1949 TARIFF NEGOTIATIONS

TARIFF NEGOTIATIONS WORKING PARTY

Report on Recent Changes in the Tariff of Finland.

It was brought to the attention of the Working Party, by delegations which have operated negotiations with the Delegation of Finland, that the specific rates of duty in the Finnish tariff have been generally increased on more than one occasion in recent years. These delegations asked for the guidance of the Working Party before deciding whether to accept the increased rates as a basis for negotiation.

The Working Party based its examination of this question on the following paragraph which appears in the "Memorandum on Tariff Negotiations" (document GATT/CP.2/26 - III. Methods of Negotiation) of 1 September, 1948:

"2. In order to ensure the success of the negotiations, it is recommended that the participating governments should refrain from increases in tariffs and other protective measures inconsistent with the principles of the Havana Charter and designed to improve the bargaining position of those governments in preparation for the negotiations. In the event of a change in the form of tariff or a revision of rates of duties to take account of either a rise in prices or the devaluation of the currency of the country maintaining the tariff, the effects of such change or such revision would be a matter for consideration during the negotiations in order to determine,
first, the change, if any, in the incidence of the duties of the
country concerned, and secondly, whether the change is such as to
afford a reasonable basis for negotiations."

The Working Party interviewed the Vice-President of the Finnish
Delegation and ascertained that the increases in the tariff decided
upon in 1945, 1947 and in December 1948 - which had the effect of
bringing the total increase to 8 times the pre-war rates - were
intended to compensate for the rise in prices of imports and the
devaluation of the Finnish currency with a view to maintaining the
same approximate average incidence as in 1939. The Working Party
found that the increase of December 1948 was in line with earlier
increases. The fact that several food products and a few other
items are not subject to the general increase is not thought to
detract from this conclusion, because the same exemption had also
been made earlier. Therefore, the Working Party is of the opinion
that there is no reason to believe that the Government of Finland, in
altering the rates of its specific duties in December 1948, has
endeavoured to improve its bargaining position in the Annecy
negotiations. Thus, so far as the first sentence of the paragraph
from the "Memorandum on Tariff Negotiations", quoted above, is
concerned, there appears to be nothing exceptionable in Finland's
action.

With reference to the second part of the text quoted above, the
Working Party examined the effect of the increase in relation to the
devaluation of the currency and the rise in prices. Note was taken
of the statement of the Finnish Delegate that the average ad valorem
incidence had not been increased in relation to 1939, but the Working
Party did not consider on the information at present available, that
it should make a recommendation as to whether any change in the
incidence in the case of individual products was such as to afford a reasonable basis for negotiations between the Finnish and other delegations. Each delegation wishing to obtain concessions from Finland will have to determine for itself whether the increased rates on the items in which it is interested can be accepted as a basis for negotiations. The delegations represented on the Working Party are prepared to begin, or to continue, their negotiations on that understanding, and the Working Party recommends that other delegations which have contemplated negotiations with Finland should also continue or open negotiations without delay.

Finally, the Working Party considered the position of the Finnish rates of duty which are bound against increase in an existing commercial convention between Finland and another government participating in the negotiations at Annecy. Whether the bound rates, or those rates adjusted by the application of a coefficient-multiplier, should be taken as the basis for the negotiations will have to be determined by the delegations concerned in the course of their negotiations.