Mr. Chairman, I appreciate the willingness of the Council to accommodate us by placing this item first on the Agenda. The reason we requested this was not in order to rush a decision by the Council, but rather to allow adequate time for representatives, where that might be necessary, to receive further instructions from their governments after listening to our presentation today and to allow adequate time for consideration of the draft waiver which we have suggested. In the latter connexion, I think the Council may want to consider, at a later time today, the formation of a small drafting group which could consider the actual language of the waiver, since the Council as a whole is perhaps too large to carry out a fruitful discussion of the actual drafting. I would assume that, after a preliminary discussion of this item today, we would return to it again later in the Council meeting, at which time my delegation is very hopeful that the Council will act favourably on our request.

I do not want unnecessarily to take the time of the Council in going over ground that has been covered before. However, because there are some new members and because a great deal of time has elapsed since this subject was last discussed in the Council, I think it would be desirable if I were to sketch briefly the background of this request by the United States.

The basic purpose of the revised tariff schedules is to facilitate international trade and to simplify the life of importers in the United States and of exporters to the United States. The purpose of the Tariff Classification Act was to accomplish this by providing traders with tariff classifications which are more closely related to the facts of present-day trade than are the existing provisions of the United States tariff. This, as you know, derives from a law passed in 1930, which has been modified subsequently over the years by interpretations and by many tariff negotiations. The revised schedules will give the traders much greater certainty in determining the rates that will be charged on their imports into the United States and it will assist them by removing anomalies which exist in our present tariff between rates on closely related products and finally, and perhaps most important of all, it will assist traders by providing them with an identical terminology for tariff rates and for trade statistics. One of the bugbears of a
trader dealing in imports into the United States in the past has been the fact that our statistical classifications have not been based on the same nomenclature as our tariff rates.

In order to accomplish these purposes the Congress, through a series of legislative acts which I will not take the time to outline here instructed the Administration to formulate a complete new tariff schedule, and to do this without any general change in United States tariff levels. Now, this latter is an important qualification. It means that there cannot be, and there should not be, if the Administration carried out the intent of Congress, any bias in favour of higher tariffs in the formulation of the new tariff schedules. But, it also means that inevitably rates on some individual products had to be increased while others were decreased. I think it is perfectly clear that in any simplification of the tariff structure involving a consolidation of rates there must necessarily be both increases and decreases in individual rates, which is the reason why, of course, the United States has an obligation to negotiate with the contracting parties in connexion with these new tariff classifications.

As nearly as we can tell from a very close examination and from a great many statistical calculations, the Administration has, after correcting a number of oversights in the initial report of the Tariff Commission carried out the intent of Congress. On a global basis the tariffs on more than 90 per cent of United States imports will involve no change in rates under the new classifications, and of the remaining 10 per cent the trade involved in increased rates and that involved in decreased rates is approximately in balance, with the depth of cuts balancing the height of increases. I should emphasize that I am speaking now on a global basis. Obviously, in the case of individual contracting parties, the net effect of the tariff reclassification can be an improvement in their position while, in other cases, there may be some impairment which we shall have to set right. We are convinced, however, from our examination, that the changes now called for by the revised tariff schedules are purely incidental to the process of simplification.

I would like next to touch briefly on what the United States has done so far in order to carry out its obligations to inform and consult with the CONTRACTING PARTIES. In December 1960 the revised United States tariff schedules, in the form then proposed, were provided to the Washington embassies of contracting parties with supporting notes and comments. In May 1962 the United States informed the Council of its intention to ask for a finding of special circumstances to permit consultations and renegotiations. At that time, we also announced our intention of seeking a GATT waiver in order to permit the proclamation of the revised tariff schedules on 1 January 1965. In August 1962 we began the process of shipping to contracting parties voluminous documentation
showing the new form of the tariff schedules and providing cross references between the current tariff schedules and the new schedules in both directions, as well as cross references permitting a comparison between the new tariff schedules and statistical categories. We also provided the contracting parties with information showing in terms of the new schedules the history of negotiating rights of individual contracting parties extending back to 1947. Then in September 1962, we sent a team of United States experts to Geneva to consult with individual delegations. This team stayed here until mid-December, then returned to Washington where the consultations, begun in Geneva were continued with the embassies of many countries.

These consultations, Mr. Chairman, have had some very important results. Many contracting parties were able to point out to us places in which the Tariff Commission had gone astray in carrying over into the new schedules GATT concessions which had been previously granted. All these representations were given the most careful attention. Wherever it was possible under the criteria in the Tariff Classification Act the points raised were dealt with by means of supplementary reports of the United States Tariff Commission amending the original proposals. These supplementary reports have had to lie before Congress as specified in the Act. As a result of these supplementary reports, the revised tariff which the United States proposes to put into effect is in many respects, a better tariff and one which, on balance, should prove more satisfactory to the contracting parties.

As mentioned by the Chairman, the original United States proposal was to proclaim the new schedules into effect on 1 January 1963. However, consultations last Fall showed that more time was needed if all problems raised by individual contracting parties were to be adequately considered and, where possible, met. The United States therefore postponed the proposed effective date from 1 January to 1 July 1963, but even that additional time proved to be insufficient and the United States has revised its target to 31 August of this year.

There are several reasons why we believe further postponement of the effective date is undesirable both for the United States and for other contracting parties. Here, I wish to emphasize the intimate connexion between the effective date of the revised schedules and the round of tariff negotiations decided upon by the GATT Ministers for next year. By putting the new tariff into effect on 31 August, we believe we will be assisting contracting parties in their preparations to negotiate with us at the next round. In addition to providing a period of actual experience with the new classifications, it will enable us to provide import statistics collected on the new basis which should be most useful.
From our own point of view the proclamation of our new tariff schedules by 31 August comes close to being essential to our participation in the next round of tariff negotiations for practical reasons connected with our legislation and domestic procedures. As I think everyone in the Council knows, before we can enter into a round of tariff negotiations under the authority of the Trade Expansion Act, the President must issue a public notice of all the commodities on which he intends to negotiate, and then public hearings must be held. If the revised schedules are in effect before the issuance of the public notice, it can be done with reference to the new schedules alone, and the testimony taken can be confined to the new tariff classifications. If the revised schedules are not in effect, however, it would be necessary for the President to issue the public notice in terms of both the old and the new nomenclature, and it might be necessary to receive testimony in both nomenclatures. This would create a great deal of difficulty and confusion both for the United States Government and for the witnesses testifying at the public hearings.

In any event, Mr. Chairman, we feel that nothing would be gained by a further postponement in the proclamation of our schedules. If we went beyond 31 August, we would be coming so close to the end of 1963 that there would be no gain from our point of view in following the waiver approach as against using the open season provisions of Article XXVIII.

I think I may have said enough to make it entirely clear why we need a waiver, but in case this point is not clear let me say a few words about it. In spite of the time that has already been spent in consultations with other contracting parties, the actual renegotiation of the existing Schedule XX (United States) to the GATT and the establishment in a new Schedule XX of the individual negotiating rights of contracting parties will necessarily be a long and complex process. This could not possibly be accomplished before 31 August. Further, where in the process of establishing the rights of individual contracting parties in the new Schedule XX, any imbalance is shown to exist in the level of the new concessions offered to a contracting party as compared with its rights under our previous schedule, the United States will be obligated to, and is prepared to, negotiate additional compensation which can take the form either of new bindings or rate reductions. Any such compensation, however, will have to be accomplished by us under the authority of the Trade Expansion Act and subject to the same time-consuming procedures to which I have already referred. This is why, in order to achieve our target date, we are requesting a waiver from the CONTRACTING PARTIES. As I have suggested, the only alternative to a waiver would be the use by the United States of the open season procedures provided in Article XXVIII. While that procedure would give the United States greater freedom of action, it is not our desire to shortcut procedures to the possible disadvantage of individual contracting parties. We believe, therefore, that the rights of other contracting parties will be better protected under the waiver we are proposing than under the open season procedure. The advantage of permitting the United States to place the new revised tariff schedules in effect on 31 August will thus accrue not just to the United States, but to all contracting parties.
I am sure that the representatives will be interested in knowing how we propose to go about discharging the obligations which will still exist after the CONTRACTING PARTIES grant us this waiver, for, and I wish to emphasize the point, the waiver proposed by us will not deprive any contracting party of the basic rights to which it is entitled under Article XXVIII.

Our method of discharging those rights will be as follows: early this fall, in September, we will begin negotiations with individual contracting parties for the establishment of the new Schedule XX to the General Agreement. In this process we will carry over, to the maximum possible extent, the rights of initial negotiation which each contracting party has in the present Schedule XX, and we will not knowingly narrow the coverage of any existing concession. It will be our objective in these negotiations to maintain for each contracting party's negotiating and supplier rights a general level of concessions at least as favourable as that provided in the present Schedule XX. Where, after joint examination and discussion of our offers of concessions in the new Schedule XX, it proves impossible to attain this objective, we will, after the completion of our necessary domestic procedure, negotiate adequate compensation under the authority of the Trade Expansion Act.

Mr. Chairman, as you already mentioned, the United States has submitted to the secretariat for circulation the language of a draft waiver which we hope will be acted on favourably by the Council and submitted to the CONTRACTING PARTIES for action by 30-day postal ballot. It is not my intention in these remarks to go into the details of the draft waiver, and, as I have already indicated, I think it might be desirable to set up a small drafting group at which any suggestions could be considered. I wish, however, to indicate certain salient points of the waiver as we have drafted it.

First, it does not permanently waive the rights of any contracting party, but merely suspends the application of present United States binding to the extent necessary - and I stress "to the extent necessary" - to permit the United States to put the revised schedules into effect. Thus, in cases where the existing bound rates are unchanged by the new schedules (and this includes the great majority of the items in Schedule XX) the present bindings under the terms of the draft waiver would not be suspended even temporarily. The waiver provides, in effect, an interim binding during the period of the negotiations of all rates in the revised tariff schedules which cover products now bound in a Schedule XX. Second, the waiver provides that during the period of the negotiations other contracting parties which consider that we are not offering concessions equal to those to which they are entitled will have the right to that extent to suspend temporarily concessions initially negotiated with the United States. Finally, the draft waiver provides an expiration date of 30 June 1964, thus setting an effective deadline for the completion of the renegotiations.

That, Mr. Chairman, concludes my general presentation of the subject. Either this morning or this afternoon, if you prefer, I should be very glad to hear any initial comments which other Council representatives may wish to make or to answer any questions which may be raised.