

GENERAL AGREEMENT ON TARIFFS AND TRADE

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FRENCH PLAN FOR A REDUCTION OF TARIFF LEVELS

Revision of the Plan submitted by the Government of France

The following communication dated 22 July 1953 has been received from the French Government and the details of the revised plan are annexed.

"During the Seventh Session of the CONTRACTING PARTIES the French Delegation to the GATT submitted a document which was circulated under the reference L/58 and which, in the light of discussions on the lowering of tariff levels held within the working party, constituted a new presentation of the French plan with a view to a general lowering of tariff levels which had previously been submitted to the CONTRACTING PARTIES on 19 September 1951.

"This proposal was referred to the Intersessional Working Party with amended terms of reference which made an examination possible; the Working Party is now to report to the Eighth Session of the CONTRACTING PARTIES.

"I have the honour to communicate to you that, following informal talks which took place in Paris on 18 and 19 February 1953 between experts of the Federal Republic of Germany, Belgium, the Netherlands, Denmark and France and in which representatives of Canada and of the United States also participated, a new draft relating to the methods of implementing the plan with a view to a general lowering of tariff levels has been prepared.

"The text of this draft has been submitted through diplomatic channels to the Governments of the Federal Republic of Germany, Belgium, the Netherlands and Denmark with a request for a statement as to whether they were prepared to associate themselves with the French Government to place this document before the CONTRACTING PARTIES so that it might serve as a basis for subsequent discussions.

"While making some reservations as regards certain provisions of the document, the above-mentioned Governments have agreed in principle to the proposal by the French Government.

"They have recognized that the procedures laid down in the General Agreement, which are based upon the principle of reciprocity and balanced concessions, do not make it possible to progress any further towards reductions of tariff levels and that, therefore, new methods must be sought with a view to promoting an expansion of the volume of international trade through the lowering of customs barriers. It appears to them that the French proposal affords the best method to pursue efforts towards a general lowering of tariffs, provided, however, that this proposal should remain of world-wide application.

"In the circumstances, I should be very grateful if you would be good enough to circulate to all contracting parties the attached document which might serve as a basis for discussions at the Eighth Session."

A N N E X

Method of Implementing the French Plan with a view
to a General Lowering of Tariff Levels

1. Method of computation of the weighted average incidence

The weighted average incidence for a sector would be a ratio having:

- as its numerator, the total duty actually collected, or which would have been collected if the rates specified in the legal tariff, or the rates bound under the General Agreement, had been effectively applied to goods imported and cleared from warehouse for home consumption, during the period under consideration;
- as its denominator, the value of the goods on which the duty in the numerator was charged, or would have been charged, plus the value of goods exempt from duty, which went into home consumption in the period, irrespective of whether the exemption of these goods was dependent upon their intended use or destination or not.

Such a method takes account of the specific situation of countries:

- a) which have temporarily suspended the total or partial application of certain duties in their tariffs; or
- b) which, by virtue of most-favoured-nation treatment, collect duties at rates which have been reduced in the course of bilateral negotiations with non-GATT countries and which are lower than those bound against increase under the General Agreement;
- c) which apply a "tarif d'usage" involving rates lower than those in the legal tariff.

It is to be noted that the value of goods imported under any arrangement under which the duty is temporarily suspended (temporary admission, transit, bonded warehousing, free zones, etc.) should not be included in the denominator. The denominator should include only the value of the goods actually cleared for home consumption.

It is further agreed that goods on which import duties were levied, but for which such duties could subsequently be repaid upon re-export (drawback, improvement trade), should be excluded from the computation of the weighted average incidence. Consequently, the amount of duty levied should not be included in the numerator and the corresponding values should also be excluded from the denominator.

2. Selection of the base year

The base year, for the computation of the weighted average incidence, will be the same in the case of all participating countries. This basis will be the last calendar year for which valid statistical data are available for all those countries.

The base year should be selected in such a way as to obviate any possibility of a tariff being readjusted before the implementation of the plan.

3. Computation of the weighted incidence during the successive stages of reduction

The weighted incidence during the three stages will be computed on the assumption that the composition of the import trade during those stages remains the same as in the base year.

In other words, the weighted incidence during the successive stages will be deemed to be a ratio having, as its denominator, the values for the base year and, as its numerator, the rates as reduced multiplied by the weighting values for the base year.

Supposing, for instance, that in a given country the amount of duty collected in a given sector is 100, and that the value of imported goods is 400, the average incidence of tariff protections is then 25 per cent ad valorem. This figure should be brought down to 22.5 per cent, 20 per cent and 17.5 per cent respectively during the successive stages of reduction. As the value to be taken into account for the denominator should remain the same as in the base year, that is 400, the amount of duty collected to be included in the numerator should be 90 at the end of the first year, 80 at the end of the second year and 70 at the end of the exercise so as effectively to achieve the 30 per cent reduction by successive 10 per cent stages.

$$\text{1st Stage: } \frac{90}{400} = 22.5 \text{ per cent}$$

$$\text{2nd Stage: } \frac{80}{400} = 20 \text{ per cent}$$

$$\text{3rd Stage: } \frac{70}{400} = 17.5 \text{ per cent}$$

4. Valuation of the imported goods

Each country will be free to use its own basis of valuation (c.i.f. or f.o.b. basis) provided that this will be applied consistently in the calculation of its weighted incidence.

5. The division by sectors

For the purpose of the plan for a general lowering of customs tariffs, the economy of each country could be divided by sectors:

- Sector I - Agricultural products (animal and vegetable)
- Sector II - Food products
- Sector III - Sea-food products
- Sector IV - Crude materials, including mineral fuels and lubricants and related materials
- Sector V - Chemicals, manufactured fertilizers, explosives and miscellaneous chemicals, materials and products; dyeing, tanning and colouring materials; medicinal and pharmaceutical products; essential oils and perfume materials; toilet, polishing and cleansing preparations
- Sector VI - Leather, rubber, plywood, agglomerated cork materials, paper and paperboard, and manufactures thereof
- Sector VII - Textile yarn and thread; textile fabrics, clothing and made-up articles of textile materials
- Sector VIII - Base metals unwrought; base metals, other than unwrought; manufactures of metal
- Sector IX - Machinery and transport equipment
- Sector X - Non-metallic manufactures.

A precise definition of the composition of each sector, based on the SITC, should be supplied. In the course of additional studies, the division by sectors could be altered so as to take account of the economic structure of participating countries.

6. Fiscal duties

It is recognised that it would be desirable that all duties including so-called fiscal duties be included in the operation.

However, if it appeared that the inclusion of duties deemed to be of a fiscal character in each of the participating countries was to raise budgetary difficulties two solutions could be envisaged:

- (a) it could be considered that, irrespective of their purpose which is to secure revenue for the Treasury, fiscal duties also afford direct or indirect protection to domestic products and a distinction could therefore be drawn in the case of each individual duty between its fiscal and its protective parts. The latter alone would be included in the computation;

- (b) an ad hoc committee could be requested to draw up a list of traditionally fiscal duties which it would be open to participating countries to exclude from the operation. Furthermore, a country would be free to request that an item which was not included in the list of traditionally fiscal duties be excluded from the computation by reason of its fiscal nature provided such country brought sufficient evidence to the committee that the duty levied on the item in question was of a fiscal nature.

7. Exclusion of items originating principally in non-GATT countries

A country would be allowed to exclude goods of which 50 per cent or more in value were imported in a base period from non-GATT countries provided a GATT country was not the principal supplier.

If need be, this provision could, after further examination, be supplemented by the words "or that such goods did not represent a substantial part of the export trade of a participating country".

If certain GATT countries were not to participate in the plan, this formula could be adapted so as to exclude goods mainly imported from any GATT countries which might not be participating in the plan.

8. Preferential rates

Participating countries would be free to include in the incidence or the weighted incidence for the base year the amount of duties collected at preferential rates and the value of the preferential trade and to reckon reductions on preferential as well as on most-favoured-nation rates in the computation of the reduction by 30 per cent of the weighted incidence.

However, preferential trade with a non-participating country should be excluded from the computation of the weighted average incidence.

9. Low tariffs

The reduction required under the plan will be less important in the case of countries whose tariffs for one or several sectors represent an average level which is below a certain floor rate to be determined in the case of each sector.

It could even be envisaged that a country whose tariffs are below a certain demarcation line computed on the basis of floor rates would not be required to effect any reduction.

In the case of each individual sector an ad hoc committee will determine the floor rates and possibly the demarcation lines, on the basis of the weighted average of the weighted average incidences of the duties applied in the countries participating in the sub-group on the plan for a general lowering of customs tariffs.

The Executive Secretariat of the GATT would be entrusted with the statistical work which would make it possible to compute the weighted average of the weighted average incidences.

10. High tariffs

An ad hoc committee will determine for each individual sector or for certain groups of products in each individual sector the upper demarcation line to which countries would undertake to bring down those duties in their tariffs which exceeded that upper level. Ceiling rates will be computed on the basis of the weighted averages of the weighted average incidences of each individual sector or each group of products which will be increased following a ratio to be determined subsequently.

It is to be noted that the objective being the levelling off of excessive duties, these would be submitted to the reduction proposed even in the case when they appeared in a sector the weighted average incidence of which were below the floor rate defined in paragraph 9 above.

The methods under which high tariffs would be levelled off will be determined in the light of the results of the statistical work entrusted to the Executive Secretariat of GATT.

In exceptional circumstances, and provided that advance notice is given to other participating countries, a country could be authorised, under a decision of the other participating countries reached by a qualified majority, to maintain certain duty rates above the upper demarcation lines agreed upon.

11. Implementation of the 30 per cent reduction

In the case of each sector of the import trade, countries will reduce the weighted incidence of their tariffs by 10 per cent in each of three successive years without being under the obligation to make reductions on the same items in each successive stage. In other words, a duty rate on a specific item may be reduced during the first year and it may not then be modified in either of the next two stages. However, the reductions effected in each stage would remain bound against increase until the end of the next stage or stages of the operation.

Each country will be free to select its method of implementing tariff reductions provided that the aggregate average reduction reached each successive year shall be 10 per cent, 20 per cent and 30 per cent in each sector as provided for in the plan.

12. Binding effect of the commitments

All the reductions ~~granted~~ would, in principle, be bound against increase for a period of 5 years starting from the beginning of the operation.

During the last two years an escape clause would make it possible to withdraw certain reductions if it appeared that they involved serious economic or social dangers. The concessions thus withdrawn should be compensated by new concessions so as to maintain the weighted average incidence at the level stipulated for the purposes of the French plan. An ad hoc committee of the CONTRACTING PARTIES would determine whether a country was justified in taking action under the escape clause.

The binding against increase would affect all the duty rates which were effectively reduced. It would also affect the weighted average incidence for each individual sector. However, a country would be free to increase duty rates in a sector with regard to which it were not required to effect any reductions, to the extent that such increases would not result in increasing the weighted average incidence for that individual sector beyond the level below which a country would not be required to effect any reductions.

No increase in duties could result in augmenting a duty rate beyond the ceiling rate applicable to the individual sector or group of products to which the item concerned belonged.

The question of the rebinding of reduced rates under the plan upon the expiration of the five-year period and the possible incorporation of the reduction of duties in the GATT Schedules will be examined at a later date.

13. Special methods provided for in the case of countries in the process of industrial development

Countries in the process of industrial development (a list of which will be drawn up by the CONTRACTING PARTIES) would be authorized to exclude from the exercise:

- their fiscal duties;
- their duties affecting products included in their programme of economic development.

Such countries would be required to reduce their other duties by 30 per cent as provided for in the French plan.

The general waivers provided for in the case of low tariff countries could also be applied, in appropriate cases, to countries in the process of industrial development.

The 30 per cent reduction of the weighted average level of customs protection would be computed on the national tariff as a whole and the countries concerned would then be free to select those items to be reduced.

Countries in the process of industrial development would be required to report periodically to an Arbitration Committee set up by the countries participating in the plan, regarding the results achieved under their industrialization programme. On the basis of such reports, the Arbitration Committee would determine whether the waivers granted should be maintained, amended or terminated.