SUB-GROUP OF THE WORKING PARTY ON REDUCTION OF TARIFF LEVELS

Second Memorandum by the French Delegation
to the French Proposal with a View
to a General Lowering of Customs Tariffs

The studies conducted by the Sub-Group at its previous meetings, and the various information recently supplied by the governments concerned have led the French delegation to make a number of modifications and to add various supplementary proposals to the memorandum submitted on 7 December 1951 (GATT/IM,2/7).

As a general comment, the French delegation has to recall that the primary object of its proposal is to secure a general lowering of tariff barriers, while giving each country an opportunity to take account of the special features of its own economy in the implementation of the plan. It appears to the French delegation that there is an obvious contradiction between this plan and any scheme aiming primarily not at a lowering, but at a general alignment of tariffs, whatever method might be followed to determine the general level to be reached.

I. Determination of the average weighted level of tariff protection

A. Division of economic activity into different sectors

After examining the documentation made available to the Sub-Group (document MGT/57/52), the French delegation is still convinced that it is desirable to select a small number of sectors. It is of the opinion that the grouping which appears in the annex to this memorandum would be adequate.

Nevertheless, as indicated on several occasions, the French delegation does not wish to be uncompromising on this point; it would be prepared to accept a slightly different grouping if such a grouping were to be accepted if not by all, at least by a substantial majority of the members of the Sub-Group.

B. Computation of the weighted average levels

No technical reason has been adduced as to why the French plan could not be implemented. The French delegation therefore wishes to maintain its initial proposal.
However, the question of duties of an essentially fiscal nature should be reconsidered. It appears, in fact, from the information supplied in document MGT/58/52 that the schedules submitted by a number of countries concern a considerable proportion of their trade. France has hitherto reserved its position and has not given up the idea of submitting the list of products on which fiscal duties are levied and which, for that reason, it would request should be excluded. However, the French delegation is of the opinion that any request that items which give rise to an important trade between members of the Sub-Group should be excluded might impair the operation of the plan. How, indeed, would it be possible in most cases to distinguish between the fiscal nature and the protective nature of a duty rate?

In fact, the principle of the exclusion of duties of an essentially fiscal nature meets the needs of underdeveloped countries for which customs tariffs represent an essential part of national revenue. For highly industrialized countries or, more generally speaking, for advanced and normally developed countries like the members of the Sub-Group, the essential consideration to be borne in mind from the point of view of the Sub-Group is the obstacle to trade which import duties constitute. The effort to be made consists in reducing such an obstacle, and if such an effort is to affect only one part of the tariff of a country it would lose much of its interest for other participating countries.

The French delegation therefore wishes to take up again the proposal which it presented in its memorandum of 7 December, and to request that so-called fiscal duties be included in the computation of the weighted incidence.

II. Products originating in countries not members of the GATT

Here again the question calls for reconsideration in view of the list of items submitted by various countries.

The fact that requesting countries wish to exclude duties on items imported to the extent of 13 to 34 per cent from GATT countries seems likely to impair appreciably the practical results of the exercise. This fact is all the more relevant as many channels of trade are not normal at present, and the results obtained would certainly be quite different if the base years were to be altered.

III. Special treatment of high duties

After close consideration of the Benelux proposals regarding the case of high duties, the French delegation is confirmed in its belief that this proposal is not in the spirit of M. Pflimlin's proposal. A mere examination of the comparisons submitted by the secretariat indicates, on the one hand, that the flexibility inherent in the French scheme would be lost to a large extent, and, on the other hand, that this proposal would obviously mean going back to the principle of an alignment which several delegations regard as economically unsound. The French delegation therefore regrets not to be able to accept the Benelux proposal. The French delegation for its part has endeavoured to develop an automatic system which would have made it possible to take account of the views of the Benelux delegations; it has not been able to finalize
such a system and fears that no scheme of this kind would meet with the acceptance of all the members of the Sub-Group. It would therefore be ready to go back to the initial conception of an examination item by item, subject to certain modifications in the conditions of implementation. The concept of prohibitive duties would not be retained, and it would be recognised that no country could refuse to discuss, upon the request of other countries, whether duties exceeding by more than a certain percentage the average incidence of the duties of participating countries are excessive or not. Thus each country would have to demonstrate, either bilaterally or multilaterally, that it does not impose excessive duties, that is duties exceeding the compensatory levies required by the conditions and circumstances of national production.

If this suggestion were not to be accepted, it would seem regrettable that all the efforts made toward the lowering of customs duties could be frustrated by the mere question of high duties. In that case, the French delegation would propose as an alternative to reserve this question for examination at a later stage and to refer it either to the Working Party or to the Contracting Parties themselves in the hope that another GATT Seminar will find an adequate scheme.

IV. Special treatment of exceptionally low duties

The system recommended by the Benelux countries, after some necessary corrections on account of a number of errors in the details of the scheme, would result in the efforts toward reduction even on excessive duties in low tariff countries being more sporadic. There is no doubt that, in some cases, duty rates which are extremely low when expressed percentage-wise can nevertheless constitute serious obstacles to trade. Generally, low tariff countries could maintain duty rates which their neighbours which are more protectionist on the whole would have to bring down.

The French delegation, recognizing that it is necessary not to request the same effort from countries which either for the whole or for an important part of their tariffs apply low rates of duties, makes the following proposal:

A country whose arithmetic average incidence in one sector would be below the demarcation line in the Benelux proposal, would be required only to reduce its average incidence for this sector by a lower percentage (15 per cent, for example, instead of 30 per cent). As regards sectors in which duty rates are very low, it could even be agreed that no reduction at all would be required.