

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

C/85

26 June 1970

Limited Distribution

COUNCIL

ADMINISTRATIVE AND BUDGETARY QUESTIONS

Provision of Funds for Conference on Effective Protection

Note by the Director-General

1. The most important development in the past decade in economic analysis of the relations between international trade and tariffs has been the theoretical and empirical study of "effective protection". This work has as its objective the determination of actual as contrasted with nominal protection. It is focussed on, and has had as its central objective, relating differentials in duty rates to the value added at each of the successive stages of production. In the last five years, interest in this issue has come widespread and further developments in refinement of the theory have resulted from the work and debate of academic economists on all continents. The results are of obvious relevance to our practical pursuits in the GATT.
2. Recently, many academic and government economists active in this field have concluded that the work has arrived at a stage at which a conference of a few days, designed to bring about a direct exchange of views and joint stock-taking of the work done, should enhance the chances of developing a theory which could serve as a reliable tool to the policy makers. It will be recalled that many similar conferences preceded and contributed to the development of changes in the international monetary system during the past several years.
3. In view of the stage now reached in its study of the tariff situation the GATT would derive considerable advantages from such a conference. The secretariat could participate and contribute a paper on the most important methodological insights developed in the course of our own Tariff Study. The value of the future work of the GATT secretariat in the field of tariff analysis would be enhanced by such discussions. Preliminary contacts by the secretariat with some of the most outstanding academic economists have shown that these specialists recognize that, at this juncture, their own work might well be increasingly oriented to problems emerging from empirical research, and that they should benefit from more direct contact with people engaged in such research.
4. Discussions by the secretariat with the Graduate Institute of International Studies in Geneva have found them willing jointly to sponsor, and to share equally with GATT, the cost of such a conference to be held in Geneva at the end of the current year.

5. Although it is not possible at present to make a precise forecast of expenditure involved, it is estimated that the cost would amount to not more than US\$20,000, of which half would be paid out of the GATT budget. The estimate has been based on the assumption that the conference would last three or four days and be attended by some twenty participants from European and overseas countries. It is intended to cover travel expenses and subsistence allowances for the participants and miscellaneous expenditure such as honoraria for papers.

6. Approval of the Council is sought for this additional expenditure, estimated at US\$10,000, which could be absorbed by the 1970 budget. The Director-General therefore proposes that, to the extent possible, the amount be financed from savings within the appropriate sections of the budget or by transfer from other sections. In the event the full amount of this additional expenditure cannot be so financed, the Director-General requests authority to transfer the necessary funds from Part V - Unforeseen Expenditure.

POINT FOR DECISION: Paragraph 6