

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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WORKING PARTY 2 ON THE REDUCTION OF TARIFF LEVELS

The Principal Points for Examination by the Working Party

Suggestions by the Chairman

The first and principal task of the Working Party, in preparing a report for the Contracting Parties at the Seventh Session, is to examine the report of the Sub-Group which we appointed a year ago. The Sub-Group was asked to undertake a study of the technical aspects of the French plan and its report appears in document IW.3/16.

In accordance with the recommendation of the Intersessional Committee, as approved by the Contracting Parties on 2 October, our task now is to consider the technical questions which would arise from the possible application of the French plan to countries other than those which participated in the Sub-Group, so as to avoid unduly prolonging our work by re-discussing technical points which have already been considered in detail by the Sub-Group.

Accordingly, I propose that we start by giving to our five members who were not on the Sub-Group an opportunity to put forward their views on the problems that were discussed by the Sub-Group and additional problems which they would expect to arise from the application of the French plan. Thereafter we shall proceed with our other tasks.

The plan which we are discussing is set out in a number of documents with which we should all be familiar. The original plan proposed by the French delegation at the Sixth Session will be found in GATT/CP.6/23. Certain aspects were elaborated by the French Government in GATT/IW.2/5; MGT/73/52; MGT/77/52 and Add.1. Alternative proposals were submitted by other delegations; those by Benelux considering the levelling off of high tariffs and the treatment of moderate and low duties, will be found in IW.2/15, annexes C & D, and the Danish proposal concerning the division by sectors of trade in agricultural products appears in MGT/78/52. In our discussions it must be assumed that all of us have studied these papers and are well acquainted with the intricacies of the proposals before us.

The following is suggested as a programme for this part of our work:

1. ELABORATION OF TECHNICAL ASPECTS (Reference Part II of IW.2/16)

(a) Method of computation of the weighted incidence

It is proposed that the plan would be based upon the weighted incidence of the Customs Tariff of each participating country. The method of computation of this weighted incidence is set out in paragraphs 5-12 of IW.2/16.

Would other members of the Working Party find any difficulty with this method of computation?

(b) Selection of the base year

Members of the Sub-Group propose that the weighted incidence, to serve as the basis of the duty reductions, should be computed on data relating to the same year for all countries, and that this should be the last calendar year for which data is available for all participating countries at the time the plan is accepted.

Would this proposal give rise to any problems for the other countries?

(c) Computation of the weighted incidence during the successive stages of reduction

The Sub-Group suggests that the import trade as composed in the base year should be retained as the basis through the successive stages of the plan.

Presumably this would not give rise to any special problems for the other countries.

(d) Valuation of the Imported Goods

The Sub-Group agreed that each country should use its own basis of valuation provided that this would be applied consistently in the calculation of its weighted incidence.

It would be useful to know whether the other members of the Working Party use the f.o.b. or the c.i.f. system of valuation.

(e) Authorised Exclusions from the weighted incidence

Members of the Sub-Group have proposed that countries should be allowed to exclude items on which the duties levied are of a fiscal character (mentioned below). In addition, other members of the Working Party may wish to discuss the problems which might arise for countries which impose a customs tariff principally as a producer of state revenues and for those whose industries are in the early stage of development.

(i) Revenue tariffs

It is possible that non-European countries may wish to suggest that the plan should include provision for affording special treatment in such cases in order to enable a country which maintains principally a revenue tariff to participate in the plan.

(ii) New Industries

The willingness of less-industrialized countries to participate in the plan may be governed by their desire to afford temporary protection to young industries.

(f) Division by sectors

The Sub-Group recommends that the Standard International Trade Classification prepared by the United Nations should be used as a basis for the reduction plan as it is of more general application than any other classification or nomenclature.

Would other members agree with this proposal?

2. VIEWS EXPRESSED BY MEMBERS OF THE SUB-GROUP ON THE MAIN FEATURES OF THE PLAN (Reference Part III of IW.2/16)

The third part of the Sub-Group's report summarises the views of members of the Sub-Group on various aspects of the plan. Possibly this part of the Sub-Group's report could be taken over for incorporation in the Working Party's report to the Contracting Parties; in that event the members who were not on the Sub-Group may wish to add their views on some of the questions discussed, namely:

- (a) Division by sectors
- (b) Fiscal duties
- (c) Exclusion of items originating principally in non-GATT countries
- (d) Other proposed exclusions
- (e) Other adjustments suggested
- (f) Inclusion of preferential duties
- (g) Special treatment of low tariffs
- (h) Levelling-off of high tariffs
- (i) Remarks on the computation of demarcation lines
- (j) Implementation of the 30 per cent reduction contemplated
- (k) Binding effect of the commitments