

GENERAL AGREEMENT ON TARIFFS AND TRADE

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1960-61 TARIFF CONFERENCE
Tariff Negotiations Committee

PROCEEDINGS OF THE SEVENTH MEETING

Held at the Palais des Nations, Geneva,
on Monday, 9 January 1961 at 3 p.m.

Chairman: Mr. E. WYNDHAM WHITE

Subjects discussed: Date of beginning of "Dillon" round of negotiations

Date of beginning of "Dillon" round of negotiations (TN.60/SR.6, TN.60/W.7)

The representative of the Commission reported that they had conducted negotiations with twenty-three contracting parties and that the first phase had been practically completed with all but India and Pakistan where they were still in the preparatory stage. They expected to start negotiations within the next few days with Uruguay and Chile. They had had no contact with Burma, Dominican Republic, Haiti, Malaya, and Nicaragua. In relation to these countries he asked the Committee what would be the position if by the end of the negotiations they had not sent delegations. The Community was considering what bindings it could offer in response to the requests that appeared justified. There were some very difficult problems which required decisions by the Council of Ministers of the Community. The latter would meet on 30 and 31 January. The Community attached very great importance to the "Dillon" negotiations and he would hope that these would not be too long delayed. If the Committee decided to fix 1 March for the start of these negotiations it might consider setting 25 February as the date for the conclusion of the XXIV:6 negotiations.

The point raised by the representative of the Commission in relation to the rights of contracting parties which were not taking part in the Article XXIV:6 negotiations was noted but was not discussed for the time being.

In the discussion that followed the statement of the representative of the Commission, several representatives expressed their grave concern that, after more than four months since the Conference began, the negotiations showed little signs of progress. They indicated that the earlier offers could not be considered a reasonable basis for negotiation and were disappointed that the promised new offers had not yet been made. The following is a brief summary of the views expressed.

The representative of Norway referred to the particularly difficult position of his country with respect to the Common Tariff. The main reason for their difficulties was that 45 per cent of their exports to the Community were covered by List "G". It also appeared that a considerable number of their export products covered by List "G" would be excluded from the general acceleration rule which was based on a 20 per cent reduction of the Common Tariff rate of duty. This alone would affect some 25 per cent of their exports to the Community. In view of these facts and of the failure of the Community to offer adequate reductions in the Common Tariff, his Government considered that the value of the concessions obtained from the Six had decreased to such an extent that the balance of concessions resulting from earlier negotiations had been considerably disturbed.

Strong support for the views of the Norwegian representative was expressed by the representative of Sweden, who said that the Community must be made aware that unless new and substantial reductions were offered on the List "G" items, there would be no basis for an agreement.

The representative of Denmark pointed out that a large part of his country's trade with the Community was affected by the negotiations under Article XXIV:6. His delegation was disappointed that the Community had not yet made the new offers which Denmark legitimately had claimed. In the bilateral talks the Danish delegation had made it clear that unless new and improved offers were forthcoming particularly within the agriculture and fisheries sector, the only possible outcome of the negotiations seemed to be that the Danish Government would be forced to withdraw the major part of the bindings previously granted to EEC countries. With duties being unbound, a process of tariff increases might be released in Denmark which was not likely to be turned round in the course of the 'Dillon' negotiations. Assuming that similar tendencies might emerge in other GATT countries the Danish representative urged the Community to realize the serious consequences for the results achieved so far within GATT of an unsatisfactory outcome of the Article XXIV:6 negotiations. The Danish delegation for its part could not believe that all possibilities for meeting the Danish claims had been fully explored.

The representative of the United Kingdom expressed the hope that the Commission would take very seriously the concern expressed by earlier speakers. The Conference had now reached the stage where it was imperative to get down to real negotiations. The bound duties which were the subject of negotiation were the counterpart of tariff concessions previously negotiated and still maintained by other contracting parties and it was idle to hope for agreement that all these bound duties could now be increased unless compensation could be offered, at least in the most important cases, in the form of reducing and not merely binding, the rates proposed in the Common Tariff. What the representative of the Commission had said implied that claims under Article XXVIII could be met by alternative bindings which were statistically equivalent to those withdrawn. But in the view of the representative of the United Kingdom there could be no question of discounting qualitative and other practical trade factors in this sort of way. That was why Article XXVIII prescribed a process of "negotiation and agreement".

Furthermore, the Conference had been repeatedly told by the representatives of the Commission that in their view the examination of the compatibility of the Common Tariff with Article XXIV:5(a) should be deferred until the completion of the negotiations under Article XXIV:6 and the form of the Common Tariff as it emerged from these negotiations was known. But this surely implied on the part of the Commission a recognition that there would be some reductions in the Common Tariff in the XXIV:6 negotiations.

In the meantime, no one could set a date for the opening of the "Dillon" round; so long as the impression remained in Brussels that Article XXIV:6 could be settled on the basis of mere bindings of the Common Tariff, time would continue to be wasted; but it should be possible to complete the XXIV:6 negotiations within a month of the necessary authority for the delegation of the Commission to meet the legitimate claims of all the contracting parties concerned for reductions as well as bindings of the Common Tariff under Article XXIV:6.

The representative of Canada said that unless the Community promptly made meaningful concessions, his delegation saw little prospect of concluding the first phase of the Conference and less prospects of starting the "Dillon" round. He feared that the importance of the points discussed at this meeting had not sufficiently impressed itself on the Six Governments. He suggested that 1 March could be considered as a target date for the opening of the "Dillon" round, but warned the Committee that the more often dates were postponed the less prospects there would be of concluding.

The representative of the United States referred to the need to fix some date for the "Dillon" round. His delegation was waiting for the Community's response to certain requests it had made for the reduction of certain duties under Article XXIV:6. One particularly difficult problem for them was that of agricultural products. He suggested that a target date for the "Dillon" round be set for shortly after 1 March.

The representative of Brazil referred to the difficulties which the Rome Treaty was causing to his country and referred in particular to the treatment of overseas territories and to the fiscal burden imposed on coffee and cocoa.

The representative of the Commission took part in the discussion at different times. He took note of the statements made and said he would transmit them to Brussels. With regard to certain products mentioned by the representative of Norway as being severely hit by the Common Tariff, he pointed out that Member States of the Community had powers to grant tariff quotas and reiterated that it was not the Community's intention to reduce the volume of trade.

He could not share the pessimism of previous speakers: after the meeting of the Council of Ministers he hoped to bring new elements to the negotiations and hoped this would ensure a satisfactory conclusion. The Community took the negotiations under XXIV:6 very seriously. They certainly

did not want to weaken the GATT but they did intend to resort to all its provisions. With respect to the "level of rates" to which reference was occasionally made, he pointed out that if the reasoning of some representatives were followed the Community would have to adopt, for each item, the lowest of the national rates for that item. The Commission had received a number of requests; some appeared justified and would receive satisfaction. The Community could not accept responsibility for withdrawals of concessions by other contracting parties. He recalled that the objective of the negotiations under Article XXIV:6 was to maintain the balance of concessions at a level not less favourable to trade. It was their intention to give compensation where compensation was due: contracting parties must not, however, overlook the fact that the Common Tariff involved decreases in national duties as well as increases.

The representative of Czechoslovakia made the statement which is reproduced herein (see Annex). The statement points out that while negotiations were in progress under XXIV:6, two members of the Community, France and Italy, had introduced in full specific minimum duties provided for in the Common Tariff even on items bound by them under GATT. He referred to the very serious consequences of this action. He asked the Committee only to take note of his statement for the time being.

The representative of the Commission undertook to transmit this statement to Brussels.

The representative of Austria took this opportunity to refer to the fact that bindings were being broken by the Community with the result that the existing balance was upset. This was a further reason why a settlement under Article XXIV:6 should be reached as soon as possible, since Austria could not accept the present imbalance for long. The representative of Canada also expressed his concern.

The Committee agreed that in the light of its discussion, the target date of 6 February for the beginning of the "Dillon" round should be abandoned, that it was premature to fix a new date until the end of the Article XXIV:6 negotiations was discernible; but that the Committee should meet again on 6 February in the hope that a date could then be fixed.

ANNEXStatement by the Representative of Czechoslovakia

At a time when we are negotiating here with the European Economic Community under paragraph 6 of Article XXIV bindings of duties in the Common Tariff which would take effect in full only at the end of the transitional period under the Rome Treaty, in a firm belief in the assurances made by the representative of the Commission in Committee I - (I quote from page 113 of the Eighth Supplement)

"the Member States of the Community declare that in the case one of them should wish to accelerate the process of alignment of the common external tariff, the Community would see to it that this be done in a synchronized and balanced manner, regard also being had to the general balance of the concessions, and that they have no intention of using Article 24 or Article 26 of the Rome Treaty in such a manner as to prejudice the interests of the other contracting parties"

we are informed that two Member States of the Community, namely France and Italy, have as from 1 January 1961 introduced in full specific minimum rates of duty, provided for in the common tariff under the Decision of 20 July 1960, even on items which are still bound under the General Agreement in their respective schedules. The newly introduced rates represent in some cases a raise of the tariff incidence by 60 to 100 per cent and have already in the very first days of their application demonstrated a disastrous effect on our trade.

Thus, to speak only of one example, Italian importers of Czechoslovak porcelain have already cancelled confirmed orders of a value of 1.6 million Cz. Crowns (about \$230,000), and refused to accept nine wagonloads of porcelainware - tariff position 69.11 - arrived already in Italy, and eleven further wagonloads of the same article en route to Italy, - all this as a result of the introduction of the full specific minimum rate of 28 units per 100 kgs. Our trade with Italy in this article represents a value of 4 million Cz. Crowns yearly, i.e. about \$570,000.

As the two countries are still bound by the ad valorem rates negotiated with Czechoslovakia and included in their respective schedules, and no request for renegotiation of this concession under Article XXVIII to the date of 1 January 1961 had been presented by them, we regard this unilateral action as a violation of their existing obligations under paragraph 2 of Article II of the Agreement.

In accordance with the procedure agreed upon by Committee I, we are approaching the two Governments under the provisions of Articles XXII and XXIII of the Agreement through normal diplomatic channels asking them to comply with their obligations under Article II and to revoke the measures taken so far in contradiction to their obligations.

No action by the Tariff Committee is required at this stage, except to take note of this declaration. It might be of interest to the members of the Committee however, to realize what the effects of the Common Tariff are if applied in full.