

DRAFT INTERIM REPORT OF  
THE INTERSESSIONAL WORKING PARTY ON TARIFF REDUCTION

1. The Working Party met to consider the possibilities of future action directed to the reduction of the general level of tariffs in the light of the communication made by the United States representative to the Interseasonal Committee (IC/SR.19, page 2) to the effect that his Government would be desirous to enter into tariff negotiations with other contracting parties on the basis of the new powers granted to the President of the United States and that in order to meet the time-limit prescribed by the United States legislation and practices the tariff negotiations should start early in 1956.

2. The Working Party considered unanimously that every effort should be made in order to enable the United States Government to make use of its new powers and in accordance with paragraph (c) of its terms of reference, it recommends to the CONTRACTING PARTIES to convene a tariff conference in the course of January 1956. In order to make the necessary preparations for such a conference, the Working Party instructed the Executive Secretary to invite contracting parties wishing to take part in such a conference:

(a) to notify the Executive Secretary of their intention by [31 July 1955];

(b) to send by [31 July 1955] a preliminary list of products on which they desire to obtain concessions from the United States. 50 copies of that list should be sent to the Executive Secretary for distribution to the other participating governments;

(c) to transmit by [1 October 1955] a list of requests to the United States and to any other participating governments with which they desire to negotiate. Each list should be addressed to the country from which concessions are requested and 50 copies should be sent simultaneously to the Executive Secretary for circulation to the other participating governments;

(d) to send to the Executive Secretary two copies of the latest edition of their customs tariff as well as the necessary statistical data to facilitate the negotiations and to send similar information to any participating government which may request it.

3. As regards the procedures to be followed at the forthcoming tariff conference, the majority of the Working Party expressed their preference for the application of multilateral procedures along the lines of the GATT Plan (Basic Instruments and Selected Documents, Second Supplement, page 75 onwards). As, however, the United States and the United Kingdom Governments were not in a position to proceed on that basis at the present time, the Working Party came to the conclusion that it was not practicable to consider the introduction of such procedures at the tariff conference to be held in 1956.

4. The Working Party, however, felt that it would be useful to examine further whether the rules which had been applied in previous tariff conferences could not be improved in such a way as to eliminate or at least attenuate some of the difficulties which became apparent in the course of the Torquay negotiations and whether such improvements could not be introduced at the 1956 conference. This conclusion was reached on the understanding that this consideration would not delay in any way the actual preparations for the tariff conference.

5. The Working Party set up a drafting group which prepared, as a basis for discussion, a note on procedures for tariff negotiations which is annexed to this report. The Working Party came to the conclusion that, before proceeding with the suggestions contained in that note, it would be appropriate to give an opportunity to the contracting parties to examine the suggested improvements in the procedures before the Working Party resumes its work.

6. The Working Party therefore decided to reconvene at [ ] on [ ] and to consider, on the basis of the note submitted by the Drafting Group, whether an agreement could be reached on improvements in the negotiating procedures which could be recommended to the countries participating at the tariff conference.

7. The Working Party also considered whether it would be appropriate to take advantage of the presence of negotiators from a number of contracting parties to enable governments desirous to accede to the General Agreement to conduct negotiations directed towards their accession at the time of the tariff conference, as was the case at the Torquay conference.

8. The Working Party noted that there would be no objection on the part of the governments whose representatives took part in the discussions to afford such an opportunity to prospective acceders. The Working Party instructed the Executive Secretary to ascertain from governments which have displayed an interest in the work of the CONTRACTING PARTIES and have shown a desire to accede to the GATT at some future date, whether they would be willing to initiate negotiations with a view to acceding to the General Agreement at the time of the forthcoming tariff conference. The Executive Secretary would report to the CONTRACTING PARTIES on the results of these informal consultations and, if necessary, secure authority from them for sending, on their behalf, formal invitations to the governments concerned.

9. At its next session, the Working Party shall consider other practical and administrative arrangements which will be necessary for the organization of a tariff conference in January 1956 and shall make recommendations in this respect as regards, in particular, the site of the conference, in the light of a report to be submitted by the Executive Secretary on the facilities afforded by Geneva and, if necessary, by other localities.

APPENDIX

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 for 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 the 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 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.

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 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. 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

Each participating government would compute the weighted incidence of its tariff in accordance with the following rules:

- (a) for each sector the average incidence would be the ratio defined in 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 would 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 in the base year from countries which do not take part in the tariff conference (see Rule II, BISD, Second Supplement, page 77);
- (c) all valuations would be based on the c.i.f. basis and the f.o.b. incidence would be converted to a c.i.f. basis by increasing the data by 10 per cent (see BISD, Second Supplement, page 86);
- (d) the preferential tariffs and preferential trade would be treated in accordance with Section 7(a) of the Report of the Sub-group (BISD, Second Supplement, page 90);
- (e) the base year for the computation of the average incidence would be 1954 if reliable statistical data are available or, if that is not the case, 1953;
- (f) the composition of the four sectors would be based on the SITC, the items being classified in accordance with the criteria contained in Section 8 A of the Sub-group's Report (BISD, Second Supplement, page 90).

2. Computation of the reduction of the tariff incidence represented by the offers

The Committee would assess the offers in terms of the reduction of the average incidence in the various sectors in accordance with the following rules:

- (a) the reduction in the average incidence would be the sum of the reductions in the weighted incidence on each item listed in the offers. For that calculation, the composition of the trade would be deemed to be the same as during the base year;
- (b) an additional credit would be computed for reductions of low tariffs and bindings of low tariffs, in accordance with the following criteria;

(c) for each sector a demarcation line shall be calculated on the basis of the rates applied by each negotiating country for all the items in that sector. The demarcation line shall be calculated on the basis of a weighted average of the weighted averages of the tariff rates in each sector of the countries participating in the negotiations, after the exclusion of duties considered as fiscal. For each sector a floor shall be computed which will be fixed at 50 per cent of the demarcation line for that sector;

(d) the binding of a rate at or below the floor would be counted as equivalent to a reduction by the percentage considered as the target for that sector;

(e) the reduction of any rate between the demarcation line and the floor would be weighted in accordance with the formula contained in Section 5 of the Sub-group's Report (BISD, Second Supplement, page 86), i.e. a given reduction of any such rate will be counted as equivalent to a larger reduction of a duty above the demarcation line.

### 3. Data to be sent to the secretariat

(a) Each participating country should send to the secretariat in advance of the tariff conference the weighted average of the tariff rates in each sector after exclusion of duties considered as fiscal, as well as the list of these duties and the value of the corresponding trade during the base year.

(b) each participating country should also send, as soon as its offer lists have been prepared, the average incidence of its tariff after exclusion of the fiscal duties as referred to above and of duty on goods of which 50 per cent or more in value were imported from non-participating countries in the base year, as well as a list of the goods thus excluded and the value of the corresponding trade during that year;

(c) the value of trade during the base year in each product on which concessions will be offered at the tariff conference, and the ad valorem incidence of the reductions offered on specific duties.