

## Report by Jean Rey on the Kennedy Round (June 1967)

**Caption:** In June 1967, Jean Rey, Member of the European Commission, describes the role played by the European Economic Community (EEC) in the 'Kennedy Round' tariff negotiations.

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## Successful conclusion of the Kennedy round

By M. Jean Rey, Member of the Commission

The multilateral trade and tariff negotiations known as the Kennedy round were successfully concluded in Geneva during the night of 15-16 May 1967. Crowning the efforts of three years, they represented for the member countries of the Community some particularly remarkable teamwork, strengthening the links between the Six and, in an atmosphere of perfect confidence to which I can bear witness, revealing a unity of outlook which impressed the other contracting parties.

The results of this vast negotiation are summed up elsewhere. <sup>(1)</sup> From the Community angle, their effect will be an approximate 35% reduction in the common customs tariff duties on industrial products and a reduction of up to 50% on certain products such as motor vehicles; thanks to the Community's insistence, this will also apply to the United States. The Kennedy round will also result in opening the Community wider to the markets of other European countries in particular, and it will lead non-member countries to recognize certain basic elements of the common agricultural policy.

On this last point, however, the results of the negotiations are more modest, and from the Community point of view this is to be regretted. The Community did not in fact win acceptance for its proposal on the organization of world markets in the main agricultural products — a world arrangement in respect of cereals, meat and milk products. World opinion was doubtless not yet ready for this. However, it should be remembered that this is only a postponement and that, after immediate stop-gap measures, lasting arrangements will soon have to be made in this matter.

Although the results, even on the industrial side, may sometimes seem to fall short of what might have been expected (the initial hypothesis having been a linear tariff reduction of 50%), it should be borne in mind, on the one hand, that the hopes which had to be abandoned on the way were much less high than in the previous negotiations, and on the other, that the concessions made concern a considerable volume of trade — approximately 40 000 millions dollars — and apply to products such as chemicals or steel which were the subject of very difficult discussions before remarkable agreements were reached. If we remember that not only the two major contracting parties, the United States and the Community, confronted each other in the general negotiations (and the press perhaps devoted too much space to the dialogue between them) but that more than forty interested parties were involved, it may be said that the successful conclusion of these years of discussions is a memorable event. It has moreover been hailed as such, not only by the economic circles directly concerned, but by the public at large, and it is of particular interest to note the attention paid to these negotiations by the people of our countries — even down to the most humble sectors of the population — from the point of view of national interests and those of the Community.

While it proved possible to reduce the tariffs applicable to countries outside Europe, it was also important for the Community to lower customs barriers between European countries, and in this respect the results are substantial. In 1963, the EEC Council agreed to develop the Community structure around two “pillars”: internally, the organizations of agricultural markets and the common agricultural policy, and externally, the lowering of barriers. Among the Six, some countries were more interested in the first of these objectives and others in the second. However, the Community's undertaking to press forward the negotiations on both problems *pari passu* has been kept and this constitutes a twofold success.

It should also be emphasized on the agricultural side that an agreement was reached on the basic maximum and minimum prices of wheat, that food aid to developing countries to the tune of 4.5 million metric tons a year was agreed on, that certain industrialized countries offered substantial tariff reductions for tropical products (some of them to be applied immediately), that agreement was reached on the need for common measures to eliminate preference systems as far as possible, and that efforts to achieve implementation of the concessions to developing countries before the due date will continue.

The industrialized countries taking part stated their intention of continuing to examine how far they can widen access to their markets for these products, with their special characteristics, exported by developing

countries.

True, the Kennedy round has not met all the expectations of the developing countries (stabilization of raw material prices, elimination of certain internal taxes, etc.) and all the trade problems of these countries will have to be discussed again soon in GATT and UNCTAD. It can however be claimed, as pointed out by Mr Wyndham White, Director-General of GATT, that all the contracting parties will be able to derive benefit from the Kennedy round.

There is also still much work to be done on detailed points resulting from the negotiations in general. The results will have to be incorporated in legal instruments and only when the participants have completed all the necessary legal and constitutional procedures will the detailed outcome be fully known.

I need not mention the increasingly intense discussions of the concluding months and the marathon of the final weeks and days. The ultimate success of the negotiations depended on agreement between the industrialized countries, and more precisely, on the final mutual concessions possible between the EEC, the United States and Great Britain, on agreement between the EEC and the Scandinavian countries and on the acceptance by Japan and Great Britain of the higher world price for wheat. All these conditions converged during the final day and each party had to make an effort in a different field: the Community had to accept an increase in the volume of food aid and to make certain additional concessions to the Americans on tobacco, cigarettes and animal fat, the United States had to relax its position on chemical products and the United Kingdom had to accept the reduction of specific duties on iron and steel products.

This package deal finally enabled the negotiations to be successfully concluded.

The Community saw its way clear to go beyond the ceiling of 4 million tons for food aid previously fixed and succeeded in convincing the Americans of the impossibility of making reductions on fats. The United States went almost all the way they were asked on chemical products. The United Kingdom finally accepted a reduction of the specific duties on steel in the same way as the *ad valorem* duties. Thus the road to agreement was open. Meanwhile, the Community had solved the final difficulties with the Scandinavian countries by improving its offer to Denmark for cattle, to Norway for fish fillets and to the Scandinavian countries in general for paper.

There had already been an agreement in the preceding months on some very important problems, including cotton textiles (for which the agreement was linked with a three-year extension of the long-term international arrangement) and the tariff nomenclature for industrial goods (in particular engineering products, where the 50% reduction in duties was obtained subject to exceptions). The agreements reached in the concluding days rounded off the success of these difficult negotiations and, despite some withdrawals of concessions by the Scandinavian countries, made it possible to reach a general agreement.

Politically the Kennedy round was an exceptionally important factor in the cohesion of the Community: for the first time the EEC appeared as a single unit vis-à-vis non-member countries and was represented by a single negotiator, defending a jointly agreed position.

For the first time, too, the Community negotiated on an equal footing with the greatest economic power in the world. True, in many fields the Community is far from being the equal of the United States. However, in external trade it is equal, because in this field European economic integration is largely achieved.

The success of the Kennedy round represents a considerable strengthening of the Community, both internally and in the eyes of the world; this is cause for hope that, as it achieves the complete implementation of the Treaty of Rome, the Community will find the way to the unity of Europe, the guarantee and instrument of a peaceful world equilibrium.

(1) A study of the results of the Kennedy round will be published in the next issue of the Bulletin, after the necessary legal formalities have been completed by the participants.