

GENERAL AGREEMENT ON TARIFFS AND TRADE

CONFIDENTIAL

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Special Distribution

Multilateral Trade Negotiations

ABBREVIATED DESCRIPTION OF WORKING HYPOTHESIS FOR TARIFF REDUCTIONS

(Circulated at the Request of Certain Delegations)

Products subject to the procedures of Group "Tariffs"

1. In accordance with the timetable generally agreed, offers of tariff reductions shall be tabled in the week beginning 15 January 1978. It will be open to participants to review the basis of their intended offers in early January 1978 in the light of progress in other sectors of the negotiations. But subject to this review, a working hypothesis is necessary now to serve as a basis for the preparation of offers. The following are suggested as elements of the working hypothesis.

A. Countries following the working hypothesis

2. Countries following the working hypothesis agree to offer tariff reductions averaging in total some $\frac{X}{100}$ * per cent in terms of calculated customs receipts for MFN dutiable imports in one or several base years to be determined prior to 15 January 1978, on products subject to the procedures of Group "Tariffs". This agreed objective will be achieved by a procedure in which the tariff reductions offered should, within the limits imposed by national legislation, be based on a harmonization formula of the type Z equals AX over $A+X$ (where "Z" is the final rate, "X" the starting tariff rate, and "A" a coefficient which (in terms of either a simple coefficient between 12 and 16 or in order to assure an adequate measure of harmonization a coefficient within this band plus a uniform adjustment)) would yield for each individual participant the average reduction which it has been agreed to offer. Individual participants should confirm the appropriate coefficient and factor to be used by them with the GATT secretariat.

3. To the extent that duties on some individual products could not be reduced to the final rate given by the above working hypothesis, or zero duties could not be bound duty free or other duties could not be bound, the tariff items concerned would need to be notified as partial or complete exceptions while specifying any offer applicable to such items. These exceptions should be kept to a minimum and counter-balanced by compensating offers to maintain the working hypothesis/.

* A number of participants have signified their intention to table their offers on the basis of 40 per cent; others have not yet taken a position.

4. It will be open to participants to respond to requests for or to make offers on particular products or groups of products greater than would result from the application of the working hypothesis including the elimination of duties, it being understood that in these cases other participants should take account of these supplementary offers in accordance with GATT negotiating procedures in their assessment of a reciprocal balance of concessions.

5. To the extent that exceptions are made, it will be open to participants to adjust their offers on the lines of either paragraph 3 or 4 above in order to arrive at a reciprocal balance of concessions. Any assessment of the value of concessions would need to take account of the distortions which could result from exceptions of unbound items and high duty items from the harmonization formula, as well as the quality of individual offers across the board as in negotiations under Article XXVIII:bis.

6. The starting rate will be the GATT-bound rate for establishing new bindings and the rate effectively applied on 1 January 1974, for establishing new applied rates. For unbound rates, the starting rate for establishing new bindings will be the rate effectively applied on 1 January 1974.

7. Tariff reductions agreed will be implemented in annual stages to be determined as the last step in the MTN. For planning purposes, it will be assumed that these reductions will normally be implemented over a period of eight years, starting from 1 January 1980, or the date by which the principal MTN agreements have been ratified by the major participants and the necessary legislation enacted, whichever is the later. Implementation of the sixth and succeeding stages may be postponed if this is warranted by economic circumstances at the time.

B. Developed countries not following the working hypothesis

8. Participants not applying the above working hypothesis should indicate so at the earliest possible date and table their offers on tariffs on the above products in the week beginning 15 January 1978, in light of requests by other participants to be put forward as soon as possible.

9. These offers should aim to achieve, in conformity with the provisions of Article XXVIII:bis, a better balance of obligations in the tariff field, through, inter alia:

- an extension of the present GATT bindings, in order to cover substantially all MFN imports into the country concerned;
- the reduction of tariffs presently applied, especially of the higher rates of duties.

C. Developing countries

10. In light of requests made by developing countries, provisions will need to be elaborated covering special and differential treatment for the products of export interest to them as well as requests for contributions from developing countries.