Note for the Working Party

1. A study of the changing relationship between preferential and most-favoured-nation trade involves a number of technical difficulties stemming mainly from (a) the need for laborious sorting of statistical detail where such detail is available, and (b) the limited availability and comparability of sufficiently detailed statistics. To get around these difficulties a number of estimates and approximations, that would permit the study to be completed within the time period available, would need to be made. Suggestions made by the secretariat to this end will be put before the Working Party for consideration and advice. In addition, the secretariat will have to depend on the advice and assistance of the Statistical Services of the member countries for completing the tabulations within the allotted time.

2. In the Chairman's summing up it was indicated that the distinction of most favoured nation from preferential and other trade will be made by the sole criterion of the tariff rate applicable to each trade flow. In order to make the statistical task at all manageable, all other special conditions under which these exports and imports may take place - such as quotas, bilateral agreements, preferences effected through exchange control measures, etc. - will have to be disregarded in the study.

3. Obviously, not all the problems on which the secretariat will have to seek the advice of the Working Party can be foreseen at this early stage; the main ones, however, can be pointed out.

4. First of all, four to six years on which to perform the analysis will have to be selected from the period 1955-1970. There are two criteria for such a selection, and they can easily be found to be in conflict. First, the years chosen must be representative, i.e. must precede and follow the major changes in international commercial policy, and their trade levels should not be distorted by extreme movements of the international business cycle. Second, these years must be selected with a view to the quality and completeness of the statistical documentation available.

5. Perhaps the greatest difficulty will be found in obtaining statistical information on preferential trade within the several existing regional groupings of developing countries, such as the LAFTA, the CACM, etc. An effort will be made to obtain the information from the regional commissions and secretariats, and the matter may need to be reviewed in the light of the response.
6. In the trade involving developed countries, the main anticipated difficulties can be listed, in a descending order of magnitude, as follows:

(i) ascertaining for each year the duties actually applied, including temporary suspensions;

(ii) preferences granted by developed commonwealth countries, except United Kingdom, and South Africa;

(iii) trade of European Metropolitan countries with their dependent territories, and preferential exports of the EEC to its associates.

7. The difficulties mentioned, while differing in certain aspects from case to case, have three causes in common:

(a) for certain countries (in certain years) the classification adopted for import statistics differs from that of the customs tariff, and a full concordance cannot be established;

(b) even where the classification is the same, import statistics are not always published in the full detail of the customs tariff;

(c) in some cases, the published statistics report only major suppliers in the detailed commodity tables.

8. The secretariat will attempt to prepare some proposals for overcoming these difficulties for discussion in the next meeting of the Working Party which may take place before the end of January next year. At this meeting, any other problems the secretariat may encounter will also be brought up so that the secretariat may benefit from the Working Party's suggestions.