

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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Special Distribution

Sub-Committee on Tariff Negotiating Plan

REPORT ON MEETING OF THE SUB-COMMITTEE ON 27 OCTOBER AND 5 NOVEMBER

A. Offers of less than the linear cut¹

The Sub-Committee agreed that it should be left open to countries, in cases where they can make an offer of less than the linear cut, either to indicate this fact only in their exceptions lists, or to state more precisely just what offer they could make.

The Sub-Committee agreed that the procedure for giving precision to the offers of less than the linear cut should be discussed at a later stage.

B. The staging of the tariff reductions

The Sub-Committee agreed that the rule relating to the staging of the tariff reductions should be as follows.²

"1. The tariff reductions to be made under the linear rule, and under the rules relating to tariff disparities, may be spread over a maximum period of four years, commencing on a date to be set in the Protocol. At any time in this period, the aggregate reductions by then shall be at least as great as would have been made by that time had:

- (a) one fifth of the total reduction been made on the date referred to above;
- (b) the remaining four fifths of the total reduction been made in four equal instalments at one year intervals after the date referred to above.

¹It was understood that reference in this paper to "the linear cut" covers reductions made in accordance with a disparity formula.

²It would be understood that this provision might need to be amplified or modified in the light of discussion in the Sub-Committee on the Participation of Less-Developed Countries.

"2. Any country participating on the basis of the linear reduction which proposes to implement the tariff reductions on a particular product at a slower rate than that required in (1) above should so indicate in its exceptions list."

C. Definition of products to which the rule relating to the linear cut shall apply

The Sub-Committee agreed that:

1. For the purpose of drawing up the exceptions lists, the rule relating to the linear cut should be regarded in principle as applying to products included in chapters 25 to 99 of the Brussels Nomenclature.

2. Pending a final decision on which products are to be the subject of the linear rule, countries participating on the basis of the linear offer which consider

(a) that there are products within the first twenty-four chapters which should be subject to the linear rule and should not be dealt with in the negotiations on agricultural products or

(b) that there are products not included in the first twenty-four chapters which should be dealt with in the negotiations on agricultural products and should not be subject to the linear rule,

may table their exceptions lists either on the basis set out in (i) or on the basis of their views under (a) and (b); in the latter case a list of the products concerned under (a) and (b) should be submitted before or at the time their exceptions lists are tabled.

3. It is understood that changes might need to be made in exceptions lists in the light of the final decision on which products were to be subject to the linear rule, and which should be dealt with in the agricultural negotiations.

D. Notifications of the basis on which participating countries propose to apply the linear reduction in their case

The Sub-Committee discussed the notifications which had been submitted. This discussion revealed that, while no problems arose on the major part of the tariffs as notified, problems arose on some parts of the tariffs because of differences in the basis used in regard to the choice of effective, as opposed to legal, rates of duty, the question which arises when rates are bound in the relevant GATT schedules at levels higher than those in the legal tariff or those effectively applied, and the treatment of revenue duties. Differing views were expressed about what, in principle, the basis ought to be in these cases.

Several delegations emphasized that in their view the general basis for the linear reductions should be the rates effective on the base date. It was also pointed out that any assessment of the value of the offer made by countries participating on the basis of the linear offer would have to take into account inter alia the basis on which it was proposed to apply the linear cut to the tariff in question, and that it would be open to countries where they regarded this basis as unsatisfactory consequently to adjust their offers in the negotiation. The United States delegate wished it to be recorded that his Government considered effective rates to be the proper basis for the linear reduction and would proceed accordingly.

Several other delegations stressed that, to avoid inequitable treatment as between participants or unnecessary complications, the rates to be used for the linear reduction should be the bound rates or, where the rates are not bound, the rates in the tariff.

One delegation indicated that, since agreement could not be reached on using the effective rates as the basis for tariff reductions, the offer of its Government would be based on the bound rates where these were higher than the effective rates.

With reference to the particular question of revenue duties the Sub-Committee noted that the United Kingdom had indicated that it did not intend to apply the linear cut to revenue duties and that certain other governments were considering whether to apply the linear reduction to revenue duties in their tariff. The United States reserved the right to request such reduction in the course of the negotiations if the protective elements were not initially covered by the linear offer. Other delegations felt that any protective elements in revenue duties should be subject to the ordinary rules relating to the linear cut.

E. Products primarily imported from non-participating countries

The Sub-Committee examined the problem which arose when the major part of a country's imports of a particular item came from countries not participating in the negotiations.

The representative of the United States said that, in the view of his delegation, it should be open to participants to exclude such items from their linear offer at the outset or to withdraw them during the course of the negotiations.

The representative of the Community said that, in the view of his delegation, it should merely be noted that it was always possible for a country to withdraw certain items during the course of the negotiations and to agree that in cases where a country desired to exclude such items at the outset, it should so indicate in tabling its exceptions list.

The Chairman said that it had always seemed to him that a participant could not reasonably be expected to apply the linear offer to products of the sort described, though it should be open to countries with a trading interest in the products to suggest that they should be brought back into scope of the negotiations. Where products were excluded from the linear offer because the major part of imports came from non-participating countries, it was not, in his view, appropriate that they should be included in the exceptions list of the participant concerned, since they were not excluded for reasons of overriding national interest.

The representative of the Community said that such products were nevertheless being excluded from the negotiations and were therefore exceptions in the broader sense of the word. In any event he did not feel it was possible to take a position on the question of principle without further discussion of what was meant by some of the concepts involved.

After further discussion, the Chairman pointed out that it was always possible for a country to withdraw certain items during the course of the negotiations, and expressed the view that the problem could be dealt with by the exercise of this right. He noted, however, that some members of the Sub-Committee might exclude from their initial offer certain items of the sort described, but that they would be prepared to discuss the matter with interested participants during the course of the negotiations.