

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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TARIFF QUESTIONS ARISING AT THE EIGHTH SESSION OF THE CONTRACTING PARTIES

Note by the Chairman

The contracting parties will be aware that the tariff rates contained in the schedules to the General Agreement are firmly bound until 31 December 1953. Thereafter the provisions of Article XXVIII come into play. It is therefore essential that the CONTRACTING PARTIES at the Eighth Session address themselves to what, if any, action should be taken for extending the period of firm validity. The binding of tariff rates for specific periods of time has been one of the most important achievements of the General Agreement and has made possible an extended period of stability in tariff rates. The question is therefore one of the greatest importance to all contracting parties.

It will be recalled that a similar question arose when preparations were being made for the Torquay Tariff Conference, since the initial three-year period of firm validity was due to expire on 31 December 1950. At that time the contracting parties agreed by declaration that they would not invoke the provisions of Article XXVIII prior to 1 January 1954 and, subsequently, this action was formalized by Protocol amending Article XXVIII extending the firm validity of the concessions until the end of the current year. Advantage was taken of the opportunity afforded by the Tariff Conference for modification by negotiation and agreement of certain concessions by some contracting parties. The position, as we approach the end of this year, is somewhat more complicated as, for reasons which are set out below, it is unlikely that the CONTRACTING PARTIES will be in a position to arrange for further general tariff negotiations in the near future and certainly not before the expiry of the firm validity of the schedules.

In these circumstances there appear to be three alternative courses of action:

- (a) To agree upon the extension of the period of firm validity by making a further amendment to paragraph 1 of Article XXVIII, substituting a new date for 1 January 1954; such agreement would have to be formalized by an amending protocol.

- (b) Without taking formal action to amend Article XXVIII, to agree, by a procedure similar to that adopted at Torquay, i.e. by a declaration or a resolution, not to invoke the provisions of Article XXVIII for a specified period.
- (c) To take no action to extend the firm validity and to allow the procedures of Article XXVIII to operate in case individual contracting parties wish to make modifications or withdrawals.

Of these three courses I feel that (c) is by far the least desirable. If we adopt this course we run the risk that there will be a large number of modifications or withdrawals which, combined with consequential and compensatory modifications and withdrawals, might well threaten to unravel the whole structure of the present tariff schedules. Between (a) and (b) I think there is only a question of relative convenience. It may be difficult for some governments at the present time to agree to so formal an action as the amendment of the Agreement. Moreover, time is short, and proceeding by way of amendment would inevitably result in delays. On the ground of convenience, therefore, there may be much to be said for adopting course (b).

I have not heretofore touched on the question of the period for which the extension suggested in course (a) or the arrangement in course (b) should run. This, it seems to me, is bound up with the question of the date at which further general negotiations are likely to take place. As I have said earlier, it does not seem to me likely that the CONTRACTING PARTIES could come to a decision on this question at the Eighth Session. It has been announced by the Government of the United States that it does not intend to enter into major tariff negotiations under the Reciprocal Trade Agreements Act during the one-year period of renewal which has been recommended by the Administration. Moreover, the United States has also announced that it intends to review its foreign economic policies and that its further actions in the field of economic and commercial policy will be determined only when the results of this review are known. It is also widely known that the United Kingdom and other Commonwealth countries have formulated important proposals for action in the field of financial and commercial policy which are being discussed with the United States and with the member countries of the OEEC. There is, to my mind, no doubt that the decision as to the timing and nature of future tariff negotiations will depend to a large extent on the outcome of these discussions. For all these reasons it seems to me improbable that a decision on the holding of a further general round of tariff negotiations can be reached before the middle of 1954, with the possibility that such negotiations might begin, at the earliest, in the latter part of that year. As the status of the existing schedules will be an important element in these eventual discussions of further negotiations, the question will arise again in the year following the Eighth Session. In these circumstances, I am inclined to suggest for consideration that it would be sufficient for present purposes to extend the assured life of the schedules for a period of eighteen months, i.e. until 30 June 1955.

I hope that the CONTRACTING PARTIES at the Eighth Session will also be able to make some progress on the question of the reduction of tariff levels which has been under study for some time by the Intersessional Working Party which is dealing in the main with the French proposals. A report on the revised version of the French plan is expected from the Working Party in time for the Eighth Session. When the CONTRACTING PARTIES come to consider that report, their discussions should not be limited to the technical aspects of the plan but should cover questions of principle raised by the plan and also the adequacy of the present negotiating procedures which, indeed, is one of the terms of reference of the Working Party. A thorough study of these questions seems to me an essential work of preparation for the decisions as to the possibility of making a further advance in the process of tariff reduction.

Finally, there is the question of the request of Japan to accede to the General Agreement. On this we have a report from the Intersessional Committee which relates to two aspects of the application. First the conditions for proceeding with the Japanese application, upon which the Intersessional Committee has submitted specific proposals for consideration by contracting parties and, second, the scope and timing of negotiations for Japanese accession on which the Committee was unable to make recommendations for reasons which are fully set out in its report. On the first of these questions the CONTRACTING PARTIES should be able to reach a conclusion at the Eighth Session. The second question is, of course, closely connected with the other matters discussed in this Note. As will be seen from the report of the Intersessional Committee, a number of contracting parties have taken the view that negotiations for the accession of Japan should take place as part of a general tariff negotiation in which existing contracting parties would also negotiate with each other. There is also the new situation which has arisen as a result of the decision by the United States that it will not be in a position to enter into major tariff negotiations under the Reciprocal Trade Agreements Act during the one-year period of renewal requested by the Administration. We shall therefore have to reconsider the position in the light of these facts, and particularly of the conclusion, at which I arrived above, as to the possibility of further general tariff negotiations in the future.

These are all important and complex questions and I therefore think it essential that the contracting parties should study them well in advance of the Session, and should also take full advantage of the facilities provided by the Intersessional Committee for preparatory work, at the meeting of the Committee to consider the Agenda for the Eighth Session. I propose that this meeting should be convened for Monday, 17 August.