REVISED DRAFT REPORT TO THE COUNCIL

1. At their twenty-sixth session, the CONTRACTING PARTIES noted with satisfaction the progress that had been made under the Work Programme established in 1967 and directed the Committee on Trade in Industrial Products to proceed with the task of formulating conclusions on possibilities for concrete action that might appropriately be taken to deal with the trade problems that arise in the field of industrial products. In this connexion, the CONTRACTING PARTIES stressed the importance of the earliest possible completion of the Tariff Study so that tariffs as well as non-tariff barriers could be fully taken into account in the execution of the Work Programme.

2. In February 1971 the Committee was able to report progress on both aspects of its work: preparation of the basic data on the Tariff Study had been completed and five sub-groups on non-tariff barriers had concluded a preparatory stage of examining the non-tariff barriers on the illustrative list and had begun the search for solutions to these problems.

3. The Committee now submits its third report to the Council in accordance with the decision of the Council of 22 February that it should report on both tariff and non-tariff work in time to permit the Council to report to the twenty-seventh session. This report sets out the actual situation of work in the three non-tariff barrier groups, and on the Tariff Study, as well as the views prevailing in the Committee on the work to be undertaken between the twenty-seventh and twenty-eighth sessions.

4. In February 1971, further work on both tariffs and non-tariff barriers was approved by the Council on the recommendation of the Committee. An extensive exchange of views on the Tariff Study resulted in agreement to establish a Working Party to submit a preliminary report on an agreed form of analysis, whilst on non-tariff barriers it was decided that the relevant existing Groups would make an effort to elaborate solutions on an ad referendum basis, beginning with the three topics which appeared to lend themselves most readily to concrete action. These topics were also selected with a view to giving priority attention to problems of interest to developing countries. The topics were: standards and their enforcement, existing systems of valuation for
customs purposes, and problems within the area of Group 4, where it was envisaged that initially work would focus on the operation of licensing systems. In the July and November meetings there has also been exploration of the possibility of adding other topics to the work programme on non-tariff barriers, taking into account the results of work in other GATT bodies.

5. The Committee noted that the Swedish delegation at the informal meeting of contracting parties in April, had put forward a proposal to establish a small trade policy group to investigate possibilities for new concerted efforts with special regard to timing and modalities. The Swedish delegation explained that the purpose of the policy group would be two-fold: to study negotiating techniques and to examine the scope of global negotiations. It was the intention of the Swedish delegation to pursue the proposal during the forthcoming session of the CONTRACTING PARTIES.

II. Non-tariff barriers

6. Work on valuation has reached a measure of agreement on two texts provisionally called "principles" and "interpretative notes". The latter give greater precision to Article VII, in particular to the concepts "actual value", "like merchandise" and "nearest ascertainable equivalent of actual value". The text still contains a few points on which there still remain some differences between the members of the Group. The Group considers that there is now need for reflection and decisions on whether and under what conditions the proposed texts are acceptable. The Group, having regard to the reservations made in the annexed document ..., considers therefore, that it would be appropriate to refer the texts to their administrations for careful examination and for consideration of changes to their legislations and practices which might be implied in accepting them.

7. In Group 3 on Standards, three meetings and the work of a Drafting Group of Experts have produced a working document covering definitions, the making of standards, their use, procedures to be followed relative to publicity, compliance, testing procedures and consultations concerning interpretation of the obligations. The Group has also debated certain issues involving differences of view which subsist in the text, including the question to what extent the principles of the instrument should be binding, to which States the instrument should be open, the kind of consultations wanted, and in particular the rôle of standards which are developed by limited groups of States in cases where other States interested in
the trade are not permitted to participate or choose to abstain from preparation of and participation in standards. Involved in this debate was also the question of the ability of States to enforce international obligations in the field of standards. At its latest meeting, the Group instructed the Chairman to pursue actively informal consultations with key members with a view to convening a meeting early in January.

8. In Group 4 on Licensing, an examination of individual countries' licensing systems has been carried out in an effort to determine what solutions would be appropriate to the problems identified. Some fifty replies were received from contracting parties in response to a questionnaire sent out by the Group, and a selection of replies was reviewed by the Group. Revised and supplementary documentation and a secretariat study of the replies are in preparation. The Group has prepared a working document which is now under study in capitals, concerning automatic licensing systems. It has also begun consideration of ways of improving existing systems of licensing to administer import restrictions and this work will be continued on the basis of a secretariat study.