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GENERAL AGREEMENT ON TARIFFS AND TRADE
Contracting Parties
Second Session
Item 14 on the Provisional Agenda

SECOND PROTOCOL OF RECTIFICATIONS

Proposals by the United States Delegation

The Delegation of the United States of America submits the following items for inclusion in a second protocol of rectifications which it is proposed be concluded at the Second Session of the Contracting parties:

1. In the English text of Schedule IX (Cuba), Part II, insert after Item 273-I a new Item 273-J as follows:

"273-J Ketchup and other tomato sauces 0.096 per kg!"

Explanatory Note

During the negotiation of Part II of Schedule IX ketchup and other tomato sauces were excluded from Item 273-D, with a rate of 0.042 per kg., but through misunderstanding they were not provided for elsewhere in the Part at the then rate of 0.096 per kg.

2. Change the note following the first Item 54 in the English text of Part I of Schedule XX in the following manner:

Present form

"NOTE: The United States reserves the right to modify the rate of duty applicable to any product described in this Schedule in respect of which an internal tax is provided for in section 2470, Internal Revenue Code, as amended, to compensate for any reduction or termination of such internal tax, but in no case shall the duty, or duty and internal tax in the aggregate, imposed in respect of any such article exceed an amount equal to the duty provided for in this Schedule plus an amount which is compensatory for any such reduction or elimination."

After proposed rectification

"NOTE: In any case in which an internal-revenue tax is provided for in Section 2470, Internal Revenue Code, as amended, in respect of any product described in this schedule or in respect of any article derived from any product described in this Schedule, the United States reserves the right to modify the rate of duty applicable to such product to compensate for any reduction or termination of such internal tax, but in no case shall the duty and any internal tax in the aggregate, in respect of any such product, exceed an amount equal to any duty provided for such product in this Schedule plus the internal tax provided for in said Section 2470 on October 30, 1947. In making the computations referred to in this Note an internal tax in respect of any product shall be understood to include the compensatory equivalent of any internal tax on a derivative of the product".

Explanatory Note

(a) The note to the first Item 54 in Schedule XX is designed to permit the United States to change internal taxes imposed under Section 2470 of the Internal Revenue Code to tariff duties. Of particular importance is the coconut oil processing tax, with respect to which the Commonwealth of the Philippines now enjoys a preference, and which the United States may wish to change into a duty with a like preference for that country. In connection with such a change a duty would necessarily be imposed on non-Philippine copra. The above wording after rectification is intended to bring out more clearly that a compensatory duty could be applied to non-Philippine copra equivalent to the burden on copra of the duty which would be imposed on coconut oil. The new language is designed, furthermore, to make it clear that the aggregate of the new duty and tax may not exceed the total of the existing duty and tax.

(See GATT/L/18)

(b) The first item 54 was initially negotiated with the Governments of Ceylon and the United Kingdom, and approval of this proposed rectification was given by the Government of Ceylon at the First Session of the Contracting Parties.

3. Change the principal description of products in Item 708(a) in the English text of Part I of Schedule XX in the following manner:

Present form

"708(a) Milk, condensed and evaporated;"

After proposed rectification

"708(a) Milk, condensed or evaporated:"

Explanatory Note

(a) The language as rectified would correspond with that in paragraph 708(a) of the Tariff Act of 1930 and make clear that the Item covers both milk which is only condensed and milk which is only evaporated.

(b) Item 708(a) was initially negotiated with the Belgium, Netherlands, and Luxemburg Customs Union.

4. Change the rate in Item 1110 of the English text of Part I of Schedule XX, as included in the Protocol of Rectifications, signed March 24, 1948, in the following manner:

Present form

"35¢ per lb. and 25% ad val."

After proposed rectification

"33¢ per lb. and 25% ad val."

Explanatory Note

(a) This would re-establish the specific part of the rate as it was in Part I of Schedule XX as originally authenticated, but which was inadvertently modified in clarifying the ad valorem part of the rate in the Protocol of Rectifications of March 24, 1948.

(b) Item 1110 was initially negotiated with the Government of the United Kingdom.

5. Change the proviso to the third Item 1503 in the English text of Part I of Schedule XX in the following manner:

Present form

"Provided, That for the purpose only of applying the second proviso to paragraph 1503, Tariff Act of 1930, to articles provided for in this item, each rate of duty applicable on January 1, 1945, shall be reduced by 50 per centum of such rate."

After proposed rectification

"Provided, That for the purpose only of applying the second proviso to paragraph 1503, Tariff Act of 1930, to articles provided for in this item, each rate of duty 'existing' (within the meaning of Section 350, Tariff Act of 1930, as amended by the Act of July 5, 1945) on January 1, 1945, shall be reduced by 50 per centum of such rate."

Explanatory Note

(a) Paragraph 1503 of the Tariff Act of 1930 provides, in effect, that articles covered thereby which would under certain circumstances have been dutiable at a higher rate under some other tariff paragraph shall be dutiable at such higher rate. The third Item 1503 reduces by 50% the rate of duty applicable to certain articles covered by paragraph 1503, and the proviso to the Item adds that, for the purposes of determining which rate is applicable, the reduced rate under the item shall be compared with the rates applicable under such other paragraphs on January 1, 1945 reduced by 50%. The statutory authority of the United States to reduce duties in trade agreements is limited to reductions by 50% of rates "existing" on that date, certain emergency duty reductions in the trade agreements with Argentina and Mexico to be disregarded. If the rate under another tariff paragraph involved in the above comparison pursuant to

paragraph 1503 had been subject to such an emergency reduction the rate under the third item 1503 which might be applicable could under some circumstances be lower than that which would result from a 50% reduction of the rate "existing" (as defined in the statutory authority) on January 1, 1945. Consequently it is proposed that the proviso be amended to indicate clearly that the rate to be reduced by 50% for purposes of this comparison is the rate "existing" under the statute.

(b) The third item 1503 was initially negotiated with the Government of Czechoslovakia, and approval of this proposed rectification has been received from that Government through the Executive Secretary of the Interim Commission for the International Trade Organization.

8/20/48