1. The Group met on 28 April 1964 to discuss, from a technical point of view, the proposal submitted by the European Economic Community in TN.64/NP/8 for special rules for tariff reductions to apply in cases where significant disparities are identified.

2. The following points were explained by the representative of the Community in answer to questions:

   (a) only rates of duty which qualify for disparity treatment in their own right would be subject to the special scale of reductions;

   (b) all rates above 25 per cent which qualify for disparity treatment would, under the particular sliding scale proposed by the Community, be reduced by 35 per cent. The scale, that is, did not stop at 30 per cent or any other particular point.

3. The Group agreed that, subject to possible amendments of detail, a sliding scale of the type proposed by the Community seemed to offer a practical basis for meeting the general considerations set out in paragraphs 1-3 of TN.64/NP/8.

4. The following points of detail were made in discussion:

   (a) Although the Community’s proposal was designed to avoid an "overlapping" of rates which would be subject to the sliding scale, there could still be overlapping between rates which were subject to the scale and rates which were subject to the linear cut. For example, where the high rate was 60 per cent, a rate of 30 per cent would qualify for disparity treatment and would be reduced by 35 per cent to 19.6 per cent; a rate of 31 per cent in the tariff of another country on the same product would not qualify, and would be reduced by 50 per cent to 15.5 per cent. The relation between the two lower rates would, therefore, be reversed. It was noted that the problem had been discussed in the Sub-Committee (see paragraph 5(x) of TN.64/NP/6).
(b) Since under the scheme proposed by the Community the depth of the
tariff reduction, in the case of specific duties, would have to be
related to their ad valorem incidence, and since the ad valorem
incidence of specific duties often varies considerably both between
one period and another and also between different sources of imports,
anomalies could arise in that some exporters would obtain a greater
benefit than that intended and others a lesser benefit. It would,
therefore, be necessary to bear this point in mind when deciding
on the basis for calculating the ad valorem incidence of specific
duties. The most practical way of doing this would be to use the
average ad valorem incidence of the specific duty on total imports
into the country concerned.

5. The Group noted that, in drawing up their proposal, the Community had been
guided by the general consideration that the average of the reductions to be
effected on the rates qualifying for disparity treatment should be about
25 per cent.

6. It was pointed out that, given the different tariff structures of different
countries, the average reduction made on rates qualifying for disparity treatment
would, under any single sliding scale, vary as between the tariffs of different
countries. Even in respect of any one tariff, the average reduction would be
different for different exporting countries depending on the products in which
they were interested.

7. The representative of the Community said that, on the basis of their cal-
culations, the scale they had proposed would yield an arithmetic average cut
of 24.6 per cent in Community duties in respect of which the Community would
invoke prima facie disparities. The United Kingdom and United States represe-
tatives said that, on their calculations, the arithmetic average of the cut by
the Community on these items would be about 22 per cent. The United States
representative added that they had also calculated that the average cut
weighted by trade volumes would be 21 per cent. It was agreed that the
delugations concerned would discuss the calculations further with one another
in order to reconcile the differences.

8. The Norwegian representative said that his delegation had calculated that,
under the Community formula, the average reduction to be made by the Community
on disparity items of interest to Norway would be about 18 per cent.

9. It was pointed out that, if the calculation of the United States and the
United Kingdom referred to in paragraph 7 above were correct, then it would seem
to follow that, to secure a 25 per cent cut by the Community on the disparity
items, the mid-point of the scale would have to be lower than the 15 per cent at
present proposed. The representative of the Community pointed out, however, that
it was not possible at this stage to say what the effective average cut would be
in the products on which the Community would in fact invoke the disparity formula.
Further, their proposal had been drawn up in the light of very general considerations designed to secure something like a 25 per cent reduction in the level of all duties which would qualify for disparity treatment, and not with a view to securing a precise average 25 per cent reduction on disparity items in any one particular tariff.