GENERAL AGREEMENT ON TARIFFS AND TRADE

CONTRACTING PARTIES

Ninth Session

Review Working Party II on Tariffs,
Schedules and Customs Administration

PROPOSALS AFFECTING MOST-FAVOURED-NATION TREATMENT.

NATIONAL TREATMENT AND SCHEDULES

The proposals submitted by contracting parties and by the secretariat on articles I to III, XIX, XXIV and XXVII are listed in this document. References to the documents containing those proposals are given only in those cases where the proposed text or the supporting statement is not reproduced in full.

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ARTICLE I

GENERAL MOST-FAVORED-NATION TREATMENT

Paragraph 1

1. It is suggested in the secretariat Notes that this paragraph might be amended to make it clear that Most-Favoured-Nation treatment extends to the application of internal taxes on exported goods (L/189, pp. 1 & 2).*

2. It is suggested in the secretariat Notes that the second paragraph of the Interpretative Note may be deleted since the Protocol to which it relates has entered into force.

New interpretative notes to paragraph 1.

3. Denmark, Norway and Sweden propose the following note:

"Differentiation by nomenclature or practice should only be based on the intrinsic qualities of the product. See also the statement by Denmark on tariffs "on a sliding scale varying in reverse proportion to the import price" (Press Release GATT/193 p.3).

4. The secretariat suggests a note to the effect that "tariff descriptions (for example, descriptions based on distinctive regional or geographic names) should not be used as a means of discriminating between products of various countries".

5. Germany proposes a note to exclude from the operation of the Most-Favoured-Nation Clause favours which are granted for purposes outside the ordinary course of trade, for example, for travel equipment, objects of an educational character, etc. (L/261/Add.1, p. 1).

6. Germany proposes that the term "charges of any kind" should not be regarded as including internal taxes imposed on imports, as these are covered by the reference to Article III (ibid., p. 2).

7. Germany proposes a definition of "like product": "Products which are classified or included under different items or sub-items of any one customs tariff shall not be regarded as like products." (Ibid., p. 2).

1 Another question which arises in connection with paragraph 1 is dealt with in the analysis of proposals affecting Article II (See para. 15).
Paragraph 2

8. It is suggested in the secretariat Notes that a sub-paragraph similar to (c) might be inserted to authorize the maintenance of preferences in force exclusively between Uruguay and Paraguay which is at present provided for in para. 1 (d) of the Annecy Protocol.

9. It is suggested in the secretariat Notes that Annex F, referred to in sub-paragraph (d), which was inserted at the request of Lebanon and Syria, can be deleted.

Paragraph 3

10. This paragraph was inserted at the request of Syria. It is suggested in the secretariat Notes that the Government of Turkey might be asked whether it need be retained.

PREFERENCES

11. New Zealand proposes an interpretative note which would allow "minor and inconsequential" increases in preferential margins which result from adjustments in tariffs (L/270/Add.1).

12. Australia considers that it is "unrealistic to attempt to bind all preference margins against increase for the entire life of GATT" and would offer compensation in negotiations for increased margins (L/274, Press Release GATT/184 and SR.9/17).

13. Chile proposes that provision should be made whereby under-developed countries could introduce new preferential arrangements to promote economic development (L/272 and SR.9/17).

14. Turkey proposes that if preferential tariffs are not abolished, compensatory advantages should be granted to the under-developed countries (L/282).
ARTICLE II

SCHEDULES OF CONCESSIONS

Paragraph 1

15. It is suggested in the secretariat Notes that sub-paragraph (b) might be reconsidered along with the text of paragraph 1 of Article I with a view to clarifying whether the provisions of sub-paragraph (b) apply to charges imposed on the international transfer of payments for imports as well as to other kinds of duties and charges imposed on or in connexion with importation. (L/189 and Add.1).

Paragraphs 2, 4 and 5

16. A number of proposals affecting these paragraphs appear in the secretariat Notes (L/189, pp. 3 and 4).

Paragraph 6(a)

17. Amendments of the first two sentences are proposed in the secretariat Notes (L/189, p.4).

18. Germany proposes an interpretative note relating to the factors which are to be taken into account by the CONTRACTING PARTIES when examining the adjustment of specific duties; it is suggested that these factors should include the extent to which domestic and import prices have risen as a result of a devaluation (L/261/Add.1, p.4). The difficulty of interpreting the present text is mentioned in the secretariat Notes (L/189, p.4).

19. Germany proposes that the provision for the adjustment of specific duties when the par value of a currency is reduced should apply mutatis mutandia when the par value is increased (L/261/Add.1, p.3).

Paragraph 7

20. Germany favours the establishment of one consolidated schedule for each contracting party to cover all the concessions in operation when the revision of the Agreement is concluded (L/261/Add.1, p.3). This question is mentioned in the secretariat Notes (L/189, p.4).

Conversion of Specific Duties

21. Several delegations have proposed that the Agreement should contain provisions enabling a contracting party to convert bound specific rates of duty to an ad valorem basis. (See, for example, statement by Brazil - SR.9/16).
ARTICLE III
NATIONAL TREATMENT ON INTERNAL TAXATION AND REGULATION

Paragraph 2

22. Germany proposes an interpretative note to make it clear that the words "internal taxes or other internal charges" are intended to cover taxes and charges levied at various stages of production (L/261/Add.1, p.5). It is stated in the secretariat Notes that this provision has given rise to some difficulties of interpretation, in connexion with taxes levied at various stages of production, and it is suggested that the text should be clarified.

(In the secretariat Notes it is also suggested that the words "directly or indirectly" in the third line appear to be unnecessary.)

Paragraph 5

23. Sweden suggests that it be provided in an interpretative note that internal quantitative regulations should be permitted to afford protection to domestic production, provided they are directed against domestic production of the competing product as well as against imports of the competing product (L/275, p.6). This proposal relates also to the application of internal taxes to afford protection to domestic production, which is dealt with in paragraph 2.

Paragraph 6

24. Sweden proposes an interpretative note to explain that a contracting party would be free to alter "the details" of an existing internal quantitative regulation, provided this did not result "in changing the overall effect of the regulation to the detriment of imports." (L/275, p.6)
ARTICLE XIX

EMERGENCY ACTION ON IMPORTS OF PARTICULAR PRODUCTS

Paragraph 1(a)

25. Greece proposes the following amendment of lines 3-6:

"... is being imported into the territory of that contracting party in such increased quantities and under such conditions as to cause or threaten serious injury to domestic producers ..."

26. Norway and Sweden propose to amend the last four lines as follows:

"... the contracting party shall be free, in respect of such product, and to the extent and for such reasonable period of time as may be necessary to be fixed by the Organization in order to prevent or remedy such injury ..."

27. Further, Norway and Sweden would add the following provision:

"The provisions of this Article shall not apply unless the quantity of the product imported is equivalent to a considerable part of the domestic production of like or directly competitive products."

This proposal is supported by the Government of Denmark which, however, would add the following words: "... and the injury caused or threatened to domestic producers is not insignificant to the total economy of the Member."

Paragraph 2

28. Denmark, Norway and Sweden propose the following addition to paragraph 2:

"The obligation suspended or the concession withdrawn or modified should be wholly or partially restored as soon as possible. Accordingly, the Organization may, during the consultation foreseen under this paragraph, recommend a fixed period of time within which such restoration should take place."

Paragraph 3

29. Denmark, Norway and Sweden would add a sub-paragraph preventing discriminatory action:

"Any suspension, withdrawal or modification under paragraph 1(a) or (b) must not discriminate against imports from any Member country, and such action should avoid, to the fullest extent possible, injury to other supplying Member countries."
ARTICLE XXIV

TERRITORIAL APPLICATION - FRONTIER TRAFFIC - CUSTOMS UNIONS
AND FREE-TRADE AREAS

Paragraph 3(a)

30. Germany proposes the following amendment:

"(a) any advantages accorded at present or in future by any contracting party to adjacent countries in order to facilitate frontier traffic or traffic in specific frontier zones specially designated by treaty;"

Paragraph 10

31. It is not clear whether proposals require the approval of two-thirds of the contracting parties or of two-thirds of the votes cast. Therefore it is suggested in the secretariat Notes that the words be amended as follows:

"... by a two-thirds majority comprising two-thirds of the contracting parties ...".

Paragraph 11

32. In view of the transitional character of this provision, it is suggested in the secretariat Notes that India and Pakistan might be consulted on the need to retain this paragraph and its Interpretative Note.
ARTICLE XXVII

WITHHOLDING OR WITHDRAWAL OF CONCESSIONS

33. Denmark, Norway and Sweden propose that the second sentence be amended as follows:

"The contracting party taking such action shall give notice to all other contracting parties, the CONTRACTING PARTIES and, upon request, consult with the contracting parties which have a substantial interest in the product concerned."

This proposal is made also in the secretariat Notes, where it is further suggested that "have" should read "claim".

34. Germany proposes that a contracting party withholding or withdrawing a concession should be required, upon request, "to enter into negotiations on compensatory adjustments" with contracting parties which have a substantial interest in the product concerned, and that the negotiations should be governed by the provisions of Article XXVIII.