GENERAL AGREEMENT ON
TARIFFS AND TRADE

Committee on Trade in Industrial Products

WORKING PARTY ON THE TARIFF STUDY

Note by the Secretariat on the Meeting of January 1973

1. The Working Party met from 24-26 January 1973 under the Chairmanship of Mr. Hans Colliander (Sweden). The Working Party focussed its attention primarily on those matters on which decisions had been postponed at the last meeting and on additional proposals with regard to techniques and modalities for tariff negotiations.

2. The delegation of Argentina was welcomed as a member of the Working Party.

3. With regard to the proposal to expand the existing Tariff Study data base through the inclusion of a time series of available production and consumption statistics and the secretariat's pilot study (Spec(72)130), some delegations noted that national production, consumption and trade statistics were generally not comparable and in many cases, not available and expressed regret that it would not be possible to improve this situation before the upcoming trade negotiations. The delegation of the United States stated that it continued to hold the view that such an extension of the data base was desirable and an appropriate function for the GATT. However, in the light of time, budgetary and technical problems, the United States delegation proposed that further consideration of this matter be deferred to a later date. In this connexion, one delegation suggested that when this matter was taken up again, some other approaches should be also considered such as a study on the effects of drastic changes in trade barriers, including tariffs (for example, establishment of a common market, imposition of surcharge). Another delegation said, however, that it was not within the Working Party's terms of reference to study the effects of the establishment of a common market which, in any case, comprised measures that went well beyond the tariff field.

4. It was agreed that the secretariat should immediately begin to update the data base and the tabulations with the view of making the most important tabulations based on 1971 trade figures available before the summer recess. The data base would be again updated to 1972 figures later in the year when 1972 data became available. Some delegations expressed the opinion that data based on 1971 should be used with caution due to the abnormal conditions prevailing in international trade over most of that year. It was pointed out, however, that no year could be considered completely normal, that 1972 will also contain some distortions, resulting mainly from the parity changes effected in December 1971, and that the best approach would be to update the data base on an annual basis. It was also agreed that the new tabulations would take account of the non-implementation of the Agreement relating Principally to Chemicals. Due to the difficulties of obtaining sufficiently precise and detailed statistics, trade under the Generalized System of Preferences would be included with most-favoured-nation trade in the updated tables.
5. It was agreed that the trade and tariff data from 1971 onward would be based on figures for the European Community of nine member States. Some delegations suggested that there should be additional data showing the trade and tariff data separately for the United Kingdom and Denmark for the year 1971 and 1972 so that, in the case of 1972 trade figures could be related to the tariff rates which had actually been in effect. It was decided to postpone decision on these matters until the next meeting of the Working Party. Furthermore, one delegation suggested that for 1970 through 1972, the tariff average for the enlarged EEC be calculated (a) on the basis of each tariff and import of the original EEC and three acceding countries (average No. 1 - No. 4), and (b) on the basis of the Common External Tariff and combined imports of the enlarged EEC (average No. 3 and No. 4). The spokesman for the European Communities said that the multilateral negotiations would bear on the external tariff of the enlarged Community and the only statistics to be taken into consideration were therefore those in respect of the Community's imports, without any distinction as between member States, as had always been customary in the past. Referring to the specific proposal mentioned above, he stated that it concerned matters that were not within the purview of the Working Party.

6. The Working Party next discussed the related question of adjusting the trade data to take account of the result of free-trade agreements between the EFTA countries covered by the Study and the EEC. It was noted that the previous tabulations had not included trade within the EEC in total or preferential imports but had recorded trade between members of free trade associations in the preferential category. Some delegations could not see any reason why this approach should not be continued and, consequently, the trade between the remaining EFTA countries and the EEC should be included in the preferential columns in the updated tabulations. Other delegations felt that the adoption of this approach could have important implications for the positions they might take in regard to some of the proposals put forward in the Working Party with a view to exploring the implications of various negotiating techniques and modalities. For example, in some cases, tabulations based on this approach would show that a relatively small proportion of their countries' imports were on an m.f.n. basis. In addition, these delegations were not certain that intra-EFTA trade should be included in the same category as trade under the free-trade agreements between individual EFTA countries and the EEC. Allusion was made in this context to the difficulties encountered in the course of the study of trade at m.f.n. and other rates in defining preferential trade. Another practical aspect of the problem was that some EFTA countries covered by the Study had not yet concluded free-trade agreements with the European Community. Consequently, these delegations asked for time to reflect on the various implications of this matter. Some delegations suggested that this problem be discussed at the next meeting of the Committee on Trade in Industrial Products. One delegation reserved its right to bring up this matter in appropriate GATT fora before the next meeting of that Committee.

7. In regard to the illustrations of formulae for the progressive reduction of customs duties (COM.IND/W/91/Add.9), it was agreed that for each of the five graphical presentations, two tables would be produced which would show (a) the results of the application of the formulae in the form of a cumulative frequency
distribution in percentage terms along the lines of COM.IND/W/91/Add.6, and
(b) simple frequency distributions indicating the value of concessions that would
have to be made under the formula in terms of absolute trade volumes and
percentage-point cuts presented in a format similar to COM.IND/W/91/Add.5.

d. One delegation suggested that an additional coefficient should be added to
the formulae contained in COM.IND/W/91/Add.9, which would be based on the per­
tage of total imports which entered on a preferential basis. Application in
negotiations of a formula containing this coefficient would call for larger cuts
in most-favoured-nation rates on those tariff items under which preferential
imports (other than under the GSP) took place. This delegation pointed out that
the addition of this coefficient was meant to reflect the position it had
expressed in the Committee on Trade in Industrial Products and elsewhere that the
presence of preferential rates was as much a trade-distorting factor as was the
existence of high tariff rates, and should be given equal weight in the
negotiations, and that negotiations on the basis of any tariff harmonization
formula would have to involve equivalent concessions on the part of all partici­
pants. Other delegations believed inclusion of preferential rates altered the
approach used so far in analysing tariff negotiating techniques and also intro­
duced a new element in the negotiations themselves, and that furthermore, the
problem described in paragraph 6 regarding the definition of m.f.n. and preferen­
tial trade would have to be resolved before this element could be added to
harmonization analysis. These delegations reserved their position pending a
thorough discussion in the Committee on Trade in Industrial Products. The
delegation proposing this additional element in harmonization techniques reserved
its right to raise the matter in other GATT fora before the next Working Party
meeting.

9. Certain proposals were put forward with regard to the updating of tables
which had been sent forward to the Committee on Trade in Industrial Products as
documents COM.IND/W/91/Add.1–8. It was decided that the tabulations contained
in Addenda 1, 2, 3 and 8 should be updated according to their existing format.
The table in Addendum 4 would be replaced by a tabulation showing for each
tariff under study, the value of imports from all sources and from each of the
other countries covered by the Tariff Study as well as other significant exporters,
within specified duty-rate intervals. One delegation suggested that preferential
trade be indicated in this table but other delegations felt that this would have
to await resolution of the problem described in paragraph 6 above. These tabu­
lations would be presented for all industrial products, the three stages of
processing, as well as for the twenty-three product categories and 119 sub­
categories. It was also agreed that the tables contained in Addenda 5 and 6 would
be presented in the same degree of detail.

10. With regard to the tabulations in COM.IND/W/91/Add.7, it was agreed that
the trade and tariff data would also be indicated in percentage terms and that
the information based on a simple average calculated in two stages, as contained
in Spec(72)114, would be annexed to these tables. In regard to Addendum 7, one dele­
gation proposed the preparation, for reference purposes, of (a) a tabulation to show the
average tariff of each country based on the simple arithmetic average of the
simple arithmetic averages of the tariff lines in each BTN heading, for all industrial products, three stages of processing and twenty-three product categories and (b) a tabulation to show the distribution of BTN 4-digit basis headings. It was decided to postpone consideration of these proposals until the next meeting of the Working Party.

11. One delegation put forward three new proposals in regard to techniques and modalities for the consideration of the Working Party. The first proposal involved the presentation of an additional formula for a progressive reduction of tariffs along the lines of those contained in COM.IND/W/91/Add.9. This new formula was intended to avoid the inflection of the curve representing the final rates, i.e. the situation whereby above a certain initial level of duty, the final rate on a given item would be lower than the final rate on items which were originally subjected to higher rates of duty. The second proposal was to show, for each tariff under study, the contribution of each of (a) the twenty-three product categories and (b) the 119 sub-categories, to the four tariff averages for all industrial products. The third proposal involved the illustration of a technique for the progressive elimination of tariffs which entailed (a) dividing the tariff schedule into duty-rate intervals, then (b) reducing all rates within each interval to the lower limit of that interval, and then (c) reducing the standardized rates to the rates in the next lower interval, this reduction being operated in stages until all duties were reduced to zero. It was agreed that delegations would carefully examine these proposals with a view to taking a decision at the next meeting of the Working Party.

12. One member of the Working Party pointed out that his delegation had made a number of suggestions at the Committee on Trade in Industrial Products a week earlier, for a further exploration of the sector approach, the elimination of nuisance duties and the establishment of tariff rate ceilings. His authorities were not at this time ready to present their precise proposals in regard to these subjects but would do so before the next meeting of the Working Party.

13. Some members suggested that delegations should look into the implications of the fact that the tariff data included in the Tariff Study related to applied rates of duty, while the negotiations would undoubtedly be carried out on the basis of legal rates of duty.

14. It was emphasized that the problem in regard to the categorization of the trade referred to in paragraph 6 above was of considerable importance in that as long as the question remained unresolved, none of the tabulations agreed upon by the Working Party could be produced, nor could decision be taken in regard to other proposed tabulations. Pending resolutions of this problem the secretariat could not proceed beyond the updating of the country files and the computer programming of the tabulations agreed upon in paragraphs 7, 9 and 10.