COMMITTEE ON TRADE IN INDUSTRIAL PRODUCTS

Draft Report to Council

The Committee on Trade in Industrial Products, which was created by the CONTRACTING PARTIES at their twenty-fourth session in November 1967 to explore the opportunities for making progress toward further liberalization of trade, made its first report (L/3298) to the Council in December 1969. Acting upon the recommendations of the Committee, the Council and subsequently the CONTRACTING PARTIES at their twenty-sixth session decided to move to the second stage of the work, namely to formulate conclusions on possibilities of a concrete action to deal with the problems that arise in the field of industrial products. The same decision was taken with regard to the Agriculture Committee. Furthermore, the CONTRACTING PARTIES stressed the importance of the completion at the earliest possible date of the tariff study so that tariffs as well as non-tariff barriers could be fully taken into account in the carrying out of the work programme. The CONTRACTING PARTIES recognized in this context that the creation of a favourable point of departure for future action required that each contracting party individually refrain from aggravating the problems and obstacles to be dealt with. Finally, it was decided to organize this next stage by setting up five working groups to deal with the non-tariff barriers identified in an Illustrative List (annexed to L/3298). The decision was made on the understanding that the work was to be conducted in an exploratory manner and involved no commitment to take or join in any action under discussion.

1The composition and terms of reference of the Committee appear in document COM.IND/1/Rev.2.
It was agreed that the Committee should submit a progress report to the Council permitting the Council to decide upon what sort of action should then be embarked upon.

The Committee herewith submits its second report to the Council covering work completed between the end of the twenty-sixth session (February 1970) and the end of the year 1970.

I. Non-Tariff Barriers

Work has proceeded on non-tariff barriers along the lines indicated in the first report. The five groups envisaged there were established and a series of meetings was held in the spring to examine the problems which had been identified in the five parts of the Illustrative List of Non-Tariff Barriers. The subject areas with which the Groups dealt were: Government Participation in Trade, Customs and Administrative Entry Procedures, Standards, Specific Limitations on Trade, and Charges on Imports. These meetings resulted in preliminary reports which were submitted to the Industrial Committee at its meeting on 13 July 1970 (COM.IND/W/31) and to the member governments. After the meeting of the Committee the Chairman of the Committee made an oral report to the Council on 15 July 1970 on progress up to that point, but it was agreed to follow the recommendations of the Committee and allow some time for reflection in capitals on how to proceed. The secretariat did some work designed to assist in this process by summing up preliminary results.

In the autumn it was agreed at a meeting of the Steering Group to hold another round of meetings of the Groups in hopes that this would permit preparatory work to be completed as envisaged by the CONTRACTING PARTIES. In this connexion, it was noted that in the absence of a decision on the question whether action was to be undertaken, the scope of feasible preparatory work was necessarily somewhat limited.

Accordingly, in November and December, a second round of meetings of the Groups was held, in an effort to refine the choices of problems offering the best prospects for solution, to carry possible solutions a little farther if possible,
and to complete preparatory work so far as possible in the absence of decisions concerning action. The reports, which are annexed, all conform to this pattern.

In all of the Groups, an effort was made to identify possibilities for giving special priority to action to remove barriers of special interest for the trade of developing countries, even though few of the measures considered affect exclusively or mainly the developing countries. Where measures affected particular products, the interests of developing countries in some have been noted. On more general problems such as subsidies, valuation, and procedures for the administration of import restrictions, health and safety regulations, the special unfavourable incidence of such measures on developing countries and their special problems in dealing with complex regulations have been noted. Also, in several instances recommendations for action looking to removal of barriers have been confined to developed countries in recognition of special difficulties which developing countries would encounter in reducing their restrictions of the same general type.

The following are some of the main proposals emerging from the Groups:

Group 1 on government participation in trade considered the desirability of rules on trade-diverting investment - notification, consultation, possible adjustment of such aids. On export subsidies, this Group reached broad agreement on a solution embodying mainly eventual acceptance by all developed countries of Article XVI:4, banning export subsidies, and in the meantime a standstill on existing export subsidies. An overall review of the operation of Article XVI under its paragraph 5 was also proposed, as was a definition of the term "export subsidies". The question of extension of the ban to primary products was raised. It was noted that countervailing duties were linked with export subsidies and might be dealt with in that context, though some countries proposed to proceed independently with a code on the subject along the lines of the Anti-Dumping Code. Government Procurement is under review in the OECD and would be taken up when work in the OECD was further advanced; a set of headings for an eventual code was drawn up. The problems of State trading could be solved by improved notification and consultations and negotiations.
In Group 2 harmonization of systems of valuation was proposed and establishment of an expert group to interpret Article VII. On other subjects before this Group, it was proposed that all countries should adhere to the Anti-Dumping Code; that all countries should adopt the BTN and that customs nomenclatures should be clarified and simplified; that consular formalities be phased out, and that an expert group should develop standard import forms which would be internationally acceptable; that all countries adhere to an existing international convention on samples.

Group 3 agreed that the GATT could play a useful rôle in international co-operation on standards. In this respect it was desirable for GATT to establish a set of principles to minimize the effect of standards on trade, either on a contractual or voluntary basis. The related problem of packaging and labelling could to some extent be covered in this context, though the solution to marking requirements appeared to lie in adherence to Article IX accompanied by elaboration of the 1958 recommendation on marks of origin.

Group 4 had the task of dealing with specific limitations on trade, and particularly with quantitative restrictions and their related export restraints and discriminatory bilateral agreements.

There was complete agreement on the desirability of elimination of quantitative restrictions although there were differences in the degree of importance attached to the consistency or non-consistency of restrictions with the General Agreement. One proposal was that illegal quantitative restrictions be eliminated by 1 January 1972 and that legal quantitative restrictions be subject to negotiation. Other countries favoured an approach aimed equally at legal and illegal quantitative restrictions, whereby every developed country would gradually and progressively liberalize its quantitative restrictions in the framework of the GATT work programme. A third proposal, meeting with wider approval, was for a standstill on quantitative restrictions and establishment of a programme for elimination of most quantitative restrictions by a target date, with arrangements for surveillance of remaining ones. For export restraints and discriminatory bilateral agreements, apart from action towards liberalization, notification and consultation procedures were proposed. On motion picture
restrictions. A proposal for elimination of illegal measures by 1 January 1972 was made together with a standstill and eventual negotiations on screen quotas; agreement was reached on a notification procedure for film subsidies. The Group agreed broadly that further work on licensing was necessary initially on the basis of a questionnaire and afterwards on the basis of examination by a GATT group. It was also agreed that there was a link between the work of Group 4 and the Joint Working Group.

Group 5 had to deal with a set of measures, broadly of a fiscal or monetary character. For prior deposits, a system of notification and consultation was broadly agreed; suggestions for guidelines were made, though it was noted that studies elsewhere could contribute to an ultimate solution in this field. The Group noted that variable levies would (for the time being) continue to be dealt with in the Agriculture Committee. One group of barriers - credit restrictions and restrictions on alcoholic beverages and on motor cars - appeared to some countries to lend themselves to an overall solution in the context of a review of Article III, though others had reservations on such an approach. A contribution to a solution to the tax adjustments problem was the notification and consultation procedure agreed by the Working Party on Border Tax Adjustments. A solution to special import duties could be approached in the form of a review of Article XIX while statistical and administrative duties raised the problem of stricter implementation of Article VIII, which could be approached by collecting appropriate data from contracting parties.

Another inquiry of direct concern to the Committee in this preparatory work was that carried out in the Joint Working Group on Import Restrictions, which undertook a comprehensive item-by-item review of import restrictions on the basis of notifications made to GATT in different contexts, including the notifications in Part IV of the Inventory. The meeting of the Joint Working Group obviated the need for Group 4 to review individual restrictions in detail and may also provide useful indications as to the possibilities of negotiated solutions either as a supplement or as an alternative to a global approach.
II. Tariff Study

The first report (L/3298) to the CONTRACTING PARTIES at their twenty-sixth session covered the first two years of the work on the Tariff Study. In this Report, the Committee informed the Council and subsequently the CONTRACTING PARTIES that a classification of tariff and trade data by meaningful industrial groups had been established by the secretariat under the guidance of a group of technical experts.

At the twenty-sixth session, the CONTRACTING PARTIES stressed in their Conclusions 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 course of the work that would be undertaken in the terms of the work programme. The basic documentation to be prepared should cover on a priority basis certain problems of particular interest to developing countries - tariff differentials, specific duties, peak tariffs and tariffs on industrial raw materials - and indicate possible lines of future action in these and other fields.

By July 1970, the Expert Group had compiled the basic documentation for the Tariff Study consisting of a summary of tariff rates in the United States, EEC, Canada, Japan, United Kingdom, Sweden, Denmark, Norway, Finland, Switzerland and Austria by BTN headings, by industrial product categories as well as by stages of processing. In a note of 2 July 1970 the secretariat suggested that the Committee might wish to establish a working group to carry out the analysis of the tariff situation on the basis of this documentation as between and within categories of products, as between countries as well as the differentials according to the degree of processing. Such an analysis was also considered to be of particular value in relation to duties on exports from developing countries.

The Committee on Trade in Industrial Products agreed in July 1970 that further action on the Tariff Study should be taken by a policy-oriented group, assisted as necessary by technical experts to be set up after the matter had been studied further in capitals.
The Committee discussed, in October and November 1970 and again in February 1971, the question of the terms of reference for a policy-oriented working party based on a proposal made by the EEC. This proposal followed more or less the same lines as had been suggested earlier by the secretariat. In addition, the United States made a comprehensive proposal for an enlarged tariff study, of which one of the most important elements was the assessment of the trade effects, and effects on prices, of tariff reductions. Most delegations considered that the documentation already available constituted a sound basis for an objective analysis. The extension of the study as proposed by the United States was not feasible. The tariff study could not be further delayed without consequences for the whole work programme. The United States on the other hand maintained that there was an apparent need for developing basic information on the lines it had suggested so that future negotiating plans could be properly formulated and that a better assessment of the effects of past and future tariff negotiations could be made. The importance of the extended analysis for the drawing up of future negotiating techniques was expressed. As no negotiations would take place before 1972, the Group had ample time at its disposal.

After having discussed the terms of reference at its meeting of 2 and 3 December 1970, the Council agreed that the establishment of such terms of reference was a matter to be settled by the Committee on Trade in Industrial Products. At its meeting on 3 and 4 February 1971 the Committee ...

/\ Distribution of documentation /

III. Future Work

/\ To be supplied /