

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

TN.64/NP/4

21 November 1963

Special Distribution

---

Sub-Committee on the Tariff Negotiating Plan

## TARIFF DISPARITIES

Report by the Chairman of the Ad Hoc Group

1. Considerable discussion has taken place in the Group over the last few months on the problem of tariff disparities. This discussion has gone some way to clarifying the issues involved and I think therefore that it would now be helpful if I were to give the Sub-Committee an account of the progress of our consideration of the problem.
2. We have agreed that at any rate as a first step it would be reasonable to identify as prima facie tariff disparities those cases where the higher tariff is over a certain minimum level and where there is between the higher and lower tariff a certain minimum gap. The Community have proposed as a working hypothesis the figures of 30 and 10 for the minimum level and minimum gap respectively, although they have expressed some reservations about the concept of the minimum level. The United States have agreed to use these figures only for illustrative purposes; they have made it clear that in their view the more appropriate figure for the higher tariff should be 60 per cent and that the lower tariff should be less than one third of the higher tariff. We have also examined a list of United States tariff rates and equivalent CET headings provided on the working hypothesis of 30 and 10 by the United States and the EEC delegations and we have also had before us similar information in regard to United Kingdom tariff rates in relation to the CET. Some reflections arising from this examination are contained in a joint statement by several delegations, which I forwarded to the Commission in October. (This is being circulated as TN.64/NP/3.)
3. We have further had an oral account by the representative of the EEC in which he stressed once again that the existence of tariff disparities posed a problem of reciprocity for the Community to which a solution must be found. We have also had before us a note by the United Kingdom delegation (TN.64/NP/2) which seeks to analyze these problems and explores the extent to which generally acceptable solutions can be found.
4. Discussion of these problems raised for the Community showed that there were three general considerations in the minds of the others of the Group in respect of any attempt to frame solutions to these problems.

./.

5. In the first place, rules for the identification and treatment of tariff disparities affect in nearly all cases to a greater or lesser degree the interests of third countries. This is a serious problem not only for third countries, but also for the Community since to the extent that the trade of third countries is affected by, say, the Community invoking tariff disparity treatment against the United States, these third countries will wish to take this factor into account in balancing their offers with those of the Community. In this context it was felt by several members of the Group that particular importance should be attached to paragraph 16 of TN.64/NP/2. Furthermore, a number of members were strongly of the view that to minimize effects on third countries it would be advisable to restrict the substantial supplier rule (paragraph 13 of the paper) to those cases where the higher tariff country was the principal supplier to the lower tariff country.
6. In the second place, it must be borne in mind that any invocation of disparity treatment under general rules will not be limited to the Community. In many cases for example, low tariff countries would also be able to invoke disparity treatment in cases where the United States tariff is high, where there are imports from the United States but where the Community is a major supplier of the low tariff countries in question. This reinforces the point I have just made.
7. In the third place, it is essential to bear in mind that these discussions represent the opening phase of a negotiation. At this stage it was felt by a number of members of the Group that it would not be reasonable to commit them here and now to what would in effect be a negotiating position. In particular, members of the Group made it plain that they could not be committed to the figures of 30 and 10 for the minimum level and the minimum gap respectively.
8. Subject, however, to these reservations most delegations felt in the course of the consideration which the Group gave to the problems I have outlined that TN.64/NP/2 provided a useful basis for the continuation of the discussion on tariff disparities.