GENERAL AGREEMENT ON TARIFFS AND TRADE
Torquay Tariff Negotiations

GENERAL PROBLEMS OF THE TARIFF NEGOTIATIONS

(Part II)

This press release completes the summarized account of the statements on the general problems of the tariff negotiations which were made in the Tariff Negotiations Committee, at its last meeting.

M. Ernest Lecuyer, France, agreed that the present negotiations would have no meaning if they did not result in a general lowering of tariffs. He also agreed that the low-tariff countries could not bind their tariffs unless the high-tariff countries substantially reduced theirs. Tariffs, he said, could not easily be brought to exactly the same levels because of the varying needs for protection. But it was equally true that high tariffs hampered the process of liberalization and consequently reductions would have to be made. For this reason the French Government had taken the path of tariff reduction and, though it might not be able to maintain all the concessions contained in the schedules, his delegation had received broad powers for the present negotiations.

Mr. Eurico Penteado, Brazil, said that Brazil today found herself in a position that had been adequately described in "Liberating World Trade" in the following words: "The low tariff countries now fear that there are no further concessions of value which they can offer as their part of a bargain for obtaining significant concessions from the countries with high tariffs".

Their position as a low-tariff country was definitely established at Geneva, in 1947, when they were allowed to negotiate on the basis of their existing tariffs, adjusted by 40%. The Brazilian Congress, however, had not carried out an uniform increase of the whole Tariff and, except for a few items, the bulk of the duties had been increased only by 10 or 20 per cent, which left them in a very disadvantageous position to negotiate at Annecy and at Torquay.

Mr. Penteado said that despite her position as an economically under-developed country Brazil was now aiming at a gradual elimination of the quantitative import restrictions which she had been compelled to adopt in view of a persistent disequilibrium in the balance of payments. However, once these restrictions were abolished, the full impact of GATT concessions would be felt by the Brazilian economy. Therefore the peculiar position of economically under-developed countries should be taken into consideration during the tariff negotiations now starting.

Mr. Penteado said that the Brazilian Delegation would like to see immediately applied the rule that the binding of low tariffs or of duty-free treatment is to be considered as a concession equivalent to a reduction of high tariffs.

Mr. Andres Pastoriza, Dominican Republic, said that countries like the Dominican Republic which have specialized in the production of a few agricultural commodities for world consumption depend in their development on an unhampered access to the main markets of the world for those commodities, unhampered not only by quantitative restrictions but also by direct or indirect barriers of excessive levels of duties, sometimes in the form of margins of preferences which are in practice tantamount to prohibitive tariff rates. He hoped that during the tariff negotiations in Torquay ways and means could be found to lower, if not to eliminate, these barriers to trade which tend to
deprive under-developed countries of the opportunity to make full use of their natural resources and to increase the standard of living of their population by their own efforts.

Mr. Alexandre Argyropoulos, Greece, said that different countries might need different levels of protection. The nature of Greece's economy was an illustration of the point. Concessions on industrial products might have very grave consequences, and it was difficult to see how concessions obtained from other countries on Greek exports could be considered as providing equivalent compensation. Their exports were mainly products which were commonly classified as non-essential and which in time of crisis could not easily be sold.

Mr. Argyropoulos added that he did not think that countries should be asked to reduce both quantitative restrictions and tariffs at the same time. At Annecy Greece had reduced the tariff to the level prevailing before the war when internal costs of production were much lower. The sharp rise in costs had resulted in a level of protection which was considerably below that of pre-war years.

Mr. K.P.G. Perera, Ceylon, said that Ceylon agreed that highly-industrialized countries, and particularly those countries which have developed behind stiff tariff walls, and which still maintain them to a large extent, should give substantial reductions of tariffs in compensation for comparatively small reductions by a low-tariff country. But to class an undeveloped country, which may maintain high tariffs, in the same category as a highly-developed country which maintains similar tariffs, and to demand from her substantial reductions of tariffs in return for a binding of free entry or of a low tariff by an economically developed country is not only unjustified but also contrary to the very objectives for which the GATT stands. An undeveloped country uses its tariffs for revenue purposes, he said, because there is no other source of income which the country can tap, or for protective purposes. Even a small reduction of its tariff by such a country therefore may mean a very substantial sacrifice.

Mr. Perera reminded the Committee that in the view of the Ceylon delegation a mere expansion of trade was not the sole purpose of the G.A.T.T. To repeat the preamble to the G.A.T.T.: "Relations in the field of trade and economic endeavour should be conducted with a view to raising standards of living, ensuring full employment on a large and steadily growing volume of real income and effective demand, developing the full use of the resources of the world and expanding the production and exchange of goods".

Mr. V. von Maltzan, Germany, stated that the German Federal Government, in general, shared the views expressed by the low-tariff countries and the undeveloped and under-developed countries. He said that the German Federal Government, in accordance with the basic principles of the Havana Charter, favours a removal of trade barriers with the aim of establishing a free multilateral trade system. According to these principles, the Federal Government would be prepared to reduce its rates of duty, provided that the countries with comparatively high rates decrease their tariffs. But in view of the actual level of the duties of other countries, the German economy does not feel strong enough, he said, to adopt rates of duty lower than those proposed, all the more so since the rates of the Draft Tariff are mainly lower than the rates of countries with comparable economic structures.

Referring to the new German Draft Tariff, which had to be prepared because the countries participating in the Brussels Customs Union Study Group had decided to adopt an ad valorem system, Mr. von Maltzan said special consideration had to be given to the fact that the structure of the German economy is no longer what it used to be. In addition to the changes of the economic structure there is also a transformation of the social order, particularly due to the constant influx of expellees. Owing to these and other
changed conditions it was inevitable that not only reductions but also increases had to be introduced into the Tariff. The level of duties as a whole, however, has been maintained, if not even reduced, he added. "I am glad to say that our Draft Tariff has repeatedly been recognised as a moderate one".

Mr. Justiniano Montano, Philippines, said that he shared the views of the low-tariff countries that in the current negotiations the principle that a binding of low tariffs be considered equivalent to a substantial reduction of high tariffs.

As an under-developed country, said Mr. Montano, the Philippines shares the position taken by the delegate for India regarding the effects of tariff concessions on the economic development of certain countries not as fully developed as others.

Mr. Aziz Ahmed, Pakistan, pointing out that his country was almost entirely dependent on imports for manufactured products, said that the tariff in his country had not only a protective but also a fiscal purpose. Pakistan had very few manufactures, and therefore had little to demand from other countries; Pakistan's exports being essentially raw materials and primary commodities. Despite this, however, Pakistan Government had reduced or bound the duties on about 20% of the tariff items in their Tariff Schedule. He could safely say that the total value of their exports of manufactures was considerably less than the figure representing the loss of revenue suffered by them on the concessions they already granted. He therefore hoped that other countries would show an understanding of the situation of his country in the course of the negotiations.

Mr. F. Zorlu, Turkey, said that Turkey came to the Torquay negotiations with a relatively low tariff, and requests for concessions which concerned mainly items such as raw materials and consumers' goods of primary necessity. Turkey, an under-developed country, had studied with the greatest sympathy the requests submitted by various countries, and had made considerable efforts to meet them within the limits of her possibilities. He wished to stress particularly that the foreign trade of less developed countries was largely dependent on the export of a few products and that the advantages which might accrue to them as a result of their negotiations would be limited and would depend on the concessions that they received on those products. As far as Turkey was concerned these products were principally tobacco and dried fruit which made up more than 50% of their exports. Turkey will evaluate concessions given by other countries on these primary products and will adjust her offers of concessions to other countries accordingly in the spirit of the principle of reciprocity envisaged in the general agreement.

The Chairman, Mr. L. Dana Wilgress, said that the negotiations were being carried out on the basis of Article 17 of the Havana Charter which contained the rule, often quoted in the last two meetings, that: "The binding against increase of low duties or of duty-free treatment shall in principle be recognized as a concession equivalent in value to the substantial reduction of high duties...." Another important principle of Article 17 was that: "No participating government shall be required to grant unilateral concessions or to grant concessions to other governments without receiving adequate concessions in return". Further, sub-paragraph (d) of paragraph 3 of Article 17 specified that: "In any determination whether a government had been reasonably prevented from becoming a contracting party to the General Agreement, the organization shall have regard to all relevant circumstances including the developmental, reconstruction and other needs, and the general physical structures of the governments concerned and to the provisions of the Charter as a whole".