

GENERAL AGREEMENT ON TARIFFS AND TRADE

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Multilateral Trade Negotiations

GROUP 3(a) - REPORT TO THE TRADE NEGOTIATIONS COMMITTEE

DRAFT

Introduction

1. Group 3(a) was established by the Trade Negotiations Committee on 7 February 1974 to deal with items 1, 5, 6 and 7 of the Programme of Work (MTN/2). For this purpose, the Group has met three times, in March, May and July 1974. Notes by the secretariat on the first two meetings have been circulated as documents MTN/3A/2 and 3; they are annexed to the present report.

2. Below are outlined the points of discussion and the conclusions of the Group under the various headings of the work programme.

Item 1 of the Programme of Work: Bringing up to date and completing the analytical and statistical documentation with respect to tariffs assembled in the context of the programme of work adopted by the CONTRACTING PARTIES in 1967 (Industrial Products, Chapters 25-99 BTN).

A. General analysis of industrial tariffs and trade (BTN Chapters 25-99)

3. The Group agreed to update the statistical charts and tables contained in documents COM.IND/W/62/Add.1 and COM.IND/W/91/Addenda 1-3. This work is presently being completed.

4. It was further agreed that, once the updated material was available, the question could be raised of revising the text of the general analysis. The secretariat will in any case update the section of the text that relates to developing countries.

B. Updating of tariff and trade data

5. The secretariat was requested to proceed with the updating of the trade data in the basic files on the basis of 1972 figures; this work could be finished by the autumn of 1974. The question of further updating, to 1973, remains open.

6. The Group also agreed that the tariff information in the basic files should be updated to 1 January 1973 for all countries. Some delegations were of the view that the updating should proceed on a continuous basis, noting that Group 3(e) had expressed the wish that with regard to BTN Chapters 1-24 the tariff rates and their status be shown as of the latest date possible, preferably 1 January 1974.

C. The Generalized System of Preferences and most-favoured nation reductions (COM.IND/W/111 and Add.1)

7. The secretariat was instructed to proceed with the tabulation and consequent circulation of a document along the lines described in paragraphs 6 and 7 of COM.IND/W/111. Meanwhile, interested delegations were invited to discuss with the secretariat specific suggestions which they might have to refine or elaborate the thirty product groups and/or the four headings of paragraph 6 of COM.IND/W/111. Some of the suggestions made for elaboration of the product groups have been taken into account in the further work on the tabulations, which are now being circulated.

8. The Group discussed a proposal to add a column to the tabulations indicating trade taking place under regional arrangements. The Group to be added.

D. Illustrative tabulations (paragraph 11 of MTN/3A/1)

9. The Group considered that the agreed tabulations described in paragraph 11(b)(ii) (table showing for each product category the main most-favoured-nation suppliers to be expanded to show imports from all major suppliers into each of the thirteen markets, distributed by main duty ranges) should be completed. These tabulations are now being circulated.

E. Further extension of the country coverage of the Tariff Study

10. This question was left open for the present time, on the understanding that governments are free to request at any time to be included in the Tariff Study.

F. The problem of quantitative import data to be included in the basic files of the Tariff Study

11. The Group agreed to a proposal that quantitative data should be supplied on a tariff line level. This information, which is already being supplied by most of the countries participating in the Tariff Study, would be supplied on magnetic tape in order to appear in the basic files, but not to be published.

12. Some delegations, not presently supplying quantitative data, pointed to practical problems involved, but stated that nevertheless they would probably be in a position to supply some relevant data in the course of 1974.

Item 5 of the Programme of Work: Determination of the customs tariffs to be considered for negotiations: base date, base rates (bound or effectively applied) etc. (Chapters 1-99 BTN)

13. The Group felt that any decision on the base date/base rate question would be premature at the present time, and that views expressed in the course of the Group's comprehensive discussion on this subject in no way prejudiced the positions governments might wish to take at a later stage.

14. The Group exchanged views on the date(s) to be selected, the tariff rates in force which would be appropriate for the negotiations, and the relative merits of first determining either the base date(s) or the base rates. There was widespread support for the view that statutory rates and/or GATT rates would be appropriate for the negotiations.

15. The Group generally supported the proposal by one delegation to establish a tariff data bank on the basis of submissions by governments of detailed information on their various tariff rates. A proposal that tariff information supplied be accompanied by an explanatory note setting out in some detail the constitutional and legal practices of governments when defining and determining tariff rates and their application, suspension, etc. was also generally welcomed by the Group.

16. A number of proposals related to the ones outlined in paragraph 15 were also discussed by the Group but no conclusions were reached. These included the addition of a column to the tariff information showing rates effectively applied by developed countries under the Generalized System of Preferences (on which there was agreement in the Group), the question of reference date(s) for the submission of data, whether or not to add a column showing non-m.f.n. rates, how to deal with

import charges other than normal duties, and variable levies (including the respective responsibilities of Groups 3(a) and 3(e) in this matter), the question of concurring to the BTN, where relevant, the information supplied, and on the usefulness of including ad valorem equivalents of specific rates and of specific components of compound rates in the "files".

17. The Group considered that certain technical details pertaining to the issues indicated in paragraphs 15 and 16 required further clarification, looking toward the early submission of the relevant data. The secretariat was requested to produce a technical note on methods for the calculation of ad valorem equivalents. Following further discussion, the Group to be added.

Item 6 of the Programme of Work: Determination of the base year or years for the collection of statistics to be used in the negotiation (Chapters 1-99 BTN)

18. There was consensus in the Group that, in view of the distortions caused in recent years by monetary fluctuations and the changes in terms of trade for raw materials and energy imports, statistics for a recent year or series of years would have to be used with great caution, as no correct picture of present or future trade flows would necessarily emerge therefrom. Thus there was a need for flexibility in this question; in the view of many delegations one should be able both to go some years back and to have the benefit of as recent data as possible, so that account could also be taken of new developments as they might occur during the negotiations. Some discussion took place but no conclusion was reached on the question of a three-year period - for instance 1970-1972 - being needed for the determination of principal and substantial suppliers.

Item 7 of the Programme of Work: Determination of the unit of account to be used in the negotiation (Chapters 1-99 BTN)

19. The Group agreed that for the moment the relevance of the matter pertained to the compilation of statistical data for the negotiations. There was widespread support 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. Another view expressed favoured trying to establish a common unit of account into which data could be converted. The Group also examined the problem of methods for conversion of data in terms of national currencies into a reference unit.

20. The opinion was expressed that a common reference unit would eventually be needed to compare trade statistics of participants and, where necessary, to evaluate the reciprocity of concessions. It was maintained, on the other hand, that conversions on the basis of prevailing market rates for the time periods in question would provide a less distorted picture of actual trade flows. It was also considered that it was not necessary at this time to take any decision in this matter, as factual experience would be a better guide to a future choice of a reference unit to express trade on a common basis.