Working Party on Procedures for Tariff Reduction

The following short summarized record of the discussions which took place at the above meeting of the Working Party has been prepared by the secretariat from its own notes. This record, which has not been cleared with delegations, is submitted on the sole responsibility of the secretariat with a view to assisting the Working Party by drawing attention to the principal points covered by the Working Party in its first review of the matters covered by its terms of reference.
Meeting of the Working Party on Tariff Reduction  
12-14 December 1962

There was general agreement between the countries represented in the Working Party that the discussion should be based on the assumption that agreement would be secured on the holding in 1964 of a new tariff negotiations conference, based on a linear reduction approach as outlined by the ministerial meeting in 1961.

Most delegations agreed that a linear approach had great advantages over the previous item-by-item approach, although the representatives of some less-developed countries (India, Brazil, Israel) and some countries depending upon a limited range of exports (Canada, New Zealand, South Africa, Uruguay) pointed out that a linear reduction plan would cause them certain difficulties, partly because they needed a high tariff protection for their infant industries, partly because they expected difficulties in securing a fair balance between their own reductions of tariffs covering their whole range of imports and the reductions by their negotiating partners on the very limited number of products of interest to them.

It was pointed out by several members of the Working Party (the United States, Canada, Switzerland, Sweden, Israel) that an essential condition for the success of a linear plan was a very widespread participation by the contracting parties. If possible all contracting parties should take part. It would be difficult or, in many cases, impossible for the participating governments to offer tariff reductions on items the main supplier of which did not take part in the conference. In this connexion it was pointed out, however, that the linear approach must lead to a departure from the rigid balance-of-benefits theory that had governed the negotiations under the item-by-item approach. Apart from the special considerations in the case of the less-developed countries (cf. below), the participating countries would, nevertheless, expect a general "across-the-board" balance between concessions granted and received.

Members of the Working Party referred to the 50 per cent across-the-board tariff reduction that had already taken place inside the European Economic Community and the European Free Trade Association and said that the experiences gained in these organizations proved that a far-reaching linear reduction could be enforced in a comparatively short time without causing serious difficulties. It was pointed out that this applied to some countries which had shown much restraint in the GATT tariff negotiations in the past; they had now accepted a thorough elimination of their tariff protection without, seemingly, suffering serious hardships. It was, however, stressed that the parallel with the EEC and the EFTA reductions should not be drawn too far, on account of the special circumstances in connexion with the integration programmes.
It was generally accepted by the members of the Working Party that the most-favoured-nation principle would still apply in so far as the tariff concessions were concerned. Two less-developed contracting parties (India and Israel) stressed, on the other hand, that it would make the negotiations easier if it was recognized that a certain amount of preferential or discriminatory treatment on the part of the less-developed countries was to be preferred to a complicated system of more cumbersome restrictive measures, applied under a strict most-favoured-nation rule.

It was generally accepted in the Working Party that a 50 per cent linear reduction could be taken as a basis for the further discussions. This percentage had been suggested during the ministerial meeting in 1961, and the United States Trade Expansion Act was based on an offer of a linear reduction of 50 per cent. Several delegations stressed the importance of using this authority to the fullest possible extent. Most members of the Working Party were of the opinion that the basic reduction requirement should be the same for all participating governments, although it was evident that a certain flexibility in the linear approach would be unavoidable, taking into account the different trade characteristics and tariff levels of the various participating countries.

Two low-tariff countries (Switzerland, Sweden) pointed out that it would hardly be reasonable to expect them to make as large tariff cuts as the high tariff countries were required to make. It was, however, pointed out that the linear approach would favour the low-tariff countries in comparison with the previous product-by-product approach. It was also stated (by Japan) that the deciding criterion for any special treatment should be the height of the individual rates, not the general level of the tariff. Most countries had, without being real low-tariff countries, some very low rates, which should be taken into account in fixing any special low-tariff provisions. It had moreover always proved very difficult to define high and low tariff countries.

There was a general agreement (United States, United Kingdom, EEC, Japan, etc.) that there should be individual lists of exceptions to the linear reduction, not a common list. The possibility of accepting exceptions - where governments were willing to offer either no reduction or a limited reduction, less than the average percentage - up to a certain percentage of the trade of the participating countries was discussed, but it was found that the negotiating of individual exceptions lists would be a better solution. It was stressed by many countries, that it was essential that the exceptions lists should be kept as short as possible. The experiences of the EEC and EFTA showed the advantage of applying rather severe rules for the putting of items on exceptions lists. It seemed advisable that governments should be allowed to add items to the lists during the negotiation of the lists; otherwise there might be a tendency to present unnecessarily long lists for bargaining purposes. It was stressed that the risk should not be overlooked that the negotiations for exceptions could easily develop into a kind of inverted item-by-item negotiations.
The representative of the United States said that the items legally excepted from the 50 per cent reduction offer covered about 12 per cent of the total United States imports in 1961.

Representatives stressed that the participating governments should be encouraged to make larger cuts than the established average reduction where possible. Such larger reductions could compensate for items being included in the exceptions lists.

Several agricultural exporting countries (United States, Canada, New Zealand, Brazil, South Africa) claimed that a central point was that the negotiations must also deal with the access to the markets for agricultural products. For such agricultural items, where tariffs were the main barrier to trade, the normal negotiating rules could, of course, apply, but for products, where tariffs were not the main obstacle, different solutions had to be found in separate but collateral negotiations. It would not be acceptable, from the agricultural exporting countries point of view, that the agricultural items were to a large extent put on the exceptions lists.

It was generally accepted that the approach to the special problems of the less-developed countries must be flexible. It was clear that a strict reciprocity could not be requested from these countries; representatives of some less-developed countries (Brazil, India) said that to offer even a very limited amount of reciprocity would cause them serious difficulties. Representatives, however, expressed confidence that the less-developed countries would find that there would be real advantages in participating in the negotiations. It was clear that a certain tariff protection for infant industries was to be accepted. In so far as the less-developed countries depended upon the customs receipts for fiscal reasons, they could replace the tariffs by internal taxes. The reduction of the tariffs of the less-developed countries would furthermore be to their own advantage, as the importance of the trade between the less-developed countries was increasing. Doubts were expressed that the less-developed countries really needed a high tariff for development reasons; the industrialized countries would, however, take a sympathetic view of requests for exceptions from the less-developed countries.

Some delegations stressed that the importance of efficient emergency and safeguard measures would be growing under the linear approach. It was pointed out that various such measures were already provided for in GATT, particularly in so far as the less-developed countries were concerned.

It was considered that a good deal of the negotiating work would have to be done before the beginning of the Conference proper. If a political decision could be taken by the Ministers in April 1963, there would then be a long series of discussions before the implementation conference could start in 1964. The Conference, on the other hand, could probably be rather short. The main items for discussion were the exceptions lists and the negotiations concerning non-tariff obstacles to agricultural exports. The decision by the Ministers would also deal with the organizational arrangements for the continued work.