The English language edition of *A New Proposal for the Reduction of Customs Tariffs* has been exhausted, and this mimeographed edition has been prepared in its place.

A NEW PROPOSAL FOR THE REDUCTION OF CUSTOMS TARIFFS

The Contracting Parties to the General Agreement on Tariffs and Trade

Geneva, January 1954
<table>
<thead>
<tr>
<th>CONTENTS</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Origin and Development of the Plan</td>
<td>1</td>
</tr>
<tr>
<td>How the Plan would Work</td>
<td>4</td>
</tr>
<tr>
<td>The Rules of the Plan</td>
<td>7</td>
</tr>
<tr>
<td>Annex to the Rules:</td>
<td></td>
</tr>
<tr>
<td>Method of Computation, Lines of Demarcation,</td>
<td>11</td>
</tr>
<tr>
<td>Division of Trade by Sectors and Categories, etc.</td>
<td></td>
</tr>
</tbody>
</table>
ORIGIN AND DEVELOPMENT OF THE PLAN

In 1947 the contracting parties to the General Agreement on Tariffs and Trade accepted an expansion of world trade as their principal objective and to this end agreed to enter into "reciprocal and mutually advantageous arrangements directed to the substantial reduction of tariffs and other barriers". Steps towards this goal were taken in three tariff conferences, at Geneva in 1947, at Annecy in 1949 and at Torquay in 1950-51. These conferences have already led to remarkable results: in all, some 58,000 concessions (tariff reductions and tariff bindings) were negotiated among countries which together conduct four-fifths of world trade. This reduction and stabilization of customs tariffs has been one of the main achievements of the General Agreement.

A significant contribution of the General Agreement to international relations has been the introduction of tariff negotiations on a multilateral basis. In place of the traditional method whereby two governments would exchange concessions of interest to each other's trade, the multilateral tariff conference has enabled governments to exchange concessions over a broader field by virtue of the fact that in each bilateral negotiation they can assess the indirect benefits they will receive through the concessions granted to others within the same tariff conference. Although this method of negotiation was responsible for the fruitful results of the post-war conferences, there was some feeling at Torquay that it had yielded its best results and that the time had come to search for new methods. There appeared to be difficulties in the way of continuing with this technique and it seemed doubtful whether much further progress could be achieved. It was during the Torquay conference that new ideas were first put forward.

The technique of tariff negotiation used at Geneva, Annecy and Torquay was based on product-by-product bargaining. Each country prepared lists of requests for concessions it wished to obtain from the other participating countries. Governments responded to the requests received with lists of offers, and on the basis of these offers the negotiations took place. No country was obliged to offer a concession of any particular item if it did not wish to do so. Each country negotiated with its principal supplier on selected products, and the results were generalised through incorporation in schedules annexed to the General Agreement. The essence of this technique was that each country expected to obtain specific benefits for its export trade closely equivalent to the specific concessions on specific products which it was prepared to offer.

One of the principal reasons for the need to find a new approach to tariff reduction lay in the weak negotiating position of the countries with relatively low tariffs. Some countries had entered the first round at Geneva in 1947 with a low tariff level. At Geneva and at Annecy they had bound a large number of their rates against increase in accordance with the accepted rule that the binding of a low duty or duty-free treatment would be recognized as a concession equivalent in value to the substantial reduction of a high duty. At Torquay these countries considered that the
renewed binding of their tariffs should be accepted as a concession equivalent to further reductions in the higher tariffs of other countries. But when they came to negotiate, they found that the high-tariff countries were not prepared to make further reductions merely in return for a rebinding of low rates. Since the low-tariff countries could not offer sufficient concessions to induce other countries to make reductions in high rates of duty on items of particular interest to them, the negotiating procedures offered no prospect of obtaining reductions in the duties which were a serious obstacle to their exports. Therefore, in their opinion it was essential that the negotiating technique should be reconsidered if further progress was to be achieved in the process of tariff reduction. For this and other reasons efforts have been made since the close of the Torquay conference to find new methods of reducing tariffs by collective action under the General Agreement.

The first proposal was put forward by the Benelux Governments. Their scheme was directed mainly towards the reduction of the disparity in the tariff levels within Europe. But this would have involved the unilateral reduction of duties by high-tariff countries - reductions which would have had to be extended to non-European countries under the most-favoured-nation provisions of the General Agreement. As an alternative, the French Government suggested a plan of broader scope which, it was thought, would meet the difficulties of the Benelux Governments and which would, at the same time, require of non-European countries the same kind of reductions as would be required of European countries. This French plan called for an agreement among governments to reduce their tariff levels by 50 per cent in three years.

In the course of discussion during the past two years the plan of the French Government has been refined and improved by the CONTRACTING PARTIES to the General Agreement. To meet still further the views of the low-tariff countries the French Government modified their scheme by providing that where average duties are already relatively low a proportionately smaller reduction would be required. Another modification of the plan provides for ceiling rates of duty for the four categories of trade, which provision is similar to the principal feature of the "Low Tariff Club" recommendation of the Council of Europe. At the Eighth Session of the CONTRACTING PARTIES in October 1953 the plan was further elaborated by a committee of experts and was presented as a technically feasible scheme.

In brief, what are the main characteristics of the new approach to tariff reduction? In place of bilateral negotiations between countries on a product-by-product basis aimed at a strict balance of concessions, there would be an obligation on all participating governments to reduce the protective incidence of their tariffs in accordance with a common standard. The concept of mutual advantage remains. The balance for any particular country, however, is measured not by setting off specific concessions obtained

---

1 The use of capital letters signifies the contracting parties acting jointly.
against specific concessions granted, but by setting off the overall reductions made by it under the common standard against the overall reductions made by others under the same standard. Another feature of the plan is that it requires efforts proportionate to each country's tariff level. And, finally, it provides an additional obligation to reduce individual rates of duty which exceed given levels.

The Governments of Belgium, Denmark, France, the Federal Republic of Germany and the Netherlands have indicated their support of this plan in principle, but clearly it cannot be brought into operation unless it is accepted by all the main trading countries in Europe and North America. The plan has been submitted to governments for study so that they can give their views in the course of 1954. The CONTRACTING PARTIES will then decide whether the plan provides an acceptable basis for agreement.

The following section of this pamphlet describes how the plan would work. That is followed by the rules of the plan, in which the commitments are set out, and by an annex in which some of the technical regulations are formulated. Those who find they need more detailed information are invited to ask the GATT secretariat for copies of the full report on the plan which was adopted at the Eighth Session of the CONTRACTING PARTIES in October 1953.
HOW THE PLAN WOULD WORK

Each government participating in the plan would undertake to reduce the average incidence of its customs tariff in a base year by 30 per cent, in stages of 10 per cent in each of the three successive years. Governments would not be required to reduce every tariff rate by this amount, for within certain limits they would be free to choose the items on which to make reductions. The reductions would, however, have to be distributed throughout the tariff and not concentrated in any one part of it, thus ensuring that the benefits would accrue to all supplying countries even to one whose interest might be limited to products of a certain class. In order to achieve that object the tariff would be divided into sectors covering broad categories of related products, such as primary foods, products of the chemical industry, etc., and the 30 per cent reduction would be applied to each sector.

The average incidence of the tariff in each sector is taken to be the percentage of the value of imports collected by the customs. If, for example, the value of the imports of the items in a certain sector of the tariff is 1 million francs and the duties on those items are 100,000 francs, the average incidence for that sector would be 10 per cent. In this example, assuming no change in the total value of imports in the sector, the plan would require reductions of duties sufficient to bring the duty collections down to 90,000 francs in the first year, to 80,000 francs in the second and, finally, to 70,000 francs in the third year.

Reduction by 30 per cent is the general rule, but less than that is required of countries having comparatively low duties. This would be accomplished by the establishment of a demarcation line and, below that, a floor for each sector. A country whose average duty incidence in any sector was below the demarcation line would be required to make less than the 30 per cent reduction, and if the incidence was below the floor rate no reduction at all would be required. Thus, if a country's average incidence in a sector stood, say, half-way between the floor rate and the demarcation line it would be required to make only half the reduction prescribed by the general formula, that is 15 per cent, or 5 per cent in each year. And if the average incidence is 10 in a sector for which the demarcation line is 12 and the floor rate 6, the required reduction would be 20 per cent over the three years. The figures suggested as demarcation lines for the various sectors, and the basis on which they have been calculated, will be found in paragraph 7 of the Annex to the Rules.

Each participating government would undertake the further obligation to reduce all duties which exceed certain upper limits. High rates of duty are likely to hinder or even prevent importation and, since little or no importation takes place and little or no revenue is collected, their impact on trade will not be reflected in the incidence of the tariff when computed on the basis of actual imports and duty collections. If a country has some very high duties in a given sector it will have to reduce those duties to the level of the ceilings during the first three years. These reductions can be counted in the reduction of the average incidence for
that sector, but will have to be carried out even if no reduction is required under the 30 per cent rule. It is proposed that a ceiling rate should be fixed for each of the four categories of imports, namely industrial raw materials, semi-finished goods, manufactured articles and agricultural products. The ceilings tentatively suggested appear in paragraph 9 of the Annex to the Rules. (It may be noted that these suggested ceilings do not differ substantially from those proposed in the recommendation of the Council of Europe.) If this additional obligation were not included in the plan there would be no guarantee that the high duties which are the greatest obstacles to trade would be reduced.

The flexible features of the plan may be further demonstrated. Apart from their obligation to observe the ceiling rates, and to achieve a definite quantum of reductions in the course of each of the three years, governments would be free to select the items in each sector on which to make reductions and to determine the degree of reduction for each item. Moreover, the method by which the reductions would be effected would be left to the discretion of each government. In some cases reductions would be brought about unilaterally, while in others they might result from bilateral negotiations on the basis of reciprocity; in other cases again they might be made under regional plans for economic cooperation. Finally, no government would be obliged to make reductions on the same items in each of the three years; that is, a rate of duty which is reduced in the first year would not need to be further reduced.

The plan acknowledges the need of less advanced economies to grant tariff protection to newly-established industries. Governments of countries recognized as being in the process of economic development and which elect to be governed by special rules would not be required to make duty reductions on products included in their development programmes. The right to exclude any particular product from the operation of the plan would be granted for a fixed period of time. These exclusions would be limited to products covered by a country's programme of economic development on which production had started before the plan entered into operation or was expected to start soon after the exclusion was approved. Further, for these countries the average incidence of duties would be computed on the tariff as a whole instead of by sectors so that they would have ample freedom in the selection of items for the application of the percentage reduction. The same advantages would be available to overseas customs territories of industrialised countries which are recognized as being in the process of economic development.

The plan also provides for the exclusion of certain items from the operation of the plan, i.e. governments could omit the value of imports of these items and the duty collections from the calculation of the average incidence and also omit those items from the obligations to reduce rates of duty. In the first place, governments would be permitted to exclude fiscal duties, i.e. duties which are imposed for the purpose of raising revenue rather than to afford protection to domestic production. Secondly, they could exclude duties on goods imported mainly from countries
which do not participate in the plan. This exclusion is provided for because governments would probably not wish to extend the benefits to countries outside the General Agreement and because the plan is based on the principle that every reduction of duty would have to be extended to all the contracting parties to the General Agreement whether they participate in the scheme or not.

It is proposed that the plan should operate in the first instance for a period of five years. The reduced rates of duty and the reduced average incidences in the various sectors would remain bound until the end of the period. There is, however, an escape clause under which exceptions to this rule could be allowed. A government could ask for authority to modify a duty which had been reduced on the ground that the maintenance of the bound rate would involve serious economic or social dangers. This authority could be granted by a favourable vote of the participating governments provided that the modification would be compensated by a further reduction on other items, so as to maintain the average incidence for the sector at the bound level, and provided further that the new rate would not exceed either the ceiling or the rate which was in force before the operation of the plan whichever might be the higher. In addition a government could be authorized in exceptional circumstances to maintain a particular rate above the ceiling fixed for goods of its category. Duties which are not reduced under the plan may be increased, provided that such increases would not have the effect of bringing the average incidence for the sector above the bound level and that the new rates would not exceed the ceilings.

It is envisaged that if the plan appears to be acceptable as a basis for action it will be referred to a governmental conference. The management of the conference would be undertaken by a committee composed of representatives of all the governments taking part in the conference. The functions of the committee would be similar to those of the Tariff Negotiations Committee which was the governing body at the GATT tariff conferences. Once in operation the plan would be administered by a permanent board composed of all participating countries. For administrative purposes the board would be considered as a subsidiary body of the CONTRACTING PARTIES. Unless all contracting parties should decide to participate, the plan would be embodied in a separate instrument governed by its own provisions, but in order to safeguard the benefits to be derived from the duty reductions this instrument would incorporate some of the provisions of the General Agreement such as those relating to margins of preference and the imposition of other duties or charges. The plan would not affect the obligations of contracting parties under the General Agreement, it would merely impose additional commitments.
THE RULES OF THE PLAN

RULE I: Reduction of the Average Tariff Incidence

(a) Each participating country shall reduce by 30 per cent, the average incidence of its duties in each sector, as defined in the Annex, of its import trade, this reduction being achieved in three years by reductions of 10 per cent each year.

(b) If, for any given sector, the average incidence of the duties of a participating country is lower than a demarcation line, the reduction to be effected under paragraph (a) will be proportionately decreased, and if that average incidence is equal to, or lower than, a floor which will be set at 50 per cent¹ of the rate at the demarcation line, that participating country shall not be required to reduce the average incidence of its duties for that sector.

(c) If, in the course of any given year, the reduction made in a sector is larger than the one required under this Rule, the excess shall be credited against the reduction to be made for the same sector in the following year or years.

(d) The reduction of the average incidence under this Rule shall be made in accordance with the detailed regulations contained in the Annex.

RULE II: Authorized Exemptions from the Operation of Rule I

(a) Each participating country shall be free to exclude from the operation of Rule I:

(i) any duty which is recognized as fiscal in accordance with the procedure laid down in paragraph (b), and also the value of the corresponding trade;

(ii) any duty levied on goods of which 50 per cent or more in value were imported by it from non-participating countries in the base year - and also the value of the corresponding trade - provided that a participating country is not the principle supplier in the sense of the rules of negotiations under the General Agreement.

(b) For the purposes of paragraph (a) (i), a duty shall be considered as "fiscal" if it is recognized by the Conference Committee or the Board, as the case may be, that the duty is predominantly of a fiscal nature.

¹The figure of 50 per cent is illustrative.
(c) The participating countries agree that it is highly desirable that, in the selection of goods to be excluded in accordance with the provisions of paragraph (a) (ii), participating countries should take into account the interests of other participating countries when the goods in question represent a substantial part of the export trade of those countries.

RULE III: Additional Commitments regarding the Reduction of High Tariffs

(a) Each participating country shall reduce every individual duty rate the incidence of which exceeds the ceiling referred to in paragraph (f) in such a way that, before the end of the third year of the operation of the Plan, the incidence of that duty is brought down to the level of the ceiling.

(b) The undertaking set forth in paragraph (a) applies to all participating countries irrespective of whether or not a duty higher than the ceiling is included in a sector for which the average incidence must be reduced in accordance with Rule I.

(c) In exceptional circumstances, the Conference Committee or the Board, as the case may be, may, by a decision approved by a two-thirds majority of the votes cast, authorize any participating country to maintain individual duty rates above the ceiling. Applications to that effect shall be circulated in advance to all participating countries.

(d) Each participating country agrees to introduce, at the request of the Board, an ad valorem maximum for any specific or combined duty the incidence of which is likely to exceed the appropriate ceiling, unless authority to maintain that rate above the ceiling has been granted by the Board in accordance with paragraph (c).

(e) The provisions of this Rule shall not be applicable to duties excluded from the operation of Rule I in accordance with the provisions of Rule II.

(f) For the purposes of this Rule the ceilings applicable to each category of goods shall be those laid down in the Annex.

RULE IV: Implementation of the Reductions under Rule I

Each country shall be free to select the items on which tariff reductions will be made and to apportion the reductions as between those items for which duty rates have to be reduced in accordance with Rule III and other items, provided that the aggregate average reduction made in the course of each successive year shall amount to the percentage required in each sector in accordance with Rule I.

RULE V: Binding of the Reductions and of the Averages

(a) The participating countries agree to bind against increase the average incidence of their tariff for each sector of their import trade at
the level resulting from the operation of Rule I until .................. 19.\textsuperscript{1},
powered that if the average incidence for a sector is below the floor for that sector the incidence would be bound against increase at the floor level and not at the actual level of that incidence.

(b) The participating countries further agree to bind against increase until .................. 19.\textsuperscript{1}, all duty rates which have been reduced in accordance with Rule I or Rule III.

(c) Notwithstanding the provisions of paragraph (b), a participating country may modify a rate bound under that paragraph if the Board agrees by a two-thirds majority of the votes cast\textsuperscript{2} that the maintenance of the rate at the bound level would involve serious economic or social dangers. The participating country will then be free to modify the rate provided that:

(i) the modification will be compensated by a further reduction on other items, so as to maintain the average incidence for the sector at the level bound under paragraph (a), and

(ii) the new rate shall not exceed the ceiling as determined under Rule III or the rate which was in force before the operation of the Plan, whichever is the higher.

(d) Participating countries shall be free to increase any duty which has not been reduced in accordance with Rule I or Rule III, provided that such increase shall not have the effect of bringing the rate above the ceiling determined under Rule III or the average incidence for the sector above the level bound in accordance with paragraph (a).

RULE VI: The Board

A Board composed of representatives of the participating countries shall meet from time to time for the purpose of giving effect to the provisions of this Plan which involve joint action.\textsuperscript{2}

RULE VII: Special Provisions applicable to Countries and Customs Territories in the Process of Economic Development

Countries or customs territories which the CONTRACTING PARTIES to the General Agreement recognize as being in the process of economic development can elect to be governed by the following provisions:

\textsuperscript{1} The date to be inserted would be the end of the fifth year after the entry into force of the Plan.

\textsuperscript{2} The voting requirements for the Board, procedures for granting waivers, etc., would be included in the Plan and would be modelled on the corresponding provisions of Article XXV of the General Agreement.
(a) For the purposes of Rule I, the reduction of the average incidence will be computed on the tariff as a whole and not by the sectors; the demarcation line shall be fixed at 10 per cent.¹

(b) For the purposes of Rule II, these countries and customs territories will be authorized to exclude

(i) all their fiscal duties, and also the value of the corresponding trade, and

(ii) the duties affecting products included in their programme of economic development, and also the value of the corresponding trade.

(c) The provisions of Rule III shall not be applicable to duties excluded from the operation under paragraph (b).

(d) The Conference Committee or the Board, as the case may be, shall approve the list of duties to be excluded under paragraph (b); it shall determine the period during which such exclusion would be operative and make arrangements for the submission of reports and other data that may be considered necessary.

(e) Applications for the extension of the period of exclusion of individual duties or for the exclusion of duties affecting products included in new or revised programmes of economic development shall be addressed to the Board. The Board may agree to such an extension or to the exclusion of additional items under such terms and conditions as it may lay down.

RULE VIII: Other Provisions

In the operation of the Plan, the participating countries shall be governed by the rules contained in specified provisions of the General Agreement, which shall apply mutatis mutandis.²

---

¹ The figure of 10 per cent is illustrative.

² The provisions of the General Agreement which would be specified in this Rule would include those relating, for example, to the maintenance of existing preferential duties and margins of preference (Article I: 2 and 4), to the imposition of duties or charges on imports other than those provided for in the Schedules to the Agreement (Article II: I(b)), to the imposition of anti-dumping and countervailing duties (Article VI), etc.
ANNEX TO THE RULES

METHOD OF COMPUTATION, LINES OF DEMARCATION,
DIVISION OF TRADE BY SECTORS AND CATEGORIES, ETC.

1. Definition of the Average Incidence and Method of Computation of that Incidence

(a) For the purposes of Rule I, the average incidence for a sector shall be the ratio of the total duty actually collected to the value of goods imported for home consumption.¹

(b) In computing the average incidence for a sector, account should be taken of the exclusions made under Rule II.

2. Computation of the Average Incidence during the Successive Stages of Reduction

The average incidence during the three stages shall be computed on the assumption that the composition of the import trade during those stages remains the same as in the base year.

3. Selection of the Base Year

The base year for the computation of the average incidence shall be the same for all participating countries.

4. Method used for the Valuation of Imports

(a) All valuations shall be on a c.i.f. basis.

(b) A participating country using an f.o.b. basis of valuation may compute its average incidence in all sectors on that basis, provided that the same basis is used for the computation of the average incidence in the successive years. However, for the purposes of Rule I (b), the f.o.b. incidence may be converted to a c.i.f. incidence by increasing the value of goods imported by 10 per cent. For the purpose of comparing the f.o.b. duties with the ceilings provided for under Rule III the f.o.b. duties may be deflated by 10 per cent.

5. Formula for the Reduction of an Average Incidence below the Demarcation Line

When the average incidence in a given sector is situated between the floor rate and the demarcation line, the percentage of reduction required

¹ This is an abbreviated definition. The definition given in the Plan contains special provisions to cover special cases.
shall be determined according to a formula illustrated by the following example in which the demarcation line is 10, the floor rate is 5, and the average incidence is 7:

the percentage of reduction to be carried out in the sector

\[ = 30\% \times \frac{7 - 5}{10 - 5} = 12\% \] over three years, i.e., 4% in each year.

6. Division by Sectors

The proposed division of import trade into ten sectors is given below:

Sector I: Primary Products for Food excluding Fish
Sector II: Manufactured Products for Food excluding Fish
Sector III: Fish and Fish Products
Sector IV: Raw Materials, including Petroleum Products
Sector V: Products of Chemical and Allied Industries
Sector VI: Leather and Products of Leather, Fur Skins, Rubber, Wood, Cork, Paper and Printed Matter
Sector VII: Textile Products and Clothing
Sector VIII: Base Metals and Manufactures thereof
Sector IX: Machinery, Electric and Transport Equipment
Sector X: Miscellaneous Manufactures

7. Suggested Lines of Demarcation for the Ten Sectors

The following table shows the lines of demarcation which have been calculated on the basis of a weighted average of the weighted averages of

Suggested demarcation lines and weighted average incidence by countries and sectors

<table>
<thead>
<tr>
<th>Sector</th>
<th>Suggested Demarcation Lines</th>
<th>Austria</th>
<th>Belgium</th>
<th>Canada</th>
<th>Denmark</th>
<th>France</th>
<th>Fed. Rep. Germany</th>
<th>Italy</th>
<th>Norway</th>
<th>Sweden</th>
<th>USA</th>
</tr>
</thead>
<tbody>
<tr>
<td>I</td>
<td>7</td>
<td>30</td>
<td>1</td>
<td>4</td>
<td>1</td>
<td>11</td>
<td>11</td>
<td>27</td>
<td>2</td>
<td>5</td>
<td>2</td>
</tr>
<tr>
<td>II</td>
<td>11</td>
<td>21</td>
<td>5</td>
<td>7</td>
<td>1</td>
<td>9</td>
<td>21</td>
<td>23</td>
<td>3</td>
<td>3</td>
<td>10</td>
</tr>
<tr>
<td>III</td>
<td>8</td>
<td>1</td>
<td>14</td>
<td>9</td>
<td>0</td>
<td>2</td>
<td>2</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>4</td>
</tr>
<tr>
<td>IV</td>
<td>2</td>
<td>1</td>
<td>0</td>
<td>2</td>
<td>0</td>
<td>2</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>V</td>
<td>8</td>
<td>9</td>
<td>4</td>
<td>7</td>
<td>1</td>
<td>17</td>
<td>15</td>
<td>20</td>
<td>6</td>
<td>3</td>
<td>6</td>
</tr>
<tr>
<td>VI</td>
<td>6</td>
<td>10</td>
<td>10</td>
<td>11</td>
<td>4</td>
<td>15</td>
<td>14</td>
<td>21</td>
<td>8</td>
<td>5</td>
<td>2</td>
</tr>
<tr>
<td>VII</td>
<td>14</td>
<td>21</td>
<td>13</td>
<td>14</td>
<td>4</td>
<td>18</td>
<td>18</td>
<td>22</td>
<td>13</td>
<td>6</td>
<td>18</td>
</tr>
<tr>
<td>VIII</td>
<td>7</td>
<td>11</td>
<td>4</td>
<td>10</td>
<td>1</td>
<td>6</td>
<td>10</td>
<td>22</td>
<td>3</td>
<td>3</td>
<td>6</td>
</tr>
<tr>
<td>IX</td>
<td>11</td>
<td>23</td>
<td>10</td>
<td>9</td>
<td>4</td>
<td>16</td>
<td>12</td>
<td>23</td>
<td>6</td>
<td>10</td>
<td>6</td>
</tr>
<tr>
<td>X</td>
<td>12</td>
<td>11</td>
<td>9</td>
<td>11</td>
<td>5</td>
<td>14</td>
<td>8</td>
<td>20</td>
<td>13</td>
<td>6</td>
<td>16</td>
</tr>
</tbody>
</table>
the tariffs of ten countries, after exclusion of duties which they consider as "fiscal". The table gives also the average incidence on a c.i.f. basis of those ten tariffs, for the sake of comparison; for most of these countries the figures should not be substantially different from the actual incidences to be reduced under the Plan if it were to come into force in the near future.

8. Preferential Trade

(a) Participating countries shall be free to include the duty collected at preferential rates as well as the value of the preferential trade (i.e. the goods on which such duty has been levied plus duty-free goods from the preferential area) and to include reductions made on preferential as well as on most-favoured-nation rates in the computation of the successive reductions in the average incidence.

(b) The operation of the Plan shall not allow any country to increase margins of preference so as to exceed the level authorized under the General Agreement.

9. Division into Categories

The division of import trade into four categories and the suggested ceiling rates are as follows:

Category I: Industrial Commodities: Raw materials ............... 5%
Category II: Industrial Commodities: Semi manufactures ............ 15%
               (Commodities simply transformed or due for considerable further transformation)
Category III: Industrial Commodities: Finished manufactures ....... 30%
               (Commodities more elaborately transformed or not due for further transformation)
Category IV: Agricultural products ........................................ 27%