the notion of reciprocity as interpreted in the actual negotiations has hampered the move toward trade liberalization. In these negotiations each party tends to regard any tariff cut by himself as bad and any cut by other parties as good. Consequently, unless each party is convinced that its exports will increase as much as its imports, it pulls back some of its offers to achieve this objective. This in turn sets off a chain of further withdrawals producing the end result that the country with the smallest offer tends to set the standard cut. The principal supplier technique helps to avoid this in part but the general tendency is clear.

Countries with initially low average duties are put in an especially difficult position. They may be prepared to cut completely to zero, but they know that higher duty countries will consider reciprocity to be achieved before they themselves reach a zero level. Thus, the former countries could be left with zero duties of their own and no bargaining power to use in order to obtain further tariff reductions from other countries.

It probably must be taken as a given constraint of any tariff-cutting exercise that the cuts should not result in any significant increase in a country's balance-of-trade deficit. Moreover, given the unwillingness to use other policies for balance-of-payments adjustment purposes, this means that the direct and indirect effects of the multilateral tariff cuts by themselves must not cause a significant export-import imbalance. However, this general constraint still leaves considerable latitude to the negotiators. Moreover, studies made thus far seem to indicate that as far as the United States is concerned rather significant changes in U.S. versus foreign offers produce only a small net effect on the U.S. balance of trade. The feedback effects are very strong. Yet negotiators easily become caught up in the give-and-take spirit of bargaining sessions and tend to forget the larger purpose of the whole exercise. The result is that some of the benefits to all countries from trade-expansion tend to be sacrificed.

(c) *Tariff-cutting techniques.* The interesting aspect of this problem is that the negotiators are not under any legislative directive to adopt this narrow view of reciprocity but have tended to establish it themselves. This perhaps means that the nature of the negotiations should be changed. Indeed this was one of the initial objectives of the Kennedy Round. Instead of item-by-item bargaining, an across-the-board cutting procedure was to be followed. Implicit in this was the notion that approximately equal percentage cuts (weighted by trade volumes) would achieve reciprocity. We have learned in the Kennedy Round, however, that such a simple technique cannot stand up to the economic and political realities of any negotation.

In the future we should try to follow simple tariff-cutting techniques that minimize the negativeness of item-by-item bargaining, but we must also be highly flexible with regard to alternative techniques. The objective is to reduce duties without causing undue hardships domestically. With a vigorous adjustment assistance program coupled with the notion of achieving a general balance of concessions, we can best implement this goal by using a variety of techniques. This might involve some general percentage formula for most items, sector-by-sector negotiations in certain areas, and item-by-item in others. This is the procedure eventually followed in the Kennedy Round. Had it