

**MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND**

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PROPOSAL FOR UNIFORM IMPORT FEE FOR TRADE ADJUSTMENT PURPOSES

Submitted by the Delegation of the United States

In the context of the discussions of Article II in the Uruguay Round Negotiating Group on GATT Articles, the United States delegation requests that consideration be given to the following U.S. proposal. The United States proposes that uniform import fees or charges not to exceed 0.15 percent on all imports be allowed to be imposed for the sole purpose of funding programmes which directly assist adjustment to import competition and are consistent with the principles and obligations of the GATT and related agreements.

The United States believes that such a provision is needed to ensure that funds are available for workers, firms and industries that have been adversely affected by increased imports. At the same time, we believe it is important to ensure that the level of the import fee be kept at a de minimis level not to exceed 0.15 percent so as to minimise its impact on trade flows.

These funds shall be used only for trade adjustment programmes that are consistent with the principles and obligations of the GATT and related agreements. They must be made generally available to all sectors of the economy, taking into account the results of the Uruguay Round. The majority of trade adjustment funds would be directed to workers, although some assistance to firms and industries may be provided if done on a GATT-consistent basis.

The United States is still examining the various options available for implementing this proposal. These include revising Article II, adding a footnote to Article II or reaching a decision by contracting parties.

A statement explaining the proposal in greater detail is attached.

US PROPOSAL FOR IMPORT FEE FOR TRADE ADJUSTMENT PURPOSES

Statement by the U.S. Delegate

16 October 1989

- In the context of our discussions on Article II, the United States would like to raise a relevant issue. We believe the provisions of this Article would be improved significantly not only by including the ideas that the New Zealand Delegate has raised, but also by providing for a small uniform import fee or charge to fund trade adjustment programmes.
- As noted in our recent submission, the United States proposes that uniform import fees or charges not to exceed 0.15% on all imports be allowed to be imposed for the sole purpose of funding programmes which directly assist adjustment to import competition and are consistent with the principles and obligations of the GATT and related agreements, taking into account the results of the Uruguay Round.
- This provision would ensure that funds are available to facilitate the adjustment of firms, workers and industries that have been harmed by increased imports.
- In order to minimise the impact on trade flows and resource allocation, the fee would be imposed uniformly on all imports and kept at a de minimis level not to exceed 0.15%.
- I would like to elaborate in more detail on the reasons for our proposal.

Reasons for allowing imposition of an import fee

- Every country in the world, developed and developing alike, has to adjust to changes in trade patterns brought about by new conditions of international competition.
- Liberalization of trade barriers through GATT negotiations may contribute to these adjustment pressures.
- Accordingly, the GATT should allow for the development of programmes to help those bearing the burden of adjusting to increased competition - brought about, in part, by GATT-sponsored trade liberalisation.
- Programmes to ease adjustment to increased imports will reduce pressures in importing countries to resort to protective measures as a way of coping with increased imports. That is, adjustment assistance programmes will help to create public support for GATT negotiations to liberalise trade.
- The proposal for a minimal import fee is in its effects a trade-liberalising proposal.

- A minimal fee for adjustment would allow all of us, collectively, to pay for the maintenance of a free trade system through the process of short-term support for those adversely affected by trade liberalisation.
- There is logic in funding adjustment to changes in trade patterns through a trade-related mechanism, such as a minimum import fee. Those who gain from trade would pay a small fee for a portion of their benefits.
- Tying the funding to an import fee also provides a more secure source of revenue divorced from the uncertainties of the budget process. Workers, firms and industries affected by trade flows will not have to worry about whether the adjustment programmes will be maintained.

How could the funds be used?

- As I stated earlier, the funds should be used only for trade adjustment programmes that are consistent with the principles and obligations of the GATT and related agreements, such as GATT Article XVI on subsidies, and the Subsidies Code (as being re-negotiated in the Uruguay Round).
- The programmes funded by the import fee should be generally available to all sectors of the economy, so as to avoid distorting resource allocation and trade flows.
- The majority of trade adjustment funds would be directed to workers, although some assistance to firms and industries may be provided on a GATT-consistent basis.
- The import fee could fund trade adjustment programmes for individuals such as worker training and other employment services, and job search and relocation allowances.
- As for eligible firms and industry assistance programmes, these could be discussed in the Subsidies Group.

Conclusion

- For all of the reasons that I have discussed, the United States believes that the Contracting Parties would benefit from facilitating adjustment to international competition by allowing the imposition of a small uniform import fee to fund GATT-consistent trade adjustment programmes.
- We are still examining various options for implementing this proposal.