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Agreement to keep the average level of import duties below a certain maximum

Motion for a resolution

tabled by Mr Bertil G. OHLIN and other members of the Assembly

Explanatory Memorandum

It is generally considered self-evident that a liberalisation of foreign trade in democratic Europe is an important part of any effort to raise the standard of living; it would also help to strengthen the economic position in democratic Europe and increase its social and political stability. The gradual limitation of import quotas that has been obtained through the efforts of O. E. E. C. represents a very important step forward in this direction. The same will no doubt prove to be true of the European Payments Union which has recently been formed at the suggestion of the Economic Committee of the Council of Europe.

Much less progress has been made in the field of tariffs. A Tariff Union comprising the States that are members of the Marshall Organisation has been proposed. The technical work connected with this project is still in a preparatory state and the political difficulties that must first be surmounted are very considerable. It is hardly conceivable that a tariff union could be made to function successfully unless it is accompanied by a co-ordination of the financial, monetary and wage policy in the participating States.

Thus, if we want quick results from a European tariff policy, it would probably be preferable not to aim at what at present seems impossible, but rather a less ambitious objective namely, to keep the import duties, in democratic Europe on a relatively IOAV level. This would presuppose a tariff reduction in countries where the tariff is at present rather high and an undertaking by low tariff countries to abstain from any essential increase in the degree of production.

The Gatt-Agreement and the International Trade Organisation and the accompanying negotiations have achieved considerable tariff reductions. But progress on this world-wide level has been slow, and it may be worth while to seek more rapid progress on the European level towards a liberal trade policy. Such policy, if successful, might prove to be the first step to a tariff union.

An agreement of this kind would make it easier for Governments and Parliaments to withstand claims for tariff increases from pressure groups. It would leave each country considerably free to handle its policy without any detailed control by an international agency; it should also be easy to administer. One possible method is outlined below.

Motion

An enquiry should be held into the technical implications of an agreement to keep the average level of import duties for all commodities taken together below a certain maximum level, in other words, a " Low Tariff Club ".

Some of the technical problems involved are given below :

1. How is the average height of the tariff to be computed?
 - a. The height of each individual tariff has to be expressed in percentage figures. Is it possible to simplify matters through the consideration only of duties on goods of some importance?^



- b.* How is the weighting of the individual duties to be made when the index is constructed? Can O. E. E. C. supply figures for the importance of the different commodities or groups of commodities in foreign trade?
 - c.* Is it justifiable to exclude raw materials altogether?
 - d.* Are financial duties and indirect taxes on goods that are produced to a very small degree or not at all, in the respective countries, to be treated differently?
 - e.* Are the tariffs in democratic Europe sufficiently standardised to be comparable and to serve as a basis for the computation of an index of the weight of the average tariff?
- 2. How high are the different tariffs in Europe today?
- 3. Should the Member States be allowed to have higher import duties on goods coming from "outside countries"? If so, the most-favoured-nation has to be modified. The agreement would then be explicitly constructed as the first step towards a tariff union.
- 4. Should countries which are not Members of the Council of Europe be invited to join the Low Tariff Club? If the United States joined, world trade would be much freer than today.

As points 3 and 4 touch upon political considerations, an investigation by experts might be confined to points 1 and 2 to begin with: The answer to question 2 presupposes that the problems under no. 1. have been solved.

Signed (see overleaf)

Signed:

OHLIN Bertil G., Sweden