

RESTRICTED

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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CONTRACTING PARTIES  
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## TRANSPOSITION OF TARIFF SCHEDULES FROM A SPECIFIC TO AN AD VALOREM BASIS

### Rules proposed by the Delegation of Brazil

Although the CONTRACTING PARTIES implicitly recognize the right of any contracting party to transpose its tariff schedule from a specific to an ad valorem basis, the Agreement does not recognize this right explicitly nor does it attempt to rule the procedure or to recommend a method which the contracting party concerned should endeavour to observe when effecting such transposition.

Two alternative courses of action are therefore open to a contracting party when effecting such transposition under the present GATT: either to renegotiate its new ad valorem tariff schedule under the provisions of Article XXVIII, if the contracting party concerned did not sign the Declaration of 24 October 1953, or to invoke the provisions of Article XXVIII, after 1 July 1955, for the renegotiation of bound tariff concessions which have been modified or ceased to apply in its new ad valorem tariff schedule, if the contracting party concerned did sign the Declaration of 24 October 1953.

As the future Agreement will not enter into force until probably 1 January 1958, and if the Declaration of 24 October 1953, is not extended to such date, it will become possible, for any contracting party, by renegotiation with other contracting parties, to modify or cease to apply the treatment which it has agreed to accord, under Article II, to the products described in its tariff schedules.

Any contracting party, which has transposed its tariff duties from a specific to an ad valorem basis, may do so provided it renegotiates bound concessions according to the procedure set forth in Article XXVIII.

In so doing and in accordance with the provisions set forth in Article II, paragraph 3, the contracting party concerned shall not alter its method of determining dutiable value or of converting its currency so as to impair the value of any of the concessions provided for in the appropriate schedule annexed to the present Agreement.

The Brazilian delegation has strongly criticized the procedures set forth in the present Articles XXVIII, XVIII A and II, paragraph 3, on the grounds that these procedures, insofar as they involve the payment of equivalent concessions in monetary terms, and are conducted through the subjective channel of sympathetic consideration, are inadequate to take care, on a just and equitable basis of renegotiations of initially bound tariff schedules.

If the proposals of the Brazilian delegation are accepted by the CONTRACTING PARTIES and are included in the future texts of Article XXVIII and Article II, paragraph 3, the case of contracting parties transposing their tariff schedules from a specific to an ad valorem basis will find, in our sense, an adequate and just shelter in the future Agreement.

However, as it was stated above, even if these proposals are accepted, they will only be enforceable probably after 1 January 1958.

Contracting parties which present to GATT their new ad valorum tariff schedules in the interim period (that is, either between 1 July 1955, and 31 December 1957 - for those who have signed the Declaration of 24 October 1953 - or between 1 January 1954, and 31 December 1957 - for those which did not sign that Declaration), will have their tariff transpositions examined on the light of the present texts of Article XXVIII and Article II, paragraph 3.

In order to take care of this situation the Brazilian delegation proposes to the consideration of the CONTRACTING PARTIES the following rule:

Rule for the transposition of tariff schedules

"The CONTRACTING PARTIES recognize the right of any contracting party to transpose, at any time, its tariff schedule from a specific to an ad valorum basis.

The contracting party which transposes its tariff schedule and in so doing maintains, for all concessions previously granted, the same treatment which initially prevailed, as expressed in percentage rate of the specific duty originally assessed, shall not be called to offer compensation for this transposition.\*

If, however, in such transposition, initially bound tariff rates are modified or cease to apply, the contracting party concerned shall offer compensatory adjustment with respect to other products, and in so doing may observe the general rule for renegotiation of tariff rates based on the principle of weighted equivalence of tariff concessions.

This rule shall apply, by special agreement among the CONTRACTING PARTIES, to any contracting party which submits to the consideration of the CONTRACTING PARTIES its transposed tariff schedule after 30 June 1955."

\* Example:

Original dutiable value in 1934	Specific duty originally assessed	Specific duty in percentage terms
\$ 2,000	\$ 200	10%
Dutiable value at the initial negotiation in 1949	Treatment which initially prevailed expressed in monetary terms	Concession initially granted as percentage rate of the specific duty originally assessed
\$ 4,000	\$ 50	25%
Dutiable value at the time of the transposition in 1954	Ad valorem duty as 10% of the dutiable value in 1934	Ad valorem concession as 25% of the ad valorem duty
\$ 6,000	\$ 600	\$ 150