

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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## Multilateral Trade Negotiations

### GROUP 3(a) - MEETING OF MAY 1974

#### Note by the Secretariat

##### Draft

1. The Group met on 14-16 May 1974. The items for consideration, set out in document GATT/AIR/1081, were the following:
  - A. Determination of the Customs Tariffs to be considered for negotiations:  
Base date, base rates (bound or effectively applied) (Chapters 1-99 BTN) -  
Item 5 of the Programme of Work (MTN/2).
2. In an introductory statement the Chairman gave an account of the procedures that were followed and the solutions that were found during the Kennedy Round of Tariff Negotiations, concluding that the differences in dates and treatment of "statutory" and "applied" rates did not seem to have caused any difficulties at that time; no participating country had raised objections to the dates or rates notified by other participants.
3. There was consensus in the Group that it would be premature at the present stage to take any decision as to the base date/base rate to be selected for the negotiation and that the discussion in no way prejudiced the positions governments might wish to take at a future date. Rather, the exchange of views would serve as a background that would be of assistance when decisions would be taken on the base date/base rate question. Some delegations were of the view that if possible, a uniform date should be selected for all participants. Only when there were very good reasons for not applying the agreed date should a different date be allowed. 1 January 1972, the date of the last tariff cuts agreed upon in the Kennedy Round, was mentioned as the latest suitable uniform date, making allowance for later changes, if any. Other delegations said that the base rate question would have to be settled before there could be a conclusive discussion on the base date issue.
4. On the base rate question, some delegations thought that statutory rates and GATT rates would be the appropriate rates for the negotiation. Some delegations pointed out that, in view of the importance of the issue, it would be necessary first to know what the practice of participating countries in this respect was, i.e. what were legal rates, statutory rates etc. To this end, an explanatory note describing individual practices would be very useful. This note could serve as an introduction to the national "files" proposed earlier by the United States delegation.

5. The discussion then proceeded on the basis of two working papers presented by the United States delegation (documents MTN/3A/W/1 and 6). The essence of the United States proposal was that a tariff data bank should be established on the basis of submissions by governments of detailed information on their various tariff rates, such as "statutory" m.f.n. rates, GATT rates, and applied m.f.n. rates. Information would also be sought on ad valorem equivalents of specific rates and specific components of compound rates. The information should preferably be in the form of magnetic tapes. They should be based on rates as of 1 January 1974, and should be updated on a continuous basis. Among other things, these data would facilitate the consideration of the base date/base rate question.

6. Some delegations elaborating on their proposal mentioned in paragraph 4 above, said that, in view of the fact that practices and definitions of the various kinds of rates in question often varied considerably from country to country, participating countries should submit an explanatory note along with the information outlined in the United States proposal. This note should explain in some detail the constitutional and legal practices followed in defining and determining the various tariff rates and their application, suspension etc., so that a better understanding of the meanings given to the basic concepts in different countries could be obtained. This suggestion was generally welcomed by the Group.

7. Some delegations representing developing countries proposed that in addition to the three columns proposed by the United States, a column should be added showing, for developed countries, the effectively applied rates under the Generalized System of Preferences (GSP). The Group agreed that this would be a useful addition, one delegation however pointing out that in its view it was clear that the GSP and the rates applied thereunder could not be considered a subject of negotiation.

8. One delegation was of the view that a column should also be added showing non-m.f.n. rates. Another delegation said that such rates were not relevant to the negotiations; this country's position on the question could nevertheless be set out in the explanatory note if this were to be found desirable.

9. Some delegations said that the information provided should include items subject to variable levies. Some other delegations were of the view that this was a matter to be taken up in Group 3(e). Other delegations did not share this view.

10. Some delegations said that, with regard to the suggested date of 1 January 1974 as a base for submission of data, they considered that it would be more useful to have a number of such base dates - e.g. 1 January or 1 April 1972, 1 January 1973 and 1974 - as this would give a clearer picture of the development of the tariff situation after the implementation of the Kennedy Round tariff cuts. Other delegations said that the data submitted should be as of the date of submission of the data to the secretariat, and expressed the hope that one could later move on to a common date base. In their view it was of considerable importance to keep the "file" up to date on a continuing basis.

11. Some delegations emphasized that countries with tariff nomenclatures different from the BTN should as far as possible indicate the corresponding four digit BTN heading in their submissions. Other delegations said that for many tariff items this would be a very complicated undertaking, but that they did not rule out the possibility of doing so.
  12. Some delegations from developing countries stressed the need for assistance, to be provided by the secretariat, in the compilation of the necessary data.
  13. It was pointed out by the secretariat that if the data were supplied in magnetic tapes, this would raise no technical difficulties. However, if the data would be submitted in the form of tariff lists, the technical work involved would be so time consuming that it would be difficult to estimate when the "file" could be ready.
  14. With regard to the proposed inclusion in the "files" of ad valorem equivalents of specific rates and of specific components of compound rates, some delegations said that this should be based on the most recent year for which trade data were available, and that new equivalents should be submitted as data became available.
  15. Some delegations said that since there were several different ways of calculating ad valorem equivalents and because of the technical difficulties involved especially for the specific components of compound rates, they were not convinced of the usefulness of including such calculations. Some other delegations said that if ad valorem equivalents were to be calculated, it would be desirable to have three columns of calculations: one based on global imports for each tariff item, one based on global imports minus trade under regional arrangements under Article XXIV, and one based on global imports minus trade under regional arrangements minus imports under the GSP.
  16. The Group requested the secretariat to produce a technical note on methods in use for the calculation of ad valorem equivalents.
- B. Determination of the base year or years for the collection of statistics to be used in the negotiation (Chapters 1-99 BTN) - Item 6 of the Programme of Work (MTN/2)
17. Some delegations emphasized the need for collecting statistics for the negotiation for a period of several years in order to obtain as clear a picture as possible of the trade flows involved. These delegations stressed that the data so collected should be as recent as possible and that the year 1972 would be particularly useful, being the most recent year of relatively stable exchange rates; the years 1970-72 would therefore be a suitable point of departure. A three-year period would also be needed for the determination of, for example, principal and substantial suppliers. Nevertheless, these delegations acknowledged that, in view of the distortions caused in recent years by monetary instabilities

and the substantial change in terms of trade for raw materials and energy imports, such series would not necessarily give a correct picture of present trade flows and that they would at any rate have to be used with great caution.

18. Some delegations pointed out that any one year or years would be unsatisfactory for some countries. They were of the view that since over time trade flows changed, the latest available data which at the same time should cover a representative period, should be used on a continuous basis. The GATT "data bank", being built on the Tariff Study, should contain statistics for as many years as practicable. Thus the necessary flexibility of being able both to go back further than, e.g., to 1972 and to have the benefit of more recent data, would be ensured. These delegations proposed that statistical data for years subsequent to the 1972 data now contained in the GATT data files should be submitted by participants in the negotiations annually on a timely basis throughout the period of the negotiations. Annual detailed import data of the type supplied in the past for the tariff study should be provided to the secretariat as promptly after the end of the year as possible. These delegations felt that most countries should now be in a position to supply data for 1973 so that the secretariat could move as soon as possible to updating the material currently in the files.

19. Some delegations said that it might only be possible to determine the base year or years on a case-by-case basis for individual products. Some delegations pointed out that a flexible attitude should be taken in this matter and account should be taken of new developments as they occurred during the negotiation.

C. The problem of quantitative import data to be included in the basic files of the tariff study

20. Some delegations elaborating on their proposal made at the last meeting (MTN/3A/2 paragraphs 16-17) said that the suggested quantitative data on a tariff line level would not be published, but should only appear in the basic files and that each country should provide these data on magnetic tape in as much detail as possible. There was widespread support in the Group for this proposal.

21. Some delegations pointed out that for certain products such information would be most useful in view of, inter alia, the monetary fluctuations of recent years. There were, however, some practical problems that would have to be overcome. These delegations informed the Group that quantitative data on their imports were presently being collected on a four-digit BTN level and that the 1972 data would be available in the autumn of 1974.

22. One delegation said that it would be able to supply quantitative data on approximately 50 per cent of its imports, mainly on agricultural products and primary industrial materials, compatible with the GATT tariff files, and on a four-digit BTN and SITC basis. Such information could be made available later this year.

D. Determination of the unit of account to be used in the negotiation  
(Chapters 1-99 BTN) - Item 7 of the Programme of work (MTN/2)

23. The Group had before it a note submitted by the European Communities (MTN/3A/W/3), as well as a technical note by the secretariat on statistical practices in presenting trade data in periods of exchange rate instability (MTN/3A/W/5).

24. The Group had an exchange of views on the relative merits of either endeavouring to establish a common unit of account, for instance some agreed version of the SDR, into which normal data could be converted; or to follow for the time being the current practice of other international organizations of using prevailing rates of the United States dollar as a reference unit for foreign trade data.

25. Some delegations pointed to the need for comparability in order to be able, in the negotiations, to measure reciprocity of concessions. Since exchange rates frequently changed, no individual currency used for conversion would correspond to the true facts in that the trade significance of a particular year would necessarily be distorted. These delegations emphasized that they had not taken a final position on the question, but that they felt that the problem should not be underestimated.

26. Some delegations said that at the present stage the task was limited to ensuring comparability of trade data, but that this problem was not an urgent one. Conversions on the basis of prevailing market rates for the time periods in question would, given the inherent imperfections of any possible unit of account, provide a less distorted picture of actual trade flows. These delegations therefore felt that it was too early to take any decision in the matter, and that factual experience should be the guide to a future choice of a reference unit to express trade on a common basis. Meanwhile it was not necessary to diverge from current practice of other international organizations.

27. Some delegations said that it was not entirely clear what was suggested in paragraphs 2 and 3 of the EC paper, and that they would appreciate some clarification on this point.

E. Further extension of the country coverage of the tariff study

28. Some delegations pointed out that an extension of the country coverage of the tariff study was basically a question of capacity, both of national administrations and of the secretariat. Some delegations emphasized that the prospect of being included in the tariff study could be an incentive for countries to improve their national methods of collecting trade data and of analysing their foreign trade.

29. The Group agreed to revert to the question at a later stage, it being understood that governments were free to be included in the tariff study.



F. Establishment of a separate column for trade under regional arrangements in relation to the tabulations described in COM.IND/W/111

30. Some delegations stressed the usefulness of adding a column to the tabulations that would indicate the effects of trade under regional arrangements on the GSP. Some delegations said that the information in question was already available in the two white books of the tariff study and that there was no need to establish a separate column.

31. The secretariat was instructed to proceed with the tabulation and consequent circulation of a document containing the four agreed columns and that in the event of agreement being reached, the additional column would be added later.

G. Future work

32. The Group agreed to start its next meeting on [ ] .