One of the tasks of the Committee on Trade in Industrial Products is to carry out "an objective analysis of the tariff situation as it will be when all Kennedy Round concessions are fully implemented". For this purpose the secretariat, under the guidance of a Group of Technical Experts, has compiled basic documentation which is of considerable volume and technical complexity. The Expert Group has now completed its assignment.

The Committee may now wish to establish a working group to carry out the analysis on the basis of this documentation. Obviously, the aspects of the tariff situation that could be analyzed are so numerous that a selection of the most relevant ones has to be made in order for the analysis to be manageable in practical terms. The purpose of the present note is to assist the Committee in its task of formulating the terms of reference for a Tariff Study Group by describing, in non-technical language, the contents of the documentation and by indicating some of the issues which might be clarified by the use of this material.

The basic documentation consists of three summary tables. Summary Tables 1 and 2 are exhaustive, i.e. comprise all national tariff items of BTN Chapters 25-99 for the following countries: the EEC, United States, Canada, Japan, United Kingdom, Sweden, Denmark, Norway, Finland, Switzerland and Austria. Table 1 presents these items, in comparable columns for these countries, classified by BTN headings. For each heading, two averages - weighted and unweighted - of duty rates of items classified under that heading were calculated, once for all items, once for dutiable items only. The range of the lowest and the highest rate of items under each heading is also shown. Imports corresponding to each heading are tabulated, broken down into most-favoured-nation, preferential and area imports, and other than most favoured nation or preferential, and by origin into imports from developed, developing and Eastern trading area countries. Finally, a horizontal summary is presented giving overall duty averages for all eleven countries combined and their combined imports.

Summary Table 2 groups this information into twenty-three large categories, corresponding to industrial sectors such as leather and leather products, wood and paper, textiles, metals, etc. Each category is sub-divided into three or more levels according to the stage of processing (raw materials, semi-manufactures and finished products) or end-use of the products (e.g. the category of transport equipment is sub-divided into motor vehicles, aircraft, ships and boats, and other transport equipment). Four types of averages were calculated for each category and sub-category,
an unweighted one and three employing different weighting methods, each again presented separately for all items and non-dutiable items only. A frequency distribution of tariff items for each category and sub-category is also provided, indicating the number of items falling into each 5 per cent range (0-5, 5-10, 10-15, etc.). Finally, the tabulation again contains a horizontal summary giving overall duty averages, and total imports, of all eleven countries combined.

Summary Table 3 is selective in the sense that it includes only these categories and sub-categories which lend themselves to meaningful analysis by the degree of processing. It utilizes the four types of averages employed in the preceding table, tabulated in a form that lends itself to an easy calculation of tariff differentials between individual stages of processing. Most-favoured-nation, area and preferential trade is tabulated separately and the percentage composition of imports in each category (as between different stages of processing) is shown.

Table 1 is suitable for detailed analysis. This probably could best be undertaken at a later stage, when the general analysis has uncovered specific areas where either policy action might be undertaken quickly or where, on the contrary, special difficulties for policy action might be found to exist. Tables 2 and 3 present the broad outlines of the tariff situation, and it is on these tables that the Committee's analysis could most easily be initiated. Table 2, for example, gives what might be called the tariff profile of each country. The variation of the average duty from sector to sector could be easily plotted in the form of a graph and these graphs then compared between countries. Such a comparison would provide an answer to the important question as to whether there is a tendency for certain sectors to receive higher-than-average, and for other sectors lower-than-average protection in all, or most, of the countries studied. Since the tabulation contains overall duty averages for the eleven countries combined, it would also be possible to show, in each sector, the dispersion of the eleven national tariffs around that average.

In a more detailed examination of the tariff situation within each sector, the frequency distribution provided in Table 2 could be used to ascertain the degree of dispersion of tariff items around the sectoral and sub-sectoral average. It would be relevant to an eventual negotiation to know whether there are, in a sector and sub-sector, only a few items receiving high protection with the rest of the items carrying low or moderate duties, or whether the degree of the need for protection is relatively homogeneous. Should the Committee wish to carry this line of analysis further, it would be easy to identify from the basic data files established by the secretariat those items in each sector and sub-sector which carry peak rates of duties, as well as items with the lowest duty rates. These duty peaks and lows could then be compared between countries to see to what extent they coincide.

1 For EEC only preferential trade is tabulated here, mutual trade of the Six member countries being excluded.
These two analytical exercises would give an indication of the degree of tariff disparity remaining after the Kennedy Round.

Finally, many contracting parties consider it a high-priority objective to reduce the existing degree of tariff escalation. Tabulation 3 would permit an analysis aiming to ascertain the degree and industrial pattern of tariff escalation that prevails in the eleven tariffs after the Kennedy Round. For each sector and country, tariff differentials between different stages of processing could be calculated, and related to the overall average of the eleven countries combined. The examination would be of particular value in examining tariff differentials as they apply to exports from developing countries.

The basic documentation now available for intensive study in the capitals may well suggest additional lines of analysis. The Committee may, therefore, wish to reflect on the possibilities suggested in this note, together with those resulting from the further study of the basic documentation, and meet again in September with the object of setting up a Working Group and providing it with the guidance necessary to enable it to complete its work within the time-limits established by the twenty-sixth session.