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Kiel Working Paper, No. 4

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Suggested Citation: Krämer, Hans R. (1973) : The changing principles of international trade policy, Kiel Working Paper, No. 4, Kiel Institute of World Economics (IfW), Kiel

This Version is available at:
https://hdl.handle.net/10419/46681

Kieler Arbeitspapiere
Kiel Working Papers

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The Changing Principles of International Trade Policy

by

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The Changing Principles of International Trade Policy

by

Hans R. Krämer

November 1973

I.

1. The system of international trade is usually taken as a set of rules which has remained practically fixed since the first years following the second World War. It is considered as the legal framework which greatly facilitated the international exchange of goods and services during the last 25 years. Changes - like the conclusion or termination of agreements between states or the putting in and out of operation of national laws and regulations - normally left the system intact because they occurred within the framework of these rules. If they collided with them they were either regarded as temporary deviations or as concessions (exceptions) which were unavoidable, mostly for political reasons.

It is, however, doubtful if this conception is still correct, since the "deviations" and "exception" have now reached dimensions which can no longer be called negligible. Moreover, these "deviations" and "exceptions" are scarcely temporary at all. This can be demonstrated with regard to the three basic principles of the system of international trade:[1] Reciprocity, Most-favoured nation treatment and Liberalization.

2. The principle of reciprocity came first under attack when, during the early sixties, the development of the economically

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[1] See my essay, "The System of International Trade in Transition", "Economics", Vol.4, page 50 et seq., published in German in "Weltwirtschaftliches Archiv", Vol.105, page 334 et seq. with the title "Entwicklungstendenzen der internationalen Handelsordnung."

underdeveloped nations became an urgent necessity. As far as these nations were concerned, it became doubtful if it were justified to ask them for concessions, in the name of the principle of reciprocity, if and when the industrialized countries lowered trade barriers. In the end, the contracting parties of the General Agreement on Tariffs and Trade (GATT) recognized that the developing countries as a whole were entitled to some sort of infant-nations-protection, a parallel to infant-industries-protection. A new Section IV became part of the GATT in 1966,[1] in which the industrialized nations declared that, if they took measures to liberalize trade, they no longer expected equivalent concessions from the developing countries.[2]

3. Apart from this development, the value of reciprocity became even more generally doubted when the negotiations of the Kennedy-Round started. In former tariff rounds concessions were negotiated item by item on the basis of reciprocity. A lowering of customs duties for one good by one country was traded against a lowering of duties by another country for another product. In order to make the concessions of both sides comparable, a crude method of quantification was applied, where the value of previous imports was multiplied with the percentage points of the tariff reductions.

Such a calculation, of course, left out of consideration essentials like the elasticities of supply and demand, and this defect may have been one reason why, during the Kennedy-Round, a totally new approach was tried, that of linear across-the-board reductions of tariffs. Another reason for this procedure was certainly the desire to reach substantial reductions, since such reductions had been difficult to attain by the method of trading reciprocal concessions item against item.

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[1] A decision of the contracting parties to this effect was signed on February 8th, 1965, and came into force on June 27th, 1966.

[2] Art.XXXVI, para.8 GATT: "The developed contracting parties do not expect reciprocity for commitments made by them in trade negotiations to reduce or remove tariffs and other barriers to the trade of less-developed contracting parties."

4. Admittedly, the intended global across-the-board approach was heavily watered down during the actual negotiations.[1] Nevertheless, this deviation from item by item reciprocity has contributed considerably to the undeniable success of the Kennedy-Round.[2] This approach of only "global" reciprocity will again be tried in the next tariff round which is scheduled to start in 1973. Therefore, it can be concluded that the principle of reciprocity has either lost importance, or will only continue to play some role in future international trade negotiations in a modified form. With regard to less developed countries, it has probably been given up definitely.

II.

5. The principle of most-favoured nation treatment was also questioned. During the discussions following the first United Nations Conference on Trade and Development (UNCTAD), it was argued that equal treatment could only be applied to comparable cases.[3] If, however, the cases differed greatly, treatment had to be adjusted. This meant that most-favoured nation treatment only implied equal treatment in the case of industrialized nations using it on imports from other industrialized nations. Since developing countries, however, were economically in an underprivileged position, they were entitled to better treatment. Better

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[1] This was in part due to the question of "disparaties" in the level of customs duties which was raised by the EEC Commission.

[2] Although the initial goal of a 50 per cent tariff reduction was not reached, the actual reduction of approximately 30 per cent compared favourably with the result of previous "rounds".

[3] UNCTAD, Document TD/B/AC.1/1 (23rd March 1965): Preferences: Review of Discussions. Report by the Secretary-General of the Conference. Prior to the Conference, customs preferences were dealt with in the so-called Prebish Report. UN-Document E/Conf. 46/3 (12th February 1964): Towards a new trade policy for development. Report by the Secretary-General of the United Nations Conference on Trade and Development.

treatment, in this case, meant preferences, and - since the argument was put forward in connection with customs duties - it meant customs preferences.

6. After seven years of negotiations, this view prevailed, and now several industrialized western countries give trade preferences in favour of most LDC's. Among the first trading units to introduce such preferences was the EEC.[1] In fact, only Australia did so earlier than the Community, and only for a rather small range of goods, favouring a limited group of less developed countries.[2] The EEC list, in contrast, includes all tariff headings under chapters 25 - 99 of the Brussels Nomenclature[3] and many of chapters 1 - 24. The preferences were given to almost all developing nations.[4]

7. To be sure, the Community's preferences by no means fulfill all the demands which the LDC's organisation, the so-called Group of 77[5], had formulated: Unlimited non-reciprocal abolition of all customs duties by all industrialized countries in favour of all less developed countries. In contrast to these demands, pre-

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[1] On 1st July 1971 cf. Regulation of the EEC Nos. 1308/71 to 1314/71, Official Gazette of the EEC, No.L 142, pp.1,13,57,63,69,75 and 85.

[2] See the GATT (Art.XXV) "waiver", under which Australia was permitted to give preferential rates to imports of certain goods from less developed countries. GATT, Basic Instruments, 14th Supp. (1966) p.23.

[3] I.e. all goods with the exception of agricultural products.

[4] The most significant exceptions were Turkey, Spain, Greece, Cuba, Israel, Taiwan, Bulgaria and Rumania.

[5] This group of developing nations was organised during the first UN conference on Trade and Development in Geneva in the Spring of 1964 with the aim of giving the LDC's demands more weight by confronting the industrialized countries with a compact group speaking with one voice.

It should be noted that the establishment of the Group of 77 as an organisation of the less developed countries is a new feature of the international trade scene. The emergence of this group brought into focus the existence of an organisation of the industrialized western nations, namely the OECD. The GATT, together with the organs and some specialized agencies of the United Nations with the increasing membership of LDC's ceased to to represent primarily the interests of the industrialized countries. The interests of the developing countries now prevail, for the simple reason that they are represented in these organisations by a greater number of states.

ferences are not given by all industrialized countries. This evidently, is not the fault of the Community. The EEC is, however, responsible for the following limitations:

- Preferential treatment is not extended to all goods. Agricultual products and many processed agricultural goods are excluded.
- Customs duties are not abolished. They are suspended for most industrial goods. For processed agricultural goods, however, they are merely lowered.[1]
- Preferential treatment is not unlimited. It is generally limited in time.[2] Moreover, for a substantial group of goods, imports at preferential rates are also limited in volume.[3] If and when imports exceed this volume fixed in advance, the original duties are levied again.
- The EEC does not extend preferences to all developing countries.[4] In some cases, countries are excluded for political reasons (Cuba,[5] Israel), in others (Turkey, Greece, Spain), there seems to have been hesitation to rank European countries as less developed.[6]

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1 Here, preferences are only given on the value added - usually rather small - added by the processing (packing) industry, not on the imports of agricultural products, which are excluded from the preferential treatment.

2 First, preferences were given from July 1st, 1971, until December 31st, 1971. Then they were extended until the end of 1972. Now, they are again extended until the end of 1973.

3 This limitation concerns the so-called sensitive goods and - but not automatically as in the case of sensitive goods - the so-called quasi-sensitive products.

4 It should be mentioned here, that there is no generally accepted measure by which LDC's can be identified.

5 In 1973, the preferences are extended to Cuba. See the Country Lists in the Official Gazette of the EEC, 1972, No. L 296, p.13,61,81,90,104, 109 and 115.

6 Although again primarily for political reasons, on the other hand, Yugoslavia is among the developing countries receiving preferential treatment by the EEC.

8. In spite of these limitations, the EEC system of preferences has been accepted favourably by the LDC's. One limitation seems, even, to meet the approval of most of them. This is the limitation on the volume of products, which may be exported under the regime of customs preferences by one single country. In this way, part of the preferences are reserved for LDC's which are not yet principal suppliers of a given product. One can, of course, argue that the real purpose of this regulation is to limit the imports of these products for protectionist reasons rather than to give the least developed nations a bigger chance to penetrate the EEC markets. During the negotiations for preferential treatment of LDC exports, however, the argument of aiding the least developed partners has also been put forward by the developing nations themselves.[1]

9. As for the practical results of the EEC preferences, these measures can be regarded as some success. Although no final statistics are available, some indications may be found in estimates with regard to the imports into the Federal Republic of Germany.[2] According to these estimates the imports of Germany under the system of preferences have increased from the second half of 1971 to the next period observed which is the first half of the year 1972.

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[1] UNCTAD Document TD/17 (November 24th, 1967): Special Measures to be Taken in Favour of the Least Developed Among the Developing Countries Aimed at Expanding their Trade and Improving their Economic and Social Development. Report by the UNCTAD Secretariat, p.5: "... where an import market in a developed country is characterized by import quotas allocated on a country-by-country basis, special consideration in the allocation of such quotas would be given to the needs of the least developed countries." See also, p.8. of TD/12 (1st November 1967): "An alternative method suggested is to reserve for newcomers a certain percentage of any tariff quota established in order to ensure that the traditional suppliers do not take up the entire quota. Likewise, in reviewing from time to time preferential system, it may be possible to examine the desirability of excluding a particular product exported successfully from a particular developing country."

[2] Estimates by the Federal Government. "Aktuelle Beiträge zur Wirtschafts- und Finanzpolitik" Nr. 128/1972. Bonn, 2.Oktober 1972, p.3.

10. The preferential system applied by the EEC has been successful also insofar as it probably induced other western countries to introduce similar measures. On August 1st, 1971, Japan followed with the introduction of a system of preferences in favour of the LDC's. The next country to do this was Norway on 1st October 1971. The United Kingdom, Sweden, Denmark and Eire followed on 1st January 1972, Switzerland on 1st March, 1972, and Austria on 1st April 1972.

11. In view of the importance the developing countries attach to them, it is to be expected that the preferences will be permanent. They can now be considered as a new element of that system, just as non-reciprocity with regard to LDC's became one during the sixties.

12. Another question is what form a general system of preferences will finally take. It does not have such an easy answer as the reciprocity question had. Simply complying with the LDC's official demand for full duty-free treatment of all LDC exports to all industrialized nations would not satisfy. the expectations of all LDC's, even if the western nations were willing to disregard the protests from those groups in their economies likely to be struck by unlimited LDC exports. The aim to further the economic development of the LDC's is not served by the abolishment of customs duties with respect to these countries alone. In addition to trade creating effects, trade diversion in favour of the LDC's may also be helpful.

13. Such "aid by discrimination"[1], however, can only be effective if it puts serious disadvantages in the way of the exports of all

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[1] The representative of Brazil stressed this aspect when he stated "that the scheme of preferences would allow the developing countries to capture a greater share of world markets, primarily through a process of trade diversion." UNCTAD Document TD/B/300 - TD/B/AC.5/29 (27.April 1970): Report of the Special Committee on preferences, para. 135 Emphasis added.

those countries which do not qualify as poor. This presupposes, incidently that disadvantages of this kind, i.e. customs and other trade barriers, are generally maintained which is not at all unlikely. Since a future world of unlimited free trade has no great chance of becoming realised,[1] one has to reckon with the existence of trade barriers. At least one favourable side effect may result: trade barriers can be used to serve the desirable purpose of aiding the development of poor nations by discriminating in their favour.

14. A beginning in this direction has been made by the EEC, other countries have followed and more, including the United States, will probably follow. So we can conclude this section with the statement that preferences in favour of the LDC's have now become an accepted instrument of trade policy and development aid policy. At present it is rather crude and leaves much to be desired, but it can - and probably will - be improved by lowering the protectionist safeguards it still contains.

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[1] It should be noted, however, that the member states of the OECD wanted to make it "crystal clear" that the special tariff treatment ... would not be allowed to stand in the way of most-favoured nation tariff reductions if developed countries wished to introduce them either unilaterally or after another round of international tariff negotiations." UNCTAD Document TD 56 (29th January, 1968): Expansion and Diversification of Exports of Manufactures and Semi-Manufactures of Developing Countries. Preferential or Free Entry of Exports of Manufactures and Semi-Manufactures of Developing Countries to the Developed Countries. Report of the Special Group of the Organisation for Economic Co-operation and Development (OECD) on Trade with Developing Countries.

III.

15. The deminishing importance of the principle of reciprocity and the advent of customs preferences, both of which favour the developing nations, are accompanied by a further "exception" to one of the principles of international trade. This is regionalism, which has to do, again, with the preferential treatment of some trading partners, i.e. the other members of the regional economic grouping. In this case, the justification for preferences - or discriminations, on the other hand - does not lie in the desire to ease the economic development of the Third World. It lies, economically, in the conviction that regional economic integration, under certain conditions,[1] furthers the exchange of goods and services, the international division of labour and, at least in the long run, international welfare. The legal justification is to be found in Article XXIV of the GATT, which sanctions the creation of customs unions and free trade areas, again under certain conditions.[2]

16. To be sure, the problem of regionalism is not new, since the authors of the GATT already took it into account. A new development can be seen, however, in the abundance of arrangements which are justified by Article XXIV GATT.[3] Moreover, Article XXIV GATT seems to be used more and more to cover arrangements which can hardly be regarded as customs unions or free trade areas in the old sense.

17. Rather new is, on the other hand, the vigour with which dubious arrangements of a preferential kind are attacked. Although, previously, complaints were heard in this direction, especially from the USA concerning some associations with the EEC, the contracting parties of the GATT not only tolerated customs unions and free trade areas which did, on the whole, conform with Article XXIV

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[1] In the short run, the principal condition is that trade creation (according to Viner) is greater than trade diversion. In the longer run, this static concept must be replaced by dynamic considerations.

[2] According to Art.XXIV of the GATT the principal condition is that the trade of the union with so-called third countries meets no higher obstacles than did the trade of the individual countries combined, prior to the creation of the union.

[3] The other method available under the GATT, i.e. to ask for a "Waiver" under Article XXV, is also applied. See, for example, the arrangements between the EEC and Spain, and between the EEC and Israel.cf.GATT, Basic Instruments, 17th Supp.(1970),p.61.

GATT, they also only feebly voiced their protests against those arrangements which did not, apparently, conform.

18. Now, opinions have changed in two different ways. On the one hand, economic unions of any kind are attacked (even those which comply with the rules of GATT) because of their discriminating character vis-à-vis third countries, i.e. outsiders. On the other hand, there are member states which almost openly defy GATT rules and scarcely even bother to pay lip service to them.

19. Consequently, the times in which regional integration was an exception have passed. In Europe the EEC has reached rather formi - dable dimensions. The United Kingdom, Denmark and Eire have be- come members, the other former EFTA countries - with the possible exception of Finland - associates of the Community. The earlier associations with Greece, Turkey, Tunesia and Malta and the prefe- rential trade arrangements with Israel, Spain and Algeria have won new importance with the official formulation of a comprehensive EEC concept vis-à-vis the Mediterranean Area. The association with french-speaking Africa - already twice renewed - has grown into a durable partnership with the Community - which probably will be extended to African members of the Commonwealth - the East African Community already being associated with the European Community by the Treaty of Arusha.

20. The emergence of a Community extending its influence and its internal preferences from the Arctic to the Indian Ocean no longer allows regionalism to be regarded as just one exception to the otherwise dominant principle of most-favoured nation treatment. Moreover, the process of regional economic integration among de- veloping countries has become officially sanctioned as a means to promote the development of the poor nations.[1] And, after a period of experimenting, some of the existing groupings[2] appear to have a chance of being successful.

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[1] Ministerial Meeting of the Group of 77, October 25th to November 6th, 1971. Lima/Peru. MM/77/II/11, p.24.

[2] Some of the better known examples are the Latin American Free Trade Area, the Andean Group, the East African Common Market, The Central African Economic Union.

21. Since simply liberalizing trade between the member states has always turned out in favour of the economically most developed of the partners and to be disadvantageous for the poorer ones, the experiments with free trade areas indicated that this method alone was unable to bring the desired results of economic integration between developing nations. Therefore, additional tools were sought.

22. To redistribute the gains from liberalizing intra-union trade, the use of common funds has been tried with some success.[1] Another and perhaps better form of redistribution was found in the method of financing new enterprises in the more backward member states by means contributed mainly by the more advanced partners.[2] Also, common programmes for the industrialization of the whole union[3] now no longer seem completely hopeless experiments - although they are difficult to handle within groupings of nations which are very sovereignty conscious. Finally, a new and original attempt to solve these problems is the Andean Group. It was founded by some members of the Latin American Free Trade Area (LAFTA), who felt that they received no or too small a return from the integration within the larger Free Trade Area. The Andean countries[4], while remaining members of the LAFTA, formed a closer union in which a common policy concerning industrialization and investment should, it is hoped, accelerate economic development.[5]

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1 See, for example, the "Distributable Pool" of the East African Community and the "Solidarity Funds" of the Central African Customs Union.

2 E.g. the activities of the East African Development Bank.

3 Such as the "Complementary Agreements" of the Latin American Free Trade Area.

4 Bolivia, Chile, Columbia, Equador und Peru.

5 It cannot be denied, however, that all economic unions, customs unions and free trade areas now in existence - the European Community not excluded - are dependant on the "good conduct" of the member states and are vulnerable to political differences. In the case of the Andean Group, the political development in one of the partner states, Chile, may well jeopardize an otherwise hopeful economic enterprise. Phenomena of a similar sort can be observed elsewhere, such as in East Africa and Central Africa.

24. In any case, even in economic groupings which are in danger of stagnation for one reason or other, some preferences for trade between member states are given. This means, with regard to the System of International Trade, that the most-favoured nation principle is not applied within all these groupings, irrespective of the prospects of their reaching the sometimes very ambitious aims they have formulated. Regional integration, therefore, even in an early stage of evolution, involves a departure from the rule of most-favoured nation treatment on the part of all trading partners.

25. Considering this observation and taking into account the abundance of economic groupings of one kind or another, one is inclined to doubt that the most-favoured nation principle is still the "rule" and that preferences are the "exception." Such doubts become still greater if the subject dealt with in Section II is recalled, i.e. the general non-reciprocal preferences which most industrialized western states give to the less developed countries. Taking both "exceptions" together, it can be said that the exceptions have become the rule.

26. Under these circumstances it seems more in accordance with reality to formulate, instead of one rule with many exceptions, a new set of rules stating that

- the member states of regional economic groupings may grant each other such preferential treatment as is laid down in the agreements establishing the regional grouping in question;
- the industrialized countries may grant less developed countries preferential treatment as notified to the contracting parties of the General Agreement on Tariffs and Trade before putting into force such preferences;
- all other contracting parties of the GATT are entitled to most-favoured nation treatment as laid down in Article I of the Agreement.

27. This set of rules may (or indeed, should) be complemented by a clause on consultation or complaints procedure to safeguard against abuse. It would probably be necessary to define the expression "regional economic grouping". But, at any rate, narrow definitions which impede the trend towards regionalism would appear to be useless. Experience has now amply shown that Article XXIV GATT did not prevent regional arrangements which, in many ways, contradicted the rules of the General Agreement. The regulation only led to exercises in legal interpretation, if not to disregard, of the GATT. Does this not mean that it is out of date and should be brought into line with reality ?

IV.

28. With regard to the third principle of international trade, liberalization, considerable changes can also be observed. Formerly liberalization meant the abolition of quantitative restrictions and the reduction of customs tariffs. Now, quantitative restrictions by the importing country are often replaced by "voluntary" agreements where the exporting country agrees to limit exports. Customs duties have lost importance and are bound to become still less important at the end of the next GATT round. On the other hand, some of the newly "discovered" non-tariff barriers may well prove to be a worthwhile object of liberalization measures. The lower the duty, the more other barriers to trade make themselves felt. Their relative importance grows too, if some states may impose additional non-tariff barriers in order to maintain the level of protection which their national industries enjoy.

29. Many measures of economic policy can have the effect of hindering international trade. In fact, any measure which helps a particular industry to do better than before places this industry in a more favourable competitive situation vis-à-vis its competitors at home and in other countries. This better competitive position would, as a rule, enable this industry to win a certain share of

the national and international market which was formerly served by foreign firms. So, some goods, which under the previous conditions were imported, will now be bought from national suppliers. Some former imports will no longer be made; they will be "hindered" by the measure in question.

30. It would, of course, go to far to include every national act which improves the competitive position of a national industry against foreign competition into this category. A choice has to be made, and only those cases where either the primary intention is to actually restrict imports, or where there is an unjustifiably restricting side-effect, can be tested with a view to their qualifying as non-tariff barriers.

31. One kind of measure where there can be no doubt as to its trade restricting intentions are the open quantitative restrictions of imports (and sometimes exports). They are dealt with extensively in the General Agreement by the typical method applied in GATT: Article XI declares that "no prohibitions or restrictions other than duties or other charges, whether made effective through quotas, import or export licences or other measures, shall be instituted or maintained by any contracting party on the importation of any product of the territory of any other contracting party." Following this statement are found the exceptions to the rules which in practice, have proved very important. Article XII especially allowing "any contracting party, in order to safeguard its external financial position and its balance of payments, may restrict the quantity or value of merchandise permitted to be imported ..." has up to now justified many quantitative restrictions that have been applied. Equally safe are quantitative restrictions "necessary to the enforcement of governmental measures"[1] in the field of agricultural policy. Finally, the United States is not the only

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[1] Art .XI GATT

nation which can and does cite the so-called grandfather clause[1] in justification of other restrictions.

32. This, in a nutshell, is the actual state of the international trade system with regard to quantitative restrictions. No profound change is in sight - at least as long as the existing international monetary system, allowing and often forcing a great number of states to claim balance of payment difficulties in order to justify restrictions of imports, prevails. Mention must be made, however, of the numerous successful attempts to avoid the imposition of quantitative restrictions by means of inducing an exporting country to "voluntarily" restrict exports of some "sensitive" goods.[2]

33. Nothing really new has happened lately in the field of anti-dumping measures and counterveiling duties, since the Agreement on Implementation of Article VI of the GATT in 1967.[3] This so-called Anti-dumping Code is in operation to deal with cases of dumping, i.e. price discrimination by foreign private competitors. As for price discrimination following government subsidies the contracting parties are still entitled to neutralize the effect of the subsidy by means of counterveiling duties according to Article VI. New is, however, the post-Kennedy Round desire to find out and to measure the excessive or unnecessarily cumbersome trade restricting effects of anti-dumping and counterveiling duty proceedings. This is also the aim with regard to other non-tariff barriers, mentioned in the General Agreement: such as subsidies,[4] especially export subsidies,[5] "internal taxes or other internal eharges of any kind in excess of those applied, directly, to like domestic products",[6] certain customs valuation

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[1] This "grandfather clause" is to be found in the Protocol of Provisional Applications of the GATT which stipulates that Part II of the Agreement shall be applied "to the fullest extent not inconsistent with existing legislation. In the case of the US the 1947 existing legislation still justifies restrictions to protect a national industry.

[2] Such measures have lately been taken by the US. They are, however, no speciality of the western hemisphere. See, for example, the "voluntary" agreements of the EEC with some Asian textile exporting countries, such as the agreement between the EEC and Korea, EEC Official Gazette, 1971, No. L 55, p.12.

[3] GATT Document L/2812 of 12th July, 1967.

[4] Art. XVI 1 GATT.

[5] Art.XVI 2 GATT

practices,[1] such as the notorious American-selling-price-system, charges and documentation requirements which exceed the absolutely necessary.[2]

34. The search for non-tariff barriers is not confined to the measures which are dealt with or at least mentioned in the General Agreement. One other group of measures which has attracted the attention of working parties concerned with non-tariff barriers is that of the so-called technical barriers to trade. Another field of research is that of government procurement practices which discriminate against foreign suppliers.

35. On the whole, although non-tariff barriers have received increasing attention within the framework of liberalization policy there is still no universally accepted method to deal with them. Next year's negotiations may lead to a solution, but, in view of the complexity of the matter, this would be rather surprising, and probably the problem of liberalizing trade by lowering non-tariff barriers will remain a challenge for some time.

V.

Considering all this, one must arrive at the following conclusion with regard to the basic principles of international trade:

36. Reciprocity is already only applied to comparable cases. Less developed countries are, in this respect, not comparable with industrialized ones. Redefining reciprocity in a sense that includes comparability is necessary since the concept will remain, in a modernized form, the basis of every international agreement, as long as agreements are governed by the age-old principle of do ut des.

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[1] Art. VII GATT.

[2] Art.VIII GATT.

37. Most-favoured nation treatment is no longer the rule. Preferences favouring the developing countries or partner states in regional groupings now prevail. In both cases, equal treatment means special treatment for special cases. Countries that are economically less developed are a special case as well as countries which accept the duties of an economic grouping. Nevertheless, most-favoured nation treatment is a useful concept with regard to those countries which are neither less developed nor partners of the same regional group. This principle - although its application may become, quantitatively speaking , an exception - should be retained and enforced where none of the special cases is given.

38. Liberalization, although retaining its importance, has found some new objects of application. Instead of quantitative restrictions of imports "voluntary" agreements to restrict export become a matter of concern. Non-tariff barriers and no longer customs duties will probably be the main targets of the next GATT-round to lower the obstacles to international trade.

39. Liberalization, most-favoured nation treatment and reciprocity have, in the last years, either changed their direction, their importance or their meaning. This development should be openly recognized. Instead of paying lip-service to outmoded concepts which are often only maintained by dubious interpretations, the actual meaning of the basic principles, together with their limitations, should be applied during the international negotiations of the next few years to come.