NEW GATT STUDY PUBLISHED

"Specific Duties, Inflation and Floating Currencies"

A new GATT Study in International Trade, "Specific Duties, Inflation and Floating Currencies," is published today.

Specific duties are import charges which are levied in the form of flat rates per unit: for example, $1 per kg., or $1 per shirt. About 25 per cent of all tariffs applied by the major industrial countries are levied on this basis. Such tariffs differ from the more commonly applied ad valorem duties which are calculated as a percentage of the value of imports.

If import prices rise as a result of inflation or currency movements, the protective effect of specific duties declines. If, in such circumstances, specific duties are to continue to serve their original commercial policy purpose, the rates of duty have to be raised. Countries that have bound their specific duties in commercial treaties have therefore usually retained the right to adjust such duties in response to monetary disturbances.

Various adjustment formulae have been used for this purpose. The drafters of the General Agreement on Tariffs and Trade (GATT) decided that its member governments should be able to raise their bound specific duties if the par value of their currencies is reduced consistently with the Articles of the Agreement on the International Monetary Fund (IMF). However, the Fund's par value system has now been replaced by a regime of floating exchange rates and the GATT regulations governing the adjustment of specific duties have therefore become inoperative. This raises the question of finding new rules for the adjustment of specific duties.

NOTE

The purpose of the study published today is to contribute to a solution of this problem by analysing the relationship between exchange rates movements and specific duties, reviewing the existing GATT provisions governing the adjustment of specific duties, and examining various policy options open to the GATT members with respect to specific duties under the present monetary system.

The author of the study, Frieder Roessler, is a staff member of the Trade Policy Department of the GATT secretariat.

The aim of the occasional series 'GATT Studies in International Trade' is to make publicly available the results of some of the work undertaken by the staff of the GATT secretariat. They are published on the initiative of the secretariat. The views expressed are those of the authors alone, and do not necessarily reflect the views of the contracting parties to the General Agreement on Tariffs and Trade or of the secretariat of GATT. The purpose of the studies is to contribute to the discussion and understanding of current issues in the field of international trade.