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GENERAL AGREEMENT ON TARIFFS AND TRADE

CONTRACTING PARTIES
Fifteenth Session

EXPANSION OF TRADE - TARIFF CONFERENCE

Report of Committee I

1. The Committee met from 31 August to 9 September 1959 and addressed itself to the tasks listed in COM.I/4.

I. PARTICIPATION OF AGRICULTURAL EXPORTING COUNTRIES

2. The Committee examined the problem - referred to it by the CONTRACTING PARTIES - of the participation of some agricultural exporting countries in tariff negotiations. In this connection the Committee discussed a number of proposals placed before it by the Australian Government.

In the discussion on these proposals, the Australian Representative emphasized that the extent to which the more industrialized countries were willing to negotiate on a significant basis in respect of their agricultural trade would contribute to the total effectiveness of the tariff negotiations as part of the moves within GATT for a general expansion of world trade. His Government proposed that the negotiating rules should recognize that certain non-tariff barriers were negotiable. The proposals of the Australian Government in this connection are dealt with in paragraphs 5, 6 and 7 of this report.

Speaking at the invitation of the Chairman, the observers representing Denmark and New Zealand requested that the Committee should note their general support for the Australian suggestions which were still being studied by their Governments.

The Australian Government further proposed that the Committee should consider means by which contracting parties could be assured that concessions which they negotiated would not be frustrated by non-tariff devices. The Australian Representative recalled that many concessions obtained by Australia and other countries in the course of previous negotiations had been so frustrated. In this connection the Australian Representative explained that his Government considered that contracting parties which proposed to take action by way of non-tariff barriers having the effect of impairing the value of a tariff concession should use the procedures of Article XXVIII. He pointed out that Article XXVIII was the recognized provision in GATT to deal with the situation where a contracting party was unable to maintain a concession, and his Government considered that that Article should also be used in cases where a contracting party could not maintain the value of a concession because it proposed to take action in the non-tariff field such as the introduction of or an increase in an existing subsidy.

The Australian Representative said that his Government recognized that Article XXIII was intended to deal with the situation where a concession was impaired, but it considered that action through Article XXVIII would be most appropriate. Under Article XXVIII the onus would be on the contracting party which granted the concession to take action and would require such action to be taken prior to the introduction by any contracting party of measures in the non-tariff field which had the effect of impairing the value of the concession.

The Australian Representative said that it was implicit in the Australian proposal that it would have a retroactive effect in relation to those concessions which had already been impaired by non-tariff action. Further he expressed the view that other contracting parties should consider whether they would find the Australian proposal more acceptable if its application were to be limited to future cases in which a concession were impaired by the non-tariff action. He further pointed out that his Government would wish contracting parties to consider whether the proposal could be given effect to by a ruling of the CONTRACTING PARTIES that Article XXVIII should be used in the manner proposed.

Although doubts were raised as to whether the examination of a proposal of this nature would come under the Committee's terms of reference, and although members considered that governments had not had adequate time to study this far-reaching proposal, the Committee agreed to have a preliminary discussion which would be reported to the CONTRACTING PARTIES.

Other members of the Committee, whilst not denying that there was some force in the Australian views felt that there were other important considerations to bear in mind. In the first place, the proposal did not take account of the fact that the Agreement contained provisions relating to non-tariff barriers and that these provisions were written into the Agreement for the protection of the tariff concessions. Some representatives considered that the Australian proposal was designed to attract the procedures of Article XXVIII to non-tariff measures on which contracting parties had undertaken no commitment in their schedules and which were not inconsistent with relevant provisions of the Agreement. It was understandable that although particular contracting parties might disapprove of particular provisions, they were nonetheless a part of what balance it had been possible to achieve when drafting the Agreement. It seemed to some members of the Committee that the Australian Government was much more dissatisfied with these provisions than with the negotiating rules or Article XXIII: the extension of the proposal to existing concessions would alter the basis on which the concessions had been granted and would therefore require an amendment of the Agreement. Some members expressed the view that despite its limitations the provisions of Article XXIII were the most appropriate in the circumstances. From a practical point of view the fear was expressed that the proposal, if accepted, would so broaden tariff commitments that contracting parties might become much more reluctant to grant concessions.

II. PARTICIPATION OF LESS-DEVELOPED COUNTRIES

3. The question of the capacity of less-developed countries to participate fruitfully in GATT tariff negotiations was discussed by the CONTRACTING PARTIES at the fourteenth session. At that time these governments gave expression to the difficulties with which they were faced in tariff negotiations conducted on the orthodox pattern. The CONTRACTING PARTIES, after a discussion, referred this question for examination to Committee I. The Committee considered the problems involved on the basis of a document containing specific proposals submitted by the Indian Government. These proposals are dealt with individually in paragraphs 9-14.

III. RULES AND PROCEDURES FOR THE TARIFF CONFERENCE¹

4. In the course of its earlier meetings, the Committee agreed in principle that the rules for the 1956 negotiations should be adopted with suitable modifications. At its present meeting, the Committee gave further consideration to those rules, including various proposals for modification to them that were placed before the Committee.

5. Australia proposed that the rules should recognize that the aim of the negotiations would be the reduction of certain other barriers to trade as well as of tariffs and that the rules should recognize that negotiations could take place not only on customs duties and the other matters mentioned in the 1956 rules, but also on the level of import restrictions maintained under paragraph 2(c) of Article XI and on the level of those subsidies which operated directly or indirectly to reduce imports.

6. Import Restrictions maintained under paragraph 2(c) of Article XI. The Committee recognized that the CONTRACTING PARTIES had never considered the question whether these restrictions were negotiable and that the CONTRACTING PARTIES were not aware of the import restrictions which individual contracting parties would consider they were entitled to maintain as being consistent with the provisions of paragraph 2(c) of Article XI.

The Representative of Australia argued that the proposal of his Government as to the negotiability of import restrictions was limited to those restrictions which are maintained under paragraph 2(c) of Article XI; consequently, other import restrictions which could be justified under Article XI and other provisions of the General Agreement would not be affected. The proposal was

¹ It was decided to maintain the present title pending decision by the CONTRACTING PARTIES on the contents of Section II(b)(ii) of the Rules and Procedures annexed to the Report.

that countries which so wished should be entitled to negotiate concessions on import restrictions maintained under paragraph 2(c) of Article XI. In the view of the Australian Government, the provisions of that paragraph and those of paragraph 4 of Article XIII left some scope for negotiations as well as for consultation.

Some members made the following three main comments on the Australian proposal.

First, some members of the Committee pointed out that a distinction between import restrictions applied pursuant to Article XI:2(c) and those maintained under the other provisions of the General Agreement could not easily be made. Some representatives expressed their fear, that even if such a distinction were feasible - which might become possible following the consultations of Committee II - the Australian proposal risked opening the door to the negotiation of import restrictions other than those provided for in Article XI:2(c). This in turn might tend to strengthen the use of quantitative restrictions as instruments of commercial policy.

Secondly, it was questioned whether it would be right to allow negotiations on the restrictions permitted by this paragraph. They were in fact only permitted to the extent that they were "necessary" to the enforcement of certain types of governmental measures. There could hardly be any question of negotiating these restrictions, since they were either "unnecessary" in which case they constituted a violation of the Agreement, or they were "necessary" in which case there was no room for negotiation. In fact, for a contracting party to grant a concession in the form of a reduction of the level of restrictions would be equivalent to giving away something it was not entitled to possess.

Finally, some members were concerned about the fact that the administration of negotiated import quotas might be handled in a discriminatory way especially if such quotas were established on a country basis.

The Australian representative said that he recognized that a distinction should be drawn between restrictions which were "necessary" in terms of paragraph 2(c) of Article XI and those which, although they might be applied in connection with measures which limited domestic production or marketing, were not necessary to the operation of such arrangements. It was not the intention under the Australian proposal to negotiate on those restrictions which were not an integral part of the protective system and which could not be justified under that provision of the General Agreement. On the other hand, "necessary" restrictions should be regarded as negotiable in the same way as other elements of the arrangements covered by paragraph 2(c) of Article XI. It could well be that negotiations for the reduction of these restrictions would form part of wider negotiations on the products concerned.

On the point raised about the non-discriminatory application of any concessions, the Australian representative pointed out that the results of such negotiations could take the form of global quotas or of country quotas in conformity with the provisions of Article XIII. He said also that it was certainly the intention to avoid any element of discrimination arising out of such negotiations and he further pointed out that this question of the non-discriminatory application of concessions could not be confined to any negotiations of restrictions justified under paragraph 2(c) of Article XI but arose in relation to negotiations on the non-tariff matters referred to in the 1956 rules as well as in connection with tariff quotas.

7. Subsidies. The Committee considered the Australian proposal that the negotiating rules should explicitly recognize that negotiations could take place on the level of subsidies including any form of price or income support which operated directly or indirectly to reduce imports. Some members stated that they were prepared to incorporate in the negotiating rules the agreed statement of the CONTRACTING PARTIES at the Review Session: "... there was nothing to prevent contracting parties, when they negotiate for the binding or reduction of tariffs, from negotiating on matters, such as subsidies, which might affect the practical effects of tariff concessions, and from incorporating in the appropriate schedule annexed to the Agreement the results of such negotiations; provided that the results of such negotiations should not conflict with other provisions of the Agreement." (BISD, Third Supplement, page 225, paragraph 14). Other representatives preferred that the Committee limit itself to a reference to the above paragraph in this report. Others, however, whilst recognizing that the CONTRACTING PARTIES had already decided that subsidies could be negotiable simultaneously with tariffs, pointed out that they would be most reluctant to support a reference in the rules to the negotiability of subsidies unless their governments were prepared, or able to accord concessions in this field. They therefore wished to leave the question open pending further discussion by the CONTRACTING PARTIES.

The Representative of Australia argued that even if there were no earlier cases of negotiations of subsidies under the GATT and although the 1956 rules made no mention of the above-mentioned ruling of the CONTRACTING PARTIES of 1955, these facts could not be held to mean that such a step could not be taken for the forthcoming negotiations. In effect the Australian proposal only amounted to setting out explicitly in the negotiating rules what had been clearly laid down by the CONTRACTING PARTIES at the Review Session. It was the view of the Australian Government that their proposal did not go beyond the scope of the CONTRACTING PARTIES' ruling in the sense that the latter does not exclude the negotiation of subsidies on products for which the customs duty is not at the same time the subject of negotiation. The Australian representative pointed out that whilst it might be expected that as a usual practice negotiations on the level of a subsidy would take place at the same time as negotiations on the level of a tariff, there might be circumstances in which a negotiation could take place on the level of the subsidy without concurrent negotiations on the tariff. Some members of the Committee disagreed with the Australian interpretation of the 1955 ruling.

The Committee took note that the CONTRACTING PARTIES had agreed that there was nothing that prevented negotiations on subsidies simultaneously with negotiations on tariffs. However, the Committee could not at this stage agree either that it was desirable to incorporate this decision in the rules for negotiations or that the 1955 decision was as extensive as the interpretation given to it by Australia. It therefore decided to leave it to the CONTRACTING PARTIES to determine whether the negotiating rules should make reference to the negotiability of subsidies.

8. Proposals by the Government of India. The Indian Government submitted to the Committee a number of suggestions. One, relating to the negotiability of internal taxes, is dealt with in paragraph 9 hereunder; the others, relating to tariff matters, are dealt with in paragraphs 10 to 14.

9. Internal taxes. The Indian Government had proposed that internal taxes be listed in the negotiating rules as matters subject to negotiation. This proposal was taken up by Brazil and supported by others. The representatives of these countries pointed to the serious restrictive effects on imports of such taxes which particularly affected agricultural commodities like tobacco, tea and coffee. These taxes were no less effective in reducing imports than customs duties and, where they were imposed on a product which was the subject of a tariff binding in the GATT, could render that binding meaningless. Moreover the Havana Charter in an Interpretative Note to Article 17 made provision for the negotiability of internal taxes where applied to products not produced domestically in substantial quantities and the Haberler Report had recommended the incorporation in the negotiating rules of this Note. Some members considering particularly that this rule had before 1956 formed part by reference, of the negotiating rules, were prepared to have it similarly incorporated in the new rules. Other representatives, while indicating their sympathy with the proposal and the arguments put forward, referred to the difficult task of governments in search of revenue to finance ever increasing demands of a social, economic and developmental character and considered that the general complexity of the problem required further consideration by the CONTRACTING PARTIES. Agreement could not be reached and the Committee therefore refers the proposal to the CONTRACTING PARTIES (see Draft Rules and Procedures II (b)(ii)). The Representative of Brazil wished to record his disappointment for the Committee's failure to adopt this proposal to which his Government attached the greatest importance and reaffirmed his desire to see the CONTRACTING PARTIES adopt the Haberler proposal. The Representative of the United States made it clear that the United States could not negotiate reductions in its internal excise taxes. The Representatives of the Community stressed the legal difficulties which the negotiation of internal taxes raised inside the Community and recalled the doubts expressed by them at the time of the examination of the question by Committee III with respect to the real advantages which less-developed countries might derive from the reduction of internal taxes.

10. Joint Negotiations. With respect to the proposal that contracting parties be allowed to negotiate jointly on products of common concern the Committee agreed that the traditional rule in this matter, which has been maintained in the draft rules annexed hereto (paragraph II(b)(i)) was designed to permit this type of negotiation. At the same time, the Tariff Negotiations Committee was instructed in the 1956 rules (VI(c)) to facilitate negotiations on a multilateral basis including joint negotiations; this rule has been maintained and strengthened with respect to multilateral negotiations in general by an amendment proposed by the Swedish Government. Moreover there were examples of joint negotiation in the history of GATT tariff conferences.

11. Evaluation of Concessions. The Committee examined the proposal that the CONTRACTING PARTIES lay down rules for the evaluation of concessions based on the relative importance of a commodity in the exporting country, rather than its relative importance to the trade of the importing country. This proposal could not be accepted in view of the traditional attitude of the CONTRACTING PARTIES, reaffirmed at the Review Session (BISD, Third Supplement, page 219, paragraph 38) that "governments participating in negotiations should retain complete freedom to adopt any method they might feel most appropriate for estimating the value of duty reductions and bindings".

12. Ceiling Bindings. To give less-developed countries the margin of flexibility they need for meeting essential developmental needs the Indian Government proposed that the Rules allow bindings at certain ceilings rather than at existing or reduced levels. It was pointed out that this was expressly provided for in the Rules (see Annex, Section VII(a)) according to which a contracting party might "reduce the duty, bind it at its then existing level, or undertake not to raise it above a specified higher level".

13. Binding of Average Levels of Duties. The Indian Government with a view to allowing greater elasticity of movement to less-developed countries proposed that it be made possible for a contracting party to enter into commitments with respect to the average level of duties under a tariff heading or commodity group, while allowing free movement of the individual rates within that group. The Committee does not consider that commitments of this kind are ruled out by the existing negotiating rules.

14. Unilateral concessions. Members of the Committee expressed sympathy with the point raised by the Indian Government which was supported by other countries. It was pointed out however that Article XXVIII bis recognized the special needs of less-developed countries and confidence was expressed that contracting parties would bear this in mind in the course of the forthcoming negotiations. It was not considered expedient to make any change in the negotiating rules. Moreover as the Indian Government had itself indicated the problem had been taken up by Committee III.

15. Drafting of legal texts. The Committee felt it was premature to discuss the form of the instrument or instruments which would embody the results of the conference. It is proposed that this task be assigned to the Tariff Negotiations Committee (see Draft Rules VI(g)).

16. Offers of Concessions. The Committee agreed to re-affirm the established principle that the offers made by one contracting party to another shall be based on the assumption that the latter will in its offers meet all the requests addressed to it by the former.

17. The Committee recommends that the CONTRACTING PARTIES should approve the Draft Rules and Procedures annexed to this report, subject to the further examination of the proposals contained in square brackets.

IV. TIMING OF THE EXAMINATION OF THE EEC COMMON TARIFF
UNDER ARTICLE XXIV:5(a)

18. The Committee discussed the timing of the examination of the EEC common tariff in relation to the requirements of Article XXIV:5(a). It was recalled that most members of Sub-group A (Tariffs and Plan and Schedule; BISD, Sixth Supplement, page 72/73) believed that the CONTRACTING PARTIES should have an opportunity to examine jointly the common tariff at the earliest practicable date. Some delegations suggested that this examination should begin as soon as practicable after the common tariff was made available. It was noted however that the exact nature of all rates of duty in the common tariff would not be known until after the negotiations under Article XXIV:6 had been completed; a final collective judgment could not therefore take place before them. Accordingly it is recommended that the contracting parties which so wish be given an opportunity to discuss the extent to which the criteria of paragraph 5(a) are met by the draft common tariff at the time of the Sixteenth Session. The Committee considered that the CONTRACTING PARTIES may by then be in the best position to decide by which body and in what way a joint examination should be carried out.

V. NEGOTIATIONS WITH THE EUROPEAN ECONOMIC COMMUNITY

19. The Committee reaffirmed that the re-negotiations with the EEC would be conducted in accordance with the provisions of Article XXVIII, paragraphs 1, 2 and 3, and Article XXIV, paragraph 6.

20. The last sentence of Article XXIV, paragraph 6 states: "In providing for compensatory adjustment, due account shall be taken of the compensation already afforded by the reductions brought about in the corresponding duty of the other constituents of the union." Regarding concessions which might be brought about by modifications in other items, the Committee decided to recommend the following practical procedure. In this connection, the Committee had in mind that Article XXVIII, paragraph 2, includes a provision that "in such negotiations and agreement, which may include provision for compensatory adjustment with respect to other products, the contracting parties concerned shall endeavour to maintain a general level of reciprocal and mutually

advantageous concessions not less favourable to trade than that provided for in this Agreement prior to such negotiations."

- (i) The Community will submit by 1 May 1960 a list of the items bound under the GATT indicating the contracting party with which each item was initially negotiated. For each item the Community will give its views with respect to the adequacy of the "internal compensation" (i.e. the compensation referred to in paragraph 6 of Article XXIV as being "already afforded by the reductions brought about by the corresponding duty of the other constituents"). In other words; it will indicate opposite each item (a) whether it considers the "internal compensation" to be adequate; (b) whether it considers the "internal compensation", if any, to be inadequate - in which case compensation will be offered to the affected parties; or (c) whether it considers the "internal compensation" to exceed the compensation actually required - in which case the excess will be offered by the Community as compensation for modifications in other bound items.
- (ii) The above list will have the purpose of preparing and facilitating the negotiations which will start on 1 September 1960 in that it will (a) set before the CONTRACTING PARTIES the full scope of the modifications envisaged by the Six; (b) give contracting parties the Community's views on the extent to which these modifications may be compensated by other modifications affecting the same item or affecting other items; and (c) eliminate, before the beginning of the Conference, the need for negotiation of all those items in respect of which the affected parties consider the Community's offers (under (i)(a) and (c) above) satisfactory.
- (iii) Contracting parties which so wish may submit to the Community as soon as possible after receipt of the May 1960 list, a notification of the items of which they are initial negotiators or in which they consider themselves to have a principal supplying or substantial interest. At the same time, contracting parties may submit to the Community for its guidance lists of items on which they would wish to request compensation.
- (iv) At the opening of the Conference the Community will make offers of compensation for all those modifications for which compensation was promised under (i)(b) above in the list submitted on 1 May. Contracting parties will examine these offers together with those contained in the Community's list mentioned in paragraph (i)(a) and (c) above. If a contracting party finds the Community's compensation offer satisfactory the negotiations under Article XXIV:6 between that contracting party and the Community will be considered as having been concluded. Any contracting party which is not satisfied with the compensation offered and which is entitled under paragraph 1 of Article XXVIII to enter into negotiations and/or consultations with the Community, shall, as soon as

possible after the beginning of the Conference, notify to the Community its intention to enter into negotiations, in respect of the items of which it is the initial negotiator or considers itself to have a principal supplying interest, and into consultations in respect of the items in which it considers itself to have a substantial interest."

21. The Committee noted that the binding of a rate in the Community's schedule would take full effect only at the end of the transitional period. Article 23 of the Rome Treaty provided the framework within which each national rate would move during the transitional period towards the point at which it would coincide with the Common Tariff rate. Article 24 of the Treaty, however, gave Member States the freedom to modify these duties more rapidly than is provided for in Article 23. Concern was felt by the Committee lest a Member State should increase the duty on a bound item more rapidly than the other Member States decrease their duties on the same product. In this connexion, the Representative of the Commission, speaking on behalf of the Six, made the following statement:

"The Member States of the Community declare that in case one of them should wish to accelerate the process of alignment on the Common External Tariff, the Community would see to it that this be done in a synchronized and balanced manner, regard also being had to the general balance of the concessions. They further declare that they have no intention of using Article 24 or Article 26 of the Rome Treaty in such a manner as to prejudice the interests of the other contracting parties."

The Committee took note of this statement. It was recalled that if a contracting party should feel that prejudice was caused to its interests as a result of accelerated adjustments of duties during the transitional period, that contracting parties could resort to the provisions of Articles XXII and XXIII of the Agreement. The Representative of the Commission agreed that transitional rates as provided for under Articles 24 and 26 of the Rome Treaty were negotiable.

22. The question of the Associated Territories of the EEC was raised with respect to the possibility that they might also be engaged in the general round of negotiations. It was pointed out that the EEC could negotiate only in respect of its common tariff. It was open to the Associated Territories or to the Member States which still have responsibility for the external commercial relations of those territories freely to decide whether they would wish to participate in the tariff conference.

23. The Representative of the Commission asked the Committee whether the Six would be entitled to consider that, if it was recognized that the general level of the common tariff was lower than the incidence of the present tariffs, the Community might be credited with the difference which could be utilized in further multilateral negotiations by the Community. This question was not discussed by the Committee.

ANNEX

RULES AND PROCEDURES FOR THE TARIFF CONFERENCE
COMMENCING IN GENEVA ON 1 SEPTEMBER 1960

I. Scope and Time-table of the Conference

The CONTRACTING PARTIES, wishing to hold at the same conference

- (i) a general round of negotiations between contracting parties for new concessions;
- (ii) negotiations for accession to the General Agreement of Cambodia, Israel and any other government invited for this purpose by the CONTRACTING PARTIES;
- (iii) re-negotiations by the Members of the European Economic Community under Article XXIV:6;
- (iv) re-negotiations under Article XXVIII,

decided, at the Fourteenth Session

- (i) to convene the Conference on 1 September 1960 and that the first part of the Conference will be devoted to the carrying out of re-negotiations under Article XXIV:6 with the European Economic Community with a view to concluding such re-negotiations by Christmas 1960, and thereby initiating the negotiations for new concessions in good time;
- (ii) to urge all the participating governments to make the necessary arrangements and to give the necessary instructions to enable their delegations to conclude the re-negotiations under Article XXIV:6 by Christmas 1960;
- (iii) taking into account what is said in paragraphs (i) and (ii) above, to set 2 January 1961 as a target date for the opening of negotiations for new concessions;
- (iv) to agree that, for reasons of convenience, any re-negotiations which governments intend to undertake before the end of the three-year period of firm validity, should take place during the first part of the Tariff Conference, i.e. from 1 September 1960 to 24 December 1960; and that, to that effect, these governments be invited to submit any notifications under Article XXVIII as early as possible and not later than 15 July 1960;
- (v) to give to Cambodia, Israel and to any other government invited to negotiate with a view to accession at this time, an opportunity to carry out such negotiations during the second part of the Conference, i.e. during the early part of 1961.

II. General Round of Negotiations

(a) Aim of the Negotiations

The CONTRACTING PARTIES, recognizing that customs duties /and other measures/ often constitute serious obstacles to trade, have decided to hold negotiations based on the principles of Article XXVIII bis of the General Agreement and conducted with due regard to the objectives of the General Agreement.

The negotiations shall be directed towards the reduction of the general level of tariffs and other charges on imports and, in particular, to the reduction of such high tariffs as discourage the importation of even minimum quantities and shall aim at the exchange of reciprocal and mutually advantageous concessions. To the extent that contracting parties are able to negotiate mutually satisfactory concessions, negotiations may also be held on non-tariff barriers as provided in (b)(ii) below. Governments participating in the negotiations shall endeavour through common effort to ensure that the results of the negotiations are as great as practicable.

(b) Scope of the Negotiations

(i) Participating countries may request concessions on products of which they individually, or collectively are, or are likely to be, the principal suppliers to the countries from which the concessions are asked. This rule shall not apply to prevent a country not a principal supplier from making a request, but the country concerned may invoke the principal supplier rule if the principal supplier of the product is not participating in the negotiations or is not a contracting party to the General Agreement.

(ii) Participating countries may also enter into negotiations in accordance with these rules in respect of the following matters:

- the protection afforded through the operation of import monopolies, as provided in Articles II and XVII (including the interpretative notes thereto);
- internal quantitative regulations as provided in paragraph 6 of Article III; (mixing regulations)
- the level of screen quotas as provided in Article IV;
- ~~- import restrictions as provided in paragraph 2(c) of Article XI;~~
- the level of a subsidy which operates directly or indirectly to reduce imports;
- internal taxes.¹

¹Those additions in square brackets above give expression to proposals made to the Committee by Australia and India. The Committee reached no conclusions and decided to refer the question to the CONTRACTING PARTIES. For the discussion of these proposals, see paragraphs 6, 7 and 9 of the Report.

(c) Multilateral Character of the Negotiations

Participating governments agree to make a maximum effort towards achieving the objectives of the negotiations in accordance with Article XXVIII bis of the General Agreement and other relevant provisions; and to this end shall co-operate to further their multilateral character by making overall concessions commensurate with the overall concessions received.

III. Accession to the General Agreement

As mentioned above, Cambodia, Israel and any other government which may be invited by the CONTRACTING PARTIES will be given an opportunity to carry out negotiations with a view to acceding to the General Agreement. The procedural steps are the same as those for contracting parties. In granting tariff concessions, acceding governments will take into consideration the indirect benefits which they will receive from the concessions exchanged between contracting parties at earlier conferences and those which will result from new negotiations among contracting parties. Similarly, all the participating governments will be expected to take into consideration the indirect benefits which they will receive from the negotiations between the acceding governments themselves and between them and the contracting parties.

IV. Negotiations under Article XXIV:6

The time-table for these negotiations is contained in Sections I and VIII.

V. Re-Negotiations under Article XXVIII

The time-table for these negotiations is contained in Section I.

VI. The Tariff Negotiations Committee

With a view to facilitating the negotiations and ensuring the fullest possible multilateral effort to achieve their objectives, a Tariff Negotiations Committee, composed of all the governments which have submitted consolidated lists of offers, shall be established. When dealing with the re-negotiations mentioned under (d) below, the Committee shall be composed of all interested parties within the terms of Article XXVIII:1. The functions and terms of reference of the Committee shall be the following:

- (a) The Committee shall exercise its good offices for the purpose of achieving the maximum practicable progress towards the objectives of the Conference.
- (b) The Committee shall review the consolidated offers as soon as practicable after the opening of the negotiations, at any time deemed appropriate and useful during the Conference and again in the final phase of the negotiations; provided that the opening of negotiations bilaterally shall in no way be conditioned upon the carrying out of the initial review referred to above.
- (c) The Committee should consider the possibilities of furthering the multilateral character of the negotiations, for example through examining the lists of requests before the opening of the second stage of the Conference.

Furthermore, the Committee shall be at the disposal of any country or group of countries to arrange for negotiations on a triangular or multilateral basis to improve the scope of concessions.

- (d) The Committee shall follow closely the course of the re-negotiations under Article XXIV:6 and those under Article XXVIII, review their progress from time to time, and assist participating countries in eliminating difficulties which might be holding up their re-negotiations.
- (e) Upon the request of any participating country, the Committee shall consider any problems that such country may believe are impeding or unduly delaying the successful conclusion of negotiations.
- (f) The Committee may give advice and make recommendations on any of the foregoing matters and in so doing shall be guided by the principles of Article XXVIII bis and any other relevant provisions.
- (g) The Committee will draft the instrument or instruments, which will embody the results of the negotiations. The draft or drafts will be submitted, if necessary by postal ballot, to the CONTRACTING PARTIES for their approval.

Participating governments shall give full consideration to the advice and recommendations of the Tariff Negotiations Committee. Each country retains the right to determine for itself whether to accept such advice or recommendations and to decide on the basis of its own assessment whether to accept the results of the negotiations.

The Committee shall appoint a Tariff Negotiations Working Party to assist in the conduct of the negotiations and may appoint such other subsidiary bodies as may assist the Committee in carrying out its functions.

The Committee shall make arrangements to prevent the disclosure of confidential material.

VII. Methods of Negotiation

The negotiations shall be conducted in accordance with the following rules:

- (a) The negotiations shall 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 /or other form of protection/, bind it at its then existing level, or undertake not to raise it above a specified higher level.
- (b) No participating government shall be required to grant unilateral concessions, or to grant concessions to other governments without receiving adequate concessions in return.

- (c) The binding against increase of low duties or of duty-free treatment shall, in principle, be recognized as a concession equivalent in value to the reduction of high duties. This rule takes account, inter alia, of the position of countries which, whilst maintaining low or moderate duties on all or most of the products imported from their principal suppliers, find their exports or potential exports generally impeded by high rates of duty.
- (d) In so far as negotiations relate to preferences, the applicable provisions of the General Agreement shall be applied in accordance with the rules, as relevant, followed hitherto in negotiations sponsored by the CONTRACTING PARTIES.
- (e) Participating governments will be expected to take into consideration the indirect benefits which they will receive from the negotiations between other governments.

The participating governments shall refrain from increasing tariffs and other protective measures inconsistently with the principles of the General Agreement and with the object of improving their bargaining position in preparation for the negotiations.

VIII. Preparations for the Conference

In preparation for the negotiations the following time-table shall be observed:

A. General round of Negotiations

1. In order to facilitate the task of the United States authorities preliminary lists of products were to be sent to the United States Government in August or September 1959. If a country should need more time the United States would still take into consideration lists received before 31 October 1959. Forty copies should be sent to the secretariat at least by 31 October 1959 for distribution to contracting parties.
2. Lists of requests with the indication of the rates requested would be submitted not later than 1 August 1960. Forty copies should be sent simultaneously to the secretariat for distribution to the contracting parties.
3. As early as possible, but at the latest simultaneously with the lists of requests, each participating government shall send to the Executive Secretary two copies of the latest edition of its Customs Tariff and of its foreign trade statistics for 1958 and 1959. The same information should be sent to any other contracting party which requests it, together with such additional information as may be requested and is readily available.
4. Consolidated lists of offers should be prepared in time for distribution on the day the general round of negotiations opens.
5. Models for the lists mentioned in paragraphs 1, 2 and 4 of Section A above are attached hereto.

B. Negotiations for Accession

Procedurally, acceding governments are required to submit the same kinds of lists and to follow the same time-table as contracting parties. Models for the lists mentioned in paragraphs 1, 2 and 4 of Section A above are attached hereto.

C. Negotiations on the Common Tariff of the European Economic Community under Article XXIV:6

1. The Commission of the EEC agreed to submit towards the end of 1959 its Common Tariff, including rates for the large part if not all of the products contained in List G annexed to the Rome Treaty.
2. The Community will submit by 1 May 1960 a list of the items bound by the Six under the GATT indicating opposite each item: the contracting party with which each item was initially negotiated; and (a) whether it considers the "internal compensation" to be adequate; (b) whether it considers the "internal compensation", if any, to be inadequate; or (c) whether it considers the "internal compensation" to exceed the compensation actually required.
3. At the same time as the list of bound items the Community will furnish statistical information on imports into the territories of the Six as a whole for 1958; statistical information relating to 1959 might have to be sent at a later date. The Community would, of course, supply supplementary data on request in the course of the negotiations.
4. Contracting parties which so wish may submit to the Community as soon as possible after receipt of the May 1960 list, a notification of the items of which they are initial negotiators or in which they consider themselves to have a principal supplying or substantial interest. At the same time, contracting parties may submit to the Community for its guidance lists of items on which they would wish to request compensation.
5. At the opening of the Conference on 1 September 1960 the Community will make offers of compensation for all those modifications for which compensation was promised under 2(b) above in the list submitted on 1 May.

Models of Lists mentioned in Rules and Procedures, Section VIII B

GATT TARIFF NEGOTIATIONS 1960/61

List of the Products on which ... (country) ...
intends to request Concessions from the United States

Item number	Description of Products

GATT TARIFF NEGOTIATIONS 1960/61

Tariff concessions which ... (country) ...
requests from ... (country) ...

Tariff Item number	Description of Products	Present rate of duty	Requested rate of duty

GATT TARIFF NEGOTIATIONS 1960/61

Consolidated list of offers by ... (country) ...

Tariff Item number	Description of Products	Present rate of duty	Requested rate of duty	Offers	
				Concession offered	Countries to which offer is made