1. The following progress report is being submitted by the secretariat in accordance with paragraph 10 of document Spec(72)11 relating to the meeting of the Working Party on 27 January 1972. As instructed at that meeting, the secretariat has approached the following contracting parties with the aim of obtaining all the data required for the assessment of imports at most favoured nation, preferential and other rates in 1955, 1961, 1964 and 1970: Australia, Austria, Canada, Denmark, Finland, Gabon, India, Ivory Coast, Japan, Korea, New Zealand, Nicaragua, Nigeria, Norway, South Africa, Sweden, Switzerland, Trinidad and Tobago, United Kingdom, United States, Zaire; the Commission of European Communities in respect of its member countries, and the LAFTA secretariat for the five contracting parties members of the free-trade association.

2. An enquiry was furthermore addressed to all other contracting parties concerning the availability of import statistics and detailed data required to assess imports under different customs regimes during the selected years.

3. In response to this request the LAFTA secretariat supplied estimates of the intra-regional imports of Argentina, Brazil, Chile and Peru covered by the association agreement, and of other imports from the LAFTA countries as well as from other origins. For Argentina, Brazil and Chile, the figures refer to 1964, 1967 and 1970; for Peru, results for 1970 are not yet available. The South African authorities supplied totals of preferential and most-favoured-nation imports in the years requested. The delegations of Austria, Canada and Japan undertook to supply the data in the requested breakdown by the beginning of 1974. For Canada, detailed calculations would be made for 1970 and 1965, but for the earlier years, estimates would have to be made as import statistics are not available at the tariff line level. The Statistical Office of the Federal Republic of Germany proposed to compile the respective totals for those years for which the basic data are recorded on magnetic tapes. The delegation of Romania informed the Director-General that all of its imports in the reference years entered under most-favoured-nation regime, and supplied total import figures for those years.

4. For the other countries listed in the first paragraph, calculations have been made on the basis of information available in the secretariat. As indicated in document Spec(72)2 of 19 January 1972, this information is incomplete in so far as details in respect of temporary duty suspensions, and special tariff measures concerning goods which are destined to a specific use or are not produced in the importing country, are not available.
5. In addition to the assessments received, trade breakdowns for all the selected years have been made, or are nearing completion, for the following countries: Federal Republic of Germany, France, Norway, Sweden, Switzerland, United Kingdom and United States. For Australia and New Zealand, 1955, 1961 and 1964 trade figures have already been compiled but in respect of the terminal year it is suggested that calculations be based on 1968/69, as for that year detailed information is already available on magnetic tape. For Nicaragua, the latest statistical returns refer to 1969. The other assessments prepared so far will require revision and completion when supplementary information requested from the capitals is received.

6. From the statistics already supplied to the secretariat, and from discussions with experts in national statistical services, it appears that for a number of countries all the detailed information required for a precise assessment of imports at most-favoured-nation preferential and other rates during the period 1955-1970 will not be available. This is due to several reasons. First, a number of tariff lines are not separately reported in the trade returns, and national statistical offices usually do not preserve historical records in greater detail than that published. In order to overcome this problem two sets of results will be given. The first will include tariff headings under which such tariff lines are classified. In the second set of figures these headings will be excluded. For developed countries, the corresponding margin between the two results usually does not exceed 1 per cent. For most developing countries the margin cannot be assessed at present as only a few replies have been received.

7. Second, in most countries included in this exercise, a large proportion of foreign military supplies is not reported in published trade returns and no additional information can be obtained. Only the supplies recorded in detail by tariff item and by origin will therefore be included. With respect to the United States/Canadian Defense Production Sharing Programme mentioned at the last meeting of the Working Party, the United States delegation supplied the required information according to which the United States/Canadian Defense Production Sharing Programme does not affect customs treatment of imported military materials. Regardless of the country of origin, "war materials purchased abroad for the United States military departments" are imported duty free under the USTS item 832.00, although for statistical purposes these imports appear allocated under the USTS number appropriate for each product. The United States/Canadian Defense Production Sharing Programme is concerned only with the evaluation of bids for the United States Department of Defense purchases and provides that in such bidding, Canadian firms are placed on the same footing as United States firms.

8. Third, figures are available for Australia, Austria and Canada for items (other than military) which enter duty free or at reduced rates either because they are destined to a specific end-use or because no similar goods are produced domestically. However, for Finland, Italy, New Zealand and the United Kingdom, the detailed information on the corresponding imports is either not available for
the whole period or cannot be collected within the time allowed for this exercise. In other industrial countries, measures of this kind are either not applied or the inclusion of imports affected by them does not seem to affect the total results significantly.

9. The fourth, and in many cases the most important of the problems encountered in this exercise concerns temporary admission of goods for processing, and drawbacks of duties after export of merchandise incorporating imported goods. Imports affected by such measures in general account for about 2-4 per cent of total imports in the larger European countries but are relatively more important in the order of 15 per cent, in the countries with certain specialized industries such as Belgium-Luxembourg, Austria and Italy. As these goods are de facto exempt from import duties regardless of origin, the Working Party agreed at its last meeting that such imports, if originating in countries enjoying preferential treatment, should not be included in preferential trade. Yet since the elimination of import duties among the members of the EEC and also among the EFTA members, has been completed part of the processing trade originating within the area and of the goods which would previously qualify for drawbacks are no longer recorded under the special administration procedures, being entered as direct imports. Thus, some of the merchandise destined for processing and subsequent export cannot be identified in the terminal year because of the change in the method of recording. Consequently, if total figures for preferential imports were to exclude imports of goods for processing and goods entitled to drawbacks as recorded under the current administrative procedures during the period 1955-1970, the growth of the preferential trade would be overstated. On the other hand, the inclusion of processing traffic would exaggerate the importance of preferential imports in any given year.

10. Finally, while most national import statistics are based on the country of origin, several countries use the country of last consignment in reporting the provenance of their imports. This practice, too, may introduce a degree of imprecision into the assessment of preferential and most-favoured-nation trade.

11. Aside from these five technical issues, and some delays in the countries' response to requests for information, the secretariat has not encountered any serious problems in this work. Reasonably comparable data have already been compiled for thirteen developed, eight developing and one State-trading country which together accounted for 67 per cent of contracting parties' combined imports in 1970. In addition, preliminary calculations made for five developed and four developing countries can be finalized when additional information already requested from these countries is received by the secretariat.

12. A statistical table will be distributed at the next meeting of the Working Party showing in detail the results so far obtained for all representative years.

13. The meeting will provide an opportunity for a more detailed discussion of the technical problems described in paragraphs 6 to 10.