

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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## THE PROPOSAL OF THE COUNCIL OF EUROPE FOR THE CREATION OF A "LOW TARIFF CLUB"

### A Comparison with the French Plan for the Reduction of Tariff Levels

The Council of Europe has submitted to the CONTRACTING PARTIES their proposal concerning a common policy of lowering tariff barriers in Europe (called "the Low Tariff Club") which was embodied in Recommendation (51) 11 of the Consultative Assembly. (The text of the Recommendation is annexed). The CONTRACTING PARTIES are asked to study the substance of this proposal. The Intersessional Committee, in recommending that the CONTRACTING PARTIES accede to this request, has proposed that the Council's proposal be referred for study to the same intersessional body which, the Committee expects, will be appointed to study the French Plan after the Eighth Session. Accordingly, it is intended in this Note to outline briefly the similarities in, and the differences between, the two plans.

Area of Application - The proposal of the Council of Europe was presented for adoption by European countries. Though it is stated explicitly that the convention would be open to all governments, it was clearly intended as a first step towards the formation of a European customs union. Countries outside Europe would gain substantial benefits as a consequence of the convention and, therefore, it has been proposed that non-participants might be invited to negotiate with some or all of the signatories and to give compensation for the benefits they would receive. The proposal provides some flexibility in the application of the reduction formula in order to allow each signatory country scope for negotiation on items of special interest to countries which are not participating. The French Plan, on the other hand, was presented for acceptance by a larger number of countries, both European and non-European, and it has been understood that some of the European countries would not be prepared to consider acceptance of the Plan unless all major European countries, the United States and Canada, agreed to participate.

Method of Reduction - Under the Council of Europe proposal, the signatories of the convention would accept an upper limit of 35 per cent as a maximum for all customs duties, to be observed immediately, and also three duty ceilings - 5 per cent for raw materials, 15 per cent for unfinished

goods and 25 per cent for finished goods and food products - to be observed for progressively larger proportions of total import trade up to 90 per cent in the third year. The French Plan calls for a reduction of the incidence of tariffs by a certain percentage over a period of three years - the reduction to be applied to the average incidence of duty rates in each of the main sectors into which the total import trade of participating countries would be divided. As now revised, however, the French Plan also provides duty ceilings for four categories of goods - 5 per cent for raw materials, 5 per cent for semi-manufactures, 30 per cent for finished manufactures and 27 per cent for agricultural products - thus incorporating the principal feature of the Council proposal.

A N N E X

RECOMMENDATION ON A COMMON POLICY OF LOWERING TARIFF  
BARRIERS IN EUROPE

(Adopted by the Consultative Assembly of the  
Council of Europe on 6 December 1951)

The Assembly,

Considering that Member States should make one of their main objectives the removal of barriers to mutual trade, but that any action limited merely to the abolition of quantitative restrictions is insufficient, the more so if it affects only private to the exclusion of Government trading,

Noting the particular importance of a common policy by Member States to lower tariff walls within Europe,

Noting that the first aim of such a policy should be to fix a maximum rate of duties and subsequently to lower by stages customs duties on the greater ~~part of intra-European~~ trade,

1. Proposes that such a policy should be based on the following three principles:
  - (a) The High Contracting Parties shall undertake by Convention not to retain as between each other any customs duties exceeding 35 per cent beyond a date to be fixed in the Convention and in any case not later than the date of completion of the successive stages of this plan.

In order to facilitate the application of this principle by the High Contracting Parties, States which have high customs duties of a fiscal nature shall be permitted within the above-mentioned period to convert such duties into taxes imposed equally on imported and internally produced commodities.
  - (b) The High Contracting Parties shall undertake not to retain or impose on goods originating from other High Contracting Parties any import duties exceeding 5 per cent in respect of raw materials, 15 per cent in respect of semi-finished goods and 25 per cent in respect of finished goods and food products.

The provisions of the second paragraph of the first principle concerning the possible conversion of certain customs duties into taxes applying equally to foreign and to home-produced goods shall apply also to the provisions of the foregoing paragraph.

During the first year the undertaking laid down in the first paragraph of this principle shall apply only to 70 per cent of the total import trade of each country in any of the categories specified above. During the second year it shall be extended to 80 per cent and during the third year to 90 per cent. The High Contracting Parties shall undertake before the end of the third year to determine the procedure and lay down the conditions in which the above ceilings in respect of import duties may be extended to their minimum tariff schedules.

The High Contracting Parties shall undertake to open negotiations for the purpose of fixing tariff ceilings for individual goods of particular importance in intra-European trade.

- (c) The Convention shall be open to all countries and independent customs areas willing to accept the obligations therein laid down.

Realising, however, that the adoption of these three principles would represent only a step towards the achievement of a European Customs Union, the Assembly

2. Recommends the insertion, either in the Convention to be signed by the High Contracting Parties, or in the Final Act of the Conference at which such provisions were accepted, of a clause whereby the States would undertake within a reasonable period to convene a Conference for the purpose of examining a plan for the complete abolition of customs duties between the countries concerned.

3. Condemns the use of quantitative restrictions as protective device and declares that they must never neutralise or reduce the effects of the lowering of duties envisaged in the above paragraphs.

4. Instructs the Secretariat-General to keep in touch with the leading official organizations concerned with these problems and especially to study in co-operation with GATT the technical problems arising from the application of the above three principles, with the final object of drawing up a more detailed plan for the implementation of a "Low Tariff Club" which should take account of the difficulties of the individual States and to study the problem of computing index numbers to measure the height of the average tariffs maintained by each Member State.

5. Instructs the Committee on Economic Questions and the Secretariat-General to study, in collaboration with the qualified international bodies, the possible effects of this reform in the different countries, upon the utilisation of manpower and its possible transference from one employment to another.

6. Instructs the Secretariat-General so far as possible to associate itself with the work of the special committee which was set up in Geneva in October 1951 and has been given the task of studying suggestions submitted for the lowering of customs duties on a regional basis and of examining the plan drawn up by the

French Minister M. Pflimlin, and

7. Recommends that the Committee of Ministers acquaint Governments with the proposals herein contained and requests them to formulate suggestions whether for an international conference or joint action within the framework of the General Agreement or for other appropriate means to ensure their implementation.

8. And further recommends that the Committee of Ministers invite the Governments of member States to report any modifications in their tariffs to the Secretariat-General which shall be responsible for their publication.