important component of the arrangement.[83/] While difficult to quantify or equate with tariff concessions, the grains arrangement was a key factor in a satisfactory settlement of the Kennedy Round. Wheat trade among signatories of the accord -- the United States, Argentina, Australia, Canada, Denmark, Finland, Japan, Norway, Sweden, Switzerland and the United Kingdom, and the EEC -- amounted to about $900 million; their exports to all destinations amounted to about $4.0 billion.[84/]

82/ Memorandum for the President from William R. Roth, May 1, 1967 ~~(CONFIDENTIAL).~~

83/ Department of State Circular Telegram, February 28, 1967, drafted by E/TA-R.B.Hill, E/OR-E.R.Fried, EUR/RPE-D.R.Hinton ~~(CONFIDENTIAL).~~

84/ Report on US Negotiations, Volume I: Parts I and 2 issued by the Office of the Special Representative for Trade Negotiations.

g. Non-Tariff Barriers

In late 1963 the Trade Executive Committee considered the presentation which the United States would submit to the GATT Secretariat concerning the non-tariff barriers (NTB's) which it wished to have included in the negotiations in accordance with the Ministerial decision. At that time there was some feeling that the United States had over-stressed the importance of non-tariff barriers. However, since there were certain to be complaints against US practices, it was considered necessary to submit a paper concerning other countries' NTB's. The TEC decided on an initial general statement pending development of further specific information. 85/ There was some discussion of tactics in which it was understood that the United States would not press this issue until towards the end of the negotiations when specific NTB's could be taken into account in ensuring a balance of benefits. 86/

85/ TEC D-19/63, Rev.1, November 7, 1963 (LIMITED OFFICIAL USE).

86/ TEC M-7, October 25, 1963 and TEC M-8, November 7, 1963 ~~(CONFIDENTIAL).~~

By July 1964, the Trade Negotiations Committee's sub-committee on non-tariff barriers had identified a number of barriers which countries wished to have considered, and had established a number of sub-groups to carry out exploratory discussions.[87/] Detailed proposals for action, submitted by the United Kingdom, the EEC and Japan, were directed toward barriers of the United States -- the American Selling Price system of valuation and other arbitrary valuation practices, government procurement, assessments on imported bottled spirits, and administrative regulations that hampered trade in boilers, gas cylinders and dredges.[88/] The United States for its part asked for action on European road-use taxes, import restrictions on coal, and government procurement.[89/]

87/ GATT Documents TN.64/22, April 30, 1964 and TN.64.30, June 30, 1964.

88/ TN.64/NTB/18, June 22, 1964; TN.64/NTB/19, June 19, 1964; TN.64/NTB/20, June 19, 1964; TN.64/NTB/21, June 19, 1964; TN.64/NTB/25, July 7, 1964; TN.64/NTB/26, July 7, 1964; TN.64/NTB/27, July 7, 1964; TN.64/NTB/32, July 14; TN.64/NTB/33, July 16, 1964.

89/ TN.64/NTB/23, July 8, 1964; TN.64/NTB/24, July 7, 1964; TN.64/NTB/30, July 15, 1964.

There was little activity in non-tariff barriers groups, and therefore in November 1964 the Trade Negotiations Committee agreed that the groups should not be reactivated until after the first stage of negotiations and that the chairman would decide when this would take place.[90/] In fact, only the Group on Anti-dumping functioned, and the Sub-Committee on NTB's was active only on Poland's application to accede to the GATT. Other NTB's were dealt with in the bilateral negotiations or in the chemicals agreements which included, in addition to the American Selling Price valuation system, European road taxes and Swiss restrictions on certain canned products. In the bilateral negotiations, Austria modified its road tax and Canada eliminated or modified several minor restrictions. While not actually the subject of formal negotiations, several of the major industrialized countries eliminated or modified quantitative restrictions on products of trade interest to the United States. Such actions were

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90/ GATT Document TN.64/SR.9, December 9, 1964.

a result in part of active efforts by the United States delegation to secure liberalized access for export products in important markets. In addition, some of the developing countries indicated they were taking various actions on NTB's as part of their contribution to the negotiations. It was not possible to negotiate on the question of border taxes applied by some countries to compensate for internal taxes, although both the United States and EEC filed statements on the subject.[91/]

h. Dumping

The Group on Anti-dumping Policies, a subsidiary of the Non-tariff Barrier Subcommittee, was established at the initiative of the United Kingdom, which complained about United States anti-dumping legislation and practices. In the first meeting of this group on July 19, 1965, the British did not press this complaint, but instead urged consideration of an international code of anti-dumping practices.[92/]

91/ Report on United States Negotiations, issued by the Office of the Special Representative for Trade Negotiations.

92/ TAGG A-508, July 29, 1965 (LIMITED OFFICIAL USE).

In October, the British delegation circulated a draft code.[93] After a number of meetings to discuss a submission of the United States concerning fundamental principles of an anti-dumping agreement and to identify and clarify issues involved in a code, the GATT Secretariat prepared a list of possible elements to be included in an anti-dumping code.[94] This served as the basis for further intensive discussions which resulted in the Agreement on Implementation of Article VI of the GATT signed by the United Kingdom, the EEC, Japan, Canada, Denmark, Norway, Sweden and the United States.[95] This agreement, which supplemented Article VI of the GATT with rules and procedures to be followed in anti-dumping actions, provided for the adoption of fair and open procedures in other importing countries and involved introduction by Canada of an injury requirement in its anti-dumping legislation. No changes in US law were required.[96]

93/ TN.64/NTB/W/2, November 23, 1965 and Spec(65)86.

94/ TN.64/NTB/W/13, August 23, 1966.

95/ TN.64/NTB/W/20, May 5, 1967.

96/ TAGG A-382, April 15, 1967 ~~(CONFIDENTIAL).~~

i. Less Developed Countries

As a key principle, the GATT Ministers in May 1963, had declared that every effort should be made in the negotiations to reduce barriers to exports of the less developed countries, and that developed countries could not expect to receive reciprocity from less developed countries.[97/] At the same time, the Ministers considered an Action Program sponsored by less developed countries (LDC's) which recommended, among other things, duty-free import treatment for tropical products, elimination of tariffs on primary products, and elimination of quantitative restrictions on imports from LDC's. While not formally adopted, this Action Program had widespread support from the Ministers of industrialized countries.

Early in preparations for the Kennedy Round negotiations, the US interagency Trade Executive Committee agreed with the position prepared by the Department of State that, in negotiations with developing countries, instead of seeking tariff

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97/ GATT/794, May 29, 1963

concessions of equivalent value to those the United States was granting, the United States would seek commitments in the commercial policy area which would further economic development of the less developed countries. This could include such things as liberalizing licensing procedures and other administrative measures, adjusting tariff structures, including reductions of high duties and binding satisfactory tariff levels, and adopting measures to promote exports.[98/]

In the international forum there was agreement that, to the extent possible, products of special interest to LDC's should not be included in exceptions lists.[99/] Other suggestions for developed-country action to maximize benefits for the LDC's included implementing tariff reductions on products of export interest to developed countries without the phasing provided for most products; granting compensation to those countries losing preferential benefits; and making tariff

98/ TEC D-2, March 12, 1963; TEC M-12, April 12, 1963 and TEC D-4, April 16, 1963 (OFFICIAL USE ONLY).

99/ TN.64/LDC/1 Rev.2, December 10, 1963; TN.64/LDC/2, April 21, 1964.

reductions greater than 50 percent on products of export interest to developing countries. 100/

Under existing law, the United States could respond to these proposals only by offering to reduce tariffs by more than 50 percent on certain products. On those subject to a duty of 5 percent or less the United States could eliminate the duty by stages and on tropical products it could eliminate duties without staging if the EEC took comparable action. The United States urged other countries, particularly the EEC, to make cuts deeper than 50 percent. 101/

Negotiations with the less developed countries were initiated in May 1965 without the question of the extent and nature of LDC participation having been clearly defined. 102/ At that time selected lists of items excepted from developed country linear offers and of suggestions for LDC contributions to the

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100/ TN.64/75, February 26, 1966; TN.64/80, September 30, 1966.

101/ TN.64/80, September 30, 1966.

102/ TN.64/41/Rev.1, March 18, 1965 and TN.64/SR.10, April 14, 1965.

negotiations were distributed.[103] During the examination of these exceptions, the less developed countries pressed for improvement in US offers but at the same time acknowledged that the United States had tried to keep exceptions on items of interest to them to a minimum.[104] The less developed countries were on the whole disappointed with the prospects for benefits to them from the Kennedy Round.[105]

Negotiations with the LDC's were not fully engaged until the end of 1965, when eleven less developed or "border line" countries tabled either offers of specific tariff reductions or statements of the offers which they would make as a contribution to the overall objectives of the negotiations.[106] Offers by less developed countries continued to be submitted. By the end of December 1966 twelve countries claiming LDC

103/ From Geneva, Airgram TAGG A-435, May 23, 1963 ~~(CONFIDENTIAL).~~

104/ TAGG A-489, July 18, 1965 ~~(CONFIDENTIAL).~~

105/ TAGG A-508, July 29, 1965 (LIMITED OFFICIAL USE).

106/ TN.64/73, December 16, 1965.

status had made offers including tariff concessions on specified products, and another 10 had submitted without offers of tariff concessions.[107/] In addition, four countries said they would accept reductions in the margins of preference they enjoyed in the Commonwealth.

Meanwhile, the US delegation made a serious effort to meet with representatives of all developing countries in order to explain the scope of the US offer, to clear up misunderstandings about it and to listen to requests for specific improvements.[108/] The United States also encouraged developing countries to offer contributions which would be consistent with their development needs. The delegation, in addition, held special meetings with a Latin American group in order to keep these countries generally informed of developments in the negotiations.

107/ TN.64/~~SECRET~~/5, December 29, 1966.

108/ From Geneva, Airgram TAGG A-695, January 22, 1966 (LIMITED OFFICIAL USE).

In the closing days of the Kennedy Round the Sub-Committee on Participation of LDC's met in order to permit participants to highlight any problem they were encountering.[109] The representative of India stated that the emphasis in the negotiation upon solving problems of interest to the major trading countries had left the problems of developing countries unsolved. He stated that there had not been a sustained effort to give particular attention to the desiderata of less developed countries in the spirit of Part IV of the GATT.[110] This sentiment was echoed by representatives of several other developing countries, and it was reiterated in the final meetings of the Trade Negotiations Committee when industrialized countries were urged to deal with pending requests of the LDC's.[111]

Despite complaints of the developing countries that their interests were neglected in the negotiations, the benefits

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109/ TN.64/W/14, June 6, 1967.

110/ TN.64/W/15, June 6, 1967.

111/ TN.64/SR.15, May 25, 1967, GATT/994, June 30, 1967.

which these countries obtained from the negotiations were substantial. According to the GATT Secretariat, tariff reductions on the products in which they indicated an export interest did not differ greatly from the overall results of the negotiations.[112/] For its part, the United States made concessions covering nearly $1.2 billion of US imports in 1965 from all LDC's whether or not GATT members.[113/]

j. Tropical Products

A proposal by the Nordic countries that the developed countries immediately reduce or eliminate trade barriers on a limited range of tropical products led to an attempt to develop a special tropical products negotiation which would result in a package of joint actions by developed countries.[114/] Each country was free to determine its own basis for making

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112/ GATT Press Release 992, June 30, 1967.

113/ Department of State Circular Telegram 199425, May 22, 1967, drafted by E/OT/TA-R.B.Hill (LIMITED OFFICIAL USE), and Circular Airgram 1838, September 5, 1967, drafted by E/OT/TA-J.P.Spillane (UNCLASSIFIED).

114/ TAGG A-393, March 26, 1965 and TN.65/TWP/W/1.

tropical products offers which would be made at the same time as agricultural offers.[115]

During the early part of 1966 developed countries met to try to identify tropical products on which joint action appeared possible and to develop an effective presentation of the offers.[116] These meetings revealed that there were few items where all developed countries had offered to eliminate duties (or had already granted duty-free treatment.)[117] In an effort to maximize benefits to LDC's and to give an impetus to tropical products negotiations, the United States tabled a sizeable number of new tropical products offers in the fall of 1966.[118] Although this action was favorably received, it did not lead to a separate tropical products package.

The ability of the United States to eliminate duties was limited by provisions of the Trade Expansion Act. When the

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115/ TAGG A-489, July 18, 1965 ~~(CONFIDENTIAL).~~

116/ TAGG A-714, February 6, 1966 (LIMITED OFFICIAL USE).

117/ TAGG A-819, May 1, 1966 (LIMITED OFFICIAL USE).

118/ From Geneva, TAGG A-888, June 21, 1966; Department of State Telegram, 58986 to Geneva, October 4, 1966 ~~(CONFIDENTIAL);~~ from Geneva, Telegram 1241, October 7, 1966 ~~(CONFIDENTIAL).~~

delegation informed the EEC of those tropical products on which elimination of the duty would depend upon comparable action by the EEC, 119/ the latter agreed to discuss these with the Associated Overseas Territories. But as it anticipated, these countries were not willing to give up their preferential access to the Community for most products. Some other countries also made offers conditional upon joint action which for the most part was not forthcoming. 120/

The United States made duty reductions on tropical products to the extent of its authority. US tariff concessions on products imported chiefly from tropical countries covered over $500 million of US imports in 1964, three-quarters of which consisted of removal of its duty. 121/ At the close of the negotiations, the Secretariat prepared a summary table

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119/ TAGG A-99, October 23, 1966 (LIMITED OFFICIAL USE).

120/ TAGG A-359, April 2, 1967 (LIMITED OFFICIAL USE).

121/ Report on US Negotiations, Volume I, issued by the Office of theSpecial Representative for Trade Negotiations.

which showed that substantial, though not uniform, action on tropical products was taken by the industrialized countries. 122/

4. Completion of the Kennedy Round

It was not until the fall of 1966, following EEC tabling of agricultural offers, that negotiations became fully engaged in all areas. From that time, until the final agreements were signed on June 30, 1967, there was a period of intense activity in order to meet the deadlines set by the expiration of the US President's authority to negotiate tariff reductions.

Prior to this there had been consideration within the US Government of the desirability of seeking extension of this authority. It was decided not to do so.

By the end of September 1966, some 38 full participants had tabled agricultural and industrial offers or, in the case of countries following the procedures established for the participation of LDC's, had presented statements of considerations to the negotiations. At that time, negotiations stood

122/ GATT Document L/2808, July 12, 1967.

as follows:

The Agriculture Committee had held a brief multilateral confrontation on agricultural offers and had adjourned for bilateral discussions.

Work on the Dumping Code had advanced to the point where the Secretariat had prepared a paper containing the possible elements for such a code.

In the Industrial Sectors, the EEC had made its initial aluminum offer which it was urged to improve. The United States was awaiting responses to its chemicals-ASP proposal of May. Negotiations for extension of the Long-Term Agreement for cotton textiles had not yet opened. The EEC had specified its initial offers on paper and pulp. The ECSC was considering a new negotiating mandate in the direction of target rates for steel proposed by the United States but still had not reached accommodation with the British.

The EEC still had not defined all its offers in the industrial area and the United States was preparing to give the EEC a revised list of improvements sought. EEC agricultural offers were decidedly inferior to those of the United States.

The United States had given Japan a priority list of improved offers which it desired.

The United Kingdom had asked the United States for specific improved industrial offers and had submitted an expanded but still unsatisfactory agricultural offer.

Canada and the United States had compared their offers and both had asked for specific improvements.

The situations with other participants also showed imbalances in offers with one or the other seeking improvements.[123/]

In October 1966 the Chairman of the Trade Negotiations Committee suggested November 30 as the date when delegations should inform each other of their assessment of the negotiating position, together with an indication of the withdrawals of offers they would have to make unless specific requests were satisfied.[124/] The United States and all major participants

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123/ TAGG A-55, US Delegation's Report No. 41, September 25, 1966, summarizes status of negotiations.

124/ GATT Document TN.64/82, October 27, 1966.

except the EEC followed this procedure and based their assessments on the assumption that sector discussions, including cereals as well as the industrial products, would be successful.[125/] The US submission, which clearly set forth offers which would be withdrawn if offers by others did not improve, represented a combined effort by the Geneva delegation and senior level officials from Washington.[126/]

Early in March the GATT Trade Negotiations Committee agreed on April 30 as the cut-off date for agreement on all substantive matters. In order to meet this target it was agreed that there would be high-level meetings in Geneva to reach

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125/ GATT 6-US Doc. 5, November 30, 1966 ~~(CONFIDENTIAL)~~.

126/ Delegation assessments: Doc.1475/Commonwealth, Australia; Doc.1478/Commonwealth, Canada; Doc.1124/EEC, November 1, 1966, Doc.1125/EEC, November 1966; Doc.1324/EFTA, Switzerland, November 1, 1966; Doc.1328/EFTA, Finland, November 2, 1966; Doc.1326/EFTA, Sweden, November 3, 1966; Doc.1329/EFTA, Austria, November 2, 1966; Doc.1330/EFTA, Denmark, November 2, 1966; Doc.1660/Japan, November 7, 1966; Doc.1476/Commonwealth, New Zealand, November 7, 1966; Doc.1327/EFTA, Norway, November 1, 1966; Doc.1477/Commonwealth, South Africa, November 7, 1966; Doc.1205/UK, November 1, 1966; TEC D-10/66 and Add.1, November 8, 1966 ~~(CONFIDENTIAL)~~.

ad referendum agreements in a maximum number of unresolved areas starting the end of March and continuing into early April.[127/] After this, Governments would examine agreements reached by their negotiators, assess the multilateral implications of the entire package and continue adjustment and clarification of agreements. During a visit to Europe in March, Vice President Humphrey repeatedly stressed the need for a balanced and truly reciprocal agreement in order to make the Kennedy Round a success.[127/] The last negotiating meetings were to be held toward the end of April.[128/] As with the earlier targets, this one slipped somewhat, and the last negotiating meetings were held in the middle of May.

In these last critical weeks, the important problems continued to be (1) agriculture, particularly the grains agreement where negotiations were at an impasse because of

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127/ From Geneva, Telegram 2989, March 24, 1967 ~~(SECRET).~~

128/ From Geneva, Airgram TAGG A-340, March 19; Memorandum to Under Secretary for Political Affairs Eugene Rostow from Assistant Secretary Solomon, February 21, 1967; drafted by R.Hill and P.Lande, E/OT/TA ~~(CONFIDENTIAL).~~

our demand for access assurances and our insistence that the EEC improve its agricultural offers; (2) chemicals, because of the European effort to put all their chemicals concessions in an ad referendum package depending upon elimination of the American Selling Price valuation system; and (3) reciprocity, in which the United States did not expect reciprocity with each country but, overall, a balanced package in which major countries were making comparable efforts. 129/

In late April the US side submitted to the other participants two offers, a maximum package and a minimum package. 130/

Finally, on May 15 the chief negotiators were able to announce that they had reached agreement on the essential

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129/ From Geneva, Telegram 3557, May 9, 1967; Memorandum for the President from William R. Roth (STR), May 1, 1967 ~~(CONFIDENTIAL).~~

130/ GATT 6-US Doc. 6, March 1, 1967 as amended, Adds. 1-10; Delegation memorandum -- Peter Lande to Robert B. Hill, May 1, 1967 ~~(CONFIDENTIAL).~~

elements of an agreement.[131/]

Details of these agreements were then worked out in preparation for signing of the protocol of tariff concessions and the several related agreements on chemicals, dumping, and cereals.

Presidential approval of the agreements was obtained,[132/] and Ambassador Blumenthal signed the agreements on behalf of the United States on June 30, 1967.[133/]

The successful conclusion of the Kennedy Round provided impressive evidence of the solidarity of the industrialized countries and their readiness and ability to deal with highly charged trade problems. The negotiations also strengthened

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131/ Memorandum for the Secretary of State from Assistant Secretary Solomon for Kennedy Round meeting with the President, drafted by M-T.O. Enders, May 11, 1967; Press Release GATT/990, May 17, 1967; Department of State Circular Telegram, 195839, May 16, 1967.

132/ Memorandum for the President from William R. Roth, June 26, 1967.

133/ Details on the results of the negotiations are contained in the Report on United States Negotiations, Volumes I and II, issued by the Office of the Special Representative for Trade Negotiations.

the concept of a united Europe through the demonstrated ability of the Member States of the European Community to negotiate as a unit with their major trading partners to the mutual advantage of all. The results further reinforced the world multilateral non-discriminatory trading system uniting all major trading nations, including Japan, Canada, Australia, the United States, the European Economic Community, the United Kingdom, and the other Western European countries. The results, however, fell short of the expectations of the developing countries. The United States led efforts to gain concessions for them, and some impressive results were achieved. Tariff cuts on many products of interest to the LDC's were made, and a new food aid program was established. 134/

134/ Department of State Circular Telegram, 195839, May 16, 1967.