

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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Special Distribution

Working Party 2 on Schedules

## DRAFT SECOND REPORT

### Transposition of Schedule XXXVII - Turkey

1. At the meeting of the CONTRACTING PARTIES on 1 November 1954, the Working Party was instructed to examine the proposals of the Turkish Government (L/229) concerning the adoption of a new tariff nomenclature and the application of ad valorem in place of specific duties in so far as these changes may affect the concessions provided for in the Turkish Schedule.
2. The adoption of the Brussels nomenclature presents no basic problem so far as schedules to the General Agreement are concerned. At their Fifth Session, the CONTRACTING PARTIES agreed that a contracting party wishing to change the nomenclature of its schedule could resort to the normal rectification procedures. Accordingly, the Turkish Government should furnish copies of the revised nomenclature of its Schedule to the Executive Secretary for distribution to the contracting parties. In the event of no objections being lodged with the Executive Secretary, the changes in the Schedule would be regarded as having the approval of the contracting parties. Legal effect would be given to the modification of the Schedule by incorporation in a protocol. In the event of an objection being lodged concerning the change in nomenclature of any item, consultations should be held between Turkey and the governments concerned. The Turkish delegation has advised that a revised schedule on the basis of the new nomenclature is being prepared and will probably be ready for distribution to contracting parties by 1 January 1955.
3. The Working Party has also examined the proposal to change the specific duties in the Turkish Schedule to ad valorem duties, in cases where such a change is not expressly provided for in the Schedule, in order that the new tariff, comprising exclusively ad valorem duties which entered into force on 7 June 1954, would conform with the Government's obligations under the General Agreement. The Working Party considered the proposals in relation to the provisions of the Agreement and in the practices of the CONTRACTING PARTIES which deal with the modification of schedules. It was found that there is no provision in the General Agreement which authorizes a contracting party to alter the structure of bound rates of duty from a specific to an ad valorem basis.

4. The obligations of contracting parties are established by the rates of duty appearing in the schedules and any change in the rate such as a change from a specific to an ad valorem duty could in some circumstances adversely affect the value of the concessions to other contracting parties. Consequently, any conversion of specific into ad valorem rates of duty can be made only under some procedure for the modification of concessions. One such procedure is that of Article XXVIII, which was used for this purpose by the Government of Finland during the Torquay negotiations. In the present instance, however, adherence to this procedure would involve a delay of more than six months in view of Turkey's acceptance of the Declaration of 24 October 1953 on the Continued Application of Schedules. But in exceptional circumstances concessions can be modified, during this period of firm binding, under the "sympathetic consideration" procedures agreed upon at the Eighth Session. Under this arrangement a government can apply to the CONTRACTING PARTIES for special authority to enter into negotiations with other contracting parties with a view to the modification of concessions. The Working Party considers that it would be appropriate for the CONTRACTING PARTIES to examine the proposed conversion of rates in the Turkish Schedule under these procedures for sympathetic consideration.

5. The Working Party recognizes the inconvenience which results for the Turkish Government from the application of two different types of customs tariffs and considers that the circumstances of this case are sufficiently exceptional to justify resort to the "sympathetic consideration" procedures. Moreover, it took note of the declaration of the Turkish Government that it is not seeking to grant increased protection against the competition of imported merchandise. Accordingly, the Working Party recommends that the Turkish Government be authorized to proceed immediately with negotiations in accordance with the rules established by the Intersessional Committee, and that the participating delegations be asked to report on the results of the negotiations before the close of the Session.

6. The foregoing recommendations are submitted unanimously by the members of the Working Party with the exception of the representative of Brazil who takes the view that the conversion of specific to ad valorem duties does not affect the value of negotiated concessions and that in most cases nothing more is involved than a simple arithmetic calculation. Except in cases where such a calculation cannot be made, it is his opinion that such conversions are merely a matter of form and should not require special authority. The representative of Greece, although not a member of the Working Party, stated that in the view of his Government the only objective of any negotiations that might be held should be to satisfy the CONTRACTING PARTIES that the calculations had been correctly made.

7. [Note: A statement by the Turkish delegation to be added to this draft report will be distributed in an addendum.]