

GENERAL AGREEMENT ON TARIFFS AND TRADE

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Committee on the Treaty Establishing the
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Corrigendum to the Summary Record

Pages 2 - 3

The statement by the representative of the United States should read:

"Mr CORSE (United States) said that any opinions he held at this stage and any conclusions he might have arrived at should be regarded as tentative and his delegation looked forward to having a further discussion on various aspects of this whole subject. Mr. Corse stated that the height of the common external tariff was important not only in and of itself but also because of its relationship to other matters covered by the Rome Treaty. If the common tariff were low, it was possible to come to one set of conclusions with respect to the trade impact of the various provisions of the Rome Treaty but, if high, to different conclusions. He thought that the provisions of Article XXIV with respect to tariffs were perhaps the clearest but at the same time they left certain problems. Firstly, paragraph 4 of Article XXIV was applicable and he agreed with the statement on page 4 in the Intersessional Committee's Report (L/696) that this paragraph was relevant to the whole examination of the Treaty by the CONTRACTING PARTIES. His delegation had given extensive consideration to the question as to whether a simple and direct method was available under which a judgment could be made that the common tariff provided for in the Rome Treaty met the conditions prescribed in paragraph 5(a) of Article XXIV. It was not altogether clear what this paragraph meant nor how it was to be applied. For example, the method of calculating the level of the duties in the common tariff on the basis of arithmetic average did not appear to satisfy the conditions of paragraph 5(a) since there was an implication in that paragraph of a "weighting" element. Weighting, however, raised certain practical difficulties as well as other problems and no automatic mathematical formula seemed to be available to judge the general incidence of the common tariff and thus permit the conclusion that the conditions of paragraph 5(a) were satisfied. He cited an example of two countries entering into a customs union with rates of import duty for a given product of 5 per cent and 25 per cent ad valorem, respectively. Each rate might be either protective or non-protective affecting entirely different volumes of trade. The

calculation of common duties in each possible combination would, for the purposes of paragraph 5, lead to different results in each case.

Another possible approach in gauging the level of the common tariff would be to compare customs duties collected under the existing tariffs with those under the new tariff. It would appear desirable that the total amount of revenue should fall, but this was not a sufficient condition. If the customs duty on a particular product was increased from zero to a prohibitive level, customs revenue would rise from zero to a peak level and fall to zero when it became prohibitive. Thus, a general decline in duties could lead to a reduction in total duties but it was also conceivable that total duties could increase.

In the light of these conditions Mr. Corse concluded that the overall judgment required in paragraph 5(a) of Article XXIV could only be appropriately made on the basis of a commodity-by-commodity study by each contracting party which would then provide a basis for a general judgment. He acknowledged that this involved a great amount of work for the United States since the trade interests of the United States were so extensive, but no other solution was apparent.

It was necessary for the Member States of the Community to negotiate their way out of their bound rates. Any negotiations deemed necessary pursuant to paragraph 5(a) could be carried on simultaneously with negotiations under paragraph 6. Before these negotiations could begin, however, it was necessary for contracting parties to know all or most of the proposed duties of the Community. It was necessary, therefore, for the Community to provide the remainder of the rates to the CONTRACTING PARTIES as quickly as possible. He also expressed the view that the procedures of Article XXVIII seemed generally appropriate. However, it did not appear possible at this stage either to set up a schedule for the tariff negotiations or to formulate rules for the conduct of such negotiations since this must await the establishment of the institutions which would be responsible for conducting tariff negotiations for the Community.

Any problems which arose in connection with the elimination of duties within the Community and the passage from one stage to another also deserved consideration by the Committee.

In conclusion Mr. Corse said that his delegation would support the establishment of a Working Party to consider these questions in greater detail should that be the desire of the Committee."

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The statement by the representative of Canada should read:

"Mr. REISMAN (Canada) said that his delegation's views on the tariff arrangements of the European Economic Community would be guided by two broad considerations. The first consideration was the impact of these arrangements on world trade generally; the second, was their impact on Canada's trade in particular. To date his delegation had not reached any final judgment on these arrangements partly because the tariff proposals of the Six were incomplete and also because there has not yet been an opportunity to examine the specimen tariff in detail with other contracting parties.

In his view a Customs Union was neither good nor bad in itself from an economic point of view. It was good to the extent that it created new trade and opened up new opportunities for international specialization. It was bad to the extent that it merely directed existing trade from third countries to members of a customs union. A final judgment would depend on whether on balance the effect was to expand international trade rather than divert it from outside to inside the group. It was clear that the authors of Article XIV had this basic consideration in mind when they drafted the Article. This central idea was clearly incorporated in paragraph 4 which stated that "the purpose of a customs union or a free-trade area should be to facilitate trade between the parties and not to raise barriers to the trade of other contracting parties with such parties." This paragraph was also designed to protect the position of individual contracting parties against increased barriers imposed by the combination.

Whether the European Economic Community led to a net expansion of world trade would depend largely on the nature of the common tariff. In this connexion, he wished to stress several points. First, paragraph 5(a) required that the common tariff should not be higher or more restrictive than the general incidence of the original tariffs. He did not believe that this requirement could be met by devising a straightforward mathematical formula. What was involved was much more than a matter of looking at rates. Depending on the actual conditions of production and trade judgments would be required in each case whether the proposed duties constituted on balance an increase or a decrease in effective protection. The suggestion made by the United States representative for a commodity-by-commodity review should be incorporated with that made by the Australian representative for a country-by-country examination. This approach would provide a practical basis for the Six and other contracting parties to consult together on whether the requirement of the GATT had been met. While the Six had proposed that the duties in the common tariff should, for the most part, be based on the arithmetic average of the rates of their four customs territories, they found it necessary to digress substantially from this rule for an important range of items and use a variety of other methods involving judgment to establish the common rates. What was now required was a joint review to see whether the judgment of the Six was in line with that of the CONTRACTING PARTIES.

Secondly, it was important that the balance of concessions represented by the bindings contracting parties have with members of the Six be retained. It appeared that the application of the provisions of paragraph 6 would achieve this objective. This paragraph called on the Six to enter into Article XXVIII negotiations whenever they increased a duty above the bound rate. Although his delegation had not examined the procedures prescribed in Article XXVIII to determine whether they were entirely suitable to the forthcoming negotiations with the Six, it would be an appropriate task for the Working Party to decide whether the negotiating rules and procedures contained in Article XXVIII would require adaptation to this particular task.

Thirdly, it was important that the Six provide the CONTRACTING PARTIES with precise information concerning their tariff proposals for the items contained in List G. The products on this list accounted for approximately 20 per cent of the total imports of the Six and more than 20 per cent of Canada's exports to the Six. This list was made up almost entirely of raw materials which normally bore low rates of duty. It would appear, therefore, to be in the best interests of the Six and of the countries with whom they traded to ensure that the rates were fixed at low levels.

Finally, the present plan and schedule for removing the internal tariff had a certain lack of precision which raised questions about whether there was a firm plan and schedule. He was concerned over the delays permitted before moving from the first to second stage. He was also concerned by the fact that the Six had left over a substantial share of the adjustments for the final stage which could have the result of prolonging the transitional period and of encouraging requests for exceptions to be made."