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The Trade Negotiations

The Tactical Situation

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The principal feature of the international preparatory work on the negotiations to date has been the EEC's unreadiness to enter into serious bargaining on any aspect of the negotiating plans. On disparities, even though it was the EEC that insisted on special language on this subject in the May resolution, it has not since then come forward with constructive proposals of specific disparities rules which it could support. On agriculture, it has marked time in the Cereals, Meat, and Dairy Groups, being unprepared to discuss these fields internationally until its own internal regulations are set.

This virtual paralysis on the EEC's part is a symptom of a critical divergence of interests within the Community itself and of the tactical positions adopted by members of the Six in response to this divergence. In France there appears to be considerable skepticism (and President de Gaulle seems to share it) as to whether a sizable EEC tariff cut is in her best interests, particularly since it would

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partially dismantle the common tariff wall that divides the EEC, economically and symbolically, from the Anglo-Saxons. The Germans, on the other hand, whose trade and political ties are with the U.S. are by far the greatest of all the Six, seem strongly in favor of a substantial liberalization of trade. In simple terms, the issue lies between the "inward-looking" and "outward-looking" conceptions of the Community. It was most recently brought to a head by France's veto of Great Britain's application for membership. The veto led to a crisis of confidence between France and the other five last winter, in which the five would make no concessions to France for fear that France would not reciprocate with future concessions to them.

Last spring Germany, recognizing that France was frustrated by the five's refusal to agree to further steps implementing the common arrangements of the EEC and the others (particularly Germany) were frustrated by France's refusal to move on the Kennedy Round, proposed that in the future measures in these two fields be synchronized in order

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to break the stalemate. This synchronization plan, which calls for a series of compromises but no action in between among EEC members is obviously a ponderous procedure. By linking the EEC's decisions on the Kennedy Round to its own internal institutional steps, it means that the EEC will delay taking positions on crucial trade negotiations issues until an internal issue arises for the German faction to use as currency in buying the French's faction's agreement to a liberal stand on trade.

The EEC's indecisive behavior in Geneva, therefore, stems largely from this background. We have now reached a point, however, where internal and Kennedy Round issues have converged within the EEC so as to trigger a decision on both under the synchronization mechanism. The French are pressing strongly for settlement of the CAP regulations on rice, meats, and dairy products and for a price decision on grains. Germany, being a relatively high-priced area for grains especially, would be called upon to make the greatest concessions in these internal arrangements. The Germans therefore, if they agree to these agricultural measures, will

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have considerable leverage over the French in persuading them to agree to reasonable settlements of outstanding issues in the Kennedy Round.

The two main issues in the negotiations at the moment are disparities and agriculture. The U.S. objective is to secure a disparities rule that would not undermine the linear cut and to ensure that the implementation of the CAP agricultural arrangements, particularly on grains, does not take place in such a way that non-member countries' interests are not disregarded. Our tactics, therefore, should be to persuade the Germans to insist that the French agree to acceptable agreements on both these scores as a quid pro quo for German adherence to the EEC agricultural measures. Also, we should beware of the Germans making so definitive a concession on these agricultural measures at this time that they are left with little or no bargaining power within the EEC at later and equally critical stages of the Kennedy Round.

The time for this internal EEC bargain will be during the next six to eight weeks. If, during that time, the

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Germans are not successful in obtaining EEC agreement to a satisfactory negotiating plan, we shall have to review our own objectives in the Kennedy Round.

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