CONTRACTING PARTIES
Twelfth Session
Working Party on Schedules

CUBAN TARIFF REFORM
Note by the Chairman

The CONTRACTING PARTIES decided at their meeting of 15 November 1957 to refer the question of the Cuban Tariff Reform to the Working Party on Schedules. I have studied the question and in view of the short time at the disposal of the Working Party have endeavored to outline a procedure which might commend itself to the Working Party.

The tariff revision has two primary purposes. The first is to effect certain essential technical improvements in the tariff. The second is to render it more effective as an aid to the economic development of the country. This latter need arises from the fact that the tariff is antiquated and that the rates of duty do not offer in present circumstances an adequate degree of protection. It is the Cuban contention that unless the tariff is brought up to date and made more effective, either the economic development of Cuba will be impeded, or Cuba may find itself in a position for protective, and perhaps even for balance-of-payments reasons, of being compelled to employ other restrictive measures.

The tariff revision will of course involve a number of increases in bound rates of duty. The Cuban Government is in principle prepared to seek the necessary modifications and withdrawals through negotiations in accordance with the GATT rules, and when the new tariff enters into force, to suspend the application of the new rates which would involve an increase in bound duties, until the necessary modifications and withdrawals have been negotiated in accordance with the General Agreement. On the other hand, the Cuban Government foresees very real difficulties in applying these procedures. In view of the requirement in Article XXVIII that a country seeking a modification or withdrawal of concessions through negotiations under Article XXVIII should endeavour to provide adequate compensation so that the general level of concessions remains no less favourable than under the Agreement as it stands. Whilst not contesting the principle of compensation, the Cuban Government considers that if this rule is applied without taking into consideration the special circumstances in which Cuba finds itself, the negotiations will inevitably be unsuccessful. The principal difficulty is that Cuba has, in earlier GATT tariff negotiations, bound a large part of its customs tariffs at what are considered to be low rates of duty. In the context, therefore, of a general revision of the tariff for the purposes outlined above, they considered that they would have great difficulties in providing what other contracting parties might consider adequate compensation. Notwithstanding these doubts, the Cuban delegation has stated the intention of its Government to proceed in accordance with the appropriate provisions of the General Agreement. For this purpose, it would appear first of all that Cuba should invoke paragraph 5 of Article XXVIII, and announce its intention of entering into negotiations for the
modification and withdrawal of concessions pursuant to that Article. As it is a matter of primary concern to Cuba that the negotiations shall be terminated as soon as possible so that the new tariff can be fully applied relatively early in 1958, it would be desirable to agree upon an early date for the negotiations and on a reasonable time limit within which they should be concluded.

In order to take account of the special problems of Cuba in relation to compensation, the contracting parties which initially negotiated concessions with Cuba, and contracting parties with a principal supplying or substantial interest, might also be prepared to recognize that whilst the principle in paragraph 2 of Article XXVIII should naturally apply to the negotiations, due regard should also be paid to Interpretative Note (5) to paragraph 4(d) of Article XXVIII which sets out certain considerations to be taken into account by the CONTRACTING PARTIES in arriving at a judgement under paragraph 4(d) as to what constitutes adequate compensation in a negotiation.

Furthermore, the CONTRACTING PARTIES might also recognize that Cuba falls within the definition of contracting parties entitled to invoke the facilities of Article XVIII and accordingly note that Cuba, in these negotiations, could where appropriate invoke the procedures of Section A of that Article.

It would appear that negotiations conducted in this framework, whilst being squarely based on the provisions of the General Agreement, would take place in conditions in which appropriate account could be taken of the particular difficulties foreseen by the Government of Cuba.

Finally, the Working Party may wish to consider the problem mentioned by the delegate of Cuba in the plenary discussion, viz the risk of abnormal imports during the negotiations. It may well be that it would be necessary for the CONTRACTING PARTIES to authorize the Cuban Government to take measures for this limited purpose and limited period, even though some deviation from the provisions of the GATT might be involved.