

TARIFF NEGOTIATIONS PROCEDURE

1. The most recent and authoritative statement on the purposes of tariff negotiations under the GATT are laid down in the new Article XXIX. It is there provided that such negotiations should be directed to a substantial reduction of the general level of tariffs and, in particular, to the reduction of such high tariffs as discourage the importation even of minimum quantities. The Article further provides that:-

(a) the negotiations should be on a reciprocal and mutually advantageous basis,

(b) the binding against increase of low tariffs or of duty-free treatment shall in principle be recognized as a concession equivalent in value to the reduction of high duties,

(c) the basis on which negotiations are conducted should take into account inter-alia the special position of under-developed countries.

It is also relevant to recall that the Article provides that negotiations may be carried out on a selective product-by-product basis or "by the application of such multilateral procedures as may be accepted by the contracting parties concerned".

2. In considering arrangements for the negotiations which are now proposed the question arises as to what negotiating rules would be most likely to secure the objectives laid down in Article XXIX. In this connection it is to be borne in mind that owing to the circumstances in which the negotiations will take place, the scope of the new round of negotiations will in any case be modest. It would therefore be desirable to see to it that the technique adopted for the negotiations should be calculated to yield the maximum possible results; in other words, to contribute as effectively as possible to the realisation of the objectives of Article XXIX. It is a widely held view that the negotiating rules which were followed in preceding tariff conferences are not likely to do so.

3. It is suggested that the best way to achieve the desired result would be to agree on more definite arrangements for the so-called multilateral phase of negotiations. The changes thus introduced into the negotiating rules would have as their main objective:-

(a) to encourage participating countries to assess the balance of advantages to be derived from the negotiations by considering the overall direct or indirect benefit which each country obtains from the negotiations as a whole as compared with the concessions it makes, instead of tending as in the past to aim at a balance in each bilateral negotiation.

(b) to ensure by practical means that the binding or small reduction of a low rate is effectively counted as equivalent to a substantial reduction of a high rate.

4. The first change in the negotiating rules which is suggested concerns the lists of offers made in response to request lists exchanged between the negotiating countries in accordance with the existing practices. It is suggested that instead of the offers being formulated in bilateral lists, each negotiating country should draw up a consolidated list of offers at the beginning of the conference.

5. The second principal modification concerns the role of the Tariff Negotiations Committee in the negotiations. This should include assisting the negotiating countries to ascertain the extent to which the negotiations can reasonably be expected to contribute to the objectives of Article XXIV, and for this purpose to establish a negotiating target as a standard against which the negotiating countries can measure the progress achieved. It is clear, however, that the role of this Committee should be limited in the main to advisory functions except in respect of such technical and procedural matters as may be entrusted to the decision of the Committee as suggested later in this paper. In other respects, however, each country would be free to accept or reject the advice of the Committee and, in particular, to determine whether in the light of all the relevant considerations and on the basis of its own assessment of the advantages accruing to it from the negotiations, the balance of concessions is acceptable to it. Furthermore, in respect of the matters which are entrusted under these rules to the decision of the Committee and in respect to any matter submitted to the Committee for advice, it will proceed on the basis of criteria and rules agreed upon beforehand by the negotiating countries.

6. At the opening of the conference, the TNC should have before it:-

- (a) the consolidated offers list made by each negotiating country,
- (b) a list of the rates exceeding fifty per cent which the country concerned proposes to reduce to fifty per cent or below/ together with a list of rates exceeding fifty percent, or rates which the country concerned considers to be equivalent to a rate exceeding fifty per cent, upon which it does not propose to offer reductions/
- (c) a calculation of the weighted incidence of the rates of duty applicable in each of the participating countries for the following sectors:
  - i. raw materials,
  - ii. agricultural products,
  - iii. semi-manufactures,,
  - iv. manufactured goods.
- (d) the necessary statistical data to enable the Committee to calculate the reduction of the weighted incidence in the four sectors which the consolidated offers list would represent,

7. Upon the basis of the consolidated offers list submitted to it, and particularly offers submitted by the leading trading nations, the Committee would make a realistic assessment of the possibilities of the negotiations in the form of a target expressed in terms of a percentage reduction in the incidence of existing tariff levels. It is of course unlikely that the target percentage could in all cases be attained in all sectors. It is, however, desirable that the tariff reductions should be spread as widely as possible through the different sectors of the tariff and it might therefore be accepted as an objective of the negotiating countries to approach as near to the target in each sector as practicable. It is the purpose of the calculation suggested in paragraph 6 to provide an indication as to how far this would be a realisable objective. The Committee would then indicate the minimum offer which in its opinion should entitle countries to participate in the negotiations. This minimum offer would be below the target and would constitute the minimum effort which the Committee would consider to be required in order to participate in the negotiations. All the countries which had made an offer equivalent or superior to that minimum would be considered as having entered into negotiations.

8. At this stage it is suggested that the Committee should take account of the principle of equivalence of a binding or small reduction of a low tariff, to a substantial reduction of a high tariff through a technique analogous to that suggested in the GATT plan.

9. It is only after this weighting of the offers that the Committee would come to a conclusion as to whether or not the offer of any country was above or below the minimum. At the same time, the TNC could, if it considered it appropriate and desirable, consider as having entered into negotiations, a country whose offer was below the minimum if the Committee considers that the principles laid down in paragraph 3 of Article XXIX justified such action.

10. The stage would then be set for the bilateral negotiations. All the countries which had been considered in accordance with the above procedures as having entered into negotiations, or which might later be determined to have met the requirements in view of additional offers, would conduct their negotiations in accordance with the usual practice. It is hoped, however, that if the governments agree on the revised rules, their negotiators would have as an important part of their aims in these negotiations:-

(a) the bringing up of the overall concessions of each country to the target recommended by the TNC as being its appreciation of the possibilities of contributing to the objectives of Article XXIX,

(b) a reduction of high rates of duty, in particular those exceeding fifty per cent.

11. When the bilateral phase had been concluded the TNC would adjust its calculations of the reduction of the weighted incidence represented by the revised offers of individual countries in order to assist the negotiating countries to assess the progress achieved in attaining the objective in (a) above. The Committee would fix a time limit to all participating countries to confirm their offers or to make adjustments in agreement with the other participants. It is perhaps desirable to emphasise again here what has been said earlier in this paper - that the calculations and advice given by the TNC would be purely advisory and it would be for each negotiating country at the conclusion of the negotiations to take its own decision whether to accept the results of the negotiations on the basis of its own assessment thereof.