

19 September 1955

Intersessional Working Party
on Tariff Reduction

PLANS FOR TARIFF REDUCTION

Draft Report to the CONTRACTING PARTIES

1. The Working Party was appointed on 4 March 1955 to study the possibilities of future action for the reduction of the general level of tariffs, with special consideration to the reduction of unreasonably high tariffs, and to recommend the convening of a tariff conference as soon as it might be felt that progress in this field was possible.¹ The Working Party was instructed to report to the CONTRACTING PARTIES at their Tenth Session.

Proposed Tariff Conference commencing 18 January 1956

2. At the meeting of the Intersessional Committee in June, the United States representative stated that his Government wished that the CONTRACTING PARTIES would give consideration to further tariff negotiations in the light of the new powers granted to the President of the United States and that, in order to meet the time limit prescribed by United States legislation and practices, any tariff negotiations that might be arranged should start early in 1956. Accordingly a meeting of the Working Party was convened without delay. The Working Party considered unanimously that every effort should be made to carry out another round of multilateral negotiations on as broad a basis as possible and that these should be conducted in time to permit full participation by the United States Government under its new powers.²

¹ The membership and terms of reference of the Working Party will be found on page 14 of the Third Supplement.

² The discussions at the meeting of the Working Party, 29 June to 9 July, are reported more fully in the Working Party's Interim Report (L/373).

3. The Working Party decided to recommend that the CONTRACTING PARTIES convene a tariff conference to begin in January 1956, instructed the Executive Secretary to enquire of contracting parties whether they wished to participate and laid down a provisional timetable for the preparations for the Conference. At a second meeting of the Working Party in September the Executive Secretary reported (L/395) that the following governments had indicated that they wished to take part in such a conference:

Australia	Denmark	Japan
Austria	Dominican Republic	Nicaragua
Belgium	Finland	Norway
Luxemburg	France	Sweden
The Netherlands	Germany	Turkey
Canada	Greece	United Kingdom
Ceylon	Haiti	Union of South Africa
Cuba	India	United States of America
	Italy	

4. The Working Party noted that the Government of France had stated that it intended to negotiate with the United States but was not in a position to participate in negotiations with other contracting parties. Members of the Working Party expressed regret that the participation of France should be thus limited. Some members stated that their governments were preparing lists of concessions which they wished to obtain from France in the negotiations and enquired of the representative of France whether such lists would be received and considered by the French Government. The French representative replied that request lists would be accepted and that his Government would no doubt take them into account in any reconsideration of its decision that might be made.

5. The Executive Secretary was also asked to ascertain from governments which had displayed an interest in the work of the CONTRACTING PARTIES whether, at the same time, they would be willing to initiate negotiations with a view to acceding to the General Agreement. The Executive Secretary has been in contact with a number of governments but thus far none of them has indicated a desire to negotiate with a view to accession at the present time.

6. The Working Party recommends that the conference begin on 18 January 1956 and the United States representative has indicated that the timetable prescribed by United States legislation and practices will require that a target date of 1 May be set for completion of the negotiations.

Rules and Procedures

7. At its meetings in June and September, the Working Party discussed the method of negotiation to be followed in the January conference. A majority expressed a preference for the application of multilateral procedures along the lines of the GATT plan¹, which they considered to be the only satisfactory solution for their tariff problems, but as the United States and United Kingdom Governments were not in a position to proceed on that basis in these negotiations, the Working Party came to the conclusion that it was not practicable to consider the introduction of such procedures at the conference in 1956.

8. On the other hand, the majority felt that to proceed in accordance with the rules followed in previous tariff negotiations would not result in a substantial contribution to the objectives set out in Article XXIX of the revised Agreement, particularly as regards reduction of excessive rates of duty and the recognition of the equivalence of the binding of low rates to reductions in high rates of duty. They recalled, moreover, that the discussions which had led to the formulation of the GATT plan had been based upon a widespread feeling that the former rules were unlikely to lead to satisfactory results. The Working Party agreed that it would be desirable to consider to what extent and in what manner the negotiating rules should be amended in order to ensure the attainment of the objectives of Article XXIX. At the meeting in June, a set of revised procedures was prepared and in addition the United Kingdom representative submitted a draft of procedures which would be acceptable to his Government. These two plans were referred to governments for consideration.²

9. At the September meeting it was found that neither of these plans was wholly acceptable and the Working Party therefore decided to recommend procedures based upon three features which were common to both of them, namely:

¹ BISD, Second Supplement, page 75.

² Annexes A and B to the Interim Report (L/373).

- (i) that the negotiations should be based on the principles of Article XXIX;
- (ii) that each participating government should present a consolidated list of offers, and
- (iii) that the Tariff Negotiations Committee should have broader functions than in previous tariff negotiations in order to strengthen the multilateral aspect of the conference.

The United States representative submitted proposals for the functions and terms of reference of the proposed Tariff Negotiations Committee.

10. The rules and procedures developed by the Working Party on the basis of these three principles and the United States suggestions for the terms of reference of the Committee, as recommended for adoption by the CONTRACTING PARTIES, are set out in the Annex to this report. Certain points require comment.

11. The proposed rules for the negotiations have been drafted on the basis of the provisions of Article XXIX which stipulate that negotiations sponsored by the CONTRACTING PARTIES shall be conducted on a basis which affords adequate opportunity to take certain considerations into account. The fact that sub-paragraph (a) of paragraph 3 is stipulated in the proposed rules, whereas sub-paragraphs (b) and (c) are not included, does not mean that these are any less relevant. In fact, it is stated in the rules and procedures that the negotiations are to be based on the principles of Article XXIX.

12. It is stated in paragraph 5 that overall concessions granted by a participating government should be commensurate with the overall concessions received. This phrase is intended to be interpreted broadly and not in the sense of requiring any form of mathematical equivalence. By including this phrase in the rules the Working Party does not intend to prejudge in any way what countries may consider, in terms of the principles of Article XXIX, to be an acceptable balance of concessions and advantages.

13. While it was recognized that various factors might in practice restrict the negotiating possibilities of participating governments, it was agreed that it was desirable to enlarge the scope of the negotiations as much as possible so as to achieve the maximum progress towards the objectives of Article XXIX. In particular, it was agreed that the fact that the negotiating powers of the United States were in general limited to 15 per cent over a period of three years should not preclude other governments, which were willing and able to do so, from negotiating for greater reductions among themselves.

14. With reference to paragraph 6, the Working Party wishes to stress that, if at all possible, governments should observe the date of 1 October 1955 for the submission of their lists of requests in order that other governments should be able to prepare their list of offers by 18 January. Some members would have preferred to fix an earlier date for the submission of the lists of consolidated offers in order to avoid any delay in the initial review of the lists by the Committee. Members, however, were unable to agree on an earlier date. The United States representative stated his intention to submit with the list of concessions being offered by the United States some statistical data showing the value of imports of the products included in the list from the various participating countries. The Working Party considered that this information would be helpful to governments, and also to the secretariat in preparing for the Committee's review of the offer lists, and therefore recommends that governments should furnish as much statistical information as possible concerning their import trade in the items on which concessions are being offered.

15. Regarding paragraph 11(c), the countries described in the second sentence continue to believe that the only satisfactory method of meeting their problems would be by the adoption of an automatic formula for tariff reduction. The statement that the rule in question "takes account of" these problems is only a recognition of the special problems of these countries in negotiations of the kind contemplated. The rule itself affords no solution of these problems and the position of the countries concerned will only be improved to the extent to which the rule is effectively applied.

16. The Working Party considers that tariff negotiations in 1956, in accordance with the rules here proposed and particularly if rule 11(c) is effectively applied, will contribute towards the attainment of the objectives of Article XXIX by reducing the general level of tariffs and will reduce the present disparities in tariff levels.

ANNEX

DRAFT RULES AND PROCEDURES FOR THE /GENEVA/ TARIFF CONFERENCE
COMMENCING ON 18 JANUARY 1956

(Recommended by the Working Party)

I. Objectives of the Negotiations

1. The CONTRACTING PARTIES, recognizing that customs duties often constitute serious obstacles to trade, have decided to sponsor a tariff negotiations conference based on the principles of Article XXIX of the revised General Agreement and conducted with due regard to the objectives of the General Agreement.
2. The negotiations shall be directed towards the reduction of the general level of tariffs and other charges on imports and, in particular, to the reduction of such high tariffs as discourage the importation of even minimum quantities and shall aim at the exchange of reciprocal and mutually advantageous concessions. Governments participating in the negotiations shall endeavour through common effort to ensure that the results of the negotiations are as great as practicable.

II. Scope of the Negotiations

3. Participating countries may request concessions on products of which they individually, or collectively are, or are likely to be, the principal suppliers to the countries from which the concessions are asked. This rule shall not apply to prevent a country not a principal supplier from making a request, but the country concerned may invoke the principal supplier rule if the principal supplier of the product is not participating in the negotiations or is not a contracting party to the General Agreement.
4. In addition to customs tariffs and other charges on imports, certain regulations, protection afforded through the operation of import monopolies, etc., as provided in Articles II (including the Annexes thereto), III and IV of the revised General Agreement, shall be subject to negotiation in accordance with these rules. Accordingly, requests may be submitted for concessions in respect of these matters in the same way as requests for tariff concessions.
5. Participating governments agree to make a maximum effort towards achieving the objectives of the negotiations in accordance with Article XXIX and to this end shall co-operate to further their multilateral character by making overall concessions commensurate with the overall concessions received.

III. The Opening of the Conference

6. On the first day of the Conference each participating government should submit a consolidated list of the concessions it is prepared to offer, with an indication for each item of the country or countries to which the concession is offered. Forty copies of each consolidated list of offers shall be sent to the Executive Secretary who will furnish one copy to each other government which has submitted its consolidated list.

IV. The Tariff Negotiations Committee

7. With a view to facilitating the negotiations and ensuring the fullest possible multilateral effort to achieve their objectives, a Tariff Negotiations Committee, composed of all the governments which have submitted consolidated lists of offers in accordance with paragraph 6, shall be established. The functions and terms of reference of the Committee shall be the following:

- a. The Committee shall exercise its good offices for the purpose of achieving the maximum practicable progress toward the objectives of the Conference.
- b. The Committee shall review the consolidated offers as soon as practicable after the opening of the negotiations, at any time deemed appropriate and useful during the Conference and again in the final phase of the negotiations; provided that the opening of negotiations bilaterally shall in no way be conditioned upon the carrying out of the initial review referred to above.
- c. The Committee shall be at the disposal of any country or group of countries to arrange for negotiations on a triangular or multilateral basis to improve the scope of concessions.
- d. Upon the request of any participating country, the Committee shall consider any problems that such country may believe are impeding or unduly delaying the successful conclusion of negotiations.
- e. The Committee may give advice and make recommendations on any of the foregoing matters and in so doing shall be guided by the principles of Article XXIX.

8. Participating governments shall give full consideration to the advice and recommendations of the Tariff Negotiations Committee. Each country retains the right to determine for itself whether to accept such advice or recommendations and to decide on the basis of its own assessment whether to accept the results of the negotiations.

9. The Committee shall appoint a Tariff Negotiations Working Party to assist in the conduct of the negotiations and may appoint such other subsidiary bodies as may assist the Committee in carrying out its functions.

10. The Committee shall make arrangements to prevent the disclosure of confidential material.

V. Methods of Negotiation

11. The negotiations shall be conducted in accordance with the following rules:

- a. The negotiations shall be conducted on a selective product-by-product basis which will afford adequate opportunity to take into account the needs of individual countries and individual industries. Participating governments will be free not to grant concessions on particular products and, in the granting of a concession, they may reduce the duty, bind it at its then existing level, or undertake not to raise it above a specified higher level.
 - b. No participating government shall be required to grant unilateral concessions, or to grant concessions to other governments without receiving adequate concessions in return.
 - c. The binding against increase 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. This rule takes account, inter alia, of the position of countries which, whilst maintaining low or moderate duties on all or most of the products imported from their principal suppliers, find their exports or potential exports generally impeded by high rates of duty.
 - d. Insofar as negotiations relate to preferences, the applicable provisions of the General Agreement shall be applied in accordance with the rules, as relevant, followed hitherto in negotiations sponsored by the CONTRACTING PARTIES.
 - e. Participating governments shall take into consideration the indirect benefits which they will receive from the negotiations between other governments.
12. The participating governments shall refrain from increases in tariffs and other protective measures inconsistent with the principles of the General Agreement and designed to improve their bargaining position in preparation for the negotiations.

VI. Preparations for the Conference

13. Not later than 1 October 1955 each government intending to participate in the Conference shall transmit:
- a. A list of requests to each government with which it desires to negotiate. (Forty copies shall be sent simultaneously to the Executive Secretary for distribution to the other governments intending to participate.)
 - b. To the Executive Secretary, two copies of the latest edition of its customs tariff and of its foreign trade statistics for 1953 and 1954. (The same information shall be sent to any other government intending to participate which requests it, together with such additional information as may be requested and is readily available.)

VII. Incorporation of the Results in the General Agreement

14. Before the close of the Conference each participating government shall prepare for distribution through the secretariat a consolidated list of the concessions granted and a supplementary list showing the country or countries with which each concession was initially negotiated.

15. The results of the Conference shall be incorporated in the General Agreement by means of a protocol to which will be annexed the schedules of concessions of the participating governments.