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GENERAL AGREEMENT ON TARIFFS AND TRADE

Multilateral Trade Negotiations

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Group "Tariffs"

STATEMENT MADE BY THE DELEGATION OF THE COMMISSION OF THE EUROPEAN COMMUNITIES AT THE GROUP "TARIFFS" MEETING, OCTOBER 1976

1. We have listened with great interest to the explanations by the delegations of Japan and Switzerland of their proposals concerning the tariff-cutting formula, and we thank them for having presented their views on this very important aspect of our Group's work.

With the submission of those two proposals, our Group now has four specific tariff-cutting formulas along with an indication by the Canadian delegation of its objectives as regards tariffs, and the situation now seems clear. We wonder, however, whether the diversity of these formulas simplifies our task or complicates it.

In any case, as we are now - much later than originally expected - in possession of the ideas of the various partners, we think that we can begin a new stage and try to agree on a single formula, without losing sight of the need for making parallel progress, in this Group, on the problem of possible exceptions to the application of the general formula and on the problem of special treatment for products of export interest to developing countries. We also wish to point out that, in the view of the Community, progress in the work of our Group necessitates parallel progress, in particular in the field of non-tariff measures and especially as regards those non-tariff measures to which we attach importance. As the Swiss delegation stated yesterday, tariff negotiations can validly be undertaken only in the context of an overall effort involving the other trade barriers.

2. We subscribe to many of the objectives advanced by the delegation of Japan, or by the delegation of Switzerland, or by both those delegations. In particular, we too attach importance;

- (a) first, to the objective of application of the tariff-cutting formula by the maximum number of countries, and in any case by all the developed market-economy countries,

- (b) secondly, to the objective that the formula must be simple, and we appreciate the efforts made by those two delegations to present us with formulas that are simple in spite of first impressions,
- (c) thirdly, to the objective that the formula must involve a considerable element of harmonization and result in a significant reduction in tariffs,
- (d) and finally, to the idea that the choice of a formula must be such as to minimize exceptions as much as possible.

3. Allusion has been made to the way in which agricultural tariffs are to be negotiated. Without intending to engage in controversy, I reiterate that in our view this is a question for consideration by the Group "Agriculture".

4. Coming back to the formulas that have just been presented, we note that both of them contain an element of harmonization, although in different degrees and by different modalities. Thus, both of them

- provide that the higher the duty, the greater will be the reduction,
- provide for a floor for low duties, below which no reduction would be required,
- do not prescribe, beyond a certain level of duty, a linear reduction and do not limit reductions to a maximum percentage (although the Japanese formula tends towards a maximum of 70 per cent).

However, the two proposals diverge rather obviously from the formula which we presented, both in the mathematical expression of the formula and in the nature and degrees of the resulting harmonization. It is therefore only after thorough examination of their repercussions that we will be able to arrive at a well-founded assessment of their value.

5. I should like to take this opportunity to explain what the Community has in mind by "harmonization". The presentation of our own formula has given rise to certain comments from which we infer either that "harmonization" is being interpreted in different ways in this room or that our insistence on that objective is not well understood.

It has been argued that the harmonization which we are seeking in our formula is insufficient because the very big reductions apply only to the highest duties, which represent only a fraction of the number of tariff lines. According to that interpretation, harmonization should be achieved by reducing by the same percentage all duties that are above the average.

We, for our part, fail to see how the disparities which exist in the tariffs of trading partners, in both absolute and relative terms, could be reduced without providing for progressive reductions depending on the level of the initial duty. The argument that linear reduction of duties higher than the average would result in harmonization proceeds, in our view, from the same illusion as that which would bring about fair taxation by systematically taxing all taxpayers whose level of income is higher than an "average income". The relatively high duties, even if they represent only a relatively small share of the number of duties, are precisely those which have the most restrictive effect on trade because they provide certain products with specific and differentiated protection.

It has also been implied that we are seeking harmonization for harmonization's sake and allowing ourselves to be hypnotized by ritual and rhetoric while ignoring economic facts. It is true that the nominal level of a customs duty does not necessarily reflect its protective effect. But it is no less true that in general the highest duties have a greater protective effect than the lowest. We have also been struck by the marked differences that exist in the tariff structures of different countries, including countries whose economies are of comparable dimensions and structure. To us those differences seem to be due not so much to purely economic considerations but to past history, the history of the formation of the different tariffs and the history of past tariff negotiations.

Above all, we are not seeking, unlike other delegations in other contexts, an equalization of customs duties for the same products. Actually, our objective is to arrive, at the end of these negotiations, at a tightening up of the tariff profiles of the partners, by reducing customs tariffs significantly and keeping for each of them a residue of tariff protection that is better balanced as between the different partners.

It is in the light of those considerations, in particular, that the Community will be examining all of the proposals made in this Group.