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GENERAL AGREEMENT ON TARIFFS AND TRADE

Sub-Committee on Tariff Negotiating Plan

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SPECIAL RULES ON DISPARITIES

Proposal by the European Economic Community

1. The object of the special rules should be where disparity exists to reduce the gap between two duties to an extent appreciably greater than would result from the general rule.

This objective could have been attained by the simple application of a flat rate of reduction, e.g. one half of the general rate, or 25 per cent.

2. That solution would not, however, take account of the different level either of low and/or high duties where disparity occurs, or of the gap existing in each disparity ratio.

Secondly, in the case of disparity in series ("en cascade") (that is to say, disparity between one tariff and another, and in turn between the latter tariff and a third one), it is essential that the reduction applied to the first two be not identical, so as to ensure at least a partial correction of the disparity between them.

It therefore seems necessary to have graduated reduction to take account of these different situations.

3. It would have been logical for such graduation to be proportionate to the gap between the two rates between which there is disparity, for the larger that gap, the further the low-rate country would be entitled to depart from the general reduction. Such a method would, however, be extremely complicated to apply and would involve complex calculations. In the interests of simplification, the EEC therefore proposes that the reduction should vary in relation to the level of the lowest duty, starting from the plausible assumption that the gap is likely to be greater where the level of the low duty is less.

4. There are two possible methods of establishing the scale:

(a) Method of duty levels, with a flat reduction rate for each level;

(b) Method of continuous reduction, with a particular reduction rate for each duty level.

The first method would have the disadvantage of causing overlapping of duties. It is, therefore, necessary to adopt a formula according to the second method, i.e. a sliding scale method.

5. In drawing up such a scale of reductions it seems reasonable to provide for a sufficiently broad spread so as to avoid the disadvantages inherent in applying a flat rate. A spread ranging from 15 per cent to 35 per cent seems to meet this requirement, so that the average rate is then 25 per cent.

Fixed elements could also be included in this formula, for example, a single flat rate, on the one hand below a certain cut-off level (5 per cent) (in any case, the need to round off would deprive the differentiation of reduction rates of all practical value), and on the other hand above a certain ceiling (25 per cent), above which the maximum reduction provided for in the scale would automatically be applicable.

6. Consequently, the table of reductions annexed hereto is proposed, providing for:

(a) a flat rate reduction of 15 per cent for rates of from zero to 5 per cent;

(b) a reduction, also on a flat-rate basis, of 35 per cent for rates of 25 per cent or more;

(c) for the intermediary rates, a reduction according to a linear progression of from 15 to 35 per cent, the average rate of reduction of 25 per cent being applicable to the 15 per cent duty;

(d) the rounding-off to the closest half unit of the duties resulting from this scale of reductions. The rounded-off duties would then be the ones to be considered.

FORMULE SEMI-LINEAIRE/SEMI-LINEAR FORMULA

Droits initiaux/ Initial Duties	% d'abaissement théorique/ Theoretical Reduction Percentage	Nouveaux droits arrondis/ New Rounded-off Duties
1	15	0,5
2	15	1,5
3	15	2,5
4	15	3,5
5	15	4,5
6	16	5,0
7	17	6,0
8	18	7,0
9	19	7,5
10	20	8,0
11	21	8,5
12	22	9,0
13	23	10,0
14	24	10,5
15	25	11,0
16	26	11,5
17	27	12,0
18	28	13,0
19	29	13,5
20	30	14,0
21	31	14,5
22	32	15,0
23	33	15,5
24	34	16,0
25	35	16,5
26	35	17,0
27	35	17,5
28	35	18,0
29	35	18,5