THIRD COMMITTEE: COMMERCIAL POLICY

SUB-COMMITTEE A (ARTICLES 16, 17, 18, 19)

NOTES ON THE NINTH AND ELEVENTH MEETINGS

Held Saturday, 27 December 1947, 10.30 a.m. and
Tuesday, 30 December 1947, 10.30 a.m.

Chairman: Dr. G. A. LAMSVELT (Netherlands)

ARTICLE 17 - REDUCTION OF TARIFFS AND ELIMINATION OF PREFERENCES

1. It was agreed to adopt the New Zealand delegate's suggestion to revise numbered paragraph 1 of the Notes of the Seventh Meeting, 22 December 1947 (E/CONF.2/C.3/A/W.11) as follows:

"There are no exceptions to the obligation to enter into negotiations directed to the elimination of the preferences referred to in paragraph 2 of Article 16."

2. It was agreed, on the suggestion of the Peruvian delegate, to add to the Notes of the Eighth Meeting, 23 December 1947 (E/CONF.2/C.3/A/W.15) in paragraph 3, after the words "The Peruvian delegate withdrew his delegation's proposal" the following: "because it appeared from the discussion that its objective was already sufficiently covered by Article 13".

Agenda Item 1 - amendments to rules for negotiations; exemptions from requirement to negotiate; criteria for determining failure to negotiate.

3. Items 28 and 40 - economic development (Haiti) (Chile)

It was agreed that these proposals had been covered in principle by the discussion at the previous meeting regarding special consideration in negotiations for under-developed countries.

4. Items 31 (iv), 32 and 33 (i) - ad valorem basis (Mexico) and automatic tariff reductions through or readjustment subsequent to currency depreciation (Colombia) (Peru).

NOTE: References are to items in the Revised Annotated Agenda (E/CONF.2/C.3/6).

* This document replaces the documents issued as E/CONF.2/C.3/A/W.18 and W.18/Rev.1 which should be destroyed.

/ The Sub-Committee
The Sub-Committee reached substantial agreement that

(a) It is not necessary to write the Mexican proposal (Item 31 (iv)) into Article 17 because nothing in this Article would preclude the conversion of specific into ad valorem duties prior to negotiations. The Mexican delegate reiterated that his position regarding the necessity for additional rules of negotiations would depend upon the balance of Article 17 as a whole.

(b) There is no need to write the Peruvian proposal (Item 31 (i)) into Article 17 because

(1) prior to negotiations, any Member country would be free to increase the specific duty on any unbound item for any reason since Article 17 does not provide for a general binding of all items. It would, however, remain to be determined during negotiations whether a readjustment of specific duties to compensate for the devaluation of a Member's currency had had the effect of increasing their protective incidence or was merely equivalent compensation.

(2) Subsequent to negotiations, should a Member's currency be devalued consistently with the Articles of Agreement of the International Monetary Fund by more than twenty percent, the General Agreement (Article II, 6 (a)) permits the readjustment of specific duties to take account of the devaluation, subject to certain safeguards.

(c) Regarding the Colombian proposal (Item 32),

(1) the effects of devaluation of a Member's currency, or of a rise in prices, would have to be considered during negotiations in order to determine, first, the change in the protective incidence of the Member's specific tariffs and, secondly, whether the binding of any specific duties reduced by currency devaluation or a rise in prices represented in fact a concession equivalent in value to the substantial reduction of high tariffs or the elimination of tariff preferences warranting like concessions.

(2) If it were agreed during negotiations that devaluation had in fact resulted in low specific duties, most Members of the Sub-Committee felt that this factor could be taken into account under the rules of negotiations as now drafted without any amendment thereto. The Colombian delegate preferred that some reference be made in Article 17 to low tariffs resulting from currency devaluation or a rise in prices.

/It was agreed/
It was agreed to refer the Colombian proposal to the draft group.

5. Items 28, 34, 40 and 41 - revenue tariffs (Haiti) (Ceylon) (Chile) (El Salvador)

The discussion of these items was continued to the next meeting.

6. The Chairman proposed that the delegates of Australia, France, Mexico, Peru and the United States constitute a drafting group; that the notes of Sub-Committee meetings, together with the proposals listed below (which should be referred directly to the drafting group) serve as a guide to the drafting group in their preparation of a text of Article 17 for consideration by the Sub-Committee:

- Suggested revision of paragraph 1 (c) (France) (E/CONF.2/C.3/A/W.13)
- Suggested new sub-paragraph 1 (c) and new paragraph 4 (United States) (E/CONF.2/C.3/A/W.17)
- Suggested additions to rules for negotiations (Mexico) (E/CONF.2/C.3/A/W.17)
- Suggested redraft of Article 17 (Australia) (E/CONF.2/C.3/A/W.9)

The Chairman's proposal was agreed.