

THIRD COMMITTEE: COMMERCIAL POLICY

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

Notes on the Twelfth Meeting

Held on Wednesday, 31 December 1947, 10.30 a.m.

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

ARTICLE 17 - REDUCTION OF TARIFFS AND ELIMINATION OF PREFERENCES

Agenda Item 1 - Amendments to rules for negotiations

Item 42 - adjustment of custom duties to compensate for internal taxes or charges reduced or eliminated under Articles 18 and 35 (Venezuela).

The discussion of this item will be concluded at the next meeting, when the Venezuelan delegate will have an opportunity to reply to points made by Members of the Sub-Committee. However, the Sub-Committee reached substantial agreement provisionally as follows:

(1) It would not be necessary to incorporate the proposed Venezuelan amendment into Article 17, insofar as it would apply to the elimination of fees and charges under Article 35, because

(a) nothing in Article 17 would preclude the raising of tariffs on unbound items to compensate for protective fees and charges eliminated in accordance with Article 35 if Members felt this to be necessary.

(b) Members would not be required to eliminate protective fees and charges under Article 35 immediately upon signing the Charter, but would have an opportunity to negotiate any necessary adjustments on bound items since Article 35 provides merely that Members shall take such action "at the earliest possible date".

(2) The proposed Venezuelan amendment should not be inserted into Article 17, insofar as it would apply to the elimination of differential internal taxes under Article 18, because

(a) nothing in Article 17 would preclude the raising of tariffs on unbound items to compensate for differential internal taxes eliminated in accordance with the provisions of Article 18 if Members felt this to be necessary.

(b) Although

(b) Although Members would be precluded from raising tariffs on bound items to compensate for differential internal taxes eliminated in accordance with Article 18, a number of alternative suggestions were made to meet this difficulty:

- (i) The delegate for the United Kingdom suggested that countries having differential internal taxes on items bound in existing bilateral agreements should undertake negotiations, prior to signing the Charter, aimed at securing a release to increase such duties.
- (ii) The delegate for the United States suggested that a provision might be inserted into Article 18 providing for a temporary release on a limited, specified basis from the obligation to eliminate differential internal taxes until the Member concerned had negotiated a release to raise tariffs, when considered necessary, on items bound in existing bilateral agreements not having a national treatment clause. In the view of the United States delegate this procedure should not apply in the case of items bound under the General Agreement which contains a national treatment clause.
- (iii) The delegate for France suggested, provided the United Kingdom delegate's proposal was not adopted, adding to Article 17 something along the following lines:

"The elimination of a discriminatory margin on an internal tax which was applied before the entry into force of the present Charter on an item on which the customs duty had been bound under the terms of an agreement which did not provide in respect of this item for national treatment in relation to internal taxes shall be considered as a tariff concession."

Most of the Members of the Sub-Committee supported the suggestion made by the delegate for the United Kingdom; the delegates for Cuba and the United Kingdom gave some support to the United States suggestion as a second alternative; the delegate for Uruguay gave some support to the suggestion made by the delegate for France. The delegate for Brazil supported the Venezuelan proposal.

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