

SIGNIFICANCE OF THE KENNEDY ROUND

Although the tariff cuts that are to be made as a result of the Kennedy Round are far from negligible, and will assist the international adjustment process, their importance should not be overestimated. Although, according to early press releases, the cuts will apply to a large proportion of all international trade, they do not provide for free trade. Nor will they accomplish much with respect to import quotas and other nontariff trade barriers.

In Western Europe and the United States, where industrial tariffs average between 12 and 14 percent, the overall reduction of approximately 35 percent provided for by the Kennedy Round will reduce them only to an average of between 8 and 9 percent. Clearly, much remains to be accomplished in the way of trade barrier reduction, notwithstanding the arduous efforts that went into the Kennedy Round.

The first need is for recognition by the industrialized countries that the free international interplay of economic forces would be to their own advantage, as well as to the advantage of the less-developed countries. The importance of liberal foreign trade policies to a solution of the problem of persistent international disequilibrium is not the superficial one of increasing merchandise exports, relative to merchandise imports, with respect to a particular country, but rather in trying to secure agreement by all countries to the elimination of obstacles to the free movement of goods and capital.

If goods and capital were free to move internationally, economies would adjust to each other and, in accordance with the principle of comparative advantage, the adjustment would lead not only to self-sustaining equilibrium in the international accounts, but also to the maximizing of world production and world consumption.