

GENERAL AGREEMENT ON TARIFFS AND TRADE

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FRENCH PLAN FOR A GENERAL LOWERING OF TARIFF LEVELS

Note by the Italian Government on the revised plan submitted by the French Government L/103

After having considered the new proposals on the French plan, on the new wording of that plan, the Italian Delegation wishes to submit certain comments on questions of substance which are not covered by the new document.

These remarks have on various occasions been formulated by the Italian Delegation, and are substantially contained in the working papers of the special Sub-Committee.

In particular, the Italian experts have already stressed the need for combining application of the plan with abolition of the measures which are hampering international trade, in order that effective implementation of the plan may be guaranteed, together with lasting and substantial development of international trade.

To that effect, all countries which are of fundamental importance for international trade ought to accede to the plan.

At the present stage of developments, apart from the above debatable points, it would not seem that the plan in question proposed adequate solutions for the elimination of the main disadvantages already pointed out in the course of previous discussions.

In particular, the following should be stressed:

1. Division by sectors

The Italian Government considers it necessary to ensure that implementation of the plan comprises the highest degree of flexibility, and they feel that the division into ten sectors runs counter to that principle.

This drawback could be overcome only by applying the plan without utilising the division by sectors, or by limiting division to two or three sectors at most.

2. Method of computation of the average incidence with a view to establishing upper and lower demarcation lines

The new proposals do not answer the criticism already advanced with regard to the disadvantages of a method consisting of making mandatory reduction of certain tariffs subservient to the tariff levels existing in the other countries, without having regard for the economic structure of each country in relation to which the tariffs had been set up. The same may be said of the computation of what are known as "low" tariffs and the treatment they receive.

3. Preferential rates

It should be noted that the right to include in the computation of the weighted incidence, the amount of duties collected at preferential rates and the value of the preferential trade, might give rise to variation in the computation of the weighted average incidence which would result in advantages for countries possessing a large volume of trade at preferential rates, and in prejudice to other countries.

It would seem that such a result could occur if the sector averages of countries having a preferential régime were artificially lowered; moreover, in implementing the plan, the lowering of rates in preferential régimes would lead to lesser reductions of other rates in the same sector, in instances when such régimes entailed a large volume of trade.

Further comments could be made on other aspects of the revised plan, but one point especially should be emphasized.

As will be recalled, during the discussions, serious difficulties arose in endeavouring to fix some means of distinguishing between moderate rates, high rates and fiscal rates, and their régime.

According to the new proposals, these difficulties should be met by referring the said questions to ad hoc committees for consideration.

These committees would have most complex tasks before them; they would have:

- a) to fix "lowest rates" for each sector in ratio to weighted average incidences; this for the purpose of fixing the level below which moderate rates ought to be exempt from reduction;
- b) to determine for each sector (or for certain groups of products) the "highest rates" to the level of which all higher rates should be scaled down;
- c) to fix a schedule of "classical fiscal rates" irrespective of the "plan";

- d) to consider requests for inclusion or assimilation with the classical fiscal rates included in the schedule referred to under point c) of individual cases which each country felt it had to submit.

It seems obvious that the task of these committees would amount, in effect, to negotiations with a view to reaching compromise solutions for each case on what were essential elements of the "plan".

In other words, the same difficulties involved in multilateral negotiations would once more arise.

Such a conclusion, therefore, raises the basic question as to the advisability or otherwise of substituting for the normal procedure of tariff negotiation new methods for automatic reduction of customs tariffs.

The Italian Delegation reserves its position and will give its views on this fundamentally important question, when the Working Party comes to consider the plan for lowering tariff levels, in accordance with point c) of its terms of reference.