

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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CONTRACTING PARTIES

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Review Working Party II on Tariffs,  
Schedules and Customs Administration

## PROPOSALS FOR TARIFF REDUCTION

### Report submitted by Sub-Group II-A to Working Party II

The Sub-Group has proposed the following report in the form of a draft for submission by Working Party II to the CONTRACTING PARTIES:

1. The Working Party has examined the proposals for tariff reduction submitted by the Chairman in W.9/161 and has decided to recommend the insertion of a new article in the General Agreement, dealing with tariff negotiations sponsored by the Organization, and the establishment of a special working party to study plans for tariff reduction.
2. Delegations from the low tariff countries were anxious to provide in the Agreement for certain principles to govern the tariff policy of the CONTRACTING PARTIES in order to arrive at a better balance between the positions of the various contracting parties in this respect. While there was considerable sympathy with the particular problem confronting these countries, it was considered inappropriate to expect contracting parties to accept any general form of commitment which would prejudice their freedom of action with respect to unbound tariffs. It was recognized, however, that in the pursuit of its policies affecting international economic relations, including its tariff policy, each contracting party would have regard to the objectives of the Agreement and try to avoid unnecessary damage to the interests of other contracting parties.
3. The text recommended for the new article, as set out in Annex A, would impose no new obligations on contracting parties. Each contracting party would retain the right to decide whether or not to engage in negotiations or to participate in a tariff conference.
4. Several delegations proposed to include in the article certain rules for negotiations such as those in Article 17 of the Havana Charter, but others thought it was not necessary to burden the article with a set of rules since it is not its purpose either to prescribe or to exclude any of the rules that have been followed in the past; the article imposes no obligations, and therefore should contain nothing that is mandatory. Further, since the article clearly envisages the possibility of tariff negotiations in which some contracting parties might not be able to participate, it would be unwise to prejudge the form

which these negotiations should take by prescribing procedures and rules. The procedures for any particular tariff negotiations will have to be determined at the time the holding of the negotiations is under consideration and contracting parties will then have ample opportunity to advocate the procedures under which they would be prepared to negotiate. A contracting party that is not satisfied with the procedures adopted, would be free not to participate in the negotiations.

5. The representative of Brazil invited the Working Party to discuss in this connection the proposals which had been put forward by his delegation in documents W.9/39 and Add.1. His delegation wished to establish certain rules for the conduct of tariff negotiations and, in particular, for the measurement of concessions. The Working Party considered that governments participating negotiations should retain complete freedom to adopt any method they might feel most appropriate for estimating the value of duty, reductions and bindings. The representative of Brazil pointed out that the recommendation proposed for adoption by the CONTRACTING PARTIES (W.9/39/Add.1) merely asked for recognition that the measurement of concessions in monetary terms might not be equitable when the economic effects of customs duties are unequal because of differences in the economic structures of the countries concerned; therefore, wherever statistical data are available, governments participating in negotiations for tariff concessions or in renegotiations of bound duties should be free to use, if they should so desire, the formula proposed by the Brazilian delegation in determining the equivalence of compensatory concessions. The Working Party noted that there was nothing in the Agreement, or in the rules for tariff negotiations which had been used in the past, to prevent governments from adopting any formula they might choose, and therefore considered that there was no need for the CONTRACTING PARTIES to make any recommendation in this matter.

6. The majority of the Working Party considers that amendments to this new article should become effective upon acceptance by two-thirds of the contracting parties pursuant to Article XXX:1, and that the most appropriate place for the article, given the existing structure of the Agreement, is in Part III, possibly following Article XXVIII. Some delegations preferred to have the new article inserted in Part I of the Agreement.

7. The draft decision on procedures for future work is set out in Annex B. In recommending that a special working party should be established to carry on the study of plans or procedures for tariff reduction, rather than that these tasks should be assigned to the Intersessional Committee, it is suggested that this working party should not be composed only of technical experts as it will be necessary to take into account the attitude of governments as well as the technical feasibility of any plans and procedures that may be under consideration.

8. The representatives of European low-tariff countries proposed that it should be recognized that when quantitative restrictions imposed for balance-of-payments purposes are removed, an increase of customs duties or of other

charges on imports, having the effect of impairing the benefits which might be reasonably expected from removal of the restrictions, could be referred to the CONTRACTING PARTIES by a government with a substantial interest in the export of the products affected. Further, they proposed that contracting parties, when considering any such reference, should take account of all relevant considerations including the fiscal, developmental, strategic and other needs of the contracting party concerned and also the relative progress of both parties in the reduction of tariffs and other obstacles to trade.

9. This proposal was supported by some members of the Working Party, but the majority considered that the removal of quantitative restrictions was a desirable objective in itself. In the view of the majority, the proposed statement envisaged an extension of the control of the CONTRACTING PARTIES over customs tariffs by enabling them to express disapproval of increases in unbound rates of duty.

ANNEX A

Draft Article 00

Tariff Neotiations

1. The contracting parties recognize that customs duties often constitute serious obstacles to trade; thus negotiations on a reciprocal and mutually advantageous basis, directed to the substantial reduction of the general level of tariffs and other charges on imports and exports and in particular to the reduction of such high tariffs as prohibit the importation even of minimum quantities, and conducted with due regard to the objectives of the Agreement and the varying needs of individual contracting parties, are of great importance to the expansion of international trade. The Organization may therefore sponsor such negotiations from time to time.

2.(a) Negotiations under this Article may be carried out on a selective product-by-product basis or by the application of such multilateral procedures as may be accepted by the contracting parties concerned. Such negotiations may be directed towards the reduction of duties, the binding of duties at then existing levels or undertakings that individual duties or the average duties on specified categories of products shall not exceed specified levels. The binding against increase of low duties or of duty-free treatment shall, in principle, be recognized as a concession equivalent in value to the reduction of high duties.

(b) The contracting parties recognize that the success of multilateral negotiations would depend on the participation of all contracting parties which conduct a substantial proportion of their external trade with one another.

3. Negotiations shall be conducted on a basis which affords adequate opportunity to take into account:

- (i) the needs of individual contracting parties and individual industries;
- (ii) the needs of less developed countries for a more flexible use of tariff protection to assist their economic development and the special needs of these countries to maintain tariffs for revenue purposes; and
- (iii) all other relevant circumstances, including the fiscal, developmental, strategic and other needs of the contracting parties concerned.

Interpretative Note to Paragraph 3

It is understood that the reference to fiscal needs would include the revenue aspect of duties and particularly duties imposed primarily for revenue purposes or duties related to such duties.

ANNEX BDraft Decision to Establish a Working Party  
To Study Plans for Tariff Reduction

The CONTRACTING PARTIES decide

That a special working party shall be established, to be convened at a time deemed appropriate by the Chairman of the CONTRACTING PARTIES, with the following terms of reference:

- (a) to study generally the possibilities of future action directed to the reduction of the general level of tariffs, with special consideration being given to the reduction of unreasonably high tariffs;
- (b) to examine various particular plans or procedures which may be proposed for carrying out the objectives set forth in paragraph (a);
- (c) to recommend to the CONTRACTING PARTIES the convening of a tariff conference as soon as it is felt by the working party that progress in this field is possible, and to make preparations for such a conference; and
- (d) to report to the ~~CONTRACTING PARTIES~~ at their Tenth Session.