

THIRD COMMITTEE: COMMERCIAL POLICY

SUB-COMMITTEE A (ARTICLES 16, 17, 18, 19)

Notes of the Tenth Meeting, Monday 29 December 1947, 10.30 a.m.

Chairman: Dr. G. A. LAMSVELT (Netherlands)

ARTICLE 17 - REDUCTION OF TARIFFS AND ELIMINATION OF PREFERENCES

1. Items 28, 34, 40 and 41 - revenue tariffs (Haiti) (Ceylon) (Chile)
(El Salvador)

The Sub-Committee reached substantial agreement as follows:

(a) Regarding Items 28 (Haiti) and 41 (El Salvador), no exception should be written into Article 17 exempting any Member from the obligation to enter into and carry out negotiations directed to the substantial reduction of tariffs on the grounds that its tariffs are predominantly fiscal in character. The delegate for Haiti withdrew his amendment in favour of the proposal submitted by Colombia (See page 2, sub-paragraph c).

(b) Regarding Item 34 (Ceylon), one of the factors which should be taken into account by Members during negotiations is the revenue aspect of other Members' tariffs. Most Members of the Sub-Committee, however, felt that it was not necessary to state this explicitly in the rules of negotiations set forth in paragraph 1, since a flexible procedure would enable Members to take into account during negotiations all relevant considerations. The delegate for Ceylon stated he had no objection to any form of words adopted by the Sub-Committee, provided the principle of his proposal was recognized.

(c) Some Members of the Sub-Committee felt that it was desirable to specify in paragraph 2 that the Organization, in making a decision as to whether a Member had fulfilled its obligation to negotiate, should, where relevant, take into account the fiscal character of Members' tariffs. Others felt that it was sufficient to specify that the Organization should take into account all relevant considerations. (Although Item 40 (Chile) was not discussed specifically at this point, it is assumed that it was covered in principle, so far as revenue tariffs are concerned, by this discussion. For further

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reference to Item 40, see paragraph 2 below).

The following suggestions were made and it was agreed to refer them directly to the drafting group:

(a) The United States delegate suggested that revenue tariffs could be converted into internal taxes (this suggestion received no support), or, alternatively, if the Sub-Committee preferred to cover this point in Article 17, the following addition might be made to proposed new paragraph 1 (e) (E/CONF.2/C.3/A/W.7): "Such negotiations shall be conducted on a selective, product-by-product, basis such as will afford an adequate opportunity for taking into account the needs of individual industries and the fiscal, developmental and other needs of individual countries."

(b) The French delegate suggested inserting in proposed new paragraph 4 (E/CONF.2/C.3/A/W.7) after the words "Nothing in this Article shall be construed to require any Member to reduce the tariff or bind it against increase", language along the following lines: "in particular, import duties which have no other effects than those of an internal tax....on any particular product."

(c) The delegate for Colombia suggested an amendment to paragraph 2 whereby the Organization, in making a decision as to whether a Member had fulfilled its obligations under paragraph 1, would take into account the economic and fiscal position of individual Member countries.

2. Item 40 - balance of payments and monetary reserves (Chile)

The delegate for Chile withdrew the reference to balance of payments and monetary reserves in the proposal submitted by his delegation on the grounds that these points were more relevant to the Articles of the Charter relating to balance of payments questions, and on the understanding that the remaining points in their proposed amendment (i.e., fiscal revenues and protection for development purposes) would be taken into consideration by the drafting group. This was agreed.

3. Item 36 - Revision of negotiated agreements because of economic conditions (Mexico)

The Chairman and the United States delegate suggested that the relevant provisions of the General Agreement (i.e. those relating to revision of the General Agreement and to the relation of the General Agreement to the Charter) might meet the point raised by the delegate for Mexico. The Mexican delegate stated that he wished to sustain his amendment at least pending a review of the relevant provisions of the General Agreement in order to ascertain whether they were adequate to cover, e.g., situations calling for a general modification of exchange rates and tariffs.

It was agreed to refer this proposal directly to the drafting group.
