AIRGRAM

GATT/AIR/8

3 MARCH 1952

SUBJECT: STATISTICAL INFORMATION REQUESTED FROM MEMBERS OF THE SUB-GROUP OF THE INTERSESSIONAL WORKING PARTY ON THE REDUCTION OF TARIFF LEVELS


ACCORDINGLY, THE SUB-GROUP INSTRUCTED THE SECRETARIAT TO ASCERTAIN FROM EACH OF THE GOVERNMENTS REPRESENTED IN THE SUB-GROUP WHETHER IT IS ABLE AND WILLING TO CALCULATE THE AVERAGE AD VALOREM INCIDENCE OF THE DUTIES APPLICABLE TO THE PRODUCTS INCLUDED IN EACH OF THE 570 SITC ITEMS. IT IS UNDERSTOOD THAT MANY OF THESE GOVERNMENTS HAVE UNDERTAKEN TO COMMUNICATE BY THE END OF THIS MONTH TO THE EUROPEAN CUSTOMS UNION STUDY GROUP IN BRUSSELS THE AD VALOREM INCIDENCE OF THEIR DUTIES IN ACCORDANCE WITH THE BRUSSELS NOMENCLATURE AND, THEREFORE, WILL HAVE NO SUBSTANTIAL DIFFICULTY IN FURNISHING THE INFORMATION WHICH THE SUB-GROUP NEEDS IN ITS EXAMINATION OF THE BENELUX PROPOSALS. BUT IN ORDER THAT THE SECRETARIAT CAN COMPUTE AN AVERAGE OF THE TARIFFS OF THE GOVERNMENTS IN THE SUB-GROUP FOR EACH ITEM OF THE SITC, IT IS ESSENTIAL THAT EACH OF THEM SHOULD BE PREPARED TO FURNISH THE AVERAGE AD VALOREM INCIDENCE OF ITS TARIFF FOR ALL, OR AT LEAST FOR SUBSTANTIALLY ALL, OF THE 570 ITEMS. IF ONLY APPROXIMATE FIGURES CAN BE GIVEN FOR SOME OF THE ITEMS THIS WOULD NOT NECESSARILY PREVENT THE COMPUTATION OF AN APPROXIMATE COMBINED AVERAGE, AND IN THAT EVENT THE COMPUTATION COULD BE MADE ON THE UNDERSTANDING THAT THERE WERE SOME GAPS OR SOME APPROXIMATIONS IN THE DATA UPON WHICH IT WAS BASED.

IN VIEW OF THE IMPORTANCE OF KNOWING WITHOUT DELAY WHETHER THE COMPUTATION OF THE COMBINED AVERAGE WILL BE POSSIBLE, IT WOULD BE APPRECIATED IF YOU WOULD ADVISE NOT LATER THAN MARCH 14 WHETHER YOUR GOVERNMENT IS ABLE AND WILLING TO SUPPLY THE DATA RELATING TO YOUR TARIFF PROVIDED THE OTHER GOVERNMENTS REPRESENTED IN THE SUB-GROUP CAN DO THE SAME. IN ADDITION, IT WOULD BE USEFUL TO KNOW APPROXIMATELY HOW LONG A PERIOD WOULD BE REQUIRED FOR YOUR CALCULATION TO BE MADE.

THE SUB-GROUP'S INSTRUCTIONS CONCERNING THE CALCULATION OF THE AVERAGES ARE ATTACHED HERETO.
Calculation of the Ad Valorem Incidence of the Duties of each Country for the 570 SITC Items

The calculation gives rise to special difficulties only when there is not a single ad valorem rate appropriate to the SITC item.

Let us take, for instance, the case of a country whose tariff includes 3 items (items a, b, and c) for which the ad valorem rates are 6%, 8% and 10% respectively, and which are grouped under one item (item A) in the U.N. nomenclature.

The rate to be entered is $ \frac{6 + 8 + 10}{3} = 8\%$

Difficulties appear when the whole or part of the duties to be transposed are specific duties, or combined specific and ad valorem rates (for instance 10% but not less than 50 Fr. per kilo). In this case the calculation should take into account the amount levied on the goods concerned cleared for consumption during a reference period, and that amount should be divided by the global value of those goods.

The reference year should be 1950.

The application of this rule concerning the amount of duty levied in 1950 is possible, however, only to the extent that the rate applicable to the item concerned has not been altered since that date. Now, it has been decided in London that the duty rates to be taken into account for the work of the Sub-Group should be the rates resulting from the most recent negotiations undertaken under the GATT, that is, the Torquay negotiations. In the case of a simple specific rate, this causes no difficulty.

In the case where the duty is a combined specific/ad valorem rate and was modified in 1951, there are two possible methods of calculating the ad valorem incidence.

The first would consist in taking into consideration the imports recorded during the last quarter of 1951, and calculating the average ad valorem rate by dividing, as in the case referred to above, the amount levied by the value of the goods. This formula may lend itself to criticism in certain cases, in particular when dealing with seasonal imports.

The alternative would be to calculate what the amount levied would have been if the post-Torquay rate had been applied to the 1950 imports. This can, however, be done on only a very approximate basis.