to zero on items for which the EEC and the United States accounted for at least 80 percent of world trade. The act also contained language permitting the President to negotiate on nontariff barriers.

The history of the 4 years of negotiations in the Kennedy Round is too well known to require more than a few sentences. In terms of what the United States hoped to accomplish, the results cannot be regarded as other than disappointing. The average cut is more like one-third than one-half. Since Britain was not admitted to the Common Market the 80-percent provision pertaining to United States-EEC trade became irrelevant. No significant progress was made in beginning to dismantle the complex set of controls that protect important sectors of agriculture in most industrial countries. The nontariff-barrier field also received little attention. However, despite the length of the negotiations and the wide gap between expectations and accomplishment, the Kennedy Round will be regarded in the future as a considerable success. For, compared with previous GATT tariff-cutting exercises, this round stands out as the one involving the deepest average tariff reduction.

Problems for Future Negotiations

The last two rounds of GATT negotiations have, however, made it increasingly clear that certain key problems must be dealt with more adequately if further liberalization efforts are to be successful. In a real sense, these problems have arisen because of the very success of previous liberalization efforts. These efforts have eliminated the protection that was largely superfluous and increasingly cut into those areas where significant resource reallocation effects are produced by the reductions. We must deal with the hard core of protection from now on, if further expansion of world trade is to be encouraged. In doing so, several difficult problems must be met. Three of the more important ones are as follows: (1) Achieving a better balance between consumer and producer interests in economically vulnerable industries; (2) Mitigating the restrictive effects of nontariff barriers; (3) Making the negotiating process more effective in achieving its goal of trade liberalization.

(1) *Achieving a better balance between consumer and producer interests in economically vulnerable industries*

This is the key domestic problem in any tariff-cutting exercise. Yet it is one that has not been adequately handled since the first Trade Agreements Act of 1934. The issue can be simply stated. Since the time of Adam Smith, economists have been able to show that—setting aside infant-industry and term-of-trade effects—it is possible for a country to raise its real income level under free trade compared to a system of tariff protection. However, although the gain to consumers in the form of lower prices is more than enough to compensate the producers of protected products from any loss they suffer, in practice such compensation is not made. In industries where workers and employers can readily find alternative employment the adverse effects of tariff cuts are minor. But in industries where employment and profits are already declining because of increased imports or competition from some other domestic or foreign industries; where the workers are older, less skilled, and less educated than most workers; and where the areas in which the industries are located are