PROBLEMS FACING LOW TARIFF COUNTRIES

At a plénum meeting of the Contracting Parties Mr. D.P. Spierenburg, Director General of Foreign Economic Relations and head of the Netherlands delegation, made an important statement in which he drew attention to the "liberalization" of the foreign trade of the Netherlands and posed certain problems arising from this in relation to the forthcoming Torquay tariff negotiations.

What had happened, said Mr. Spierenburg, was that a great many countries, including the Netherlands, had proceeded towards liberalizing their trade; that is, the reduction of the use of quantitative restrictions between them. He said that the Netherlands had liberalized upwards of 70% of their trade with the member countries of the OEEC. In so doing, the Netherlands expected that other countries would do likewise and - as a result of joint action - the Netherlands would be able to increase their exports to the domestic markets of other countries. But this was not the case, he said.

In certain countries, Mr. Spierenburg continued, quantitative restrictions were being replaced by tariffs, which in certain cases were more onerous in their restrictive effects on trade than the conditions hitherto prevailing. This state of affairs had not been foreseen when the Netherlands accepted the General Agreement, he added; at that time in 1947, when tariffs were negotiated it was impossible to foresee the present situation. Today, said Mr. Spierenburg, the Netherlands would not profit by the reduction of quantitative restrictions vis-à-vis certain countries which maintained high tariffs. The Netherlands would not be in a happy position when they were asked to agree to binding tariffs for a further period after the end of this year. (See Proposal to prolong the life of the Geneva and Annecy Schedules described in GATT No. 8, page 2 and GATT No. 9, page 1).

There was no suggestion of bad faith, Mr. Spierenburg said; but today there were prohibitive tariffs which were impeding trade, and the countries with low tariffs found themselves at a disadvantage, while quantitative restrictions for balance of payments reasons were being eliminated. For, if the exports of low tariff countries could not be developed sufficiently, their balance of payments situation would be worsened by the liberalization of trade; their domestic industries would have to accept the competition of industries protected by high tariffs, thus preventing them from competing abroad in foreign markets.

The Netherlands, said Mr. Spierenburg, had low tariffs before the war; today, the Benelux tariff was only slightly higher. The current incidence of the Benelux tariff was only 5.7%, whereas the Swiss tariff, which was known to be low, was 8.6%, he added.

The inequality between high and low tariff countries and the need for an equal opportunity of access to internal markets must be examined here and now, said Mr. Spierenburg, before the Torquay negotiations open. He did not demand entire equality of tariffs, but that prohibitive tariffs should be adjusted to a reasonable level. The Netherlands, he said - although their aim was only to obtain a free interchange of goods and therefore to do away with all restrictions on international trade - might be obliged to maintain certain quantitative restrictions if such adjustment of certain tariff rates could not be obtained.
The delegate of Belgium, M. George Cassiers, supporting the Netherlands' statement, asked what was to happen if the low tariff countries found themselves with very little to offer by way of compensation at the 1950 tariff negotiations.

The delegates of Luxembourg, Finland, Sweden and Norway said that they found themselves in much the same position as the Netherlands.

For the United Kingdom, Mr. R.J. Shackle, referring to the U.K. proposal to prolong the assured life of the Geneva and Annecy Schedules said there was no intention to withdraw the right to renegotiate under Article XXVIII. But it was their intention that after the Torquay renegotiations were completed, action under this Article should be renounced for three years; that is, the position after Torquay should remain firm for a definite period. The U.K. proposal, he said, would not weaken the position of Benelux.

The Chairman, Mr. L. Dana Wilgress, said that the Netherlands delegate had raised a question which went to the very root of the General Agreement; it went far beyond the scope of the prolongation of the life of the Schedules. The great risk, he said, was that there might be a move towards increasing low tariffs to compensate for high tariffs.

It was agreed to bring up the problem for further discussion next week.