GENERAL AGREEMENT ON TARIFFS AND TRADE

Working Party on the Tariff Study

UNITED STATES PROPOSAL ON THE FEASIBILITY STUDY

The following communication has been received from the Government of the United States.

The first stage in the feasibility study is now complete with the compilation of responses to a questionnaire by members of the Working Party on the availability of relevant statistics and research (Spec(72)32 and Spec(72)40). The responses reveal, not surprisingly, that available data are neither complete nor always comparable. At the same time, however, they indicate that statistics relevant to preparations for trade negotiations are available for most countries on a sufficiently detailed basis and number of years to make further, more specific work by the GATT in this area both feasible and desirable. While time has not permitted their full consideration, it appears clear that useful work can and should be done along the lines of some of the suggestions in Spec(72)40. We believe this further work is both timely and of practical value in view of the directive from the CTIP for the Tariff Study Working Party to give consideration to data compilations in connexion with techniques and modalities.

In the first instance the United States believes that priority should be given to the expansion of the existing Tariff Study data base through the inclusion of a time series of available production, consumption, trade and tariff data of each of the countries in the Tariff Study on a concorded basis and to conducting certain specific computations from these data. Tabulations of the data and calculations would be circulated to the members of the CTIP.

The purpose of our proposal is to provide governments with basic data, not presently available on a comparable and time series basis, which would be most useful in preparations for trade negotiations. Once the data are assembled, additional work may be undertaken by the secretariat while governments, in turn, will be able on the basis of more adequate data to perform their own analyses. More specifically, we believe the information would serve two very valuable functions:

1. It is directly related to the examination recently begun by the CTIP on various possible techniques and modalities for negotiations on industrial tariffs and to the interest expressed by delegations in obtaining statistical information to facilitate an assessment of their implications. Country profiles of domestic production and consumption related to trade flows and corresponding tariff levels would provide better knowledge of and insights into countries' industrial structure and trade and tariff patterns, and their change over time.
2. It would provide basic data building blocks essential for specific analytical work by individual governments or by the GATT of the effects of tariffs and tariff changes on trade flows. The data series will not be complete due to lack of data or inability to concord available data compiled on different statistical classification systems in some cases. We believe, however, that sufficient actual data are available or reasonable approximations can be made from which to construct a time series which constitutes a large step forward from the present state of unco-ordinated information and provides a good enough base for useful analytical work.

The above proposal consists merely of the presentation of factual information in a useful form. It calls upon member governments to supply the secretariat with published or otherwise available data and, we would hope, to provide their advice to the secretariat in their compilation of the data in order to expedite the work. The proposal does not provide for an evaluation or interpretation of the results or the drawing of conclusions as to the relationship between the various data elements whether in past experience or as a prediction of the results of further tariff liberalization.

I. Creation of a data base

The secretariat would create a file and tabulations consisting of a time series of import, export, production, apparent consumption, and tariff statistics of each of the countries included in the Tariff Study for each of the years 1964-1970. Value data would be included in each case as well as volumes of imports. Available data for each country would be concorded on a four-digit SITC basis to ensure comparability of product categories among countries. The use of SITC permits inclusion of the basic data elements through concordances with the ISIC and the BTN. The data would also be aggregated to a three- and two-digit SITC basis as well as into the product sectors defined for the Tariff Study wherever the BTN-SITC concordance permits reasonable allocations. Available data would be compiled for each country separately, with particular data available for one country included even though it may not be available for another, rather than attempting to build a series which is comprehensive and comparable in data coverage for all countries. Data would be included at the more aggregated SITC levels in cases where its inclusion is not feasible on a four-digit basis.

1. Trade data

The United States can supply computer tapes to the secretariat which contain imports and exports, by value and quantity, of each of the countries in the Tariff Study in complete four-digit SITC level detail for each of the years 1964-1970. The imports and exports of each country vis-à-vis each other country in the Tariff Study within each four-digit category are also available on the tapes and should be included in the data base.
2. **Tariffs**

To the extent possible, actual duty levels in effect should be concorded with the trade data for each year, i.e. pre-Kennedy Round tariff levels concorded with the years 1964-1967, and the first three stages of Kennedy Round reductions with the years 1968-1970. The secretariat has available computer tapes supplied by the United States which contain pre-Kennedy Round ad valorem equivalent duties calculated on the basis of 1964 trade for each of the original countries in the Tariff Study. It also has post-Kennedy Round (1972) duties supplied for the Tariff Study calculated from 1964, 1967 (for most countries), and in the near future from 1970 trade. The percentage point difference between the two sets of rates could be calculated and divided by five to provide the duties actually in effect during each of the first three Kennedy Round stages to correspond with 1968-1970 trade data.

Ideally, the difference between the pre- and post-Kennedy Round rates should be calculated at the tariff line item level. As a reasonable approximation it would be sufficient to calculate the difference between the pre- and post-Kennedy Round average tariff levels at the four-digit BTN level, from which it would be a simple computer operation to construct average tariffs for each of the staging years. This method would also avoid the problem arising from classification changes of concording individual tariff line items over time. The averages would be related to the trade data through the BTN-SITC concordance.

When specific rather than ad valorem duties are involved, the change in tariff levels over time will partly reflect changes in price. An insight into the magnitude of this factor will become apparent when the Tariff Study is updated and post-Kennedy Round rates calculated on the basis of both 1967 and 1970 data are available.

3. **Production**

Most countries have detailed annual data available on the value of output or of sales either on an SIC (or ISIC) basis or in another classification system (e.g., BTN) which can be concorded with the SITC trade and tariff data. For some countries detailed data on actual values of production are available only in census years or for certain industries covered either in input/output tables or in special industrial compilations. Values can be estimated for intervening years, however, on the basis of value-added data or industrial production prices.

4. **Consumption**

A number of countries have detailed data available on the value of apparent consumption on a SIC or other basis which can be concorded with the other elements in the data base. These actual values should be used where possible; otherwise apparent consumption can be derived (production plus imports minus exports) for the SITC categories where actual or estimated production data can be included.
II. Calculations from the basic data

The following simple calculations utilizing the above purely factual data would provide useful insights to the contracting parties in their examination of techniques and modalities as well as in future negotiations. They would provide a profile of production, consumption, and trade flows which can also be compared with actual levels of and changes in tariffs, and, in particular, relative market positions of each country for each product grouping. The calculations can be made on a common and relatively consistent basis for each year's data, at each level of aggregation, by country.

1. Annual rate of change in imports, exports, production, and apparent consumption.

2. Per cent change in average tariff levels during the 1964-1970 period.

3. Ratio of imports to apparent consumption (production plus imports minus exports). This ratio will indicate the degree of market penetration within each product category for each country, i.e. the share of total domestic consumption which is supplied by foreign production.

4. Ratio of total production (production for domestic consumption plus exports) to production for domestic consumption (total production minus exports). This ratio indicates the degree to which a country is domestic market- or export-oriented in a particular product, i.e. the portion of domestic production which goes to home demand and what portion to foreign markets.