Note on the Meeting of 14 April 1972

1. The Working Party met on 14 April 1972 to provide the secretariat with additional instructions with regard to certain problems which had arisen in the course of the statistical exercise. The Working Party had before it a progress report by the secretariat (Spec(72)19), accompanied by statistical tables, which outlined the progress made to date and described in detail the major difficulties that had been encountered.

2. With regard to the geographical and trade coverage of the exercise, the Working Party was informed that the secretariat had in its possession, or was expecting to receive, adequate data on thirty-four contracting parties including all the countries covered by the Tariff Study, four contracting parties members of LAFTA and other countries representative of the major trading regions of the world. Although a few relatively important trading countries had had to be omitted due to the unavailability of adequate data, the thirty-four countries that would be covered by the Director-General's report accounted for almost 90 per cent of the total trade of the CONTRACTING PARTIES. It was agreed the exercise should proceed on the basis of information on the thirty-four countries.

3. The secretariat explained to the Working Party that for reasons relating to differing national statistical practices and other circumstances, the selected years 1955, 1961, 1964 and 1970 could not be adhered to in respect to all countries covered by the exercise. For example, since Finland had become associated with EFTA during the course of 1961, 1962 would be used instead; in certain cases, data for the United Kingdom, Australia and New Zealand would be based on fiscal rather than calendar years; for Canada, information on years prior to 1965 would have to be based on estimations but it was not thought that this would involve serious distortions. It was agreed to proceed on this basis pointing out in the explanatory notes that the data were not all for the same four selected years.

4. In the case of Austria, data were already available for 1955 and the Austrian Government, despite certain difficulties, was endeavouring to furnish information on 1961, 1964 and 1970 by May.

5. The most important technical problem encountered by the secretariat concerned temporary admission of goods for processing and drawbacks of duties after the export of the merchandise incorporating the imported goods. This problem was complicated by the fact that, since the elimination of import duties within the EEC and EFTA, part
of the intra-area trade that would previously have qualified for drawback was no longer recorded separately but entered under direct imports. To the extent that this trade (which accounted for around 15 per cent of the imports of some European countries) was not identified, the proportion of imports entering on a preferential basis in any given year would be overstated. On the other hand, if total figures for preferential imports were not to take account of the changes in the recording of imports of goods for processing and goods entitled to drawbacks over the period 1955-1970, the growth of preferential trade would be exaggerated. It was agreed that in these cases, imports for processing for the recent selected years should be estimated from projections from earlier years where the relevant trade flows were accurately recorded. The secretariat would describe the basis for estimation, and comment on the degree of accuracy obtained in the explanatory notes for each country concerned.

6. The Working Party noted that a large proportion of imported military supplies was not reported in published trade statistics and that no additional information could be obtained. It was agreed that only those imports recorded in detail by tariff item and by origin would be included in the report. With regard to the United States/Canada Defense Production Sharing Programme, it was pointed out by the United States delegation that the preference to Canada was extended solely through the bidding procedure. Once the relevant certificate had been issued, the necessary goods could be imported duty free from any source under TSUS item 832.00. Many delegations were of the view that, although a preference was being granted through a non-tariff barrier mechanism, no tariff preference existed and, hence, the trade was not preferential in the sense of the statistical exercise. Some delegations, however, posed additional questions to the United States delegation regarding (a) the automaticity of the issuance of certificates for imports under 832.00 from sources other than Canada and (b) the provisions for imports by subcontractors. In addition, the Canadian delegation was asked for information on the operation of the Canadian side of the Programme. It was agreed that, taking into account any information supplied in response to the above questions, the explanatory note to the report would contain a general explanation of the problems involved in estimating imports of military supplies. In addition, it would be pointed out that, in some cases, it was difficult to draw the line between preferences accorded through tariffs and those arising exclusively from non-tariff treatment.

7. An additional problem discussed by the Working Party was that of imports which entered duty free or at reduced rates either because they were destined for a specific end-use or because no similar goods were available domestically. While adequately detailed information existed in respect to Australia, Canada and Finland (for one recent year), it did not for other countries such as Austria, Italy, the United Kingdom and New Zealand where such import régimes were, or had been, maintained. It was agreed in this case, that where a reasonably accurate basis did not exist for an estimation, the problem would be discussed in the explanatory notes.

8. The Working Party noted that minor distortions would arise from the fact that certain contracting parties use the country of last consignment instead of the country of origin in reporting the provenance of their imports. It was agreed that this problem would be dealt with in the explanatory notes.
9. It was decided that an advance version of the explanatory notes to the report would be circulated to delegations for comment, and that the Director-General's report would be made available several days in advance of the meeting of the Council. The final report would contain a summary table, as well as tables presenting data on a country basis accompanied by the relevant explanatory notes.