

GENERAL AGREEMENT ON TARIFFS AND TRADE

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Trade Negotiations Committee

Sub-Committee on Tariff Negotiating Plan

NOTE BY CHAIRMAN OF AD HOC GROUP ON TARIFF DISPARITIES

1. The Ad Hoc Group was set up to consider further and elaborate a suggestion put forward by the United Kingdom delegate at the meeting of the Sub-Committee on 2 July in connexion with the second of the two matters which have been remitted to the Sub-Committee, namely the criteria for determining significant disparities in tariff levels. The suggestion was that, as a first step towards determining where there are significant disparities in tariffs, attention need be given only to tariff items where:

- (a) First, the rate of duty was not less than a certain minimum percentage to be specified;
- (b) Secondly, the rate was at least a certain percentage greater than, or exceeded by at least a certain number of percentage points, rates on the same product in the other tariff or tariffs with which comparison is made.

Both these two criteria would have to be satisfied.

2. It would be for further consideration whether these criteria were sufficient in themselves or whether it would be necessary to have regard to additional criteria to decide where, in the field limited by the first two criteria, disparities meaningful in trade terms did in fact exist.

3. As I reported to the Sub-Committee at its meeting on 4 July the Ad Hoc Group was not able at this stage to formulate in all details how this suggestion could be amplified into a precise plan. The discussion did, however, have two important results. First, it showed - and I think it is fair to say that this is a very important advance in our work - that there is a general feeling that the suggestion made by the United Kingdom delegate provides the right approach to the problem of disparities and that it should be possible with further consideration to amplify it into a detailed plan which would be generally acceptable to all of us.

4. Secondly, the discussion served to identify certain points on which decisions will have to be taken in the process of amplifying the suggestion into such a plan. And we in the Ad Hoc Group agreed that the task now before us in the interval between the first meeting of the Sub-Committee and its next

is to determine our position in detail on these points so that, when we meet again later this month, we are all fully prepared to work out by negotiation, before the end of the month, a detailed plan which would then be submitted to governments for consideration.

5. I have said that discussion in the Ad Hoc Group has served to identify the main points on which decisions will eventually be needed and it may be useful if I indicate briefly what those are:

First, in elaborating the first criterion, we have to decide whether there should be just one rate, applicable to all products, tariffs falling below which will not be regarded as high for the purpose of the disparity exercise; or whether there should be different rates for different groups of products. In that connexion the Sub-Committee will recall the suggestion of the Norwegian delegate that there should be three rates - one for raw materials, one for semi-manufactures and one for manufactures. While interest was expressed in this suggestion, a number of delegates have indicated that they would see difficulties in it (including the practical one of determining what tariff headings fall into each of the three groups). It might be worth considering another possibility, under which in principle there would be the same rate for all products, but it would be open at a later stage to any delegation to present a reasoned case for having a different rate for some particular group of commodities for which in their view the general rate was not appropriate.

Secondly, we shall have to decide whether the cut-off limit, if I can so describe it, should be expressed in terms of the existing tariff or in terms of the rate of tariff as it will exist after the application of the 50 per cent across-the-board cut. To illustrate this, if under the second of these two alternatives the limit were fixed at x per cent, then only tariffs which at present are in excess of twice x per cent would meet this criterion.

Thirdly, we have to fix the actual level of the cut-off limit. It is clear that this must lie between, on the one hand, levels which everyone would agree were quite obviously so low that no question of tariff disparities could arise and, on the other hand, levels so high that everyone would agree that such problems could arise. This, however, leaves us with a very wide range and the problem is to find something within this range which would be accepted as reasonable by all of us. There was a considerable amount of discussion on this point in the Ad Hoc Group, but the representative of the European Economic Community felt that he could not usefully contribute to an attempt to narrow the range until the next meeting of the Sub-Committee, by which time the Community would have had time to consider, in the light of the structure of the tariffs of other countries, the implications of choosing particular levels.

Fourthly, when we apply this criterion we shall have to remember that the actual rate of duty shown in the national tariff does not necessarily represent the true incidence of the tariff and that account may need to be taken of differences in valuation procedure.

6. These first four points relate to the first of the two suggested criteria. As regards the second criterion, there will be two main points to decide:

We have to fix the margin by which one rate must be in excess of another. Here again the Ad Hoc Group did not find it possible at this stage to arrive at a generally agreed figure.

We have to decide whether this margin should be expressed either in terms of the minimum percentage by which the high rate must exceed the lower, or in terms of the absolute number of percentage points by which the one rate must exceed the other.

7. Finally, we have to decide, in relation to both criteria, which tariffs are to be considered under them. It might be felt, for example, at the one extreme, that for the purpose of identifying disparities it would be sufficient to consider only the tariffs of the United States and the European Economic Community (though the solution adopted in cases so identified could be of general application to all tariffs). At the other extreme, the tariffs of all participating countries to which the general rule of a 50 per cent tariff cut will apply could be considered for this purpose.

8. When I reported to the Sub-Committee on the work of the Ad Hoc Group, I was asked if I could say anything more about the possibility of additional criteria referred to in paragraph 1 above. The Ad Hoc Group itself felt that it could not discuss this question until the first two criteria had been worked out in more detail. In these circumstances I do not think there is much that I could usefully add myself on this question. The need for a second step of this sort would of course depend on whether it were found that the first two criteria in themselves adequately de-limited the field for which special rules of tariff reductions other than the normal 50 per cent reduction were needed.