DISCUSSION PAPER ON CREDIT FOR BINDINGS

The attached discussion paper has been received from the delegations of Australia, Canada, Hungary and New Zealand.

In Montreal, Ministers agreed that there is a "... need for an approach to be elaborated to give credit for bindings ...". This paper suggests some ideas which might be used in developing such an approach.

This decision by Ministers in Montreal and GATT Article XXVIII(bis) are obvious starting points for such work. GATT Article XXVIII(bis) 2.a) indicates that:

"... the binding ... of low duties or of duty-free treatment shall, in principle, be recognized as a concession equivalent in value to the reduction of high duties."

Suggested elements

The approach to be elaborated should provide a means by which a participant making a binding on a tariff item for the first time can count this action towards meeting the Montreal target amount for overall reductions.

Basic principles in the application of the approach could be:

(i) maximum and minimum credits would need to be set out

(ii) maximum credit would be available for first-ever bindings at a "low duty"

(iii) lesser credits (presumably on a sliding scale) would accrue for first-ever bindings at higher levels
(iv) maximum available credit would be established with reference to the average reduction actually applied to high rates of duty

(v) terms such as "low duty" and "high duty" would also be defined on the basis of a common methodology

(vi) the actual values of such defined terms used in the calculation of credit for bindings would be calculated on the basis of each individual tariff schedule and would vary accordingly.