

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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Limited Distribution

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## GUIDELINES FOR DECISIONS UNDER ARTICLE II:6(a) OF THE GENERAL AGREEMENT

Adopted by the Council on 29 January 1980

In the present monetary situation the CONTRACTING PARTIES shall apply the provisions of Article II:6(a) as set out below unless they consider that this would not be appropriate in the circumstances of the particular case, for example because it would lead to an impairment of the value of a specific duty concession<sup>1</sup>:

- (a) If a contracting party, in accordance with Article II:6(a) of the General Agreement, requests the CONTRACTING PARTIES to concur with the adjustment of bound specific duties to take into account the depreciation of its currency, the CONTRACTING PARTIES shall ask the International Monetary Fund to calculate the size of the depreciation of the currency and to determine the consistency of the depreciation with the Fund's Articles of Agreement.
- (b) The size of the depreciation shall be calculated by comparing the import-weighted average exchange rate during the six months preceding the date of the legal instrument through which the specific duties to be adjusted were last bound or the date of the last authorization by the CONTRACTING PARTIES to adjust the specific duties, whichever date is later, with the import-weighted average exchange rate during the six months preceding the contracting party's request. The CONTRACTING PARTIES shall not apply these guidelines to depreciations that took place before the advent of the present monetary situation. At least one year shall have elapsed between the relevant base date and the contracting party's request. If different base dates apply to various duties to be adjusted, the depreciation since each of these dates shall be calculated. The calculation of the depreciation should normally be based on the currencies of trading partners supplying at least

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<sup>1</sup>For the purposes of these guidelines the terms "specific duty concession" and "bound specific duty" mean any specific duty or charge or margin of preference in a specific duty or charge provided for in the appropriate schedule annexed to the General Agreement.

80 per cent of the imports of the contracting party making the request. The Fund shall be asked to provide the CONTRACTING PARTIES with the statistics used in the calculation and information on the sources of these statistics. If a contracting party does not define its specific duties in terms of its domestic currency but in terms of another unit (e.g. one or several other currencies or an international unit of account) the depreciation to be taken into account shall be the depreciation of the unit chosen. If contracting parties members of a customs union define their common specific duties in terms of a unit of account composed of the currencies of the members, the depreciation to be taken into account shall be the average depreciation of the unit of account in terms of the currencies of third countries each weighted by its share in the total imports of the customs union.

- (c) The CONTRACTING PARTIES shall be deemed to have authorized the contracting party to adjust its specific duties to take into account the depreciation if the International Monetary Fund advises the CONTRACTING PARTIES that the depreciation calculated as set out in paragraph (b) above is in excess of 20 per cent and consistent with the Fund's Articles of Agreement and if, during the sixty days following the notification of the Fund's advice to the contracting parties, no contracting party claims that a specific duty adjustment to take into account the depreciation would impair the value of a concession. If such a claim is made the adjustment shall be deferred pending consultations between the contracting parties concerned. The consultations shall not last longer than ninety days unless otherwise agreed between the contracting parties concerned. If, after such consultations, the claim is maintained the question shall be decided by the CONTRACTING PARTIES.
- (d) If, during the six months beginning six months after the notification of the Fund's advice to the contracting parties, a contracting party claims that the value of a specific duty concession adjusted in accordance with the above procedures is impaired because the depreciation calculated as in paragraph (b) has been partly or fully reversed and if consultations between the two contracting parties have not resolved the matter, the CONTRACTING PARTIES shall examine the matter and, if appropriate, modify or withdraw their authorization.