

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

TN.64/NP/10  
29 April 1964

Special Distribution

---

## Sub-Committee on Tariff Negotiating Plan

### TECHNICAL GROUP ON RULES FOR TARIFF REDUCTION IN DISPARITY CASES

#### Note by the Secretariat

1. The Group met on 28 April 1964 to discuss, from a technical point of view, the proposal submitted by the European Economic Community in TN.64/NP/8 for special rules for tariff reductions to apply in cases where significant disparities are identified.
2. The following points were explained by the representative of the Community in answer to questions:
  - (a) only rates of duty which qualify for disparity treatment in their own right would be subject to the special scale of reductions;
  - (b) all rates above 25 per cent which qualify for disparity treatment would, under the particular sliding scale proposed by the Community, be reduced by 35 per cent. The scale, that is, did not stop at 30 per cent or any other particular point.
3. The Group agreed that, subject to possible amendments of detail, a sliding scale of the type proposed by the Community seemed to offer a practical basis for meeting the general considerations set out in paragraphs 1-3 of TN.64/NP/8.
4. The following points of detail were made in discussion:
  - (a) Although the Community's proposal was designed to avoid an "overlapping" of rates which would be subject to the sliding scale, there could still be overlapping between rates which were subject to the scale and rates which were subject to the linear cut. For example, where the high rate was 60 per cent, a rate of 30 per cent would qualify for disparity treatment and would be reduced by 35 per cent to 19.6 per cent; a rate of 31 per cent in the tariff of another country on the same product would not qualify, and would be reduced by 50 per cent to 15.5 per cent. The relation between the two lower rates would, therefore, be reversed. It was noted that the problem had been discussed in the Sub-Committee (see paragraph 5(x) of TN.64/NP/6).

- (b) Since under the scheme proposed by the Community the depth of the tariff reduction, in the case of specific duties, would have to be related to their ad valorem incidence, and since the ad valorem incidence of specific duties often varies considerably both between one period and another and also between different sources of imports, anomalies would arise in that some exporters would obtain a greater benefit than that intended and others a lesser benefit. It would, therefore, be necessary to bear this point in mind when deciding on the basis for calculating the ad valorem incidence of specific duties. The most practical way of doing this would be to use the average ad valorem incidence of the specific duty on total imports into the country concerned.

5. The Group noted that, in drawing up their proposal, the Community had been guided by the general consideration that the average of the reductions to be effected on the rates qualifying for disparity treatment should be about 25 per cent.

6. It was pointed out that, given the different tariff structures of different countries, the average reduction made on rates qualifying for disparity treatment would, under any single sliding scale, vary as between the tariffs of different countries. Even in respect of any one tariff, the average reduction would be different for different exporting countries depending on the products in which they were interested.

7. The representative of the Community said that, on the basis of their calculations, the scale they had proposed would yield an arithmetic average cut of 24.6 per cent in Community duties in respect of which the Community would invoke prima facie disparities. The United Kingdom and United States representatives said that, on their calculations, the arithmetic average of the cut by the Community on these items would be about 22 per cent. The United States representative added that they had also calculated that the average cut weighted by trade volumes would be 21 per cent. It was agreed that the delegations concerned would discuss the calculations further with one another in order to reconcile the differences.

8. The Norwegian representative said that his delegation had calculated that, under the Community formula, the average reduction to be made by the Community on disparity items of interest to Norway would be about 18 per cent.

9. It was pointed out that, if the calculation of the United States and the United Kingdom referred to in paragraph 7 above were correct, then it would seem to follow that, to secure a 25 per cent cut by the Community on the disparity items, the mid-point of the scale would have to be lower than the 15 per cent at present proposed. The representative of the Community pointed out, however, that it was not possible at this stage to say what the effective average cut would be in the products on which the Community would, in fact invoke the disparity formula.

Further, their proposal had been drawn up in the light of very general considerations designed to secure something like a 25 per cent reduction in the level of all duties which would qualify for disparity treatment, and not with a view to securing a precise average 25 per cent reduction on disparity items in any one particular tariff.