

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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CONTRACTING PARTIES

Ninth Session

Review Working Party II on Tariffs, Schedules  
and Customs Administration

## PROPOSALS FOR TARIFF REDUCTION

### Note by the Chairman

The members of the Working Party will recall that after its first discussion of questions of tariff reduction (W.9/26) it was decided not to establish a sub-group for the further study of the problem. It was decided, however, that the Chairman would prepare two draft reports as a basis for further work. The two drafts are annexed hereto and are submitted for consideration by the Working Party.

Annex A contains a draft for that part of the Working Party's Report to the CONTRACTING PARTIES on the Review questions which will deal with the proposals for the insertion in the Agreement of an obligation to negotiate.

Annex B contains a draft report to the CONTRACTING PARTIES on Item 4 of the Ninth Session Agenda: Plans for Tariff Reduction.

### ANNEX A

Draft of that part of Working Party II's Report to the CONTRACTING PARTIES on Review questions which deal with the proposals for the insertion in the Agreement of an obligation to negotiate for the reduction of tariffs.

Under this heading, the Working Party considered the proposals by the Scandinavian, Benelux and German Governments summarized in W.9/26.

The representatives proposing these amendments explained their aims and intentions. They maintained that an important objective stated in the Preamble should be covered by a specific article. The Scandinavian Governments proposed that this could be done by introducing provisions similar to those contained in Article 17 of the Havana Charter, and by including the principle that the binding of low duties or of duty-free treatment should be recognized as equivalent to the reduction of high duties. The Benelux Governments proposed that the Agreement should include an undertaking to reduce customs duties deemed to be an obstacle

to the development of trade. And the German Government suggested that the CONTRACTING PARTIES should endeavour to reach an understanding on the procedure for the collective automatic reduction of tariffs whereby an equalization of tariff incidences could be attained.

There was general understanding in the Working Party of the problems of the low-tariff countries, but some uncertainty was expressed as to the meaning and effect of an obligation to negotiate. It was recognized that tariffs should be considered as the legitimate and proper means of affording protection, and that important results had been achieved during the three rounds of negotiations. But many doubted whether new obligations could be undertaken, especially if the GATT rules on other obstacles to trade were strengthened. Some representatives declared that a further reduction of tariffs would raise serious problems in connection with revenue from fiscal duties. It was also proposed that arrangements for further tariff reduction should not be provided for in the Agreement itself.

Against these arguments the representatives of low-tariff countries maintained that, for them, further progress in the tariff field was a basic issue. Their attitude to the Review as a whole and to the question of future rebindings - by which, in their opinion, an unbalanced situation was stabilized - was dependent on a positive outcome of the Review discussion in this field. This had been clearly indicated in the statements by their ministerial representatives at the beginning of the Session.

In the light of these statements, several representatives declared themselves willing to undertake further study of the problems and indicated that a compromise solution might be found by inserting an article in which the obligation to negotiate would be recommendatory rather than mandatory and which would underline the principle of mutual advantages, reciprocity, etc.

#### ANNEX B

#### DRAFT REPORT ON PLANS FOR TARIFF REDUCTION

(Report from Working Party II on Item 4 of the Ninth Session Agenda)

At the opening of the Session the CONTRACTING PARTIES adopted a recommendation of the Intersessional Committee that this question should be examined in connection with the Review of the Agreement. This was later referred to Working Party II to be considered in connection with specific proposals for amending the provisions of the Agreement relating to tariff negotiations. The results of the discussions on these proposals will appear in the Working Party's report on the Review, to be issued at a later date during the Session. The Working Party, however, also considered what steps could be taken in the near future with a view to positive action in this field.

The Working Party recalled earlier developments in this field and the studies leading up to the present "GATT-plan". They recalled that some governments had declared themselves prepared to participate in a tariff negotiation based on the principles of the report adopted at the Eighth Session (BISD, 2nd Supplement, p. 68).

Some members of the Working Party declared that it would not be possible for them at this stage to take part in further work in this field. Several others felt that little useful work could be done until the attitude of some of the major trading nations, in particular the United States of America, is known. Other members, and especially those representing low-tariff countries, pressed for immediate further progress in this field, and suggested that machinery should be established to carry the work forward. They admitted, however, that in the technical field little useful work could be done, if there was no agreement on the principles involved in this approach to the problem. In the opinion of some representatives, the matter could be referred to the Intersessional Committee, while others, taking into account the general lack of enthusiasm in the Working Party, felt that all that could be done would be to keep the matter on the agenda for further discussion during the Tenth Session.