

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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Trade Negotiations Committee

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## TARIFF NEGOTIATING PLAN

### Report Summarizing the Position Reached

#### Addendum

#### Communication from the Delegation of the EEC

The following text has been communicated by the EEC delegation for incorporation in the Annex to document TN.64/15:

1. With reference to the Ministerial Resolution adopted in May 1963, the EEC delegation wishes first to recall that the Ministers:

- recognized the existence of the problem of disparities;
- provided for the application of special rules for tariff reductions which would reduce the disparities;
- instructed the Trade Negotiations Committee to identify the problem and define special rules to govern it.

The Community considers that, at the level of the principles, as set forth in the Ministerial Resolution, appropriate arithmetical criteria are in themselves adequate for the identification of significant disparities.

The proposal made by the Committee takes due account of the need to limit the scope of the problem to significant disparities.

(i) Exclusion of semi-processed products from application of the minimum ten-point gap

The Community considered that in the definition of the arithmetical formula for identifying significant disparities, account must be taken of the special situation of semi-processed products with respect to the real protective incidence of the rate of duty applied to such products in relation to the generally low level of value added, that is to say the special degree of significance of disparities in this sector. In not applying the minimum ten-per cent gap criterion the object was to take account of the difference in the degree and nature of significance between such products, on the one hand, and primary products and finished products, on the other hand.

## 2. Additional criteria

The definition and acceptance of additional criteria of a qualitative character limiting the scope of the notion of significance, as it results from the arithmetical definition of disparities, in no way impairs the principle underlying the problem of disparities, but reflects the Community's desire to meet the position of its partners part-way and to facilitate agreement.

### (i) Absence of imports when quantitative restrictions are applied

The Community considers that the notion of "absence of imports" cannot be significant where the product in question is subject to a non-tariff obstacle. In such case the tariff disparity retains its full value of potential significance and cannot be overlooked as such.

This position of principle is not intended to justify the existence of a trade barrier such as quantitative restrictions, on the contrary it tends towards the elimination of the barrier, which is also within the scope of the negotiations, though in another sector.

### (ii) Absence of production

Pro memoria the Community notes the inclusion of this second criterion.

## 3. Additional principles regarding the invocation of disparities

The scope of the problem of disparities is already limited to cases where such disparities are most significant by the application of the arithmetic formula for identification proposed by the Community and the qualitative criteria which it has agreed to add thereto. The Committee has nevertheless consented to envisage the possibility of not invoking the disparity rule in certain cases specified below. It wishes to emphasize, however, that this attitude does not re-open the question of the identification of significant disparities, and cannot therefore depend on automatic criteria.

### (i) The existence of substantial imports into the high rate country

The EEC has agreed to take into consideration cases where the high rate country can show the existence of substantial imports of the product in question in order not to invoke the disparity rule. Clearly, in such cases it is only in relation to the level of the Community's own exports towards the high rate country that the Community can evaluate the extent to which the degree of significance of the disparity could be considered as being sufficiently low. Indeed, by virtue of the logic and the very nature of the disparity problem which finds material expression at the bilateral level, such an assessment depends also on considerations and factual data in the bilateral field.

(ii) The problem of third countries

The Community recognizes that the application of the special disparity rule can create a problem for third countries because it is conceivable only in the sense of a reduction of the low rate of duty by an amount smaller than that which would result from the general rule. Although this problem is not the concern of the Community, it nevertheless wished to afford to countries particularly affected the possibility of tempering its effects in the search for mutually satisfactory solutions.

The assessment of cases presented for discussion consists essentially of a comparative and weighted evaluation of the interests involved and it would be neither possible nor appropriate to subject such an evaluation to rigid rules which could not take account of the diversity and complexity of the interests.

The Community is of the opinion that bilateral discussions are the most appropriate and most effective means of attaining the objective. Moreover, all participants in the negotiations will benefit from any concessions which the Community may grant during the discussions.