IMPORTANT

All Governments and Organizations having in their possession document IC/SR.16 are kindly requested to extract and destroy its pages 11 and 12, and to replace them with the attached sheet.

MGT/19/54

that Canada would be prepared to cooperate in finding a solution to this problem. The Canadian delegation believed, however, that a reasonable solution could be found which would meet special difficulties, while maintaining the basic integrity of the Schedules.

Mr. HAGIWARA (Japan) said that the French Plan had been carefully studied by his Government and was regarded with favour. The Japanese Government hoped to be able to participate in that scheme when it was applied and when Japan had become a contracting party. It was not, however, clear what was the relationship between the French Plan and steps taken to lower tariffs through negotiations of the more conventional type. In particular, it was not clear how application of the Plan would affect the position of a government newly acceded to the Agreement through tariff negotiations. On the one hand, such a government would have been required to negotiate tariffs on a product-by-product basis and, on the other hand, it would have the obligation to lower the incidence of tariffs in the various sectors of its import trade. It appeared that a comprehensive view must be taken of the effects of the lowering of tariffs through the two procedures, which might either be encompassed in one general round of tariff negotiations or else they must be kept definitely separate. The Japanese delegation would be grateful for a clarification as regards the effect of the French Plan if it came into effect shortly after the conclusion of Japan's negotiations for accession.

On the question of the status of Schedules it had been proposed that their assured life be extended beyond the end of June 1955. In the case of Japan a list of items voluntarily bound by the Government vis-à-vis countries which signed the Declaration of 24 October covered almost 80 per cent of Japan's imports. If the tariff negotiations for Japan's accession were concluded by the end of May 1955 and if the resulting new Japanese Schedule were treated in the same way as other Schedules annexed to the Agreement, it would have been given an assured life of only one month.

Mr. SINCL.-IR (United Kingdom) said that a wide range of views had been expressed and that over coming months the CONTRACTING PARTIES would have to find a compromise which would accommodate as many contracting parties as possible. His Government had not yet reached conclusions on all these questions, but he would indicate some of the factors which he thought would have to be taken into consideration. As regards
would like to see tariff stability maintained by further extension of the validity of the tariff Schedules, and would be opposed to any general recourse to the provisions of Article XXVIII. A number of delegations had spoken in favour of renegotiating tariff concessions before June of next year. In support of this view some had pointed to the need for tariff flexibility when quantitative restrictions were being removed. Others pointed to the economic changes which had taken place since the War and to the need to adjust tariffs to adapt them to these changes. While it might be necessary to permit certain limited adjustments in special circumstances, the Canadian delegation would deplore any general raising of tariff rates in connection with the removal of quantitative restrictions. It would also regard it as a serious departure from the objectives of GATT if countries were to respond to every breath of competition with tariff increases. Competition was, after all, the lifeblood of international trade and one of the basic tenets of the GATT.

The Canadian Government had not yet taken a final position on the question of rebinding the Schedules. Generally speaking it was in favour of extending them essentially in their present form. Should it prove that some countries found it absolutely necessary to make limited adjustments, the Canadian delegation expected that Canada would be prepared to cooperate in finding a solution to this problem. The Canadian delegation believed, however, that a reasonable solution could be found which would meet special difficulties, while maintaining the basic integrity of the Schedules.

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Article XXVIII, the United Kingdom would not wish to rule out the re-negotiation of a relatively few items which were creating special difficulties but would view with concern a combination of decisions to re-negotiate on a widespread scale which in the aggregate would affect the GATT Schedules to a considerable degree. In the first place the value of the Agreement was defended in the United Kingdom on the ground of the stability it afforded to the export trade and secondly, re-negotiation by a large number of countries on any substantial scale would inevitably have wide repercussions. It was, of course, the case that the effective incidence of many bound specific rates of duty (and the same was true of specific margins of preference) had fallen with the passage of time. This might cause difficulties in particular cases but on the other hand it should be borne in mind that this reduced incidence of specific duties had contributed to the GATT objective of reducing barriers to trade. As regards timing, he thought that it was for serious consideration if it was wise for the Contracting Parties to contemplate any extensive recourse to Article XXVIII until there was another general round of tariff negotiations, when upward adjustments in tariffs might be offset by a larger number of downward adjustments. However this might be, he felt that the matter required much more careful consideration before a decision was reached and that it would be a mistake for the Committee to attempt to make any recommendations at this stage.

As regards future general tariff negotiations, among the many factors which the United Kingdom must bear in mind, one - and perhaps the most important - factor was whether the United States would be in a position to make tariff concessions. So far as the French Plan was concerned, the United Kingdom had found that the Plan was very complicated but, so far at least, it was unable to propose anything simpler. Secondly, the Plan envisaged the freezing, to some extent, of all tariffs instead of only some tariffs as at present. In so far as countries had avoided negotiation on sensitive items in their national economy, they would perhaps require more flexibility than the Plan at present provided, in order to avoid difficulties in particular cases. No one at present knew whether, or in what form, the Kean Bill would secure Congressional approval. Until the fate of this Bill were known, we were very doubtful if study, even on a purely technical plane, of the French Plan could usefully be carried further. It has also to be remembered that during the review of the Agreement, the limited number of specialists in the various countries would be heavily occupied with the review itself.

Mr. SINGH (India) said that his Government appreciated the favourable consideration given to the position of under-developed countries in the evaluation of the French Plan. However, there remained two features in it which were difficult for countries like his own to accept. First, it had been envisaged that customs duties levied exclusively for revenue purposes would be excluded from the reductions, and in the case of India 94 per cent of the tariffs fell under that heading and only 6 per cent were protective duties. It would undoubtedly mean hardship for the country if the required reductions in the tariff incidence were to fall exclusively on this small section of the tariff. This was particularly so as the rates of protective duties in India had been fixed after careful consideration of the local cost of production and the landed cost of imports as well as other financial and economic factors. Any automatic reduction without regard to the conditions in individual industries were bound