GENERAL AGREEMENT ON TARIFFS AND TRADE

FIRST SESSION OF THE CONTRACTING PARTIES

DECISION CONCERNING THE FORMATION OF A CUSTOMS UNION BETWEEN FRANCE AND ITALY

The CONTRACTING PARTIES decide in terms of paragraph 5 of Article XXV that the provisions of the General Agreement on Tariffs and Trade shall not prevent the establishment of a customs union or interim agreement for a customs union between France and Italy which union or agreement conforms to the following requirements:

1. The provisions of the General Agreement shall not therefore be construed to prevent the establishment of a customs union or the adoption of an interim agreement necessary for the formation of a customs union; Provided, that:
   (a) The duties and other regulations of commerce imposed at the institution of any such union or interim agreement in respect of trade with contracting parties shall not on the whole be higher or more restrictive than the general incidence of the duties and regulations of commerce applicable in the constituent territories prior to the formation of such union or the adoption of such interim agreement, as the case may be;
   (b) Any interim agreement referred to in sub-paragraph (a) above shall include a plan and schedule for the attainment of such customs union within a reasonable length of time.

2. If in fulfilling the requirements of sub-paragraph 1 (a), a contracting party proposes to increase any rate of duty inconsistently with the provisions of Article II of this Agreement, the procedure set forth in Article XXVIII shall apply. In providing for compensatory adjustment, due account shall be taken of the compensation already afforded by the reductions brought about in the corresponding duty of the other constituents of the union.

3. (a) The two parties, deciding to enter into a customs union or an interim agreement leading to the formation of such a union, shall promptly notify the CONTRACTING PARTIES and shall make available to them such
them such information regarding the proposed union as will enable them to make such reports and recommendations to contracting parties as they may deem appropriate.

(b) If, after having studied the plans and schedules provided for in an interim agreement under paragraph 1, in consultation with the parties to that agreement and taking due account of the information made available in accordance with the terms of sub-paragraph (a), the CONTRACTING PARTIES find that such agreement is not likely to result in a customs union within the period contemplated by the parties to the agreement or that such period is not a reasonable one, the CONTRACTING PARTIES shall make recommendations to the parties to the agreement. If the parties are not prepared to modify the agreement in accordance with such recommendations they shall not maintain it in force or institute such agreement if it has yet been concluded.

(c) Any substantial change in the plan or schedule shall be notified to the CONTRACTING PARTIES which may request the two parties concerned to consult with them if the change seems likely to jeopardize or delay unduly the achievement of the customs union.

4. (a) A customs union shall be understood to mean the substitution of a single customs territory for two or more customs territories, so that

(i) tariffs and other restrictive regulations of commerce (except, where necessary, those permitted under Articles XI, XII, XIII, XIV, XV, XX and XXI) are eliminated on substantially all the trade between the constituent territories of the union or at least on substantially all the trade in products originating in such territories and

(ii) substantially the same tariffs and other regulations of commerce are applied by each of the members of the union to the trade of territories not included in the union, subject to the provisions of paragraph 5;

5. The preferences referred to in paragraph 2 of Article I of the General Agreement shall not be affected by the constitution of a customs union but may be eliminated or adjusted by means of negotiations with contracting parties effected. This procedure of negotiations with affected contracting parties shall in particular apply to the elimination of preferences required to conform with the provisions of sub-paragraph (a) (i) of paragraph 4.