

GENERAL AGREEMENT
ON TARIFFS AND
TRADE

ACCORD GENERAL SUR
LES TARIFS DOUANIERS
ET LE COMMERCE

RESTRICTED
LIMITED B

GATT/CP.3/77
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ORIGINAL: ENGLISH

CONTRACTING PARTIES

Third Session

THIRD SET OF TARIFF NEGOTIATIONS

(Agenda: Item 18)

Note by the Executive Secretary

This paper is submitted to the contracting parties in the hope that it may facilitate the discussion of the arrangements to be made for a third set of tariff negotiations.

Annex I hereto is a "Draft Memorandum on Tariff Negotiations" which might constitute the rules of procedure for a third set of negotiations during 1950 under the auspices of the CONTRACTING PARTIES.

Annex II is a list of countries to which invitations might be extended to participate in the negotiations with a view to their accession to the Agreement. (If approved, this list would constitute Annex A referred to in paragraph I of the draft memorandum.)

The draft memorandum has been adapted from document GATT/CP.2/26 which was approved at the Second Session of the CONTRACTING PARTIES as the rules of procedure for the Annex negotiations. Particular attention is called, however, to the following substantive passages which did not appear in GATT/CP.2/26:

- (1) The statement in Section I, paragraph (c), that

the proposed negotiations between the contracting parties to the Agreement should be directed to an expansion of the scope of the reciprocal tariff concessions accorded in the schedules and not to any curtailment of the scope of these concessions. In accordance with the fundamental purpose of the Agreement, the main objectives of the negotiations in 1950 would be to reduce further the tariff barriers between the contracting parties as well as to broaden the scope of the Agreement by negotiating for the accession of additional governments.

(2) The statement in Section III, paragraph 2, that as a general rule the basis for negotiations shall be the nomenclature and the rates of duty presently in effect [or alternatively in effect on the date of acceptance of the invitation to enter into negotiations]. It is believed, in the light of experience at Geneva and Annecy, that agreement on this principle will facilitate the conduct of the negotiations.

ANNEX I

DRAFT MEMORANDUM ON TARIFF NEGOTIATIONS

To be held in Geneva commencing [], 1950

I. Purpose of the Negotiations

The contracting parties to the General Agreement on Tariffs and Trade, at their Third Session in Annecy, France, in August 1949, resolved to hold a third set of tariff negotiations during 1950 at Geneva, Switzerland. These negotiations will include three categories:

(a) Negotiations directed towards the accession of additional countries not included among the 34 becoming contracting parties as a result of the 1947 and 1949 negotiations.

(b) Negotiations between countries participating in the Annecy Conference which may not have concluded bilateral negotiations at Geneva in 1947 or at that Conference but wish to enter into tariff negotiations during 1950.

(c) Negotiations between contracting parties which concluded tariff negotiations at Geneva or Annecy and desire to enter into negotiations for additional reciprocal tariff concessions. It is not contemplated that these negotiations will be the occasion for any upward adjustments in the maximum rates of duty specified in the schedules to the Agreement since special provisions of the Agreement are available to deal with any such selective adjustments of individual cases as may be mutually agreed upon.

With regard to (a), the CONTRACTING PARTIES decided that the Secretariat of the contracting parties, on behalf of the Chairman, should address telegraphic invitations promptly to the governments listed in Annex A hereto, to enter into these negotiations with a view to their accession to the Agreement. In most cases these countries are enjoying the benefit of the tariff reductions negotiated by the contracting parties and incorporated in the schedules to the Agreement, but even so they will welcome the opportunity to obtain these benefits in their own right and to negotiate for further concessions on the products of most interest to them.

As to (b) and (c), the present contracting parties, as well as those governments which expect to become contracting parties as a result of the Annecy negotiations, will notify the Secretariat promptly whether they desire to enter into tariff negotiations during the third set of negotiations.

The main part and the final phase of the negotiations will take place in Geneva commencing on [], 1950, but it will be necessary to begin preparations immediately. In order that no time will be lost in the preparatory work, the Secretariat of the CONTRACTING PARTIES will notify by telegraph, not later than [], 1949, a list of governments which will participate in the next series of negotiations, i.e. the present contracting parties, the governments which expect to become contracting parties as a result of the Annecy negotiations and the governments which wish to accede to the Agreement. An acceding government should be prepared to negotiate with any contracting party and with any other acceding government.

II. Scope of the Negotiations

It is intended that the countries participating in the negotiations in 1950 will propose for negotiation those of their products of which they individually, or collectively, are, or are likely to be, the principal suppliers to the countries from whom the concessions are asked. In other words, an acceding government will be expected to consider the grant of concessions, as a general rule, on products of which any participating country or any group of participating countries is, or is likely to be, the principal supplier. And a contracting party will, as a general rule, be expected to consider the grant of concessions on products of which any acceding country by itself or together with other participating countries, constitutes, or is likely to constitute, the principal source of supply.

The Havana Charter provides that, in addition to customs tariffs and other charges on imports and exports, certain regulations, quotas, protection afforded through the operation of import and export monopolies, etc. shall be subject to negotiation in the manner provided in Article 17. The relevant provisions are contained in Articles 16

(including the Annexes thereto), 18, 19 and 31. Accordingly, requests may be submitted for concessions in respect of matters covered by these provisions in the same way as requests for tariff concessions.

III. Methods of Negotiation

1. The negotiations will be conducted in accordance with the rules set forth in paragraph 2 of Article 17 of the Havana Charter, i.e.:-

(a) The negotiations will be conducted on a selective product-by-product basis which will afford adequate opportunity to take into account the needs of individual countries and individual industries. Participating governments will be free not to grant concessions on particular products and, in the granting of a concession, they may reduce the duty, bind it at its then existing level, or undertake not to raise it above a specified higher level.

(b) No participating government will be required to grant unilateral concessions, or to grant concessions to other governments without receiving adequate concessions in return. Account shall be taken of the value to any government of obtaining in its own right and by direct obligation the concessions already embodied in the Schedules to the General Agreement.

(c) In negotiations relating to any specific product with respect to which a preference applies,

- (i) when a reduction is negotiated only in the most-favoured-nation rate, such reduction shall operate automatically to reduce or eliminate the margin of preference applicable to that product;
- (ii) when a reduction is negotiated only in the preferential rate, the most-favoured-nation rate shall automatically be reduced to the extent of such reduction;
- (iii) when it is agreed that reductions will be negotiated in both the most-favoured-nation rate and the preferential rate, the reduction in each shall be that agreed by the parties to the negotiations; and
- (iv) no margin of preference shall be increased.

(d) The binding against increase of low duties or of duty-free treatment will in principle be recognized as a concession equivalent in value to the substantial reduction of high duties or the elimination of tariff preferences.

(e) Prior international obligations shall not be invoked to frustrate negotiations with respect to preferences, it being understood that agreements which result from such negotiations and which conflict with such obligations shall not require the modification or termination of such obligations except with the consent of the parties to such obligations or, in the absence of such consent, by modification or termination of such obligations in accordance with their terms.

2. In order to ensure the success of the negotiations, it is recommended that the participating governments should refrain from increases in tariffs and other protective measures inconsistent with the principles of the Havana Charter and designed to improve the bargaining position of those governments in preparation for the negotiations. As a general rule, the basis for negotiations shall be the rates of duty in effect on [] , 1949.

3. In exceptional cases, a general revision of tariffs prior to the negotiations may be found unavoidable. In making any such revision, the countries concerned should have regard to the principles stated in the preceding paragraph. In the event of a change in the form of tariff or a revision of rates of duties to take account of either a rise in prices or the devaluation of the currency of the country maintaining the tariff, the effects of such change or such revision would be a matter for consideration during the negotiations in order to determine, first, the change, if any, in the incidence of the duties of the country concerned, and secondly, whether the change is such as to afford a reasonable basis for negotiations. Moreover, except in special circumstances, any general revision in tariff nomenclature or rates of duty shall not be considered a satisfactory basis for negotiations unless it is in force on [] , 1950.

IV. Timetable for the Negotiations

(i) At the earliest possible date and in no case later than [], each participating government will send to each other participating government, three copies of its current customs tariff and one copy (if possible, three) of its latest annual import trade statistics. In addition, it is requested that every effort should be made to supply average import statistics for 1936 to 1938, or, if this is not possible, statistics for 1936, 1937 and 1938, or if neither of these is possible, statistics for the most representative pre-war year. Each participating government will advise the other participating governments and the Secretariat, by telegram, the particulars of the documents despatched and the date and method of despatch.

(ii) The United States Government is required by its statutory procedure to give public notice of all items in its tariff which are to be the subject of negotiations. Not later than [], therefore, each participating government will transmit to the United States Government, by the most expeditious means available, a list of the products on which it intends to request concessions from that government. The United States Government will take reciprocal action not later than []. It will not be possible for the United States Government to enter into negotiations on any products which are not included in these first lists. Any other participating government which wishes to exchange preliminary and provisional lists with participating governments other than the United States in advance of the definitive lists provided for in paragraph (iii), will notify the Secretariat to that effect not later than the [], and the last date for the transmission of such lists will be []. Sixty copies of the preliminary lists, including the lists exchanged between the United States Government and participating governments, will be sent to the Secretariat simultaneously with their transmission to the governments to which they are addressed for distribution to the other participating governments and for the Secretariat's files.

(iii) Not later than [], each government will transmit to each other participating government a final list of the tariff and other concessions which it requests from that government. Sixty copies of these lists will be sent simultaneously to the Secretariat for distribution to the participating governments and for its files.

(iv) On [] - that is, on the first day of the meeting in Geneva - each government will make known to all participating governments the concessions which it is prepared to offer to each government from which a request for concessions was received. These offers should include indications of the existing and the proposed rate of duty on each item.

(v) It will be understood that any two participating governments may arrange between themselves to conduct bilateral talks in advance of the multilateral negotiations in Geneva. In that event the exchange of preliminary requests and offers may be arranged to take place at earlier dates than those envisaged above, but the concessions offered need not be disclosed to other participating governments until the opening of the Geneva meeting. In the event that bilateral talks should be successfully concluded prior to [] the results will be reported to the other participating governments at the opening of the Geneva meeting and will be subject to review and adjustment in accordance with the procedures set forth in the following paragraphs.

V. Procedures at Geneva

When the concessions offered by all participating governments have been exchanged and distributed, negotiations between pairs of delegations will begin. Any alterations in the initial list of offers will be immediately notified to the Secretariat for the information of all participating governments. At this stage, as in the distribution of lists of requests, arrangements will be made to prevent the disclosure of any confidential material.

To follow the successful procedure adopted in 1947 and 1949, the participating governments may decide to establish a "Tariff Negotiations Working Party", which will be responsible for ascertaining the progress of the negotiations and which will make recommendations on questions of procedure and other matters connected with the conduct of the negotiations and prepare the legal instruments to be signed at the conclusion of the proceedings.

As each negotiation is concluded, lists of the concessions to be exchanged will be conveyed to the Secretariat and to all other

delegations. These results will be subject to review and adjustment in the light of the results of other negotiations. Each participating government will arrange through the Secretariat for the distribution to each other participating government of a consolidated list of all concessions granted.

When all the negotiations are completed the concessions will be incorporated in the Agreement, and the accession of governments, not previously contracting parties, will be effected by appropriate instruments. Each participating government will prepare for distribution through the Secretariat a supplementary list of the concessions granted showing the country with which each concession was initially negotiated.

COUNTRIES TO BE INVITED TO PARTICIPATE IN
TARIFF NEGOTIATIONS IN 1950

	Member of UN	Invited to Havana Conference			Countries invited to participate in Annex negotiations which did not accept the invitation
		Did not attend	Present but did not sign Final Act	Signed Final Act	
<u>American Republics</u>					
Argentina	x		x		x
Bolivia	x			x	x
Costa Rica	x			x	x
El Salvador	x			x	x
Ecuador	x			x	x
Guatemala	x			x	x
Honduras	x	x			
Mexico	x			x	x
Panama	x			x	x
Paraguay	x	x			x
Peru	x		x		x
Venezuela	x			x	x
<u>Europe</u>					
Austria				x	x
Iceland		x			x
Portugal				x	x
Ireland				x	x
Switzerland				x	x
<u>Middle and Far East</u>					
Afghanistan				x	x
Egypt	x			x	x
Ethiopia	x	x			x
Iran	x			x	x
Iraq	x			x	x
Israel	x				
Korea	1/				
Nepal					
Philippines	x			x	x
Siam	x	x			
Transjordan				x	x
Turkey	x			x 2/	x

1/ Has applied for membership.

2/ Signed on July 26, 1948 at Lake Success.

