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THE PROBLEM OF TARIFF DISPARITIES

Statement by the Delegate of Switzerland
on 21 November 1963

I have a statement to make on the third country aspect of the problem of disparities. This aspect is a very important element in the whole negotiation. It is important not only to us, but also of great interest to most other participants in the Kennedy Round.

Let me tell you, Mr. Chairman, that we are the holders of a world record. We are world champions in suffering most from American protective tariffs. The figures show that very clearly. The average protection afforded by the American tariff on dutiable items is 11 per cent. For imports coming from Switzerland it is 30 per cent. Our exports to America are by far the most affected by the American tariff, more than the exports of any other country. Be it said in passing: there is, on top of the regular tariff, still an escape clause action on watches in force - the main export article in our trade with the United States - but this is a matter on which I shall not insist right here. As a consequence of the high American tariff protection on "our" products - and this conclusion is inevitable - most of our exports are, quite naturally, candidates for a disparity treatment. That this is so, I shall show in a moment in more detail.

The second remark I would like to make, Mr. Chairman, is this: despite this situation, despite the fact that protection in the American tariff for our products is so high, we do not intend to announce, in the Kennedy Round, a single exception from the 50 per cent reduction of our own tariffs in the field of industrial products - provided obviously that there will be full reciprocity on the side of our partners. If I do not talk here about agriculture, it is for the very simple reason that this particular landscape is completely fogged out right now. I do not for my life see how we are going to tackle this problem. I do not see it right now anyway.

Now, why do we take this attitude not to announce a single exception from the very beginning? We take this attitude not because we are just very nice people. We take this attitude because we think it is in our interest. More than that: we think it is in the interest of all participants in the Kennedy

Round to follow similar policies. Because what would happen if from the very start the various key countries followed a different path? If for instance our American friends were to maintain their escape clauses or to announce, as a consequence of the forthcoming hearings, a large number of exceptions? If our friends from the EEC were to invoke also exceptions, disparities, bargaining power considerations, considerations that have to do with market disruption? What would happen then is very obvious. A chain reaction would be set off and the scope of the Kennedy Round severely limited. Maybe, in the end, there would be no Kennedy Round at all. This was my second remark.

Now my third point. Let me come to our special situation. I was very gratified - and I said so in the ad hoc Group - that we received the British paper which has been distributed a few moments ago to all participants in this meeting (TN.64/NP/2). It is an excellent paper, and it is excellent for one reason in particular, namely that it is so very illustrative of the reality that lies behind our discussions. The British delegation was kind enough to supply me with very interesting statistics on the individual paragraphs of their paper. If I said that I had an initial fear that most of our export products would qualify for prima facie disparity treatment I must say that looking at the statistics, I find that the reality is far beyond my worst expectations. I shall give you two examples to illustrate that.

First example. Paragraph 13 of the British paper says that we might after all consider as prima facie disparity cases all those items where imports from America constitute at least 20 per cent of total imports into the Community. The British paper lists in paragraph 13, all in all, some 190 items. Out of these 190 cases, and this is quite natural, the United States are principal suppliers of the Community for the majority of items - 130 of them. Out of the remaining sixty items, the United Kingdom is principal supplier for twenty-seven. Switzerland, little Switzerland, is main supplier for twenty, and the rest is spread over a number of countries. If you consider the trade coverage for these twenty-seven and twenty items respectively, the United Kingdom trade covers a figure of \$21 million. The twenty Swiss items cover a trade of \$32 million, and all these items are traditional Swiss export products, all very sensitive, all very important. Now, let me say right here, Mr. Chairman, that we are in no position to throw away a trade coverage of \$32 million, to accept that these \$32 million should not profit by the 50 per cent reduction rule. I would, therefore, put in a strong plea to our British friends to change paragraph 13 of their paper and to restrict these cases to the ones where the United States is the main supplier of the EEC.

Second example. It has to do with paragraph 14, 15 and 16 of the British paper. There, the British delegation singled out 171 cases where the delegation thinks that, although they might look like prima facie disparity cases, this might not be true in many cases. The British delegation very strongly and very rightly stresses the importance those items have for third countries and their trade with the Community. Still, it might be - let us just assume for one horrible

moment - that all these 171 cases will in the end be considered disparity cases. Out of the 171 items, forty-eight concern the United Kingdom as principal supplier of the EEC, forty-eight concern Switzerland. The forty-eight Swiss cases cover trade with the Community of \$124 million, the forty-eight British cases cover a trade of \$89 million. Again, we are even less in a position, Mr. Chairman, to throw away a trade coverage of \$124 million.

If we do the summing up on just these two examples, there would be sixty-eight cases, all of great importance to our economy, with a trade coverage of more than \$150 million. These \$150 million constitute far more than one half of our total exports of main supplier items to the Community. That is what is at stake for us.

Now my fourth and final remark. You may say, Mr. Chairman, or some members of this Group may say: this is very harsh indeed, but it is inevitable, after all, justice has to be done. But let me tell you now, Mr. Chairman, what in my opinion compounds the nonsensical character, if you will pass me a strong expression, of the whole operation. All these items are typical Swiss export items. We are the main supplier of the Community; in many instances we are, at the same time, main suppliers of the United States. What will be the net result of the whole operation? The net result of the whole operation will be: first, that America is not going to be hurt because it does not export these items to the Community, or does not export them in any sizeable quantities, at least not in quantities comparable to what we export. Second, the Community is not going to profit because it is not exporting these items to the United States - or is not exporting them in very important quantities. The only result of the whole operation will be that a third country, a complete stranger, an innocent bystander, if I may say so, who has nothing whatever to do with the whole quarrel, will be hit on the head, will incur an enormous damage without having done anything to deserve it. We leave it to you, Mr. Chairman, and to the other participants in this meeting to judge whether this is reasonable.