

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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## PROPOSAL BY THE FRENCH DELEGATION AMENDING AND SUPPLEMENTING THE FRENCH PLAN WITH A VIEW TO A GENERAL LOWERING OF TARIFF LEVELS

Since September 1951, when the French delegation submitted their plan for a general lowering of tariffs, considerable work has been done by technicians of all GATT countries with a view to developing the method of implementing the French plan.

The French delegation can only take note, with satisfaction, of the great interest shown by all those concerned, in the plan which it submitted to the CONTRACTING PARTIES. It believes that the best way to answer those countries which co-operated so actively in developing a really constructive plan is to submit a proposal which constitutes, essentially, an attempt at synthesising the various trends which have been manifested.

Thus, the text which is being submitted to the CONTRACTING PARTIES is not in any way novel as compared with the plan submitted at the Sixth Session. This proposal is only an elaboration of the initial plan, the spirit of which has been scrupulously maintained. The "new project", as this further proposal can be called in this restricted sense, does not attempt to solve all the difficulties and it will probably not be possible to answer, in advance, all the questions which may arise in respect of the many aspects involved in an attempt towards a general lowering of tariff barriers. The work of the Working Party and its sub-group has shown the possible options between the various methods for implementing the French plan. As regards a number of points, it now appears that various rules which could be incorporated in a Protocol can be envisaged. As regards other points, it has become clear that it will be extremely difficult, not to say impossible, to cover the whole matter by a means of general provisions, and that such points raise such specific problems as cannot be dealt with otherwise than on a case basis. That is particularly true as regards the difficulties relating to so-called "fiscal duties", "excessive duties", and the definition of "under-developed countries". To permit the examination of those difficulties, the new French proposal is aimed at achieving a settlement, by means of preliminary contracts, which would certainly be facilitated by the setting up of an Ad Hoc Committee of the CONTRACTING PARTIES.

The new project proposes a solution to the problems which might arise on account of the fact that some GATT members might refrain from participating in the plan. Such provisions have been introduced only to avoid any postponement in the adoption of the plan which could result from the fact that one country only might not wish to adhere; it should be borne in mind, however, that Mr. Pflimlin's proposal was of world-wide scope and that the French Government is still of opinion that participation of all GATT countries alone would confer upon the plan submitted to the CONTRACTING PARTIES its full meaning and efficiency. That does not preclude, in any way, as indicated on the very day when the French proposal was made, sympathetic attitude towards countries which, for obvious economic reasons, are not in a position to bring more than a relatively limited contribution.

1. METHOD OF COMPUTATION OF THE WEIGHTED AVERAGE INCIDENCE

The weighted average incidence for a sector would be a ratio having:

- as its numerator, the total duty actually collected, or which would have been collected if the rates specified in the legal tariff, or the rates bound under the General Agreement, had been effectively applied to goods imported or cleared from warehouse for home consumption, during the period under consideration;
- as its denominator, the value of the goods on which the duty in the numerator was charged, or would have been charged, plus the value of goods exempt from duty, which have gone into home consumption in the period, irrespective of whether the exemption of these goods was dependent upon their intended use or destination or not.

2. SELECTION OF THE BASE YEAR

The base year, for the computation of the weighted average incidence, will be the same in the case of all participating countries. This basis will be the last calendar year for which valid statistical data are available for all those countries.

3. COMPUTATION OF THE WEIGHTED INCIDENCE DURING THE SUCCESSIVE STAGES OF REDUCTION

The weighted incidence during the three stages will be computed on the assumption that the composition of the import trade during those stages remains the same as in the base year.

In other words, the weighted incidence during the successive stages will be deemed to be a ratio having, as its denominator, the values for the base year and, as its numerator, the rates as reduced multiplied by the weighting values for the base year.

4. VALUATION OF THE IMPORTED GOODS

Each country will be free to use its own basis of valuation (c.i.f. or f.o.b. basis) provided that this will be applied consistently in the calculation of its weighted incidence.

5. DIVISION BY SECTORS

For the purpose of the plan for a general lowering of customs tariffs, the economy of each country shall be divided by sectors:

- Sector I      - Agricultural products (animal and vegetable)
- Sector II     - Food products

- Sector III - Sea-food products
- Sector IV - Crude materials, including mineral fuels and lubricants and related materials
- Sector V - Chemicals, manufactured fertilizers, explosives and miscellaneous chemicals, materials and products; dyeing, tanning and colouring materials; medicinal and pharmaceutical products; essential oils and perfume materials; toilet, polishing and cleansing preparations
- Sector VI - Leather, rubber, plywood, agglomerated cork materials, paper and paperboard, and manufactures thereof
- Sector VII - Textile yarn and thread; textile fabrics, clothing and made-up articles of textile materials
- Sector VIII - Base metals unwrought; base metals, other than unwrought; manufactures of metal
- Sector IX - Machinery and transport equipment
- Sector X - Non-metallic manufactures

#### 6. FISCAL DUTIES

Fiscal duties will be included in a special sector. Each government will submit a list of its fiscal duties and will indicate in the case of each fiscal duty that part of the duty which can be regarded as having a protective incidence. That part alone would be included in the application of the plan. The data thus submitted by governments will be submitted to an ad hoc committee for consideration.

#### 7. EXCLUSION OF ITEMS ORIGINATING PRINCIPALLY IN NON-GATT COUNTRIES

A country would be allowed to exclude goods of which 50 per cent or more in value were imported in a base period from non-GATT countries provided that a GATT country was not the principal supplier.

If certain GATT countries were not to participate in the plan, this formula could be adapted so as to exclude goods mainly imported from any GATT countries which might not be participating in the plan.

#### 8. PREFERENTIAL DUTIES

Any participating country would be free to include in the incidence or the weighted incidence for the base year the amount of duties collected at preferential rates and the value of the preferential trade and to reckon reductions on preferential as well as on most-favoured-nation rates in the computation of the reduction by 30 per cent of the weighted incidence.

9. LOW TARIFFS

An ad hoc committee will determine for each individual sector or for each main group of products the floor rates or lower demarcating line below which a rate of duty would be regarded as a low tariff rate.

In the case of duties below this lower demarcation line, the reduction required would be all the more reduced as the rates in question were closer to total exemption.

For example, let us suppose that the lower demarcation line had been fixed at 12 per cent for a specific group of items.

The reduction required from countries whose duty rates would average between 12 and 8 per cent would be 20 per cent. In the case of countries whose duty rates averaged between 8 and 4 per cent the reduction would have to be 15 per cent and in the case of those whose duty rates were lower than 4 per cent the reduction would be 10 per cent.

Let us take the case of a country where all the duty rates in a given sector exceeded the lower demarcation line with the exception of the above-mentioned group of items.

Supposing that the total duty levied on imports in the sector was 1 million accounting units including 200,000 units for the group of items in question, the reduction required would then be computed on the following basis:

- (1) 30 per cent applied to 800,000 units, i.e., 240,000 units
- (2) 20 per cent, 15 per cent, or 10 per cent, as the case may be, applied to 200,000 units.

10. HIGH TARIFFS

An ad hoc committee will determine in the case of each individual sector or each main group of items the upper demarcation line to which countries would undertake to bring down those duties in their tariffs which exceeded that upper level.

For the purpose of determining the upper demarcation line the committee would have to take account essentially of the rates applied by the main producing countries in the sectors or groups of items under consideration.

In exceptional circumstances, and provided that advance notice were given to other participating countries, a country could be authorized to maintain certain duty rates above the upper demarcation lines agreed upon.

## 11. IMPLEMENTATION OF THE 30 PER CENT REDUCTION

In the case of each sector of the import trade, countries will reduce the weighted incidence of their tariffs by 10 per cent in each of three successive years without being under the obligation to make reductions on the same items in each successive stage. In other words, a duty rate on a specific item may be reduced during the first year and it may not then be modified in either of the next two stages. However, the reductions effected in each stage would remain bound against increase until the end of the next stage or stages of the operation.

Each country will be free to select its method of implementing tariff reductions provided that the aggregate average reduction reached each successive year shall be 10 per cent, 20 per cent and 30 per cent in each sector as provided for in the plan.

## 12. BINDING EFFECT OF THE COMMITMENTS

Upon the entry into force of the latest reductions (i.e., the reductions bringing the total reduction of weighted tariff incidence to 30 per cent) these latest reductions would remain in force for a probation period of two years at the expiration of which the countries participating in the plan would examine jointly the practical results achieved and would agree whether or not all the reductions made should be bound against increase.

Before the expiration of the probation period an escape clause would make it possible to withdraw certain reductions if it appeared that they involved serious economic or social dangers. The concessions thus withdrawn should be compensated by new concessions so as to maintain the weighted average incidence at the level stipulated for the purposes of the French plan. An ad hoc committee of the CONTRACTING PARTIES would determine whether a country was justified in taking action under the escape clause.

If the participating countries decide to bind the reductions made, after the probation period, an escape clause would make it possible to withdraw some of them in the same terms and conditions as during the probation period.

Upon the expiration of the probation period and every three years thereafter, the ad hoc committee would revise the basis for the computation of the average weighted incidence to take account of any changes in the import trade of the participating countries since the plan was first implemented. The revised basis for the computation would then make it possible to appreciate the equivalence between withdrawals and compensatory reductions.

Recourse to the escape clause would, in no circumstances, permit the raising of a duty beyond the initial rate obtaining at the beginning of the exercise.

13. SPECIAL METHODS PROVIDED FOR IN THE CASE OF COUNTRIES IN THE  
PROCESS OF INDUSTRIAL DEVELOPMENT

Countries in the process of industrial development (a list of which will be drawn up by the CONTRACTING PARTIES) would be authorized to exclude from the exercise:

- their fiscal duties;
- their duties affecting products included in their programme of economic development.

Such countries would be required to reduce their other duties by 30 per cent as provided for in the French plan.

The general waivers provided for in the case of low tariff countries could also be applied, in appropriate cases, to countries in the process of industrial development.

The 30 per cent reduction of the weighted average level of customs protection would be computed on the national tariff as a whole and the countries concerned would then be free to select those items to be reduced.

Countries in the process of industrial development would be required to report periodically to an Arbitration Committee set up by the countries participating in the plan, regarding the results achieved under their industrialization programme. On the basis of such reports, the Arbitration Committee would determine whether the waivers granted should be maintained, amended or terminated.