Note to Geneva Correspondents

The following background release was prepared for the information of correspondents at Lake Success.

Scattered throughout the lakeside vacation resort of Annecy, France, seated in hotel rooms converted into offices, teams of tariff negotiators from countries in every part of the world are hard at work this month while tourists stroll idly round the mountain-shadowed streets outside.

In each office, morning, afternoon and often in the evening, are to be found two teams bargaining with each other to lower tariff barriers in their respective countries.

Who are the men who compose these teams, what is their mandate, and how do they work?

First, the background. It was decided at the second session of the Contracting Parties to the General Agreement on Tariffs and Trade (GATT), held at Geneva in September 1948, to hold a second series of tariff negotiations. (The first series of tariff negotiations was held at Geneva from April to October 1947 among the 23 countries which became the Contracting Parties to GATT).

The main purpose of the second series of negotiations was not only to lower trade barriers on an ever-widening scale but also to bring new members into the GATT as the result of the negotiations.
The new series of negotiations opened at Annecy on 11 April 1949. Eleven "new" or acceding countries are negotiating reductions of tariffs with the original 23 countries and among themselves. A total of about 275 negotiations could take place; however this mathematical calculation must be amended since not all the negotiating countries can find items entering into trade among themselves which give sufficient scope for negotiation. About 100 of the possible 275 negotiations will not take place for this reason.

The original 23 Contracting Parties to the GATT are Australia, Belgium, Brazil, Burma, Canada, Ceylon, Chile, China, Cuba, Czechoslovakia, France, India, Lebanon, Luxembourg, the Netherlands, New Zealand, Norway, Pakistan, Southern Rhodesia, Syria, Union of South Africa, United Kingdom and United States. The 11 acceding countries are Colombia, Denmark, Dominican Republic, Finland, Greece, Haiti, Italy, Liberia, Nicaragua, Sweden and Uruguay.

During the winter of 1948-49, one important operation took place. As soon as the number of "acceding" countries was known, each of the original 23 countries was required to "exchange lists" with the acceding countries and the acceding countries "exchanged lists" among themselves. These lists contained precise suggestions as to the items on which the reduction or "binding" of the existing tariff rate might be negotiated.

Country A thus sent a list to country B -- and to countries C, D and so on -- suggesting various items on country B's tariff which might be reduced or "bound" (i.e. frozen against a future increase). Similarly, country B sent a list of suggestions to country A.
The exchange of these lists was the first stage. This was followed, at Annecy, by a more formal exchange of offers. After this exchange has taken place, both sides are in a position to examine in detail the offers and to go ahead with the actual negotiation.

Suppose, for example, that country A has proceeded so far as to offer to reduce by one-half its existing 20 per cent ad valorem import duty on gloves. It will need to find out two important things: first, how much revenue it will lose by reducing its tariff; second, the effect of the tariff reduction on its own domestic glove manufacturers. It may seem that this concession would be on the whole detrimental to the interests of country A. But, in compensation, country B may be willing to lower its existing high tariff on bicycles, which country A is eager to export in larger quantities. This is where the skill of the negotiating team comes into play.

This simple example conceals, however, a more complex factor — the most-favoured-nation aspect, which is inherent in the Annecy negotiations. Membership in GATT ensures most-favoured-nation treatment as a general rule. Country A — in the above example — will be realizing all the time that the reduction of the tariff on bicycles by country B will benefit not only country A but all the other countries which are members of GATT. At the same time, Country A knows that by the same principle it will get the benefits of all the tariff reductions negotiated between country B and third countries. This is the important multilateral feature of the negotiations.

To return to the meetings of negotiating teams: each team may comprise up to eight members — the leader and perhaps two deputies, representatives of the national departments dealing with,
say, raw materials, machinery or agricultural products (according to the needs of each negotiation), a representative of the customs administration.

The usual procedure is for each of a pair of negotiating teams representing two countries to start by going through its list of offers, explaining in detail the reasons why the proposed concessions might have been limited either by considerations of revenue or, on the other hand, by the need to protect home industries. This may take some time, when for example country A is interested in getting reductions on say 200 items on the tariff schedule of country B — items ranging from heavy machinery to ribbons.

The real business stage follows the exploratory stage. This is when hard bargaining begins, with each team trying to get the best possible advantages for itself, so as to obtain what it needs. This is when bargaining may be extended over a wider field, perhaps beyond the list of original offers. Toward the end of the bargaining each country usually takes stock of what it has given and taken (this is called striking the balance) before finally clinching the deal with its negotiating partner.

The number of items in any one negotiation does not necessarily mean that the negotiation is a very large one. Some countries depend on only two or three items for the bulk of their exports. Finland, for example, is essentially dependent on timber, pulp and paper. Other countries exporting a vast variety of items may in fact enjoy a less important export trade in terms of value.

Another delaying and complicating factor is that there is no world-wide standard tariff classification. Hours of background work are often needed to make sure there is complete agreement as to the specific article or articles which are included in a particular
tariff classification. Concessions, too, may be negotiated not on a whole category of items such as chemicals but on minute subdivisions of chemical products.

A particularly difficult situation arises — and it has arisen at Annecy in the case of Italy — where a country just before negotiating brings out a completely new tariff schedule covering all its imports. Comparisons with the earlier tariff, related to pre-war trade, must be made and delays in completing negotiations are inevitable.

Added to all these factors is the need for each delegation of each country represented at Annecy to keep in constant touch with its home government, perhaps halfway round the world. Each team is so to speak kept in harness by means of delegation meetings which are usually held every morning before the day's work begins. The leader of the delegation often carries a heavy load of responsibility in deciding how far his teams can go in offering concessions without referring back home for instructions.

The negotiations between the teams are of course carried on in complete secrecy. Inside knowledge of tariff concessions could lead to financial speculation, to embarrassment among industries and to various disruptive practices. By no means all the countries participating at Annecy have made public announcements before the negotiations started giving the lists of products on which they proposed to reduce or bind their import duties. In the United States, however, public hearings are required at which all interests likely to be affected can state their views before the negotiations begin. In other countries, governments consult directly with representatives of industry, importers' and exporters' associations and so on. Throughout the negotiations it is the practice of most countries to keep their manufacturers informed, in general terms.
It will be seen that, at this stage, the negotiations are strictly among the participating countries. At Annecy, the Interim Commission of the International Trade Organization provides a very small secretariat which acts, when required, to coordinate the progress of the negotiations and to arrange for office space and other facilities as required. But at the end of the negotiations, when they are co-ordinated into the GATT, there is a heavy task for the secretariat, which has to prepare the Schedules of the Tariff Concessions. Thousands of stencils must be cut within a few days, to prepare the Schedules for incorporation in the GATT. Protocols must be drafted and ready for signature and the exact terms on which the acceding countries will join the GATT must have been settled. This latter point is a most complex one and has already been debated in many meetings. Finally, the Annecy schedules will be deposited with the Secretary-General of the United Nations, who will also receive the signatures of the countries which, having negotiated at Annecy, decide to accept GATT within the limits of their existing legislation.

It might be thought that the Annecy negotiations are unduly prolonged. But in the opinion of experienced negotiators, the Geneva 1947 negotiations and the Annecy 1949 negotiations are completing in months what in the old days took literally years.

From July to September, Annecy attracts tourists from all over the world to see the lake, the craggy mountains of Haute Savoie, the picturesque Italian-style town where housewives do their washing bending over the sides of the canals. By mid-July there will not be a room to spare. The conference offices at present spread through three hotels will be compressed into one. The negotiating teams will be in their shirt-sleeves. They may even prefer to negotiate in sailing boats or beside the lido. But the pace will not slacken until the work is completed.