

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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## WORKING PARTY 2 ON REDUCTION OF TARIFF LEVELS

### Supplementary Note by the French Delegation concerning the Plan for the Lowering of Customs Tariffs

In its proposal with a view to a general lowering of customs tariffs (GATT/CP.6/23), the French delegation had stressed that special waivers or special methods might be provided for in the case of countries which might not be in a position wholly to effect the proposed lowering of tariff rates because they have not reached an adequate degree of economic development.

At its first session held in October 1951 the Working Party dealing with the French plan for a lowering of customs tariffs had requested a Sub-Group of representatives of industrialized countries to examine the technical aspects raised by the possible application of the French plan.

The Working Party is to meet again in the near future in order to examine the technical implications of the extension of the plan to countries in the process of industrial development.

In order to facilitate an examination of the matter by under-developed countries, the French Delegation deems it useful to give a number of precisions as to the kind of waiver which in its opinion could be granted to under-developed countries to make it easier for them to participate in the plan. The French delegation recognizes that there are countries undergoing industrial development for which the application of the French plan would raise difficulties which are not only of an economic but also a fiscal nature. Indeed for most of these countries customs revenue represents a very substantial part of budgetary income. The French delegation suggests that more favourable treatment should be provided for in the case of countries where customs receipts represent at least X% (this percentage to be agreed within the Working Party) of total revenue.

Countries having thus been divided into two main categories those falling within the second one, i.e. countries in the process of industrial development, could be accorded the following advantages:

The reduction which such countries would have to make in the weighted average incidence of customs protection could be:

- a) - computed on the basis of the whole tariff instead of being calculated sector by sector as in the case of highly industrialized countries;

- b) - reduced by a certain percentage, such a reduction to be based on the existing ratio between customs receipts and total revenue. Suppose, for instance, that in Ruritania, a country undergoing industrial development, the ratio between customs receipts and total revenue was 50% (such a percentage exceeding the figure which served as a basis for the division of countries into two categories): the amount by which Ruritania would then have to reduce its average customs protection could be limited to, say, 20%.

In fact, the higher the ratio between customs receipts and total revenue, the smaller the reduction to be effected.

Such readjustments are based on the assumption that the method of application of the French plan will not include general provisions concerning fiscal duties that were applicable to all countries irrespective of their degree of industrial development. If such provisions were eventually included, contrary to the proposals previously submitted by France, it goes without saying that they would also apply to under-developed countries. Such countries would then have to divide their customs duties into two categories: duties of a purely fiscal nature which would be excluded from the operation and any other customs duties which would be regarded as being of a mixed character.

It is understood that nothing in the French proposal would prevent under-developed countries from obtaining the benefits resulting from the provisions of Article XVIII of the General Agreement.

The French delegation suggests that any increase in duty rates authorized under Article XVIII should not affect the application of the plan. As regards duties which had been increased under Article XVIII prior to the implementation of the plan, it would seem reasonable that such duties should be excluded from the computation of the weighted average.

