

## 'Main topics of discussion' from Le Monde (17 January 1978)

**Caption:** On 17 January 1978, the French daily newspaper Le Monde outlines the main topics of discussion on the agenda for the final phase of the GATT negotiations, and analyses the decisions adopted concerning the reduction of customs tariffs.

**Source:** Le Monde. dir. de publ. Fauvet, Jacques. 17.01.1978, n° 10 253. Paris: Le Monde. "Les principaux sujets de discussion", auteur:J. Cl. , p. 20.

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## Main topics of discussion

The final phase of the multilateral trade negotiations in Geneva focuses on customs duties, the GATT's traditional area of activity, on non-tariff trade barriers, on the multilateral safeguard system and, in general, on the legal framework that governs international trade.

— CUSTOMS DUTIES: *a 6 % reduction over ten years.* The relatively low average levels of duty that the majority of industrialised countries currently apply tend to hide the fact that some duties remain high and that even a relatively low duty can still restrict imports. The three main tasks of the 'tariffs' group are to reach agreement on how to go about lowering duties, on the rules governing exceptions and on the measures and procedures for ensuring special, more favourable treatment for exports from developing countries.

There are, broadly speaking, three possible ways of lowering customs duties. The first, item-by-item negotiation, is a technique already tested in the GATT in the course of the Dillon Round and earlier negotiations. It consists of holding simultaneous bilateral negotiations and extending the benefit of the resulting concessions to all member countries of the GATT. The second is the general application of a straightforward linear reduction modelled on the Kennedy Round; all customs duties are reduced by a set percentage, regardless of the initial rate. The third involves not only reducing the duties applied in the various countries but also harmonising or narrowing the differentials between those rates. Proportionally, the reduction must therefore be larger for high duties than for low duties.

This is the system Europe would prefer, since its average tariff level is lower than the United States' and since it applies high customs duties to fewer products.

In 1976, the European Community, Japan, Switzerland and the United States presented official proposals for lowering customs duties, developing earlier suggestions by Canada. It seems as though we are heading towards a scheme proposed by Switzerland that would fall somewhere between linear reduction and harmonisation; the target would be to reduce existing duties by 40 % over a little less than ten years.

— NON-TARIFF MEASURES: *around 20 measures in the firing line.* The decision to enter into negotiations of real consequence on the non-tariff measures that affect international trade is perhaps what sets the Tokyo Round most clearly apart from earlier GATT negotiations.

Recently, trade distortions attributable to non-tariff barriers have taken on increasing importance as the overall level of tariff protection has fallen. It is particularly difficult to negotiate on these measures, since their distorting impact on trade is often a spin-off from what may be a perfectly legitimate main objective, such as the protection of public health or national security.

A catalogue, comprising over 900 notifications presented by governments, describes measures that inhibit exports or unduly favour certain countries. Of the 30 or so basic types of non-tariff measure registered, some 20 were selected in early 1976 for initial action. 'Government purchases' or State procurements were added to the list in 1976. The possibility of including yet other measures in the negotiation is still under consideration.

The main topics of discussion are currently quantitative restrictions (quotas, import licence procedures, etc.); technical barriers to trade erected on the occasion or under the guise of action to standardise the protection of consumers or others (a multilateral code could be adopted); customs issues (a sub-group is drawing up a set of international procedures that would be applied, for example, to determine customs values, reduce the amount of import documentation required, etc.); subsidies and countervailing duties which are the subject of a sensitive dispute between the United States, Europe and Japan, each blaming the others' tax incentives in support of exports (the American Domestic International Sales Corporation (DISC) scheme, VAT reimbursement, etc.); the opening of State procurement contracts, which are often reserved, officially or unofficially, for undertakings belonging to the country concerned (the aim is to draft a code).

— AGRICULTURE: *agreements on cereals, dairy products and meat.* Included in the Tokyo Declaration

directives, farming poses some of the most intractable issues currently being addressed by negotiators, as fundamental differences of opinion emerge concerning the major agricultural trading nations and particularly the United States and the Common Market. Solutions are being sought through multilateral and bilateral negotiations and through item-by-item negotiations. That is how cereals, dairy products and meat came to be chosen as the subject of multilateral discussions.

— SAFEGUARD SCHEME: This is one of the most important topics considered in the Tokyo Round, given the economic circumstances. The scheme lays down the importing country's right to establish or re-establish import controls or other temporary trade restrictions to forestall damage to its trade in critical circumstances; and also the exporting country's right not to be deprived without good reason of access to the external market. There are already provisions to this effect in the General Agreement, and in particular in Article XIX, entitled 'Emergency Action on Imports of Particular Products'. However, GATT member countries tend to invoke other articles in the General Agreement to justify their action, or even resort to defensive measures provided for in the General Agreement, such as 'voluntary' restraint agreements like the ones concluded in the Multi-Fibre Arrangement for textiles.

Under the 'Safeguard Clause' in Article XIX of the General Agreement, member countries must prove that the product concerned is being imported into their territory in quantities and under conditions such as to cause or threaten 'serious injury' to like national products, otherwise they cannot obtain authorisation to take emergency action; some countries would like no longer to be required to prove the prejudice and they argue that governments would more willingly agree to greatly liberalised trade if they were sure they could fall back on safeguard measures. Many countries also feel that the issue of internal restructuring policy is closely related to that of safeguards. Adapting Article XIX is probably GATT's best option if it is to prevent protective measures being taken outside the General Agreement to an increasing extent.