

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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3 July 1978

WORKING PARTY ON SPECIFIC DUTIES

Note by the Secretariat

At the first meeting of the Working Party on 21 June 1978, delegations suggested that the Working Party address itself to the questions listed below. The Working Party agreed that these questions did not commit any delegation, that the list of questions was not exhaustive and that additional questions could be submitted to the secretariat for circulation to the members of the Working Party.

1. Is it in principle desirable that Article II:6(a) should apply under a system of flexible exchange rates?
2. If so, how can the purpose of Article II:6(a) be achieved in the present monetary circumstances?
3. If this is to be achieved by linking the right to adjust specific duties with exchange rate movements:
 - (a) How is the depreciation of a currency to be measured under a flexible exchange rate system:
 - against a single reserve currency?
 - against the SDR?
 - against some trade-weighted basket of currencies? If so, which currency basket?
 - by a method of measuring exchange rate movements developed by the International Monetary Fund, such as the method based on its multilateral exchange rate model (MERM)?
 - (b) Which is the period of exchange rate movement that should be taken into account for the purpose of measurement?

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- (c) What is a sufficient devaluation within the terms of Article II:6(a) and for what period of time should that devaluation be in effect before being considered sufficient?
 - (d) How often and under what conditions should the adjustment of duties to reflect currency fluctuations be permitted?
 - (e) Should there be a limit on the interval which may elapse between a currency devaluation and an adjustment of specific duties?
 - (f) Should Article II:6(a) be considered symmetrical in a floating exchange rate system, that is, should countries whose currencies appreciate be required to reduce their specific rates?
 - (g) As a corollary to the latter question, if a country is permitted to adjust its specific duties because its currency depreciates, but the currency then appreciates, what action should that country take?
 - (h) How should the appropriate tariff adjustment in the light of a particular shift in exchange rates be determined? How are fluctuations in bilateral exchange rates to be taken into account in this context?
4. What procedures should be established for the CONTRACTING PARTIES' consideration of proposed adjustments?
5. What should be the rôle of the International Monetary Fund in this process?