ISRAEL PROPOSALS FOR TARIFF STUDY ANALYSIS

During the interval which has elapsed between the termination of the work of the Group of Technical Experts on the Tariff Study (in, I believe, May 1970) and the establishment of the present Working Party, my authorities have had time to study in detail the three Summary Tables which were produced by the Experts' Group and which presumably will comprise the starting point for the deliberations of our Working Party.

We have as our Terms of Reference inter alia the carrying out of an "objective analysis of the tariff situation as it will exist when all Kennedy Round concessions have been fully implemented - in order to provide the Industrial Committee with the necessary elements for carrying out its terms of reference in the tariff field".

At this stage, very little thought seems to have been given to the way in which any future negotiations for the reduction of tariff barriers will be carried out although clearly the technique to be employed in future negotiations will have a strong bearing on the type of material which the present Working Party should be required to produce. For example, should the next series of tariff negotiations be carried out in the traditional GATT manner of bilateral negotiations on an individual tariff item basis, then the sort of material which we have in Summary Tabulation 2 might be of very little use although on the other hand Summary Tabulation 1 might be extremely useful. If, on the other hand, negotiations were to take the form of block bargaining in regard to entire branches of industry, then an analysis on the lines of Summary Tabulation 2 might be more pertinent.

Summary Table 3 was produced mainly to meet the needs of the developing countries with an eye to highlighting the problem of tariff escalation. Presumably the aim of the tabulation is not simply to prove that escalation takes place - a fact which is already generally accepted - but to show the different degrees of escalation between different industries and different countries, so enabling the developing countries to concentrate in any future negotiations on their most problematic areas.

My authorities have certain technical criticisms in regard to Summary Table 3: firstly, together with other developing countries which took part in the Experts' Group, we have already pointed out that the use of four different averages makes the table unnecessarily complicated and that two averages would have been quite sufficient for our purposes - but we had to bow to pressures of certain members of the Group on that question.

./.
Secondly, my authorities have some detailed criticisms in regard to the make­up of a few of the industrial sub-categories. We are of the opinion that some of the BTN items have been allocated to the incorrect level of processing and we feel that this could bring us to some misleading results. However, this may not be the time to go into details although I should be happy to supply details to the Working Party at the appropriate stage.

Apart from these comments on Summary Table 3, we should like to make some other practical suggestions in regard to fields of investigation which might be of some considerable benefit to the developing countries. Here I should make a comment that in most instances developing countries do not have operating in their economies complete branches of industry in the sense of a fully industrialized country. In a developing country an "industry" will often consist of one or two factories producing related lines.

Consequently the main interest of the developing countries may well be centred in a more detailed BTN line type of analysis as exemplified in Summary Tabulation 1 than in the product category type of study that we have in Summary Table 2. Hence all of our present suggestions are related to material to be found in Summary Tabulation 1.

One problem which might be usefully examined by the Working Party is that of tariff items on the tariff line level with unusually high duties which are almost certainly trade hampering if not trade preventive. We would suggest that these may be found by comparing instances where the weighted average is on or close to zero whilst the simple average is comparatively high. Thus, for example, in Summary Tabulation 1, BTN item 31.03 in the cases of Canada and Japan the weighted averages of dutiable items are on zero whereas the simple averages are 14.4 and 10.0 respectively. This would seem to indicate the existence of high duties on individual tariff lines which are completely trade inhibiting and consequently do not show up in the weighted average. We have found other instances of this for different products and countries and we think it would be most useful if this problem could be tackled in a systematic way.

Another problem which might be usefully tackled is in regard to those items where many countries have zero duties and some countries only have low duties of not more than 5 or 10 per cent, which would appear to have no protective purpose. If many examples of this could be found affecting differing countries and products, it may be possible to envisage a trade-off in which all countries reduced duties zero on all of these items. Examples of this situation which we have found include BTN items 49.01, 33.01 and 34.03, but we are sure numerous examples could be found if the problem were to be tackled systematically.

Our third suggestion would be an examination in depth of items of particular interest to the trade developing countries to see whether or not such items are generally subject to comparatively high rates of duty. Cases where the developing countries are the major suppliers may be easily identified from the material in Summary Tabulation 1, such as, for example, 74.01 (unwrought copper) or 44.03 (wood in the rough).

These then are our preliminary suggestions in regard to the future work programme of the Working Party insofar as it affects the developing countries and I look forward to the reactions and detailed comments of members of the Working Party.