French Proposal for a General Lowering of Customs Tariffs

The Contracting Parties heard on 20 September a proposal, made by M. Pierre Pfimlin, Minister of Commerce of France, for the general lowering of tariffs on a world wide scale. The French Delegation submitted the following proposals to the Contracting Parties:

1) The contracting parties would undertake to reduce their tariffs by 30%, according to the following procedure:

2) The reduction would be achieved in three years by yearly 10% stages,

3) The reduction would not be computed for each individual Tariff item but would be based on the weighted average level of customs protection afforded to each main branch of economic activity. The number and composition of such branches would have to be defined in common.

4) Within each main branch, each individual contracting party could readjust its duty rates so as to secure, without serious disturbance, whatever adaption might be made necessary on account of the expansion of international trade.

5) It is desirable that such readjustments be effected in such a way as to secure as close a co-ordination as possible between the lowering of tariff levels on the one hand and, on the other, efforts undertaken with a view to the economic integration of both regional and world markets.

6) Special waivers or special methods might be provided for in the case of countries which might not be in a position wholly to effect the proposed lowering of tariff rates either because they have not reached an adequate degree of economic development or because the duty rates applicable to some branches of their economies are exceptionally low.

In the view of the French Delegation important results have been achieved towards the lowering of customs tariffs, the elimination of discriminatory practices and the expansion of international trade since the General Agreement was drawn up. But much remains to be done if the objectives that the contracting parties have assigned to themselves are to be achieved. The time for new progress to be made has now come, in the view of the French Delegation.

After hearing the views of the representatives of the Netherlands, Denmark, Belgium, the United States, India, Canada, Pakistan, Italy, Greece, Australia, Cuba and the United Kingdom it appeared that many delegations would not be in a position to receive instructions in time to discuss the substance of the French proposal during the present session, in view of its broad scope and varied implications. It was therefore agreed that the French Delegation might refer their proposal to the Working Party of fourteen countries on the disparity of European tariffs which was set up in Torquay (see Press Release GATT/35, page 9). If need be, the terms of reference of the Working Party could be modified so as to enable it to deal with the French plan.

The comments of M. Pfimlin, when introducing this item, are contained in an Annex to this release.
The Chairman of the CONTRACTING PARTIES in his opening address, and our distinguished colleagues from Canada and the United States of America recalled quite opportunely the task that we have to discharge and which consists in doing all our power to reach the objective that we assigned to ourselves, that is the expansion of international trade.

On behalf of the French delegation, I should like to bring my own contribution to our common task by submitting to you a proposal concerning the general lowering of customs tariffs.

This proposal which has been defined in the document distributed is based on some fundamental considerations which I should like to expound to you briefly and which, in my opinion, should be borne in mind if we want our action to be effective.

My honourable colleague from Canada claims to be in favour of the complete elimination of all restrictions to international trade. It is, indeed, desirable wholly to eliminate whatever obstacles may hamper international trade. The resulting increase in productivity would enable us eventually to achieve a lowering of cost prices and thereby make it possible to improve the standards of living of our peoples. But, in fact, such a result cannot be obtained in a short time because there still exist far too important structural differences between nations. Now, unbridled competition is sound and beneficial only to the extent that it take place between countries which happen to be in comparable technical situations. In the opposite case, it may result in dislocation, that is likely to impair seriously economic equilibrium and social peace.

In the present state of the world, we must turn our attention to underdeveloped countries. For those, customs tariffs and quotas are very often the prerequisites of progress.

On the other hand, European nations whose economies were dislocated by two wars in 30 years had to undertake, under the protection afforded by customs tariffs and quotas, the effort that was necessary to make up for the technical lags resulting from the destruction of their equipment and the stoppage of investments. No doubt, Europe, thanks to American aid, has been able to reconstitute most of the equipment that had been destroyed and to modernise its industrial machinery. But a considerable task remains to be accomplished in this domain.

At the same time, the peoples of Europe have both to complete the reconstruction of their devastated areas and to make a special rearmament...
effort in order to be able to safeguard world peace, in cooperation with other free nations.

Those simultaneous tasks, equally vital for the future of our countries, face problems which are all the more arduous as our populations, which have gone through severe moral and physical trials, have often suffered a setback in their standards of living as compared with prewar levels. Too abrupt a change of structure might well, in such circumstances, cause some psychological reaction which would dangerously affect the morale and cohesion of the nations concerned. In such circumstances therefore, governments have to act cautiously and keep fully aware of their responsibilities at a dramatic moment in the history of the world.

However, the acute awareness of the difficulties to be overcome and the dangers to be avoided should not lead us to forget that the task of reconstruction and progress which it is incumbent upon the men of our generation to achieve, cannot be discharged through the indefinite retention of narrow-minded protectionism but through the expansion of productive forces in a world economy which would be gradually unified and liberalized. Caution itself should lead us to recognize that some well-considered boldness alone can open up the way to a better future.

This feeling, we know full well, is shared by many contracting parties which recognize that the results hitherto achieved, although substantial, cannot be improved unless we resort to new methods. This feeling, in particular, served as a basis for the very interesting initiative which was taken in Torquay by the Benelux Delegations in order to secure some common lowering of European tariffs. We believe that our common concern should today result in an initiative aimed at implementing, at world level, a method which would enable us to go through a new stage.

The French Delegation is of the opinion that the action to be taken in this respect should meet three essential conditions:

1. It should lead to some undoubted, substantial and relatively prompt progress towards the lowering of tariff barriers.

2. It should be flexible enough to allow for adjustments and some degree of adaptation that would preclude any danger of serious disturbances.

3. To be fully effective, it should be coordinated, to the greatest extent possible, with other measures aimed at the economic integration of both regional and world markets.

In the opinion of the French Delegation, the first requirement can only be met by a system that would have to be automatic to a certain extent. That is the reason why we suggest the Contracting Parties should undertake to reduce their customs tariffs by 30% by three yearly 10% stages. Such a solution, no doubt, falls short of perfection, precisely because it is too automatic. It may make it impossible to take full account of all specific difficulties. But the multiplicity and complexity of the problems which arise today in the economic domain are such that a method which involve
too much consideration for the analysis of specific cases would probably remain sterile.

For the gradual elimination of quotas between European countries the O.E.E.C. has followed a similar method, since countries participating in the Organization have undertaken to free from quotas agreed percentages of their import trade through successive stages. This method, however, imperfect, has yielded substantial results. We are of the opinion that, as regards tariff matters, the method consisting of gradual percentagewise reductions would also satisfy us that progress would definitely be achieved.

In order that the second requirement may be met, we do not propose a flat reduction for each tariff item, but a lowering of the weighted average level of customs protection afforded to each main branch of economic activity. As regards the number and composition of such branches of economic activity, the French delegation would be happy to hear the suggestions of other delegations. For example, we might envisage establishing in each country the five following main categories of products: RAW MATERIALS, SEMI-FINISHED PRODUCTS, FOODSTUFFS, CAPITAL GOODS AND INDUSTRIAL CONSUMERS' GOODS. Within each of these main branches, each individual contracting party could readjust its duty rates so as to maintain with respect to each product the degree of protection necessary to avoid any dangerous loss of equilibrium. Thus each government and each parliament would effect, under their own responsibility, decisive arbitrations.

Furthermore, the method envisaged would enable us to take realistic and equitable account of the structural differences between the various national economies. Such methods would lead to a considerable reduction in existing disparities between national tariffs but not to a flat levelling-down of such tariffs. The idea of such a levelling-down might exert a prima facie attraction but, at the same time, could ignore the primary function of customs duties, which is to make up for any temporary or permanent differences between production in various countries. So long as such differences shall exist, tariff protection, the maintenance of which they justify, should involve adequate compensations. What seems to us to be essential, is that the general level of customs barriers should be lowered, so that the general incidence of customs duties would be only compensatory and not prohibitive.

Anxious as we are to propose a system, the implementation of which should not raise insuperable difficulties in any country, we believe that special waivers or special methods could be provided for in the case of countries which might not be in a position wholly to effect the proposed lowering of tariff rates, either because they have not reached an adequate degree of economic development or because the duty rates applicable to some branches of their economies are exceptionally low.

In our opinion, the first prerequisite is of primary importance. No doubt, the lowering of tariff duties is one of the most effective means to achieve, through sound competition and some rational division of labour between nations, an increase in productivity and an improvement in the
standards of living. But that is not the only method that could be envisaged. In fact, various actions have been or may be undertaken in various regions of the world, and even at world level in order to effect economic integration. We have not deemed it indispensable to propose methods of action implying a necessary or automatic connection between such other measures and the lowering of customs tariffs. But we believe that it is highly desirable that the Contracting Parties should, to the greatest extent possible, concentrate their efforts on the branches or the products which are the object of other integration measures so that the combined effect of supplementary measures should lead to prompt and decisive progress towards economic unification.

The French delegation is not blind to the fact that the undertaking in which we invite the other contracting parties to participate is fraught with many difficulties. We fully recognise that these suggestions can be improved upon and that in any case the methods to be followed in the implementation of the system envisaged should be studies; we very much hope that other delegations will be good enough to participate in such studies that we may, acting jointly, construct a system that would be the result of common thinking and a unanimous will. Thus, the Contracting Parties shall demonstrate that their determination matches the responsibilities that they assumed when they undertook to organise international cooperation in a domain that is vital for the future of mankind.