

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

MTN/3A/W/1

11 March 1974

Special Distribution

---

Multilateral Trade Negotiations

Original: English

## GROUP 3(a) - MEETING OF MARCH 1974

### United States Note on Tariff Rate Information and the Base Rate/Base Rate Question in the Trade Negotiations

It is necessary at the beginning of the trade negotiations to define for each participant the tariff base to which a negotiating technique applicable to tariffs will be applied. In GATT negotiations, this issue first arose in connexion with application of the linear tariff reduction sought for the Kennedy Round.<sup>1</sup> For the forthcoming negotiations the matter is more complex. In 1964, when the negotiating plan for the Kennedy Round was being formulated, there were relatively few instances in linear country tariff schedules where the "statutory" rate was temporarily superseded by either lower or higher duties. Today, however, this situation is typical in the tariff schedules of several countries.

#### Tariff rate information in the Tariff Study

Generally speaking, the rate information presently in the Tariff Study reflects GATT rates for items bound in the GATT and "statutory" rates for items which have not been bound in GATT. It is not entirely clear from the following secretariat account from the Tariff Study (COM.IND/W/62/Add.1), however, which rates the secretariat used when the rate actually being applied differs from the GATT rate or "statutory" rate:

The duties considered in the study are the post-Kennedy Round most-favoured-nation rates as published in the official customs tariffs and in the consolidated schedules. In cases where the duties in the tariffs currently used ("tarif d'usage") are lower than the post-Kennedy Round rate, the former were used. It has not been possible to take into account tariff reductions or suspensions applicable to certain types of transactions or the duty

---

<sup>1</sup>"Statutory" rates higher than applied rates, of course, were not first encountered in the Kennedy Round, but the problem is addressed in an entirely different manner in an item-by-item negotiation.

exemption (or drawbacks) on merchandise, imported for further processing, which is, in particular, important in the EEC. Suspensions or reductions of a temporary nature have also not been taken into account.

For the purposes of the Tariff Study so far, the rate information used has been satisfactory. However, it is not sufficiently consistent and detailed for the conduct of a negotiation. In fact, the rate information in the Tariff Study described above points to the need for an authoritative detailed tariff file.

#### A proposal

The Kennedy Round approach to base date/base rate notification - distribute your tariff schedule with a general statement of exceptions - was not very satisfactory in that it left a vast amount of detailed hand work and interpretation to be done by each country on all of the submissions. The GATT Tariff Study experience and machinery now provide a better way.

Preparatory to and as part of consideration of the base date/base rate question, governments should submit to the secretariat for distribution to participants in the negotiations a tariff rate "file" giving their rates of duty in the detail called for in the table annexed to this paper. The submission preferably should be in the form of a magnetic tape, in a standard format, and should provide the necessary documentation to assist the secretariat in the adaptation of these tapes to their automatic data processing needs.

The initial submission would be based on rates of duty as of 1 January 1974, which in most cases correspond to the rates in effect at the time of the Tokyo Ministerial Declaration, and on each tariff line item, statutory most favoured nation, bound, and applied rates would be listed. The ad valorem equivalents of specific and compound rates would be based on the most current available year, e.g. 1972. Subsequently, countries would submit to the secretariat any changes in these rates during the course of the year as they occur. The secretariat would circulate a notification of these changes. The table would also be updated to reflect rates of duty as of 1 January 1975, and ad valorem equivalents based on more recent year's data (1973, 1974, etc.) as it becomes available.

The secretariat should make a hard copy print-out of each country's tape file for distribution to the other participating countries, and also make available to the other participating countries copies of the tape files themselves if they are desired.

The secretariat would be able to draw from this file the rate information required for future work on the Tariff Study. At some point, however, there should be a discussion as to which of the rates the secretariat should use for particular tabulations.

This information could give definitive meaning to the alphabetical codes which are now used by the secretariat to annotate the rate information presently in the Tariff Study file.

In addition to the above proposals, consideration could be given to adding another rate column, after a base rate decision has been made, to show the country's base rate for the item.

ANNEX

Tariff rates of \_\_\_\_\_  
(Country)

Tariff number (statistical number)	"Statutory" m.f.n. rate	GATT rate	Applied m.f.n. rate	Ad valorem equivalents of specific and compound rates, based on imports in			
				1972	1973	1974	1975

- The initial submission by Governments (preferably in the form of magnetic tape) would be:
  - tariff item numbers and rates of duty as of 1 January 1974
  - ad valorem equivalents of all specific and compound rates, calculated on the most recent year's data available (e.g. 1972).
- Revisions of item numbers and rates of duty should be notified to the secretariat for circulation as they occur, i.e., during the course of each year.
- Ad valorem equivalents for all specific and compound rates would be submitted annually for the secretariat to add to the basic tariff rate file.
- The rate reported in the "statutory" rate column should be the rate which would normally apply to imports from GATT countries in the absence of any action which the importing country considers to be of a temporary nature specifying a different rate (e.g. temporary duty suspensions or reductions, temporary duty increases under escape-clause actions, etc.). Generally speaking, for items in a country's GATT schedule, the statutory rate and the GATT rate would usually be identical.
- For simplicity, the GATT rate and the applied rate columns could be filled in only if those rates differ from the "statutory rate", except that if the item is not in a country's GATT schedule, the word "none" should appear in the GATT rate column. Thus, the absence of a notation in these two columns would indicate that the GATT rate and the applied rates are identical with the statutory rate; "none" in the GATT rate column would indicate that the item is not bound in GATT. Applied rates would include any temporary duty suspensions.