

GENERAL AGREEMENT ON TARIFFS AND TRADE

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GROUP OF CUSTOMS EXPERTS ON COUNCIL OF EUROPE PROPOSAL

Proposals on Draft Report
dated 27 September 1952 (L/22), paragraphs 2, 3, 9 & 10

Paragraph 2

In line 3 amend "easiest" to read:

"only really satisfactory".

Paragraph 3

Amend to read as follows:

"The case of a participating government which does not wish to convert its specific duties into ad valorem or mixed duties presents considerable difficulties. Under one suggestion for meeting the situation, the government concerned would be required to furnish statistical data each six months showing, in respect of each tariff item, the total value of imports and the relative duty receipts so that other governments would have data whereby they could satisfy themselves that the upper ceiling of 35 per cent ad valorem had been respected. It should be recognised that any government maintaining specific duties would have to institute adequate procedures for determining the value of imported goods and that it would be essential that such procedures gave values comparable with those that would be declared in countries operating ad valorem or mixed duties; thus, the c.i.f. basis should be employed wherever possible and if not the necessary correction factor should be applied.

"The Group of Experts did not consider that such a suggestion would provide adequate assurances for countries applying ad valorem duties or mixed duties that the specific duties maintained by any other participating government did not exceed the ad valorem ceiling of 35 per cent, either in regard to individual items which were able to pass the tariff barrier or in regard to items which were excluded by it. It might happen that the total trade under a particular tariff item comprised 100 articles of a total value of \$1000, on which duty amounting to \$349 was paid. But a statistical calculation that the duty was $\frac{349}{1000} \times 100$ per cent = 34.9 per cent would conceal the possibility that 80 of those articles had a total value of \$900 and thus paid duty at the rate of $\frac{3.49 \times 80}{900} \times 100$ per cent = 31 per cent while the remaining 20 had a total value of \$100 and thus paid duty at the rate of $\frac{20 \times 3.49}{100} \times 100$ per cent = 69 per cent.

The preceding example is based on the hypothesis that the 20 articles of total value \$100 were able to surmount the tariff of \$3.49 per article. It might well be, of course, that they were totally excluded by the duty; but this very significant factor would not be revealed by a simple division of duty receipts on the articles imported by the value of those articles.

These unsatisfactory aspects of any proposal by which countries were permitted to maintain specific duties, which would be aggravated by any downwards change in general price levels, were such as to force the Group to the conclusion that any such proposal would not produce results compatible with the Council's objective of setting an upper limit of 35 per cent ad valorem and could not, accordingly, be entertained."

Insert new paragraph as follows:

"(iv) Number of categories and relative ceilings

8A. The Group did not feel that its terms of reference permitted it to express any opinion on the appropriateness of three broad divisions of trade or of the ad valorem ceilings suggested for them. These appear to turn primarily on questions of national interest as between countries which may participate in the plan, and not to be essentially technical problems."

Paragraph 9

Renumber "(v) Valuation and specific duties 10" and amend to read as follows:

".....to the fixing of tariff ceilings, save that the maintenance of specific duties would present greater drawbacks in the case of tariff ceilings of 5 per cent, 15 per cent and 25 per cent, since existing tariffs are more likely to exceed these limits than they are to exceed the overriding maximum of 35 per cent.

Paragraph 10

Amend to read as follows:

"Effect would have to be given to the duty ceilings in the tariffs of the participating Governments. If all participating Governments had an identical tariff nomenclature it would be simple, from the technical point of view, to allot the items in this nomenclature to one or other of the three categories and thus determine with precision and uniformity the obligations of each participant. In view of the fact that most European countries are in the process of remodelling their tariffs on the basis of the Brussels Nomenclature for the Classification of Goods in Customs Tariffs, it appears to the Group that, if the majority of the signatories of any territories resulting from the proposals of the Council of Europe were European countries, it would be best to establish the three categories on the basis of the Nomenclature. This Nomenclature has the advantage over the Standard International Trade Classification that it is a tariff, not

a statistical nomenclature, and is accordingly well suited to the requirements of a tariff plan. Furthermore, it will shortly be supported by a comprehensive set of explanatory notes indicating the scope and major contents of each heading.

Should it prove, however, that the Convention's signatories were primarily countries which did not envisage adopting the Brussels Nomenclature, it would be necessary to establish the division on the basis of some other nomenclature enjoying wide currency. In this connection, the S.I.T.C. would appear to have strong claims. Any division on the basis of the S.I.T.C. would, of course, have to be translated into tariffs and governments would have to be requested to furnish the division of their national tariffs thus established to all other participating governments, so that all countries might be fully seized of other countries' intentions.

