

AD HOC COMMITTEE ON AGENDA AND INTERSESSIONAL BUSINESSREQUEST BY THE GOVERNMENT OF INDIA FOR AUTHORITY TO
RENEGOTIATE SEVERAL ITEMS IN SCHEDULE XIIDraft Report to the CONTRACTING PARTIES

1. The Committee was convened, in accordance with the procedures agreed upon by the CONTRACTING PARTIES at their Eighth Session (cf. G/54), to examine a request from the Government of India for authority to renegotiate nine items in Schedule XII. During the discussions at the Eighth Session on the prolongation of the assured life of the schedules until 30 June 1955, it was agreed that the CONTRACTING PARTIES would give sympathetic consideration to any request from a contracting party, which felt the need in exceptional circumstances to modify a bound rate of duty, to enter into renegotiation with the contracting party with which the concession had been initially negotiated.
2. [A summary of the statement by the representative of India will be inserted.] (see Sec/17/54 attached)
3. Having heard the representative of India and having considered the circumstances in which the Government of India had decided to make this request, the Committee agreed to grant authority to enter into renegotiations. This request was granted on the understanding that, as a result of the renegotiations, the concessions in Schedule XII will be no less favourable to the trade of other contracting parties than those at present contained in that Schedule. Further, it was understood that any failure to reach agreement as to the adequacy of the compensation offered by the Government of India could be referred to the Committee by any of the governments concerned.
4. Some members of the Committee and the observers for several other contracting parties claimed to be substantially interested in India's trade in these products and therefore requested the right to be consulted in the negotiations. The following list of contracting parties which have substantial interest in the renegotiations was established:

Tariff items to be renegotiated (as listed in SECRET/7)	Contracting parties with which the concessions were initially negotiated	Other contracting parties having a substantial interest
First item	Canada	
Second "	United States	
Third "	France	
Fourth "	United States	
Fifth "	Benelux	
Sixth "	Czechoslovakia and Germany	
Seventh "	United States	
Eighth "	Czechoslovakia	
Ninth "	United States	

In addition the observer for Japan claimed that his Government had a substantial interest in the and items and the representative of India agreed that Japan would be consulted in these renegotiations. Should any other contracting party wish to claim substantial interest it should communicate with the Government of India. If no agreement should be reached as to its right to be consulted in the renegotiation the Committee will be asked to decide.

5. The Committee established the following procedures for the renegotiations:

- (i) The renegotiations will follow the multilateral pattern of the GATT tariff conferences. They will be held in Geneva, commencing on Monday 5 April 1954, and will be serviced by the secretariat.
- (ii) The Government of India may arrange to conduct discussions in advance of the multilateral renegotiations if it so desires, it being understood that no renegotiation will be considered to be concluded prior to the close of the renegotiations in Geneva.
- (iii) As soon as possible (and in any case not later than the opening of the renegotiations) India will submit its offer of compensation for each item to the contracting party with which it was initially negotiated. Copies of all such offers will be sent to the Executive Secretary who will distribute them to the other governments having a substantial interest in the item concerned. After the opening of the renegotiations any delegation having a substantial interest may seek consultation with the Indian Delegation concerning the adequacy of the compensation offered.

- (iv) Copies of all offers, and of changes therein as the renegotiations proceed, will be sent to the Executive Secretary for distribution to the delegations having substantial interest in the items concerned.
- (v) When the renegotiation on any item is completed the Indian Delegation and the delegations of the governments to which the compensatory concessions are granted will submit a joint report to the Executive Secretary listing the changes to be made in Schedule XII under the following headings:

Withdrawal and Modification of Concessions

- a) Items to be withdrawn, and
- b) Concessions on which the bound rates of duty are to be increased.

New Concessions granted as Compensation

- c) Concessions on which bound rates of duty are to be reduced, and
- d) New items to be inserted.
- (vi) When the Executive Secretary receives the report on the renegotiation on any item he will inform the members of the Committee and will send copies to other contracting parties. If no contracting party lodges an objection within 30 days the Government of India will be free to make the changes effective. In the event of an objection being lodged the Committee will be reconvened.
- (vii) If the Indian Delegation reports to the Executive Secretary that no agreement has been reached in the renegotiation on any of the items, a meeting of the Committee will be convened to consider the matter.

117

19 February 1954

To be inserted in Draft Report.

2. The Committee examined the case submitted by the Indian Government and bore in mind the following circumstances: the Indian Government introduced a five-year plan of economic development which threw exceptional strain on the revenue both of the public and private sectors. India relied to a large extent on the proceeds of export duties for the financing of this plan. As a result of the fall in the prices of India's export commodities, the yield of export taxes has been very substantially reduced and in order to meet this deficiency, the Indian Government had to find other resources. The Federal Government is restricted in its sources of revenue. A large proportion of its income is derived from customs and excise; sale tax is reserved to the governments of the States. The fiscal policy of the Indian Government is that excise taxes are not levied on imported goods and are only introduced when there is a substantial production of the goods in India. The Indian representative stated, in this connection, that the introduction of excise duties on the items under consideration will not be consistent with those principles.

The Indian Government came therefore to the conclusion that the necessary funds could only be obtained from an increase in revenue duties and before seeking release on bound duties, it has increased duties on unbound items over a wide front. The additional revenue obtained from this source will however be insufficient to meet the need of the Federal Exchequer. For these reasons, the Indian Government is obliged to readjust some of its bound rates of import duties. Except for one item where the proposed increase in duty results from a recommendation of the Tariff Commission and would give protection to a directly competitive product which is domestically produced in India, the request was primarily based on the need to meet exceptional difficulties in the financing of the five-year plan.

2.a. The Committee also noted that the Indian Government had given clear notice at the Eighth Session that it would shortly ask for readjustments in respect of a list of items on which, for revenue purposes, the bound rates of duties would have to be increased. But, for its desire to reduce its application to a minimum, the Indian Government would have submitted its request at the

Session and could have expected then to obtain the same consideration as other contracting parties who submitted similar requests. It was also recognized that these facts were taken into consideration by the CONTRACTING PARTIES when they approved the paragraphs of the Report on the continued application of the Schedules which refer to the intersessional procedure.

2.b. The Indian case also included references to the need for increased protection of the case of revenue tariff items, to the need to readjust specific duties by reference to current prices, and to the need to conserve foreign exchange. It was generally recognized by the Committee that these factors were of such widespread occurrence that they did not constitute exceptional circumstances.