

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

IC/W/29
22 October 1954

Ad Hoc Committee on Agenda and Inter-Sessional Business

DRAFT REPORT OF THE INTERSESSIONAL COMMITTEE

Report submitted to the CONTRACTING PARTIES on the work of the Committee between the Eighth and Ninth Sessions

1. The Committee has met on three occasions since the Eighth Session: 18 - 20 February, 26 July - 3 August and 26 - 27 October. The discussions at the first two meetings are summarized in IC/SR.12-17, and the summary record of the October meeting will appear in IC/SR.18. The Committee has examined the questions which were specifically referred to it at the Eighth Session and has dealt with other questions requiring urgent attention such as a request from the Government of Japan that its application for an opportunity to enter into negotiations with contracting parties be re-examined. At each of these meetings, the Committee has also examined, in the light of the procedures adopted at the Eighth Session, applications from contracting parties for authority to renegotiate bound rates of duty. Finally, the Committee has considered the matters likely to arise at the Ninth Session, has examined the adequacy of the documentation and has made recommendations as to the order of business and the conduct of the Review of the Agreement. This report reviews the work and records the recommendations of the Committee.

Arrangements for the Ninth Session and for the Review

2. At the July and October meetings the Committee considered the arrangements for the Ninth Session and for dealing with the Review of the Agreement and reviewed the items on the Provisional Agenda. The Committee's recommendations as to the order of business will be found in the Annotated Agenda (IC/W/28). The July meeting was attended by the fifteen members of the Committee, while fourteen other contracting parties were represented by observers and, in view of the importance attached to the questions on the Agenda, five of these asked that their representatives be co-opted as full members.

3. The Committee decided that the Review should be conducted as one of the items on the Agenda of the Ninth Session. In order to meet the wishes of some contracting parties for additional time to prepare for the Review, the opening of the Session was postponed from 14 to 28 October, and 8 November was fixed as the date for the commencement of the discussions on the Review. A number of contracting parties indicated that their delegations would be led by Ministers. The Committee considered that the most appropriate time for Ministers to be present would be

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during the plenary discussions on the Review and therefore decided that the plenary meetings on the Review having begun on 8 November would continue without interruption. It is the intention of the Committee that this arrangement should afford the CONTRACTING PARTIES an opportunity to make considerable progress with other items on the agenda and to appoint working parties for such items before the discussions on the Review begin. Although the discussions on the Review will be pursued continuously, the working parties on other agenda items should submit their reports to the CONTRACTING PARTIES for approval as soon as they are ready. Further, in order to expedite the work, the Committee appointed a Budget Working Party and arranged for it to meet in advance of the Session so that its recommendations could be submitted when the Session opens. This Working Party met on 21 and 22 October and its report is ready for submission to the CONTRACTING PARTIES.

4. In deciding upon the date for the commencement of the Review, the Committee took into account the views of the representative of Chile who drew attention to the fact that a Conference of American States was to open in Rio de Janeiro on 22 November and who thought that the Review should be postponed until the decisions of the Rio Conference were known. In view of the expectations that the Rio Conference would finish its work before final decisions are taken in the Review, the Committee considered that the Review could begin as early as 8 November.

5. The Committee was instructed by the CONTRACTING PARTIES to prepare an annotated agenda for the Review based on the proposals and suggestions submitted by governments. Owing to the delay in the submission of proposals, it has not been possible for the Committee to carry out this task, and it is suggested that this be left to the Chairman, the two Vice-Chairmen and the Executive Secretary in consultation with interested delegations. The general arrangements for the conduct of the Review might also be delegated to these officers.

6. At the July meeting the Committee instructed the Executive Secretary to provide as from 8 November sufficient services for a plenary session and one working party meeting or for three working party meetings to be held simultaneously. The implications of this instruction were considered at the meeting in October and the Committee decided to submit a proposal for the conduct of the Review which appears to be the most practical in the light of that instruction. In order to avoid a multiplicity of working parties, it is suggested that, when the plenary discussion on the Review has been held, three principal working parties should be established:

- (i) a working party to deal with tariff matters, including the schedules to the Agreement and questions of customs administration;
- (ii) a working party on the so-called "Trade Rules", to which could be referred questions affecting balance-of-payment restrictions and relations with the IMF, agricultural restrictions, subsidies and other questions affecting commercial policy not covered by the tariff working party;
- (iii) a working party to study organisational and functional questions, including particularly the establishment of an organisation.

It is contemplated that these principal working parties would appoint subordinate groups to examine and report on particular questions. This arrangement should facilitate the discussion of inter-related issues, and should also greatly simplify problems of representation for delegations and of staffing for the secretariat. In addition, it will be necessary, at a later stage of the Review, to appoint a legal drafting group. The foregoing recommendation is submitted, also, in the light of the proposal by the Budget Working Party at the Eighth Session that the Committee should consider whether the preparation of a programme of work might avoid delay and lead to a shortening of the Session.]

Plans for Tariff Reduction (Item 4 of Provisional Agenda)

7. At the Eighth Session the CONTRACTING PARTIES instructed the Committee

"(a) to make arrangements for the completion of the technical examination of the French proposal, the 'Low Tariff Club' proposal submitted by the Council of Europe, and any other proposals which might be submitted by governments, and

"(b) to pursue at such time as might seem appropriate having regard to the prospect of further progress in the process of tariff reduction, the examination of the questions of principle raised by the proposals against the background of the broader question of the adequacy of the present negotiating procedures."

8. The Committee noted that some governments were prepared to participate in a tariff negotiation based on the principles of the report adopted at the Eighth Session (cf. L/210) and that a few of them would even be in favour of starting such negotiations among a limited number of countries. The Committee considered, however, that as the views expressed by other representatives did not provide the basis for a fruitful examination, prior to the Ninth Session, of the questions of principle raised by the proposals, it would not be useful meanwhile to pursue the examination of their technical aspects. Accordingly the Committee came to the following conclusion:

"Having heard the views of delegations on the desirability of arranging for further action with respect to tariffs and their views on the establishment of adequate procedures, taking into account the French Government's proposal for the adoption of revised procedures of negotiation as well as the suggestion for a further round of negotiations on the Geneva and Torquay pattern, the Committee recommends to the contracting parties that they should endeavour to be in a position at the opening of the Ninth Session to examine this question further in connection with the Review of the Agreement."

Accession of Japan (Item 6 of Provisional Agenda)

9. A letter from the Japanese Government (L/205), was referred to the Committee in July. In this communication the Government of Japan recalled the developments since it first requested in July 1952 an opportunity to accede to the Agreement and enquired whether, since there now appeared to be no obstacles to proceeding with tariff negotiations, the CONTRACTING PARTIES could make the necessary arrangements in the near future. A number of representatives indicated that their governments would be prepared to enter into negotiations with Japan and some others stated that, although not able to commit their governments to negotiate, they would not oppose the making of arrangements for negotiations by other contracting parties with a view to Japan's accession. Some reserved their position. The Committee decided to recommend that arrangements be made for negotiations to commence on 1 February 1955. The following is the full text of the recommendation:

"The Committee noted that a number of delegations had supported the request, and that some of these had stated that their governments were prepared to enter into negotiations. Other delegations had made reservations as to the desirability of arranging for negotiations or as to the proposed timing of the negotiations.

"The majority of delegations, however, had supported the Japanese request, and the Committee, therefore, decided to recommend, for the consideration of the CONTRACTING PARTIES at their Ninth Session, that arrangements be made for negotiations to be held in Geneva commencing 1 February 1955 in accordance, generally, with the procedures adopted for the Anney and Torquay negotiations in connection with accession to the Agreement.

"It was agreed that contracting parties which would wish to participate in such negotiations, if the CONTRACTING PARTIES should adopt the Committee's recommendations, should make every effort to so notify the Executive Secretary not later than 15 September 1954. Arrangements for the exchange of lists and trade data could then be made between such country and Japan, except that lists of requests for concessions should be exchanged not later than 31 October."

Status of Schedules after 30 June 1955 (Item 5 of Provisional Agenda)

10. Although not specifically referred to the Committee, the question of the future status of the Schedules entered into the discussion of plans for tariff reduction and for the accession of Japan. The Committee decided to have an informal exchange of views and to leave the question for formal consideration at the Session. Some representatives said that their governments would favour a further extension of the assured life of the Schedules in order to ensure continuing tariff stability, although some indicated that they would wish, first, to have an opportunity to modify some of their concessions under the procedures

of Article XXVIII. As a result of this discussion the Committee concluded that specific recommendations on this question would be premature and decided to recommend that the question of further extending the assured life of the Schedules should be taken up early in the Session. The following is the text of the recommendation:

"Having heard the views of delegations on the question of prolonging the assured life of the Schedules beyond 30 June 1955 and, in that event, of affording an opportunity for contracting parties to modify concessions within the limits of Article XXVIII, and in particular having heard the statements by the representatives of several governments concerning the changes which must be made in their Schedules consequent upon general tariff revision or changes in nomenclature, the Committee recommends to the CONTRACTING PARTIES that consideration of this matter be taken up early in the Ninth Session."

11. During the discussion of this question the observer for Austria informed the Committee that his Government was revising the Austrian tariff and that it would be necessary to modify the concessions agreed upon at Torquay; the tariff nomenclature proposed by the Customs Cooperation Council was being adopted, some rates of duty were being changed from a specific to an ad valorem basis and, in addition, the Government wished to increase some rates of duty. Therefore, the Austrian Government wished to enter into negotiations with other contracting parties concerning the changes involving modification of rates of duty and hoped that they could be concluded by 30 June 1955 (cf. L/217).

Methods of Valuation (Item 8(a) of Provisional Agenda)

12. At the Eighth Session the CONTRACTING PARTIES adopted a working party report (G/57) which recommended that the Committee should consider what aspects of the question of valuation for customs purposes should be studied by the CONTRACTING PARTIES and to establish a programme of work. In view of the fact that the CONTRACTING PARTIES are going to review the provisions of the Agreement, the Committee recommends that the examination of valuation methods which was begun at the last Session should be carried further in connection with the review of Article VII. The Committee instructed the Executive Secretary to issue a questionnaire soliciting further information from the contracting parties concerning their valuation practices so as to ensure that at the Ninth Session the CONTRACTING PARTIES would have comprehensive statements on the valuation methods employed. Contracting parties have been asked to submit their replies to the questionnaire (L/228) by 10 November. The Committee has recommended that consideration of valuation methods be taken up together with other questions of customs administration after 21 November at which time it is expected that the experts in this field will be present.

13. The Committee further recommends that, in the review of the provisions relating to valuation, account be taken of the appropriate rôle of the CONTRACTING PARTIES and of the Customs Cooperation Council in Brussels which also has responsibilities in this field from the point of view of customs technique.

Federation of Rhodesia and Nyasaland (Item 10 of Provisional Agenda)

14. The CONTRACTING PARTIES instructed the Committee to prepare the changes with respect to the Agreement made necessary by the formation of the Federation of Rhodesia and Nyasaland. The Committee's recommendations are set out in document MFT/25/54.

Request for Authority to Renegotiate Bound Items

15. Several contracting parties have had recourse to the renegotiation procedures laid down by the CONTRACTING PARTIES at their Eighth Session in connection with the prolongation of the assured life of the Schedules until 30 June 1955. It was then agreed that the CONTRACTING PARTIES would, in exceptional circumstances, give sympathetic consideration to any request from a contracting party which felt the need to modify a bound rate of duty and desired to enter into negotiations to that end, and the Intersessional Committee was instructed to deal urgently with any application which might be received at a time when the CONTRACTING PARTIES were not in session. Applications referred to the Committee in accordance with these procedures were dealt with at each of the three meetings.

16. The February meeting was convened especially to deal with a request from the Government of India for authority to enter into negotiations to modify the bound rates of duty on nine items. The Committee granted this authority on the understanding that the negotiations would be conducted with a view to maintaining the general level of India's concessions, and it was understood that any failure to reach agreement on the compensation offered would be referred to the Committee. The Committee also established a preliminary list of contracting parties which had a substantial interest in the negotiations, although it was understood that other governments wishing to claim substantial interest could take up the matter directly with the Government of India. Procedures for the negotiations were laid down. The Committee's report on its decision and on the procedures established will be found in L/185. The negotiations were held in Geneva in April with the participation of the countries with which the items had been initially negotiated and of other contracting parties whose substantial interest had been recognized. The results of these negotiations are reported in L/218.

17. At the meeting commencing on 26 July, authority to renegotiate certain items was granted to the Governments of Cuba, New Zealand and the United States. The following conditions and rules for the conduct of the negotiations were established:

- (i) The authority to enter into negotiation is granted on the understanding that the negotiation will be conducted with a view to maintaining a level of concessions no less favourable to the trade of other contracting parties than those at present contained in the Schedule.
- (ii) Failure to reach agreement as to a claim of substantial interest or the adequacy of the compensation offered, and any objection raised by a contracting party to the results of the negotiation, will be referred to the Committee by the governments concerned.
- (iii) The negotiation will be conducted at such times and places as are agreed upon by the governments concerned.
- (iv) In addition to the negotiation with the country to which the concession was initially granted, the government receiving the authorization will consult with countries determined to have a substantial interest in the trade in the item concerned.
- (v) The countries substantially interested will be informed of the offers of compensation, and consultation may take place as to the adequacy of the compensation offered.
- (vi) Upon completion of a negotiation, the participating governments will submit a joint report to the Executive Secretary who will announce the results to other contracting parties; if no objection is lodged within thirty days the government which was authorized to enter into negotiation will be free to make effective the agreed changes in its schedule.

No reports on these negotiations have been received.

18. A further request by the Government of the United States was examined by the Committee on 26 October and the Committee decided [.....].