Committee on Tariff Concessions

Draft Minutes of the Meeting held in the Centre William Rappard on 14 February 1986

Chairman: Mr. A. Satuli (Finland)

1. Agenda of the meeting (GATT/AIR/2237)

1.1 The Chairman welcomed the participants to the nineteenth meeting of the Committee convened by GATT/AIR/2237 of 3 February 1986. The purpose of the meeting was to have a detailed discussion on matters related to the introduction of the Harmonized Commodity Description and Coding System (Harmonized System). The Chairman suggested to take up (1) the question of the date of implementation of the Harmonized System and the work programme related to it; (2) legal procedures, and (3) other policy issues. The agenda was adopted as proposed.

2. Date of the implementation of the Harmonized System and work programme

2.1 The Chairman recalled that at the meeting of the Committee in December 1985, it had been noted that most delegations had expressed the view that the date for the implementation of the Harmonized System on 1 January 1987 was no longer realistic. During that discussion, many delegations had emphasized the need to agree on a new target date. Furthermore, most delegations had also felt the need to expedite the work and had stated that they would be prepared to do so.
2.2 The representative of the United States stated that it was now clear that the date of 1 January 1987 was no longer practicable. In considering 1 January 1988 as the new date, his delegation wished to underscore the dangers of failing to respect the new date and of giving any signals of further slippage. He recalled that the international nomenclature had been finalized several years ago and faced the prospect of becoming stale. There was also a danger that the documentation in the form of national conversions would become out-dated. An even more serious danger was that the exercise could lose credibility internationally which could have domestic repercussions; it could indeed jeopardize domestic commitments to the work. The exercise constituted a major undertaking for those that had been involved in heavy resource demands, planning by national administrations, particularly in customs services, but also in the trade circles. In conclusion, his delegation believed it was very important to lock in the new date and to adhere to it.

2.3 The representative of Canada said that, as stated at several previous meetings, it was his delegation's view that, given the amount of work that still needed to be done, both domestically and internationally, it had become difficult to envisage that the 1 January 1987 date would be realistic. His delegation felt that 1 January 1988 would be a more realistic date which his authorities could work toward, and they would be prepared to undertake a commitment to make every conceivable effort to ensure that they would comply with that date.

2.4 The representative of the European Communities said that it was time to decide on the target. His delegation, too, had realized that the date of 1 January 1987 was no longer realistic and that accordingly a new date should
be set so that the work could be carried on in proper conditions. In his view, 1 January 1988 was a realistic date; that implied that certain conditions must be observed, in particular that the negotiations could be carried through as rapidly as possible and completed toward the end of the year, and that they should take place as satisfactorily as possible for each of the parties concerned.

2.5 The representative of Japan also considered that the original target date had become no longer realistic nor possible. His delegation felt that the new proposed date would be a realistic target date. However, in order to meet this date, it was very important to establish a work programme which could be followed at all costs. For Japan, the Article XXVIII negotiations had to be completed by the end of September 1986 at the latest because of parliamentary procedures. Considering Japan's deadline for the negotiations, he stressed the importance of expediting the negotiations to the extent possible. At last October's meeting, his delegation had stated that it intended to table the necessary documentation for the negotiations early in 1986. However, as a result of recently concluded Article XXVIII negotiations on leather footwear, many changes had occurred in the Japanese schedule which had to be transposed into the Harmonized System. Because of these developments, Japan needed more time to complete domestic work and would not be able to submit the necessary documentation before April.

2.6 The representative of Sweden indicated that it was also clear for the Nordic countries that, for legal reasons, the Harmonized System could not be introduced on 1 January 1987 and that the necessary negotiations could not be terminated in time for its implementation on that date. The Nordic countries
had undertaken the work related to the Harmonized System with the very best efforts and were prepared to continue it in order to achieve the documentation as early as possible. The Nordic countries were ready to join those who were prepared to set 1 January 1988 as the new target date. They did not expect the negotiations to take very long since the changes made in the bindings should be of a technical nature and would not seriously affect anyone's interests: this was in accordance with the basic principles set out in document L/5470/Rev.1.

2.7 The representative of Switzerland noted that delays incurred in the work together with the decision of the CCC in Brussels had shown that the date of 1 January 1987 was unrealistic and that a new one should be set. If 1 January 1988 was to be realistic, participants must endeavour to submit their documentation in time to allow delegations to examine it in detail and carry through the negotiations. In addition the procedures established by the Brussels Convention would have to be observed.

2.8 The representative of Austria said that his delegation had no problem to go along with the newly proposed date of 1 January 1988 for the implementation of the Harmonized System. He stressed, however, that agreement to this date only meant a declaration of intent from the Government of Austria since the final adoption of the Harmonized System depended on the Austrian Parliament.

2.9 The representative of the United Kingdom speaking on behalf of Hong Kong recalled that Hong Kong had participated in this important work with the original date in sight; this was still its position. Hong Kong could,
however, join in a consensus on a new date and would work towards it and co-operate with other participants to ensure that the date was met.

2.10 The representative of Australia said that her delegation could support a consensus on the new implementation date of 1 January 1988 as an objective that all participants would aim for.

2.11 The representative of New Zealand shared the views of the previous speakers that 1 January 1988 was a more realistic target and New Zealand would be working towards that objective.

2.12 The representative of Hungary said that his country could also join the merging consensus and would do its utmost to meet the new deadline.

2.13 The observer for the Customs Co-operation Council (CCC), Mr. Asthana, reported that the total number of signatories to the Harmonized System Convention was now forty. Of these, four had signed the Convention without reservation of ratification. However, this number was far short of that required for bringing the Harmonized System Convention into force. Recognizing this situation, the Secretary-General of the CCC had sent a letter to all members of the Council urging them to take appropriate action so that they might sign the Convention this year without reservation or, if they had already signed the Convention, to ratify it. In this connection, he informed the Committee that the Government of India had notified the Secretary-General that its new customs tariff, which was based on the Harmonized System in its entirety at the six-digit level had been approved by the Indian Parliament and that it proposed to implement this new tariff with
effect from April 1986 and to deposit its instrument of ratification as soon as possible. Many countries were ready to implement the System but they were waiting for the major trading countries to take the lead. The deliberations of this Committee were therefore of great significance. He urged delegates to initiate and conclude the Article XXVIII negotiations early so that the Harmonized System Convention could be brought into force on 1 January 1988. Delegates were no doubt aware of the serious harm that might be caused by any delay in the implementation of the Harmonized System. He was therefore confident that they would do everything to ensure that the Harmonized System would enter into force on 1 January 1988. As regards the activities of the CCC Secretariat in this respect, he reported that the work on the preparation of a new Alphabetical Index for the Harmonized System and its Explanatory Notes had already been commenced and was under progress. Work on a general review of the Compendium of Classification Opinions had also been taken up. In the field of technical assistance in tariff transposition, the CCC had been giving assistance to many developing countries. The CCC Secretariat had provided technical assistance to the administrations of Malawi, Nigeria, Ethiopia, Swaziland and CEAO. Officers from Thailand and Zimbabwe would also be visiting Council Headquarters for this purpose very soon.

2.14 The Chairman, in summing up the discussion, said that it was now clear that 1 January 1987 was no longer considered as a realistic date for the implementation of the Harmonized System. This was because of delays in the GATT process and the extensive nature of the domestic preparations required in some countries to introduce the new system. Furthermore, the Harmonized System Convention could not legally enter into force until 1 January 1988 at
the earliest because the conditions laid down in Article 13 of the Convention had not yet been met. The statements made during the meeting had led him to the view that 1 January 1988 would be a feasible and realistic date. The interested parties were agreed that 1 January 1988 should be the revised date for the implementation of the Harmonized System as far as they were concerned. Accordingly, these parties were prepared to give a firm commitment that they would work towards the 1 January 1988 implementation date and would do everything in their power to respect that date. The interested parties recognized that, in order to meet this commitment, it would be necessary for the Article XXVIII negotiations between them to be carried out as expeditiously as possible and to reach a mutually satisfactory stage as soon as possible and, in any event, before the end of 1986, leaving them enough time to take their necessary domestic procedures. The Committee recognized that, for the results to be acceptable to each of the members the negotiations had to be conducted in such a way as to ensure that the transposition of their tariffs into the Harmonized System did not significantly affect the value of their existing concessions. The CCC would be informed of these developments.

2.15 The representative of the European Communities approved the statement made by the Chairman but wished to add that while simplification was a legitimate issue, the Community attached the utmost importance to the observance of the main principle set out in paragraph 2 of document L/5470/Rev.1, that in connection with the introduction of the Harmonized System, existing GATT bindings should be maintained unchanged and that the modification of concessions for reasons not directly associated with the introduction of the Harmonized System should be avoided. It considered that
the value of concessions already negotiated would be seriously affected if transpositions did not respect existing bound rates to the greatest extent possible. This would be the case, for example, if a partner departed from the principle of neutrality by recalculating the value of its bindings in its proposed Harmonized System schedule only on a global or sector-by-sector basis.

2.16 The representative of Sweden speaking on behalf of the Nordic countries noted the statement made by the representative of the European Communities as well as the concern which presumably laid behind it. The Nordic countries stood fully behind and had attempted to follow the basic principles to be observed in connection with the introduction of the Harmonized System, i.e. that existing GATT bindings should remain unchanged. Any changes should only be made in order to avoid complexities and should not result in significantly higher tariffs. When there were changes and these seriously affected one or several contracting parties, the party proposing the changes had to show willingness to work out a mutually acceptable solution, preferably before the Article XXVIII negotiations. It would of course be better if the value of concessions for any contracting party would not be seriously affected in the transposition to the Harmonized System.

2.17 The representative of Australia, referring to the Chairman's summing-up and the target date mentioned for the conclusion of the negotiations, stated that her authorities did not consider it possible to fix such a date because of the various stages which interested parties were at with respect to the preparation of the documentation and the technical discussions. Her delegation was also concerned about the implications of setting such a date
for the rights of contracting parties under Article XXVIII:3(a) of the GATT. She presumed that failing to meet that date did not prejudice the contracting parties' right under Article XXVIII:3(a) of the GATT.

2.18 The representative of the United Kingdom speaking on behalf of Hong Kong underlined the importance of the main principles set out in the relevant document. Hong Kong had found from the examination of the Harmonized System documentation that, in the case of several participants, there were notable instances of departure from that principle and he had already raised this point in bilateral consultations.

2.19 The representative of Switzerland shared the concern expressed by the spokesman for the European Communities. For Switzerland, it was clear that the principles agreed on by the contracting parties in 1983 must not be brought back into question. Referring to the Chairman's summary, he recalled that Switzerland attached great importance to rapid submission of documentation in order to abide by the time-frame.

2.20 The representative of Austria also stressed that existing bindings should remain unchanged and he therefore shared the concern expressed by previous speakers.

2.21 The representative of Japan referred to the timing for the completion of the negotiations and indicated that, at least as far as the negotiations related to the schedule of Japan were concerned, "before the end of 1986" in the Chairman's summing-up meant the end of September 1986.
2.22 The representative of the European Communities referred to the statement by the CCC representative and the fact that the Indian tariff in the Harmonized System nomenclature had been approved by the Parliament. He suggested that the secretariat contact the Indian delegation concerning the documentation to be submitted for the Harmonized System negotiations in GATT.

3. **Legal procedures**

3.1 The Chairman drew the attention of the Committee members to documents TAR/W/51 and TAR/W/55/Add.1.

3.2 The representative of the United States indicated that with regard to the documentation, his authorities were updating their basic documentation to reflect the results of the technical consultations and the changes that had been made in the national tariff. He expected to have revised documentation available in April to open the negotiations at that time. It would consist of Annexes 1 to 4 using global trade data, of a document which would list for each tariff item in the United States present system the suppliers and INR holders; in addition, the United States delegation would supply each trading partner bilaterally a document showing how its trade was treated in the US conversion showing also balances on a line basis; there would also be a balance sheet at the end of that document showing the overall treatment of the trade of each US trading partner in the US conversion. In concluding, he expressed the wish to hear from other delegations what their intention was in terms of documentation and timing so as to anticipate the amount of workload.

3.3 The representative fo the European Communities said that his delegation intended to furnish the documentation for the Article XXVIII negotiations at the beginning of April, in the form described at the Committee's last meeting.
3.4 The representative of Japan indicated that, in addition to Annexes 1 to 4, his delegation was considering to supply statistics on a country by country basis.

3.5 The representative of Canada expected to have the data base tapes available this month, from which his delegation would be able to provide Annexes 3 and 4 of Canada's current hard copy documentation. The formal Article XXVIII documentation would be submitted in early summer, at which time a complete revised version of Annexes 1 to 4 would be provided to all contracting parties; his delegation was also in the process of determining what sort of specific bilateral trade information might be provided in order to facilitate the Article XXVIII negotiations.

3.6 The representative of Sweden said that the Nordic countries intended to provide their documentation in late May or early June. Iceland would submit its documentation somewhat later than Finland, Norway and Sweden. They would also provide country-based statistics in order to determine the main suppliers. He was thus hoping that for the Nordic countries the negotiations could start after the summer.

3.7 The representative of Iceland added that his country expected to be able to submit Chapters 1 to 24 in Annexes 1 to 4 early next month. His delegation's aim was to complete the documentation for technical consultations before the summer.

3.8 The representative of Switzerland said that his Government would endeavour to furnish the necessary documentation in April and would give the relevant information on all bound and non-bound headings. He hoped that other delegations would do likewise.
3.9 The representative of Australia said that the Australian Industry Assistance Commission report on Harmonized System chapters was expected to be released in the middle of February. Since there would be some revision of Annexes 3 and 4 as a result of that report, her delegation did not expect to be able to submit Article XXVIII documentation much before June. It would include only bound items and items which involved a change from unbound to bound items or vice versa. Her delegation did not consider it necessary to go beyond this for the purposes of the Article XXVIII negotiations as these related only to changes in bindings, an approach which was consistent with paragraphs 4.1.3 and 4.1.4 of document L/5470/Rev.1.

4. **Legal issues**
   - **Publication of results**

4.1 The representative of the United States said that while his delegation had not taken a final decision on this issue, it was increasingly leaning in favour of the Protocol approach. He hoped that by the time of the next meeting, it would be possible to take this matter a step further, after having held informal consultations with the secretariat and any other interested parties.

4.2 The representative of Japan indicated that his authorities were still examining the merits and demerits of the two alternative approaches (Protocol or Certification). He wished to revert to this question at the next meeting of the Committee.

4.3 The representative of the European Communities said that although the problem was still being examined by the Community's lawyers, his delegation was favourably disposed toward the Protocol approach. His delegation would like to hear the reaction of the delegation which had raised the matter.
4.4 The representative of Australia said that her authorities were also still investigating this issue and that they had no strong preference for either approach but felt that the Protocol was preferable as it would at least result in the implementation of the Harmonized System. If the Certification approach was followed, it was unlikely that it would receive the required approval in the specified period due to the vast amount of paperwork involved. The Protocol approach, however, suffered from a different defect in that it was unlikely that many countries would sign other countries' schedules to the Protocol; moreover, this would not prevent the loose-leaf schedules from being introduced unlike the Certification approach; it would mean instead that the loose-leaf schedules would have no binding effect on the parties that did not sign them.

4.5 The representative of Austria reported that his authorities were still examining this question but did not feel that there was such an urgent need to take a decision immediately. In their view, it would be desirable to first see how the negotiations would develop.

4.6 The representative of New Zealand recalled that his country's earlier preference had been the Certification approach. However, the additional paper submitted by the secretariat was being examined and the initial reaction to this paper was that a slight preference for the Protocol existed.

4.7 The Chairman took note of the discussion on this matter during which preliminary views had been given. Taking into account the fact that most of the countries had not made any decision on this subject, he felt it premature to draw any conclusion other than that the matter would be kept on the agenda of the Committee.
4.8 The representative of Australia had noted that at previous meetings, there had been two sets of views on the question of the retention of INRs: there appeared to be a consensus amongst the smaller contracting parties, including Australia, that the retention of INRs was important while the larger contracting parties wanted to simplify INRs to the maximum extent possible. Australia would have preferred the proposed INRs to be shown in Annex 2, but it could accept a situation where this information was omitted from Annex 2, on the condition that contracting parties would agree to the retention of INRs when this was requested in bilateral consultations.

4.9 The representative of Canada reminded the Committee that, as stated at the last meeting, Canada would not be able to show, in the proposed Annex 2, the INRs transposed from the current tariff schedule but was willing to discuss with any contracting party the question of retention of INRs during the course of the Article XXVIII negotiations.

- Definition of suppliers' rights

4.10 The Chairman referred to the proposal submitted by Switzerland which had been circulated in document TAR/W/57 and introduced by the Swiss delegation at the last meeting.

4.11 The representative of Brazil stated that his delegation had some difficulty with the Swiss proposal which seemed to be geared to the interests of a rather small number of exporters. He believed that from the point of view of his country and that of other contracting parties, developing or not, the Committee should try to examine solutions that would take into
consideration the need for higher levels of employment and per capita income in countries with large populations. Greater scope should be given to the Note 5 to Article XXVIII:1 which did not mention population size. Consideration should also be given to the interests of developing countries in negotiations involving products of particular significance to them. In this context, he recalled the special and differential treatment to which LDCs were entitled.

4.12 The representative of South Africa, by way of preliminary remarks, said that the proposal could result in the inclusion of the smaller developed trading nations in Article XXVIII negotiations, from which they were often excluded, or at best qualify for a substantial interest only. Apart from the compatibility of the proposal with Note 5 to Article XXVIII:1, one should, in his delegation's view, in considering the implication of the proposal for Article XXVIII negotiations, distinguish between the renegotiation of a "floating" INR and a "fixed" INR. In the renegotiation of a "floating" INR, according to agreed procedures, the principal supplier was deemed to be the holder of the INR, and usually only one country qualified for that prime negotiating right. One could argue that since the introduction of "floating" INRs during the MTNs, one of the prime negotiating rights had disappeared, namely the holder of the "fixed" INR, and a case could be made for the reintroduction of a further prime negotiating right in respect of "floating" INRs. On the other hand, "fixed" INRs already attracted two prime negotiating rights, i.e. in respect of the holder of the INR as well as the principal supplier. In terms of the Swiss proposal, an additional prime negotiating right would be established when an item with a "fixed" INR was renegotiated, which, in his delegation's view, would again
upset the balance in the obligations between contracting parties with many "floating" INRs and those with mostly "fixed" INRs. In the Swiss example, if country B held the INR, the contracting party which renegotiated the item would have to compensate the prime negotiating rights of countries A, B and C, and consult with those holding a substantial interest, depending on the spread of suppliers. His country's experience in recent Article XXVIII:5 renegotiations had revealed that very often the holder of the INR had not been the principal supplier and it was very likely that the Swiss proposal would, therefore, place an additional obligation to compensate on countries which still had a large number of "fixed INRs. It might well result in fewer renegotiations of bound items, but one might see contracting parties finding it cheaper to resort to their protective measures such as non-tariff measures, which they were currently trying to eliminate. Furthermore, he doubted whether the proposal would bestow on the smaller trading countries which were at an early stage of development, with large and fast-growing populations and with low per capita national products, comparable advantages to those which contracting parties with relatively small, stable and highly skilled and productive populations, would obtain. Regarding the compatibility of the proposal with Note 5 to Article XXVIII:1, he thought that contracting parties needed to have a closer look at the intention of that Note. In his view those provisions might be invoked exceptionally only and therefore not necessarily as a rule in each and every renegotiation. The effect of the Swiss proposal would be that a contracting party might more or less permanently qualify for a principal supplying interest provided that the proposed criterion of the per capita value of exports was met. Furthermore, his country's understanding of those provisions was that the importance to the exporting country of the products on which a concession was
to be renegotiated should be measured against that country's other exports and not against other suppliers of the product in question. His delegation would welcome a clarification of these fundamental issues. Finally, South Africa had an open mind as to how the term "which constituted a major portion of the total exports" should be equitably defined in order to give practical meaning to the provisions of Note 5 to Article XXVIII:1.

4.13 The representative of the European Communities observed that his delegation had not taken any final decision on the matter, which was still being examined with the Community; preliminary examination of the proposal had nevertheless revealed some difficulties to his delegation. Whatever the interest of examining the matter, his delegation considered that certain priorities must be established, the immediate priority being to complete the negotiations on the Harmonized System. It would be desirable not to overburden examination of positions on the Harmonized System by considering new issues that were not directly related to the negotiations as such as could only slow down the procedure still further. In addition, he would prefer that the matter not be discussed within the Committee.

4.14 The representative of Sweden indicated that the Swiss proposal was being studied with interest by the Nordic countries but he was not in a position to discuss it yet. He agreed, however, with the Community representative that this proposal should not be linked with the Harmonized System exercise.

4.15 The representative of New Zealand found the concept described by Switzerland very interesting. There were, however, a number of variations to be examined and their implications properly assessed. His delegation
wished to keep the issue alive and, unlike the previous speakers, he wished to see this item within the priority frame of the Harmonized System negotiations so that an agreement on this fundamental question could be reached.

4.16 The representative of the United States believed it would be inappropriate to use the Harmonized System negotiations as a test for possible new Article XXVIII standards or approaches. The Harmonized System negotiations were complicated enough without introducing further complications. Furthermore, possible improvements to Article XXVIII should be discussed in the Preparatory Committee.

4.17 The representative of Hungary found the Swiss proposal very interesting. His authorities were of the view that this proposal merited further consideration both in the capitals and in the Committee, notwithstanding the fact that this subject could also be dealt with in other fora. In his view, it was an important question which should be kept on the agenda of the Committee.

4.18 The representative of Argentina welcomed the Swiss delegation's initiative and said that the proposal was being examined in his national capital. Nevertheless, on a preliminary basis, he wondered whether under the proposed scheme, supplier C in the example mentioned would not participate and not be entitled to any compensation. Furthermore, there were other possibilities for taking into consideration suppliers that would not be entitled to compensation in terms of Article XXVIII. For example, a
country that was a small supplier (less than 5 per cent of a market) might nevertheless have a major interest, since that 5 per cent might represent a substantial percentage of its total exports of the product.

4.19 The representative of Chile said that his delegation was studying the Swiss proposal in a positive spirit. He believed that the Committee was the right place to discuss it and that the Swiss proposal should be on the agenda of the next Committee meeting. He also felt that this subject should not be separated entirely from the Harmonized System exercise since the criteria to be applied in this context should be the same as those applied in general.

4.20 The representative of the United Kingdom speaking on behalf of Hong Kong said that his delegation was still examining the Swiss proposal and that, while it had found some merits, it had also discovered problems for which no solution had yet been found.

4.21 The representative of Australia indicated that her authorities had much sympathy with the basic points of the Swiss proposal, i.e. that the current interpretation of Article XXVIII limited negotiations and consultations to few of the larger exporting nations. They considered that the practical implications of the proposal needed further consideration.

4.22 The representative of Austria stated that his authorities were still examining the Swiss proposal. As a first reaction, they saw no need for an extension of Note 5 to Article XXVIII:1 which already provided some flexibility. They had some doubt about the practical importance in cases where trade volumes were small.
4.23 The representative of the European Communities enquired whether the Swiss delegation had envisaged the case of a country with 5 million inhabitants asking a country with 500 million inhabitants to reduce a tariff in the context of multilateral tariff negotiations; the country with 500 million inhabitants would ask what the country with 5 million inhabitants was offering as compensation; meanwhile, the Community - or another large country - would wait quietly until the negotiation had been completed between those two countries to be able to benefit from it.

4.24 The representative of Switzerland, referring to the comments made by several delegations, noted that there seemed to be a rather positive trend regarding the intention of the Swiss proposal. Some delegations had mentioned other criteria that should be considered for evaluating the importance of exports. Switzerland had proposed the per capita criterion as constituting a simple factor for which objective statistics could be obtained. With respect to the South African statement which required fuller examination, he noted that the intention of the proposal was not merely an interpretation of Note 5 but went further, namely a revision of Article XXVIII as a whole. To explain the effect of the example cited in the proposal, he referred to the possibility that a country removing the binding on a heading might be faced with three countries: the one with INR, the one that had the status of major supplier on the basis of recent imports, plus a third country, the one covered by the proposal. In reply to the question raised by the Community, the possibility for a country to negotiate or not at present depended on two situations: removal of binding, and negotiation (Tokyo Round, for example) and it was clear that the m.f.n. clause applied inversely to small countries when large countries were
exchanging concessions. Nevertheless, a country wishing to negotiate and ready to make concessions was often not taken into account because of the low percentage that its exports represented; in a renegotiation to remove a binding, the situation described in document TAR/W/57 showed clearly that it was always the same countries that were in the position of major suppliers, and that the small countries did not succeed in safeguarding their interests as exporters. Several delegations had also expressed the fear that the matter could add an additional problem to negotiations on the Harmonized System, whereas others were of the opinion that the matter should be discussed in the present forum. For his part, he considered that a revision of Article XXVIII should be considered in the context of major negotiations. Nevertheless, his delegation was in favour of using the Harmonized System exercise to carry out an experiment, apply a formula such as that proposed, and evaluate the effects on such a negotiation. The Committee could perhaps discuss the matter further at its next meeting.

4.25 The Chairman detected from the discussion some divergences of views on both procedural and substantive aspects related to the Swiss proposal and suggested that, when discussing the proposal again, the procedural aspects, i.e. the right forum for the discussion and its relation to the Harmonized System, should be taken up first. He requested delegations to reflect further on those matters as well as on the substance of the Swiss proposal and suggested pursuing the discussion at the next meeting of the Committee.

- Review clause

4.26 The representative of Canada reiterated his delegation's concern about unforeseen tariff classifications which would be inevitable and result in both tariff increases and decreases. Once trade started to flow under the
Harmonized System, there could be unexpected developments which his delegation would then want to be able to rectify. It appreciated the fact that the provisions of the GATT might allow for such readjustments. In some cases, there might be a difference of views on whether the rate changes were inadvertent or not, and his authorities would like to be able to deal with those situations expeditiously. He did not expect other delegations to react at the meeting nor that a decision could be taken in the very near future, but he encouraged delegations to consider the Canadian view and suggested to revert to this issue at the next meeting.

5. Date of the next meeting

5.1 The Chairman indicated his intention to hold the next meeting of the Committee on Tariff Concessions at the end of April and tentatively fixed 28 April 1986 as the date for the next meeting.