INTERSESSIONAL WORKING PARTY ON THE REDUCTION OF TARIFF LEVELS

Record of the Second Meeting of the Intersessional Committee
(Geneva, 26–29 February 1952)

The Sub-Group continued the examination of certain technical aspects of
the French Plan in the light of the data communicated by members in response
to the decisions of the meeting held in London in December 1951.

The Sub-Group also considered proposals submitted by the Benelux Dele-
gations regarding the number and composition of the divisions of commodities
to which the Plan would apply and regarding special provisions for the treat-
ment of prohibitive duties and low or moderate duties.

The Sub-Group came to the following conclusions:

1. The Scope of the Plan

(a) It was agreed that import duties of a distinct fiscal character,
and the trade in the products to which these duties apply, would be excluded
from the calculation. Each member could submit a list of items, or revise
the list already submitted, which it desires to exclude for that reason
together with supporting data. The Sub-Group will examine this information
at the next meeting with a view to establishing for each member a list of the
items which would be excluded.

(b) It was agreed that duties on products which the importing country
does not produce should not be excluded for that reason from the computation
of the weighted average level of tariffs.

(c) It was agreed that, as a general rule, the trade in products originating
in countries not parties to GATT should be included. However, it would be open
to any government to ask for the exclusion of a product of which more than 50%
of the quantity imported comes from countries not parties to GATT. A member
wishing to avail itself of this possibility is to submit a list of items which
it wishes to exclude together with supporting data. The Sub-Group will
examine these lists at the next meeting.

2. The Number of Sectors

The Sub-Group tentatively agreed on a division of sectors to which the
Plan would apply, which was based on the Benelux proposal, (see Annex A).
This division was based on the following principles:

MT/35/52
(i) The division should follow as closely as possible the SITC of the United Nations.

(ii) The groups should contain products of the same nature, i.e. raw materials, semi-manufactured goods, or manufactured goods.

(iii) The structure of industries should be taken into account as far as possible.

(iv) A substantial part of the trade between the participating countries should be covered by each sector.

Several members recorded reservations to the proposed division:

(a) The Italian Delegation stated that the division would deprive the Plan of the necessary flexibility and contended that the weighted average should be calculated on the tariff as a whole.

(b) Proposals to combine Sectors 5 and 6, Sectors 7 and 8, Sectors 10, 11 and 12 and Sectors 9 and 14 were submitted by the United Kingdom and other delegations.

On the other hand, proposals to split some of the sectors were put forward:

(a) The German Delegation suggested splitting Sector 13 (Machinery and Transport Equipment) into 3 sectors.

(b) The Sub-Group did not decide whether Sector 1 (Food and Agricultural Products) should be sub-divided, and, if so, what would be the number and the composition of the sub-divisions. It considered that the question of food and agricultural products raised special problems which would have to be examined by the departments concerned. However, the Danish representative submitted a proposal for the splitting up of Section 1 (See Annex B) which is submitted to the governments for consideration.

3. The Binding Effect of the Reductions

The Sub-Group examined again the question of the status of tariff reductions which would result from the implementation of the French Plan. The French Delegation considered that the only commitment of the governments would be not to exceed, for each sector, the average incidence resulting from the 30% reduction and that the governments should not be prevented from changing the actual duty rate applicable to individual items. The Netherlands Delegation, supported by others, indicated that in their view all the individual
tariff rates resulting from the operation should be embodied in the GATT schedules and enjoy the same protection against increase as the other tariff concessions. It was recognized that this important question should be considered further, and the French and Benelux Delegations agreed to consult before the next meeting.

4. Levelling off of High Tariffs

The Sub-Group discussed the proposal submitted by the Benelux Delegations on this point in order to clarify its technical aspects. The proposal, as revised in the light of the discussion, is included in Annex C. The Sub-Group was generally of the opinion that, in order to enable the governments to appraise the implications of the proposal and to define their attitude, it would be essential to compute the average incidence of the tariffs of the participating countries for the 570 items of the SITC. This computation could be made by the Secretariat if all members of the Sub-Group were prepared to calculate and communicate the average incidence of their tariffs for all or substantially all these items. The Secretariat was therefore instructed to communicate with the governments represented at the Sub-Group and to invite these to indicate by cable before 14 March whether they would be prepared to undertake that statistical work if all members of the Sub-Group agreed to participate in the exercise. The communication of the Secretariat should include the technical instructions drawn up for the calculation of the averages, (see Annex F).

5. Treatment of Moderate and Low Duties

The Sub-Group considered the proposal submitted by the Benelux Delegation on this point. The proposal, as revised as a result of the discussion, is reproduced in Annex D. The Sub-Group agreed that the question would require further study at the next meeting.

6. Suspended Duties

The Sub-Group agreed that in cases where the legal duty has been temporarily suspended, the average incidence should be based on that duty.

It was pointed out, however, that this rule should not apply to the cases in which the legal duty had never been applied in practice. The Sub-Group agreed that this question would require further study at the next meeting.
7. **Programme of Work**

The Sub-Group decided to meet again \(\text{in the latter part of May}\) and it was agreed that the members would furnish the information set out in Annex E. It was, however, understood that if it proves impracticable to compute an international average of the tariff rates of the participating countries for the 570 items of the SITC, the chairman would be authorized to convene a special meeting which would examine alternative proposals for the establishment of the demarcation line contemplated in the proposals reproduced in Annexes O and D. The convening notice as well as such alternative proposals should be sent to the members of the Sub-Group at least three weeks before the date of the special meeting.
### ANNEX A

The Proposed Regrouping in 14 Sectors of the 52 Divisions of the SITC.

<table>
<thead>
<tr>
<th>Sector 1</th>
<th>Food and agricultural products</th>
</tr>
</thead>
<tbody>
<tr>
<td>SITC</td>
<td>0</td>
</tr>
<tr>
<td>Division</td>
<td>1</td>
</tr>
<tr>
<td>Item</td>
<td>41</td>
</tr>
<tr>
<td></td>
<td>92</td>
</tr>
<tr>
<td></td>
<td>(292-05)</td>
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<table>
<thead>
<tr>
<th>Sector 2</th>
<th>Crude materials, including mineral fuels and lubricants and related materials</th>
</tr>
</thead>
<tbody>
<tr>
<td>SITC</td>
<td>2</td>
</tr>
<tr>
<td>Division</td>
<td>3</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Sector 3</th>
<th>Chemicals, manufactured fertilisers, explosives and miscellaneous chemical materials and products</th>
</tr>
</thead>
<tbody>
<tr>
<td>SITC</td>
<td>51</td>
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<tr>
<td>Division</td>
<td>52</td>
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<td></td>
<td>56</td>
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<td>59</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Sector 4</th>
<th>Dyeing, tanning and coloring materials; medicinal and pharmaceutical products; essential oils and perfume materials; toilet polishing and cleansing preparations</th>
</tr>
</thead>
<tbody>
<tr>
<td>SITC</td>
<td>611</td>
</tr>
<tr>
<td>Division</td>
<td>621</td>
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<tr>
<td></td>
<td>631</td>
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<td>(633-01)</td>
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<td>641</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Sector 5</th>
<th>Leather, rubber, plywood, agglomerated cork materials, paper and paperboard</th>
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<tbody>
<tr>
<td>SITC</td>
<td>611</td>
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<tr>
<td>Division</td>
<td>621</td>
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<td>631</td>
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<td>(633-01)</td>
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<td>641</td>
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</tbody>
</table>
Sector 6  Manufactures of leather, of rubber, of wood, of cork, of paper and of paperboard

Sector 7  Textile yarn and thread

Sector 8  Textile fabrics, clothing and made-up articles of textile materials

Sector 9  Non-metallic mineral manufactures

Sector 10 Base metals, unwrought
Sector 11  Base metals, other than unwrought

Items
681-04 to 681-15
682-02
683-02
684-02
685-02
686-02
687-02
689-02

Sector 12  Manufactures of metal

Division
69

Sector 13  Machinery and transport equipment

Division
71
72
73

Sector 14  Miscellaneous articles, not included in the preceding sectors
Proposal by the Danish Delegation
for the Subdivision of Sector 1

The Danish Delegation is of the opinion that in order to achieve further substantial results as far as tariff-reductions are concerned, multilateral negotiations are necessary, it being thereby understood that it is necessary that all participating countries should at the same time try to meet the requirements of all the other parties.

The Danish Delegation has noted that the problem of splitting up the tariffs in groups as far as Sector 1 in the Benelux proposal is concerned, was reserved for further consideration by the Ministries concerned. The Danish Delegation deem it of importance, nevertheless, to indicate now in a preliminary way how the sector mentioned might be split up.

The Danish Delegation suggest therefore the following six sectors:

Sector No. 1.a.
Live animals, chiefly for food; meat; dairy products, eggs and honey.
This sector would include:

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<tr>
<th>Division (SITC)</th>
<th>Group (SITC)</th>
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<tr>
<td>00</td>
<td>001</td>
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<td>01</td>
<td>011 - 012</td>
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<td>02</td>
<td>021 - 022 - 023 - 024 - 025 - 026 - 029</td>
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Sector No. 1.b.
Cereals; sugar; feeding stuff for animals.

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<th>Division (SITC)</th>
<th>Group (SITC)</th>
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<tbody>
<tr>
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<td>041 - 042 - 043 - 044 - 045 - 046 - 047</td>
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<td>061</td>
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<td>081</td>
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Sector No. 1.c.
Fruits and vegetables.

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<th>Division (SITC)</th>
<th>Group (SITC)</th>
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<td>05</td>
<td>051 - 052 - 053 - 054 - 055</td>
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</table>
Sector No. 1.d.

Fish and fish preparations.

Division (SITC)  Group (SITC)
03  031 - 032

Sector No. 1.e.

Animal and vegetable oils, etc.

Division (SITC)  Group (SITC)
41  411 - 412 - 413

Sector No. 1.f.

Miscellaneous food preparations and animal products; beverages and tobacco.

Division (SITC)  Group (SITC)
ex 01  013
ex 04  048
ex 06  062
07  071 - 072 - 073 - 074 - 075
09  091 - 092
11  111 - 112
12  121 - 122

Annex C [revised proposal for the levelling off of high tariffs]

Annex D [revised proposal for low and moderate duties]
ANNEX E

Data to be furnished by Members of the Sub-Group

1. A list of the articles subject to duties imposed for fiscal purposes which the government would wish to exclude from the calculation of the weighted average level of customs rates, together with a statement of the reasons for proposing exclusion and the amounts of such duties collected in 1950 as well as the total customs revenue in the same year. (It is understood that the data furnished by the Government of Italy will relate to the period July 1950 - June 1951.)

2. A list of articles which the government would wish to exclude from the calculation of the weighted average level on the ground that more than 50% is imported from countries which are not parties to the General Agreement, together with statistical data for imports in a representative period in support of the proposed exclusion.

3. Two copies of the data enumerated above in either English or French should be addressed to each member of the Sub-Group and 10 copies to the Secretariat not later than _______ 1952.

4. If, as a result of the consultation to be undertaken by the Secretariat, it is agreed that it would be practicable to compute an international simple average of the tariff rates for the 570 items of the SITC, each member of the Sub-Group shall communicate to the Secretariat not later than _______ the incidence of its customs duties for each of the 570 items of the SITC.

The incidence shall be computed in accordance with the rules contained in Annex F.

Annex F - to follow