A. Reciprocity

During the Kennedy Round and since the agreement was concluded in June 1967, the U.S. trade negotiators have insisted that reciprocity was achieved for the United States and for the chemical industry specifically. Members of this Association have no doubt of the good intentions of the U.S. negotiating team. They believe, however, its effort in GATT bargaining has not resulted in attaining true reciprocity.

In the past, reciprocity has been measured by concessions made on the dollar volume of trade in a selected base year. While this may have been the only measure available in the past, negotiations, to be meaningful, must be related to future trade expectations. Reciprocity must be based on new export opportunities which take into account relative competitive abilities, barriers to trade other than tariffs, export incentives, etc.

It seems to MCA members that item-by-item bargaining may be the only way to obtain reciprocity. The industry has observed the negotiations carried on in six rounds of GATT negotiations. Those in 1961 involved item-by-item bargaining, and those concluded in 1967 were, in contrast, on a linear basis. We believe that linear agreements covering sectors of industry, e.g., chemicals, will be damaging to the U.S. chemical industry if continued. Linear bargaining does not take into account wide variations in competitive abilities. These differences may lie in labor rates on a unit cost basis, on raw material prices, on technology availability, and on other factors. Such variations in ability to compete between major chemical producing nations are substantial. Linear bargaining, or across-the-board tariff decreases, on broad industrial sectors will result in harm to some parts of that industry, in lack of growth in other parts, and shutdown of facilities in extreme cases. The inevitable conclusion is that linear bargaining on sectors must be avoided.

Item-by-item bargaining in the Dillon Round provided better reciprocity than the linear bargaining employed in the Kennedy Round. With tariffs soon to be at the lowest level in recent history, and with the increasing use and effectiveness of incentive tax systems and other non-tariff barriers, the importance of using item-by-item bargaining in chemicals is clear.

As a practical matter, the administrative difficulties of item-by-item bargaining are admittedly great. In the case of chemical products, it is possible to make small groupings or categories of products. Such groupings would aggregate products having the same problems or advantages and would present a logical simplification of item-by-item considerations.

It is extremely important, however, that any bargaining done on other than an item-by-item basis be pursued only after exemptions have been made on the grounds of present or impending damage from imports.

B. Dillon Round

In the Dillon Round of 1961–62, the U.S. is said to have received "concessions" on a far greater dollar volume of trade in chemicals than the dollar volume of chemical trade on which it made concessions. However, a large proportion of the concessions were bindings[1] of existing tariff levels which were not reductions. U.S. exporters to the Common Market countries received no benefit from such concessions.

Also, in the case of the Common Market, the U.S. was bargaining for reductions of the common external tariff. Until 1968, this external tariff was at a level toward which all Common Market countries were proceeding. It had been developed for the six EEC members by an averaging procedure. Hence, negotiated reductions of the common external tariff were often more than offset by the stepwise tariff increases of the low tariff countries within the Common Market. The high tariff members of the EEC were, of course, decreasing tariffs to the EEC common external tariff. These factors made the value of EEC concessions to the U.S. in the Dillon Round of little consequence.

C. Kennedy Round

For the Kennedy Round, the Special Representative for Trade Negotiations (STR) has estimated that based on the chemical trade of the year 1964, the U.S. gave tariff concessions to the EEC on $175 million worth of chemicals shipped from the EEC to the U.S., and the U.S. received concessions on $460 million

[1] Binding—commitment that a rate of duty will not be increased on a product, or if free, a duty will not be imposed.