SUGGESTED ADDITION TO ARTICLE II OF THE DRAFT GENERAL AGREEMENT ON TARIFFS AND TRADE AND POSSIBLY A CORRESPONDING ADDITION TO ARTICLE 15 OF THE DRAFT CHARTER.

"The provisions of paragraph 1 of Article VIII of the General Agreement on Tariffs and Trade shall not prevent a Member from imposing at any time on the importation of any article a charge equivalent to an internal tax imposed in respect of a like domestic article or in respect of a commodity from which the imported article has been manufactured or produced in whole or in part."

EXPLANATORY COMMENT

1. In the detailed tariff negotiations Australia, in responding to requests for either the reduction of a customs duty or the binding of a customs duty in those cases where the customs duty is principally designed to obtain general revenue, had assumed that Article 15 of the Draft Charter would be interpreted as if words having the purport of the suggested additional paragraph were expressly contained in Article 15.

2. Experiences in the tariff negotiations at Geneva have created doubts as to whether the foregoing interpretation is correct and generally accepted. For instance, it is understood that some negotiating countries hold the view -

(a) that the naming of a rate of customs duty in the Schedule to the General Agreement on Tariffs and Trade would preclude them from imposing taxes (in the form of non-protective revenue import duties) at some later date on any goods which are ultimately specified in the Schedule;

(b) that if it is desired to retain liberty to increase the revenue taxes above the rate of import duty named in the Schedule, the only way of retaining that liberty is to reserve the item from inclusion in the Schedule of tariff concessions.

3. The latter course, if generally pursued, is likely to result in the complete exclusion of a large number of important internationally-traded commodities from the tariff negotiations.

4. The purpose of the suggested additional paragraph is to establish beyond doubt that, in the case of genuine revenue duties or taxes, the Governments of Member countries do, in fact, retain liberty to increase the duties or taxes provided the increase has no other purpose than that of obtaining additional revenue from the particular item.