

GENERAL AGREEMENT ON TARIFFS AND TRADE

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THE TRADE NEGOTIATIONS

Proposals by the International Chamber of Commerce

The following statement prepared by the Commission on the Expansion of International Trade of the ICC, and adopted by the Executive Committee of the ICC, is distributed for the information of members of the Trade Negotiations Committee.

The International Chamber of Commerce has reviewed recent developments in international trade and the decisions taken, individually or jointly, by the governments of trading nations with a view to stimulating trade between the various countries and regions of the world.

The broad background facts are that, during the post-war period, striking progress has been made, largely through the instrumentality of GATT, in the enlargement and liberalization of international trade and that such advances have enabled developed and, to a certain extent, developing countries, to benefit from technical and industrial progress and from an improved international division of labour. Recently, however, the rate of economic growth in a number of countries has tended to slow down, and the income earned from exports by developing countries is not, generally speaking, expanding rapidly enough to meet their requirements for economic development.

Moreover, since commercial policy issues were last examined in the ICC, in October 1962, the political climate affecting international trade has changed. There has been a halt in the progress toward harmony of thought on the fundamental issues, evidenced among other things by the breakdown of the negotiations for the entry of the United Kingdom into the European Economic Community, the difficulties encountered in reaching agreement in the recent Geneva ministerial discussions and the insistence of the developing countries on the transfer of the discussions from an economic to a political forum which might well aggravate divisions of opinion and policy and retard constructive results.

The ICC therefore strongly urges that the time has come for the countries of the world to join in a determined effort to liberalize further and expand more rapidly the flow of international trade. Such an international action is of vital importance to advanced as well as to developing countries. Enlarged international exchange of goods and services can be a most potent force for growth of

production, employment and economic welfare. Equally, the opportunities for the relaxation of trade barriers and expansion of trade will be directly related to the pursuit by governments of general and balanced policies of economic growth leading to an expansion of demand.

The ICC is pleased that the stage is now set for such a course of action. The passage of the "Trade Expansion Act 1962" enables the United States Administration to take an effective part in carrying out a bold programme of action, in co-operation with the other trading nations. The decisions taken by the Ministers assembled in Geneva in May 1963 offer a sound basis for starting meaningful negotiations. The ICC believes GATT to be the appropriate forum for conducting these negotiations. It is hoped that the United Nations Conference on Trade and Development will assist in clarifying the issues for all participants and in lending the desirable political impulse to the whole programme of action.

The outcome of the new trade negotiations is of such importance to the whole world, both politically and economically, that neither the preparatory work nor the negotiations themselves should be treated as purely technical matters but should be followed and encouraged by governments from the highest political levels. Cases are bound to arise where the negotiators will be unable to overcome the problems that may arise without governments taking the responsibility of settling the differences at the political level. This will require mutual understanding of the highest order.

As the organization representative of the international business community, the ICC believes it to be its duty to collaborate with governments in the preparation of these trade negotiations and to support the efforts made by them with a view to accelerating the flow of international trade, broadening its base, enlarging its composition and removing outstanding obstacles in the form of tariffs or other restrictions.

The task of governments will be made easier if they can rely on the support of businessmen the world over, not only for the definition of the objectives to be attained, but also for the approval of specific methods for reaching such objectives. The ICC therefore invites its national committees and, through them, the businessmen of the world, to give the fullest support to their governments in preparation for the new trade negotiations under the auspices of GATT, and to impress on them the need to enter these negotiations, not in a doctrinaire spirit or on the basis of rigid instructions, but with the utmost goodwill, a sense of urgency and the determination to go as far as possible to achieve constructive results in the interests of all.

RECOMMENDATIONS

1. The International Chamber of Commerce considers that the most practical method to achieve a further significant reduction of existing obstacles to international trade is for the trading nations to participate fully in negotiations based on the principles of equality of treatment for the exports of all participating countries and of mutual advantage, as proposed by last May's ministerial meeting.
2. The scope of that Conference should be as broad as possible; it should cover all sectors of trade: agricultural as well as industrial products, raw materials as well as processed goods. It should include as many countries as are able and willing to assume specific trade commitments, and its success will largely depend on the active presence of all countries having a substantial interest in trade.
3. The negotiations should be conducted on the basis of well-defined rules, which should be agreed upon by all participants before the negotiations begin; these rules should be simple, practical and equitable. In this respect, the ICC offers the following specific suggestions, which may assist governments in supplementing the arrangements which they have already adopted at the last ministerial meeting of the GATT.
4. The ICC endorses the method of linear reduction as the basic rule for future negotiations, subject to the specific qualifications set out in the subsequent sections. It considers that, in the 1964 negotiations, the percentage of reduction should be high, for instance 50 per cent. It hopes that either at that Conference or in the near future it will be possible to carry the reductions farther up to the complete suppression of duties in certain sectors.

Manufactured products

5. In the case of manufactured products, the ICC considers that, although the negotiation of tariff concessions will constitute the main objective of the Conference, governments should, at the same time, reach agreement on the elimination of other obstacles to trade which can be as restrictive as high tariffs or can nullify the benefit of tariff concessions. It would be essential to identify the measures or practices which have a restrictive effect on imports to various countries. Such obstacles include quantitative restrictions, internal taxes, regulations relating to public tenders, valuation methods, anti-dumping duties, customs formalities or administrative practices, health regulations and standards imposed by public authorities.¹ The ICC is of the opinion that governments should accept standing commitments to obviate the undesirable effects of such measures or practices or establish practical procedures for dealing with specific complaints, including the right for affected countries to take remedial action.
6. The ICC is of the opinion that the usefulness of trade concessions is substantially reduced when they can be withdrawn unilaterally. It urges that governments consider ways and means of enhancing the durability of the commitments entered into and of limiting, as far as possible, the use of present escape clauses or renegotiation procedures.

¹See Brochure No. 191, entitled "Obstacles to the International Distribution of Goods".

7. As regards the linear method of reduction, while recognizing that such reductions may have to be spread over a period of five years, the ICC expresses the hope that it may be possible for certain countries to agree among themselves on measures of acceleration, without infringing the most-favoured-nation clause.

8. The ICC is aware of the fact that, in certain specific instances, it may be necessary to deviate from the linear approach to take due account of significant tariff disparities or of the structure of the export trade of particular countries, but it considers that such exceptions should be limited to cases where the automatic application of linear cuts would result in an undesirable lack of reciprocity.

9. The right of governments to exclude specific items from the negotiations should be subject to strict limitations. The ICC recommends that each government submit its list of prospective reserved items well in advance of the Conference. These lists should be subject to confrontation and governments should try, before negotiations start, to reduce these lists in order to maximize the results of the negotiations. In any event, trade in products on such lists should represent only a small fraction of each country's total import trade.

10. When governments find that the application of the linear method of reduction to certain products raises serious problems of reciprocity, for instance when certain participating countries levy particularly high rates of duty, or for other reasons, the ICC recommends that instead of excluding the products from the negotiations, the governments should consider using other techniques such as (a) substituting a method based on the reduction of the weighted incidence for a given group or sector of products, or (b) applying the reduction percentage to a given quantity of imports in the form of a tariff quota, or (c) methods of alignment or harmonization of tariffs applied to a group of products, or (d) methods of "ecrêtement" which would provide for the application of higher than average reductions to exceptionally high tariffs.

11. With respect to countries whose tariffs are generally lower than those of other participants, the ICC feels that governments should consider the possibility of allowing these countries to apply a somewhat lower percentage of reduction, either for their tariff as a whole, or for specific sectors.

12. With respect to industrialized countries whose trade is concentrated on a few products or which can show that the application of the linear method would lead to a serious imbalance in the value of concessions, the ICC suggests that such countries should be allowed to offer concessions matching those received, even if they are not defined in accordance with the basic negotiating rule.

13. The general application of the linear method to manufactured goods will bring marginal benefits to developing countries. The ICC considers that these benefits should be extended to these countries without compensation. If developing countries are the major beneficiaries of a particular concession, some form of compensation - for instance in the field of capital goods - should be found, which would not seriously affect the revenue of the developing country or countries concerned or retard their economic development. The ICC hopes that these countries will rapidly reach a high level of development and that this rule should therefore be of temporary application.

14. The ICC notes that fears of market disruption in certain quarters may induce governments to exclude items from negotiations or to insist on special safeguards. The view of the ICC is that, as a rule, concessions should be extended to all countries which accept equivalent commitments and that governments should not be entitled unilaterally to introduce discriminatory restrictions. If exceptional circumstances exist which make it unadvisable or impractical to have recourse to safeguards existing in the GATT or in other international agreements, it might be necessary to establish additional procedures, but the ICC is firmly of the opinion that exceptional safeguards should be introduced only temporarily with the consent of, or on the basis of an agreement with, the exporting country or countries concerned or be subject to reference to, or frequent review by, an independent Conciliation Board.

Raw materials

15. The ICC recommends that the full percentage of reduction should be applied without any exception to raw materials, that duties not exceeding 5 per cent be rapidly eliminated, and that the negotiations result at the same time in the removal of non-tariff obstacles.

16. The removal of obstacles to trade in this sector should not imply any concession from developing countries.

17. The suggestions contained in the previous two paragraphs apply equally to raw materials whose value has been increased by grading and/or simple forms of processing. Moreover, governments should consider taking additional measures to eliminate or substantially reduce tariffs on those products, either in the course of the 1964 negotiations or as soon as possible thereafter.

Tropical products

18. The ICC generally endorses the resolutions adopted by the ministerial meeting of the GATT in May 1963 relating to the expansion of trade of developing countries. It agrees that tariffs and internal taxes applied to tropical products which do not compete with domestic products should be removed as speedily as possible. In order to take care of the interests of producers who are largely dependent on certain markets where they enjoy preferential treatment, arrangements should be made to help such producers as will initially be adversely affected by the elimination or reduction of present preferences. On the other hand, it would be desirable for all countries exporting tropical products to look to the cheapest markets for their supplies of all kinds.

19. Free access to the main markets should be guaranteed, not only for tropical products in their crude form; it should be gradually extended to products having undergone a simple form of processing.

Agricultural products

20. As far as possible the rules recommended for manufactured goods should apply to agricultural products. It is recognized, however, that in many instances the application of such rules would be ineffective or would conflict with the national agricultural policies that exist in practically all countries for a number of deep-seated economic, social and other reasons, which may be modified but which are unlikely to be abandoned rapidly. The ICC considers that the governments themselves should agree, in those cases, on special rules of negotiation, which may involve the acceptance of a new set of international commitments affecting both exporting and importing countries, including provisions designed to ensure that exporting countries enjoy acceptable terms of access for their products on the markets of other trading nations.

21. Various techniques are possible and the ICC intends to submit more specific suggestions as a result of the work of its Commission on Primary Products and Raw Materials. Governments might for instance consider the possibility of negotiating world-wide agreements on a different basis from that of traditional commodity agreements to ensure a better equilibrium between supply and demand and to maintain prices, both on the domestic and world markets, at levels which should be remunerative for reasonably efficient producers and should not artificially encourage uneconomic production. These agreements should take due account of the interests of developing countries that are producers of the commodities in question; they might be supplemented by international arrangements for the disposal of surpluses in the most economically constructive and socially profitable manner. One method would be to see how surpluses should be used in conjunction with schemes for assisting growth in the developing countries through an extension of the present pilot World Food Programme. Finally, governments might agree to harmonize their agricultural policies in the context of periodical confrontation exercises organized on a world-wide basis.

22. The ICC is convinced that there is a clear interdependence in the proposed trade negotiations between the agricultural and the industrial sectors and that the new trade negotiations will be really successful only if exporters of temperate zone agricultural products or of products competing with the products of that zone derive benefits from the negotiations comparable to those which are expected in the industrial sector.