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Study of the substance of the proposal for a Low Tariff Club undertaken bu G.A.T.T.

Report
Committee on Economic Affairs and Development
Rapporteur: Mr Roger MOTZ, Belgium

A. Draft Resolution

The Assembly,

Having noted the decision of the Contracting Parties of the General Agreement on Trade and Tariffs to accept the request of the Council of Europe that the question of creating a Low Tariff Club be incluted in the Agenda of their eight annual session;

Observing with satisfaction that, as a result of the study of the French plan for the reduction of tariffs recently carried out in Geneva, this Plan has in several respects been brought into line with the proposals formulated by the Consultative Assembly in its scheme for the creation of a Low Tariff Club,

1. Reaffirms its conviction that efforts should continue to be made to increase world trade by removing the obstacles in its path, and that, in particular, the States should agree to introduce substantial tariff reductions as soon as possible;

2. Expresses the hope that the work of the Contracting Parties of GATT on the various plans for tariff reductions submitted to them will lead at an early date to constructive proposals so that a further step may be taken towards lowering customs barriers.

B. Draft Order

1. The Assembly instructs the Secretariat- General to follow the development of this problem and decides to retain the question on its agenda.

C. Explanatory Memorandum

1.

At its Session of last May, the Consultative Assembly took note of the Memorandum prepared for the Council of Europe by a group of experts of G. A. T. T. on the technical implications of Recommendation 11 of the Assembly (creation of a "Low Tariff Club".

Following a general debate on 13th May, 1953, the Assembly adopted a Resolution that the Contracting Parties to G. A. T. T. should be asked to include the question of the Low Tariff Club in the agenda of their next Conference.

On 30th June, 1953, the Committee of Ministers' Deputies acted upon the Assembly's Resolution by deciding to invite the Contracting Parties to make a detailed study of the creation of the Low Tariff Club advocated in Recommendation 11 (1951) of the Consultative Assembly.

At its last session, the Intersessional Committee of G. A. T. T. considered the request of the Council of Europe and submitted recommendations to the Contracting Parties.

The Plenary Conference of the Contracting Parties opened in Geneva on 17th September, accepted the recommendations of the Intersessional committee and it contemplates setting up a special " Intersessional Body " to examine, during the coming months, the Council of Europe's plan, and the French plan for a general lowering of tariff levels submitted to the Plenary Session of the Contracting Parties by M. Pflimlin in 1951. The purpose of this Body would be to work out new proposals, based on the principles of the abovementioned plans which might be approved by the Contracting Parties and serve as a basis for further negotiations with a view to a general lowering of tariffs.

The response of the GATT Conference to the request of the Council of Europe seems likely to meet the wishes of the Consultative Assembly, whose debates on this question have shown that it is not particularly concerned with the adoption by the Member States of the Low Tariff Club scheme as it stands. Its chief concern is that the States shall decide as soon as possible on substantial tariff reductions based on principles similar to those advocated in its own plan.

It should be noted in this respect that the French Plan has been given further detailed examination during recent months by a special Working Party of the Contracting Parties. As a result the Plan has been considerably amended and is now in several respects similar to the Council of Europe plan. Thus, with regard to the fixing of ceiling rates for hi2gh duties, the French Plan now proposes that the products be sub-divided into four major categories (raw materials, semi-finished goods, finished goods, and foodstuffs) as provided for in the scheme for a Low Tariff Club. The French Plan proposes that the following ceiling rates for these four categories should be adopted : 5 % for raw materials, 15 % for semifinished goods, 30 % for finished goods and 27 % for foodstuffs. It will be recalled that in the scheme for a Low Tariff Club the same ceiling rates were proposed for raw materials and semi-finished goods, and a slightly lower rate (25 %) for finished goods and foodstuffs.

It should also be noted that the ceiling rates proposed in the French Plan are the outcome of detailed investigations by the Secretariat of G. À. T. T. They have been fixed according to calculations made on the averages of the various customs tariffs in force in the Contracting Parties, and it is therefore all the more remarkable that they should more or less coincide with the ceiling rates tentatively adopted two years ago by the Consultative Assembly in connection with its scheme for a Low Tariff Club.

It should also be noted that the fact of the Low Tariff Club proposal being studied by the Intersessional Body, assisted by the GATT Secretariat, may make it possible to examine, at least along general lines, a question to which the Consultative Assembly seemed to attach particular importance in its Recommendation 11, and to which it again referred in its Order No. 19 of the 13th May, 1953, namely, " a preliminary survey of the possible effects of the creation of a Low Tariff Club on employment and productivity ".

The attitude of the Contracting Parties towards the Low Tariff Club and the Pflimlin Plan must be interpreted in the light of the present situation with regard to tariffs. The uncertainty prevailing pending disclosure of the decisions taken by the United States on its trade policy, including tariffs,—decisions which will doubtless be taken early next year— is holding lip, and will continue to hold up for some time, any decision on tariff matters by the Contracting Parties. Only if the United States decide to relax their system of trade protection will further progress in tariff reductions be possible. It is indeed the object of the Contracting Parties' decision to prepare

the ground and, during the coming months, with the help of the Americans—for they will be represented on the Intersessional Body—to give final form to the instrument which will enable this new step to be taken towards the lowering of tariff barriers, once the United States Government has defined its trade policy.

The Committee unanimously proposes to the Assembly to adopt the following draft Resolution :