Committee I - Expansion of Trade

COMMITTEE I ON EXPANSION OF TRADE

Programme of Work for the Next Meeting

1. After approving (SR.14/6) the Interim Report (COM.I/3) of the Committee the CONTRACTING PARTIES instructed the Committee to hold a meeting during the session to establish a programme of work to be carried out before the fifteenth session. At this latter meeting the Committee agreed that the questions set out hereunder would have to be dealt with and reported upon before the fifteenth session. The next meeting of the Committee will take place on 31 August - 9 September 1959 (GATT/AIR/166).

2. The following tasks, some of which have been the subject of discussion at earlier meetings of the Committee, have not yet been reported upon:

(i) Rules for Tariff Negotiations - It has been agreed in principle that the rules for the 1956 negotiations (BISD, 4th Supplement, page 79) should be adopted with suitable modifications. Some notes by the secretariat on this matter are contained in Annex A to this paper.

(ii) Procedural Time-table - This involves the fixing of dates for the submission of the Common Tariff of the EEC, of lists of requests, lists of offers, statistics, etc. Agreement on these points has been generally reached but has not yet been reported upon. Annex B summarizes the understandings reached in the course of the discussion.

(iii) Timing of the Examination of the Common Tariff of the EEC under Article XXIV:5(a) - The Committee should make recommendations as to the timing and scope of this examination.

(iv) Negotiations with the EEC - The problems raised in this connexion in COM.I/1 (sections I(d); II(c)(iii); III; VI) and COM.I/2 (same sections), will require further discussion. At the last meeting of the Committee the representative of the Commission of the EEC called the Committee's attention to these difficult questions and expressed the hope that the Committee would be prepared at its next meeting to discuss them thoroughly so that they may be settled before the fifteenth session.
3. Two further tasks were assigned to this Committee by the CONTRACTING PARTIES at the fourteenth session (SR.14/6). The Committee was asked to examine:

(i) the problem - raised in the Report of Committee II (COM.II/5, paragraph 16) - of the participation of some agricultural exporting countries in tariff negotiations;

(ii) the problems raised in paragraph 6 of the Note of the less-developed countries (J.14/15) relating to the negotiability of fiscal duties and internal taxes and to the possibility for suppliers to conduct collectively negotiations relating to products of common concern.

4. Although the Committee is expected to report at the fifteenth session on the above questions, it might have to submit a further report to a later session on questions referred to it by Committee II as a result of the latter's deliberations.
Committee I has agreed in principle to adopt the 1956 rules (BISD, Fourth Supplement, page 79) with suitable modifications. These rules and procedures generally reproduced those adopted for previous tariff negotiations. The principal new feature was the general obligation requiring participating governments to make a maximum effort towards achieving the objectives of the negotiations in accordance with Article XXVIII bis and to this end to co-operate to further their multilateral character by making overall concessions commensurate with the overall concessions received. To that effect it was decided to give to the Tariff Negotiations Committee wider powers than before, in particular, to review offers as soon as practicable after the opening of the negotiations, at any time deemed appropriate and useful during the conference, and again in the final phase of the negotiations. For this purpose lists of offers, which previously had taken the form of bilateral lists, had to be presented in consolidated form. The Tariff Negotiations Committee was also required to be at the disposal of any country or group of countries to arrange for negotiations on a triangular or multilateral basis to improve the scope of the concessions.

As indicated on page 2 (paragraph 3) of this document, certain problems have been referred to the Committee for further study with a view to expanding the scope of the forthcoming negotiations. There are recalled hereunder those rules which have been applied hitherto and which have some bearing on these questions:

1. Joint negotiation of products of common concern

As regards the right to request concessions, the rule is:

"Participating countries may request concessions on products of which they individually, or collectively, are, or are likely to be, the principal suppliers to the countries from which the concessions are asked." (BISD, Fourth Supplement, page 80, paragraph 3.)

The 1956 rules also provide (paragraph 7(c)) for negotiations by groups of countries on a triangular or multilateral basis.

2. The negotiation of revenue duties

In the 1956 rules no distinction was made between protective and revenue duties: it has always been understood that all customs tariffs are negotiable. There are in fact numerous instances of concessions granted on revenue duties. However, under the selective, product-by-product method of negotiation which has hitherto been followed,
negotiating countries are free not to grant concession on any particular product if they so desire. This naturally applies to both protective and to revenue duties. The only reference to revenue duties in the Agreement is found in Article XVIII bis paragraph 3 and note thereto in Annex H.

3. The negotiation of internal taxes

Internal taxes have not hitherto been specifically mentioned in the negotiating rules among the regulations which may be subject to negotiation. However, until modified in the 1956 rules, the principle was that negotiations should be conducted in accordance with Article 17 of the Havana Charter which seems to imply that the Note to Article 17:

"An internal tax (other than a general tax uniformly applicable to a considerable number of products) which is applied to a product not produced domestically in substantial quantities shall be treated as a customs duty under Article 17 in any case in which a tariff concession on the product would not be of substantial value unless accompanied by a binding or a reduction of the tax."

was included by reference in the negotiating rules. However, the case never arose in the course of the negotiations at Geneva, Annecy or Torquay. When the rules were revised in 1956, the reference to the Havana Charter was dropped and the 1956 rules no longer included, directly or by reference, internal taxes.

4. Participation of agricultural exporting countries

Among the regulations of particular interest to agricultural exporting countries, of which there is some mention in the negotiating rules, are State-trading activities and subsidies. The scope of the present rules in this connexion is outlined hereunder.

State-trading - It is expressly provided in Article XVII:3 that negotiations could be conducted with a view to limiting or reducing the obstacles which might be inherent in the operation of State-trading operations. The way in which obligations in this field may be negotiated is set out in the Note to paragraph 4 of Article II. Negotiations of this kind have been conducted in the past and have resulted in concessions such as the following:

- the French Government undertook at Geneva in 1947 that the tobacco monopoly would import certain annual quantities of tobacco and cigarettes from the contracting parties as a whole (see Schedule XI-A, notes to items Ex 235A, Ex 236);
- the Benelux Schedule (Schedule II, Section A, item 75) contains a commitment to grant free entry to imports of wheat flour, not exceeding 65,000 tons per year, by the competent authorities;

- the French Government undertook at Geneva in 1947 commitments (which correspond to the maximum import duty mentioned in Article II of the Agreement) with respect to the resale price of cigarettes imported by the French monopoly (Schedule XI-A, note to item Ex 236); and with respect to certain grains (Schedule XI-A, note to item 93). The Italian Government also bound at Anzio in 1949 the retail price of certain imported grains (Schedule XVII, notes to items 92-a and 93).

Subsidies - They are not specifically mentioned as negotiable either in the General Agreement or in negotiating rules. At the review session, however, the CONTRACTING PARTIES stated, with respect to domestic subsidies (BISD Third Supplement, page 224, paragraph 13), that:

"a contracting party which has negotiated a concession under Article II may be assumed, for the purpose of Article XXIII, to have a reasonable expectation, failing evidence to the contrary that the value of the concession will not be nullified or impaired by the contracting party which granted the concession by the subsequent introduction or increase of a domestic subsidy on the product concerned."

In view of this statement the Committee might consider whether this should not be formalized in the negotiating rules. In this connexion the CONTRACTING PARTIES recognized at the review session (BISD, Third Supplement, page 225, paragraph 14) that:

"there was nothing to prevent contracting parties, when they negotiate for the binding or reduction of tariffs, from negotiating on matters, such as subsidies, which might affect the practical effects of tariff concessions, and from incorporating in the appropriate schedule annexed to the Agreement the results of such negotiations; provided that the results of such negotiations should not conflict with other provisions of the Agreement."
ANNEX B

Time-table of the Tariff Negotiations

This time-table summarizes the understandings reached by the Committee:

I. General round of Tariff Negotiations

1. In order to facilitate the task of the United States authorities preliminary lists of products should be sent to the United States Government in August or September 1959. If a country should need more time the United States would still take into consideration lists received before 31 October 1959. Forty copies should be sent to the secretariat for distribution to contracting parties.

2. Lists of requests with indications of the rates requested would be submitted not later than 1 August 1960. Forty copies should be sent to the secretariat for distribution to the contracting parties.

3. At the same time as the lists of requests each participating government shall send to the Executive Secretary two copies of the latest edition of its Customs Tariff and of its foreign trade statistics for 1958 and 1959. The same information should be sent to any other contracting party which requests it, together with such additional information as may be requested and is readily available.

4. Lists of offers should be prepared in time for distribution on the day the general round of negotiations opens.

II. Negotiations for Accession

Procedurally, acceding governments are required to submit the same kinds of lists, following the same time-table, as contracting parties. Models for the lists mentioned in paragraphs 1, 2 and 4 of Section I above are attached hereto.

III. Negotiations under Article XXIV:6

1. The Commission of the EEC agreed to submit towards the end of 1959 the Community's Common Tariff, including rates for the large part if not all of the products contained in List G annexed to the Rome Treaty.

2. The Commission agreed further to submit, by 1 May 1960, a complete list of the items bound by the Six under the GATT, with an indication of the contracting party with which each item was initially negotiated. This list would also indicate the items on which the Community felt it would offer compensation, the understanding being that on the remaining items the Community considers the "internal compensation" to be sufficient.
3. At the same time as the list of bound items the Commission would furnish statistical information on imports into the territories of the Six as a whole for 1957; statistical information relating to 1958 might have to be sent at a later date. The Commission would, of course, supply supplementary data on request in the course of the negotiations.

4. If any contracting party wishes to submit to the Commission a list of suggestions of items on which it would like to receive compensation this would provide welcome guidance to the Commission in the preparation of its offers.

5. At the opening of the conference on 1 September 1960 the Commission would submit its offers of compensation to the affected contracting parties.
ANNEX C

Models of Lists (as mentioned in Annex B, Section I)

GATT TARIFF NEGOTIATIONS 1960/61

List of the Products on which ... (country) ... intends to request Concessions from the United States

<table>
<thead>
<tr>
<th>Item number</th>
<th>Description of Products</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

GATT TARIFF NEGOTIATIONS 1960/61

Tariff concessions which ... (country) ... requests from ... (country) ...

<table>
<thead>
<tr>
<th>Tariff Item number</th>
<th>Description of Products</th>
<th>Present rate of duty</th>
<th>Requested rate of duty</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

GATT TARIFF NEGOTIATIONS 1960/61

Consolidated list of offers by ... (country) ...

<table>
<thead>
<tr>
<th>Tariff Item number</th>
<th>Description of Products</th>
<th>Present rate of duty</th>
<th>Requested rate of duty</th>
<th>Offers</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
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</tbody>
</table>

Concessions to which offered offer is made