

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

L/1844

8 October 1962

Limited Distribution

PROCEDURES FOR TARIFF REDUCTIONS

Note by the Executive Secretary

A. Objectives of the Plan

1. In the Conclusions drawn up at the end of the ministerial meeting on 30 November 1961 it was agreed that "the reduction of tariff barriers on a most-favoured-nation basis in accordance with the terms of the General Agreement should be continued" but recognized that "traditional GATT techniques for tariff negotiations on a commodity-by-commodity and country-by-country basis ... were no longer adequate to meet the changing conditions of world trade". They agreed therefore that consideration should be given to "the adoption of new techniques, in particular some form of linear tariff reduction". This consideration should be undertaken "in the light of the views and proposals put forward during the Ministers' discussions".
2. In these discussions the idea was expressed that the principles on which the GATT was based should not be forgotten in the search for a new approach. In particular the most-favoured-nation clause should not be abandoned.
3. It was widely felt that the successful application of linear tariff reductions within the EEC and EFTA demonstrated the practicability of this approach provided that all participating governments possessed adequate negotiating powers.
4. The Ministers in their Conclusions recognized that "full account would have to be taken of the differing characteristics of the trade, tariff levels, and economic structure of contracting parties and the problems which arose for countries exporting only a few commodities". They also reiterated the principle that "a more flexible attitude should be taken with respect to the degree of reciprocity" to be expected from the less-developed countries.

B. Problems the Working Party should Examine

Adoption of linear approach

5. The Working Party might first attempt to define the central aim of the Plan - its overall scope and the staging and depth of the cuts. In this connexion the ministerial Conclusions mention "in particular some form of linear tariff reduction", an expression usually taken to mean the reduction of each rate in participating countries' customs tariffs in a base period by a fixed percentage. Inherent in this type of proposal there would appear to be a recognition that what should be aimed at is a collective approach to trade liberalization which might be expected to lead to an expansion of international trade to the benefit of all. In this context the concept of reciprocity country-by-country would be less relevant than it has been in negotiations based upon the traditional techniques.

Staging and depth of cuts

6. On the staging and depth of the cuts, reference was made in the Ministerial discussion to a "50 per cent reduction in all customs duties within the next five years". It may be noted that the powers obtained by the United States Administration under the Trade Expansion Act of 1962 would not exclude this possibility. The Working Party might accordingly take this proposal as the starting point of their discussions. The general target of a 50 per cent reduction should not exclude the possibility that some governments or groups of governments might wish to go beyond this for particular products or groups of products. For example the Trade Expansion Act of 1962 indicates that the United States Government would be prepared to go beyond a 50 per cent reduction even to the complete elimination of duties on products where the United States and the EEC are dominant suppliers on the export market, providing that the EEC would do the same. The same legislation also contains proposals for the elimination of duties whose incidence is 5 per cent or less. It has been suggested that industrial countries might be prepared to cut duties by more than 50 per cent on other items such as tropical products which they do not themselves produce and on industrial raw materials.

Exceptions

7. An important question which the Working Party might ask itself is whether the basic reduction would be applicable to all tariff items or whether there would be some exceptions, either partial or total. The effectiveness of the Plan clearly depends on keeping any exclusions to a minimum. One approach may be to negotiate a common list of exceptions. The construction of a common list might, however, raise difficulties as the items on it would tend to have differing weights in the import trade of individual participating governments. A further problem on the single-list approach is of course that, once a product is on the list, no country would reduce its tariff on that item. The alternative would appear to be negotiated individual lists for each participating country.

Agricultural exports

8. Specific exceptions are referred to in paragraph 7 above, but the Working Party may recognize that, while access for many agricultural products is governed solely by the tariff, access to markets for other agricultural goods is governed by other factors. Ministers here indicated that these latter products should be the subject of separate but collateral negotiations the outcome of which will undoubtedly condition the willingness of exporters of these products to play a full part in the tariff reduction plan.

Special problems

9. In addition to the special problems referred to in the Ministerial Conclusions (see paragraph 4) it has also been suggested that discussion of far-reaching reductions in duties raise additional problems such as those that have presented themselves in plans for total tariff elimination in connexion with schemes for economic integration.

Position of less-developed countries

10. Given the economic circumstances of these countries, it would be unrealistic to expect them to undertake the same basic commitments under the plan as economically more advanced countries. Various approaches to this problem might be examined. One such approach would be to make the basic commitments of the plan less rigorous for the developing countries. These countries might undertake a lesser linear reduction, say 25 per cent instead of 50 per cent, or alternatively might make the same reductions as other participating countries, but over a longer period, say ten instead of five years. Another approach would be to recognize that exceptions would be much more extensive for less-developed countries and these would include import duties primarily imposed for revenue purposes and duties required for development purposes. As regards other duties there appears to be a considerable contribution which could be made by less-developed countries with advantage to these countries themselves. Moreover such reductions would have particular importance in trade between less-developed countries. Under this approach consultations with individual less-developed countries might be envisaged at which their contribution to the Plan could be discussed, taking into account the particular circumstances of each case.

Principal supplier rule

11. It should be borne in mind that it is clearly desirable that all major trading countries should participate in the plan. It has been suggested that the non-participation or partial participation of some countries in the plan would make necessary the introduction of some form of principal supplier rule, but this rule would appear to be less relevant to the type of plan under discussion than to the traditional method of negotiation. Such problems as may arise could be dealt with in establishing the exceptions referred to above.

Procedural arrangements

12. The Working Party may also wish to consider the administrative arrangements necessary for the development and implementation of the plan. These would probably fall into three stages. The first stage, which would be the responsibility of the Working Party, would be devoted to a discussion of general objectives and the establishment of basic rules. The second stage would involve a decision by the CONTRACTING PARTIES to proceed with the plan. During the third stage, a conference would be charged with the negotiation of commitments to be undertaken by participants, lists of exceptions, contributions of individual less-developed countries, etc., and with the actual implementation of the plan.