

TARIFF NEGOTIATIONS PROCEDURES

Working paper prepared by the Drafting Group  
as a basis for discussion in the Working Party

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. The scope of the negotiations will in any case be modest owing to the limited negotiating powers which governments have at this time either because of legislative limitations or because the accelerated progress of dismantling quantitative restrictions makes it particularly difficult to carry out extensive tariff reductions at the same time. 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 realization 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 appears impracticable to arrive at an agreement for the application of the GATT plan for tariff reduction in time to meet the time-table required by the negotiations now proposed. Accordingly, it is suggested that the best way to achieve the desired result would be to agree on more definite arrangements for the 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, so far as practical at this time, that bindings or small reductions of low rates are effectively recognized as equivalent to substantial reductions of high rates.

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 rôle of the Tariff Negotiations Committee - on which all negotiating countries would be represented - 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 XXIX, and for this purpose to establish a negotiating target as a standard against which the negotiating countries can measure the progress achieved. This Committee would be responsible for the overall administration of the negotiations, dealing with their multilateral aspects, drawing up legal instruments for embodying the results and the specific matters provided for in this paper.

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 50 per cent which the country concerned proposes to reduce to 50 per cent or below together with a list of rates exceeding 50 per cent, or rates which the country concerned considers to be equivalent to a rate exceeding 50 per cent, upon which it does not propose to offer reductions;

(c) a calculation, on the basis of the criteria set out in the Annex to this paper, of the weighted incidence of the rates of duty applicable in each of the participating countries for the following sectors.

- (i) industrial raw materials
- (ii) agricultural products
- (iii) semi-manufactures
- (iv) manufactured goods;

(d) the necessary statistical data to enable the calculation of 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 an assessment of the possibilities of the negotiations in the form of a target or targets expressed in terms of a percentage reduction in the incidence of existing tariff levels. (It is 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 same level of reduction 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 realizable objective. The Committee would then indicate the minimum offer below our target which in its opinion should be considered to provide a basis for negotiations. All the countries which make 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 the technique set out in the Annex to this paper.

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

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~~ the possibilities of contributing to the objectives of Article XXIX,

(b) a reduction of high rates of duty, in particular those exceeding 50 per cent.

The TNC would be at the disposal of any country or group of countries to arrange for additional negotiations on a group basis whenever it was felt that the resort to triangular or multilateral techniques would improve the scope of concessions where purely bilateral techniques have failed.

11. When the bilateral phase had been concluded the TNC would assess the progress achieved in attaining the objectives in (a) and (b) 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 emphasize 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.

ANNEX

1. Computation of the average incidence

(a) The average incidence will be computed in accordance with the rules contained in Sections 1, 4 and 7 of the Annex to the Report by the Sub-Group on the technical aspects of the Revised French Plan (BISD, Second Supplement, pages 83 and following);

(b) each contracting party will be free to exclude from this calculation fiscal duties and the value of the corresponding trade, as well as duties levied on goods of which 50 per cent or more in value were imported by it from a non-participating country in the base year (see Rule II, BISD, Second Supplement, page 77);

(c) the base year will be selected in accordance with the criteria contained in Section C of the Annex to the Report of the Sub-Group (BISD, Second Supplement, page 85); it is suggested that 1954 be selected if reliable statistical data are available, or, if that is not the case, 1953;

(d) the computation of the reduction of the average incidence corresponding to the offers made will be computed on the basis of the value of the trade during the base year;

(e) the composition of the four sectors shall be based on the SITC items in accordance with the criteria contained in Section 8 A of the Sub-Group's Report (BISD, Second Supplement, page 90).

2. Criteria for the weighting of the offers on low tariffs

(a) For each sector, a demarcation line shall be calculated on the basis of the rates actually applied by the negotiating countries. This calculation will be made in accordance with the methods followed by the secretariat in 1953, the preliminary results of which are contained in BISD, Second Supplement, page 89. For each sector, a floor shall also be computed which will be fixed at 50 per cent of the demarcation line for that sector;

(b) the binding of a rate at or below the floor shall be counted as equivalent to a reduction by the percentage considered as the target for that sector. For example, if the target is 15 per cent and the volume of imports for the rate to be bound is V, the value of the binding will be considered to be:  $5 \times V$ ;

(c) the reduction of any rate between the demarcation line and the floor will be weighted in accordance with the formula contained in Section 5 of the Sub-Group's Report (BISD, Second Supplement, page 86).