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TARIFF STUDY

Meeting of Group of Technical Experts on 18 June 1969

Note by the Secretariat

The Group of Technical Experts on the Tariff Study held its second meeting on 18 June 1969 to examine the progress made by the secretariat in assembling and organizing documentation to be used by the Industrial Committee in its analysis of the post-Kennedy Round tariff situation. As agreed at the first meeting, the basic tabulations of tariff and trade data for five countries (United States, EEC, United Kingdom, Japan and Sweden) had already been completed and distributed to the countries concerned for rectification; summary tabulations of these data for each country by BTN headings and SITC divisions had likewise been prepared and circulated as Spec(69)72 and 73.

In its progress report the secretariat stated that it was working on the basic tabulations of tariff and trade data for Switzerland, Austria, Denmark, Norway and Finland. While for the first five countries only 1964 trade data had been tabulated, for these second five, 1964 data were being tabulated along with those for 1967 or 1968. The work was well advanced in the case of Finland and there was satisfactory progress on Norway where all required information had already been received. The magnetic tape with the 1968 trade data for Switzerland was expected shortly and no major difficulties were foreseen in the case of Austria and Denmark. In up-dating the second five countries, the secretariat would use 1967 or 1968 data, since in the case of certain countries (Switzerland and probably Denmark) mechanical tabulation of 1968 data would be much easier. It would be possible to complete these tabulations in the course of August or in early September. The basic listings would then be sent to the countries concerned for rectification. On the receipt of any corrections the secretariat would prepare the two Summary Tabulations (by BTN headings and SITC divisions) which had already been completed for the first five countries. As soon as the basic listings for the second five countries were completed, the secretariat would begin up-dating the files for the first five countries.

In response to questions by individual experts, the secretariat stated that it intended to reproduce both 1964 and 1967/68 data in the same basic listing. The tabulation of 1964 data would be abbreviated to regional totals, distinguishing most-favoured-nation and preferential trade, and giving a separate sub-total for imports from developing countries. The 1967/68 data would also be tabulated in this form but, in addition, would also be broken down by individual countries of origin. Ad valorem equivalents of specific duties would be calculated on both 1964 and 1967/68 basis; the secretariat had received already the ad valorem

equivalents from a number of countries, and did not foresee great difficulties in obtaining the rest. The up-dating of the basic listings for the United States, EEC, Japan and Sweden should be completed in September, but it was uncertain whether technical difficulties relating to the conversion of the magnetic tapes containing the United Kingdom trade statistics could be surmounted in time for the up-dating of the United Kingdom file to meet the same time-limit. The Group felt that at this stage, in order to avoid delays, either 1967 or 1968 data could be used for up-dating the country files; however, 1968 data should eventually be provided for all countries included in the study.

In discussing the format of the basic listings, one expert noted that only most-favoured-nation duty rates are listed while some countries have a double or even triple column tariff. The secretariat explained that in most cases where preferences were given under a national tariff, these were of zero rate and that general tariff rates were applied to non-GATT countries. It was agreed that preferential duties, other than zero, would be listed separately. It was also agreed that in the basic listing for the United States, a column would be added reporting imports originating in territories which do not enjoy most-favoured-nation treatment.

The Group agreed that the delegations concerned should notify to the secretariat their rectifications of the basic listings already completed by 1 August. The Group also agreed that countries would report to the secretariat all modifications of bound duties and increases of unbound duties as these occurred so that they could be entered into the data files and reflected in subsequent tabulations.

The Group then turned to the problem of Canada's participation in the study. From the secretariat's report it appeared that, in the absence of a detailed concordance between the Canadian tariff and the BTN, Canada could be included in the study only at the most aggregative level, that of SITC division, where, moreover, trade allocations would still be only approximative. The Canadian representative reported to the Group that his Government had recently decided to establish a detailed concordance between the Canadian tariff and the Brussels Tariff Nomenclature. After a thorough discussion, the Group concluded that tabulations of Canadian data would be more precise if based on such a concordance and would be therefore preferable, provided that this did not unduly delay the presentation. The Canadian representative promised to obtain more precise information as to the time when the concordance would be available. Experts from most countries present expressed their strong interest in the exercise and asked the Canadian representative whether it would be possible for his authorities to make the concordance available as and when individual sectors or chapters were completed. The Group also hoped that it would be possible for the Canadian Government to release detailed statistics of trade by tariff lines of the present Nomenclature, in the form of a basic listing such as were being prepared for the ten countries now included in the study. The Canadian representative said that he would make an enquiry to this effect in his capital.

Following the discussion of the Canadian-BTN concordance, the expert from the Commission of the European Communities also noted that the TSUS-BTN concordance, shown in the United States basic listing, might be in need of a revision. It was agreed that this matter would best be settled between the secretariat and the two parties concerned. The Group further agreed that, once this concordance was up to date, the basic listing should also include information on the percentage allocation of trade in order to readily identify those TSUS items which were classified under several BTN headings. Several additional minor improvements in the format of the basic listings were agreed upon by the Group.

Introducing the discussion of Summary Tables I and II, the secretariat presented to the Group three technical problems relating to the calculation of tariff averages which it had encountered in preparing these tables.

- (i) In the calculation of unweighted averages, a problem arose in the case of the United States where one TSUS tariff line could reappear under several BTN headings and thus obtain more weight in a divisional average than a tariff line of a country whose tariff was structured according to the BTN. The experts concluded that this was unavoidable and, in averages unweighted by trade volumes, it was thought that probably no appreciable distortion would be introduced when one TSUS tariff line reappeared under several BTN headings.
- (ii) For the calculation of the weighted averages, the secretariat utilized as weighting pattern the structure of most-favoured-nation trade only. In the review of the results so obtained, some doubts arose as to whether it would not be more meaningful to weight individual duty rates by the pattern of all negotiable trade, that is, most-favoured-nation and preferential trade. This procedure would seem justified by the consideration that the negotiated reduction of most-favoured-nation rates could also open access to import demand heretofore satisfied by preferential suppliers. In other words, the relative importance of the most-favoured-nation duty rate, and of concessions from it, to the most-favoured-nation trading partners would be understated if that rate was weighted by most-favoured-nation trade only. The experts agreed that both weighting methods had their legitimate uses and instructed the secretariat to prepare several alternative calculations to be discussed in the next meeting of the Group.
- (iii) The averages for SITC divisions in Summary Table II were calculated from the BTN headings in Summary Table I and were thus, in fact, averages of averages. This, too, introduced some distortions as divisional averages calculated directly from national tariff lines would be different. The Group agreed that unweighted averages calculated directly from national tariff lines would be more useful for the purpose at hand, and asked the secretariat to use only such averages in subsequent tabulations.

The experts also briefly discussed documentation relating to Chapters 1-24 of the Brussels Tariff Nomenclature that was being made available to the Agriculture Committee (see C/M/54 and L/3207). The Canadian representative pointed out that close co-ordination between the Industrial Committee and the Agriculture Committee in the processing and presentation of these data was needed, inter alia, because of the fact that Chapters 1-24, while essentially agricultural, contained a number of products which should be classified as industrial. It would be technically feasible to tabulate the material relating to Chapters 1-24 in essentially the same way in which data relating to the subsequent chapters were being tabulated. The tabulations should cover agriculture as well as Chapters 25-99, particularly since they would be useful to the Agriculture Committee. The United States expert supported this view. The expert of the Commission of the EEC reminded the Group, however, that it was a subordinate body of the Industrial Committee and that it was for the Agriculture Committee to decide how it wished the data to be processed and analyzed further.

An expert from a developing country said he was not sure how helpful the work done up to now could be to his own government, and, no doubt, to other developing countries in terms of providing detailed data on items of particular export interest to developing countries. It was pointed out that the collection and tabulation of data must necessarily proceed from the general to the more specific, and that at a later stage the possibility of more disaggregated presentation could be envisaged which would be better suited to an exploration of particular trade problems of developing countries. It was, therefore, suggested that a separate summary table be prepared showing the incidence of tariffs arranged by degree of processing; other possibilities of tabulating the basic data in ways which would bring out the specific trade problems of the developing countries should also be conceived.

The Group then turned to the problem of future orientation of the study. It was agreed that the Tariff Study would be the more useful the wider its geographic coverage. Among the more important trading countries that should be added on a priority basis, the experts mentioned Australia, New Zealand and South Africa. The Group instructed the secretariat to explore with the Governments of these countries the technical requirements for the collection and presentation in comparable form of their tariff and trade data in the course of 1970. As to additional tabulations which might be produced for the Tariff Study, the Canadian and EEC representatives pointed out that further aggregations of the data are needed since the summary by BTN headings is too detailed and the SITC summary is too broad. Aggregations by product sectors might be based on the definition proposed by the secretariat (COM.IND/5) or a breakdown of the SITC divisions. The EEC expert pointed out that there should be a categorization of products according to their degree of processing in order to determine the significance of high and low duties. The Group also discussed the usefulness and possibility of including in the study some of the developing countries for whose trade the tariff was of relevance. An expert from a less-developed country noted that there would be little advantage in this as most developing countries collect duties mainly for revenue purposes while the structure of their imports is mainly controlled by other means. Besides, he felt that there would be no problems of data availability for comparative tabulations.

The expert from the United States emphasized that the documentation should be presented in a way that would enable the Industrial Committee to explore the maximum number of possible approaches to future trade negotiations. Specific suggestions for further tabulations could only be made after further examination of the summary tabulations already distributed by the secretariat. Such suggestions should be collected by the secretariat to be discussed by the Expert Group in its next meeting. The Group accepted this view and fixed 15 August as the date by which the members present would notify their suggestions and proposals to the secretariat. The secretariat was invited to present suggestions of its own and to collate all these views in a technical document to be distributed to the experts by early September.

The experts recognized that in planning the orientation of the study particular attention must be paid to tariffs affecting the exports of developing countries. The secretariat was instructed to invite the developing countries to submit proposals for additional tabulations and analyses that would be focused on their trading problems. The experts from developed countries as well as the secretariat would also make concrete proposals to this effect, and the Group would consider them in its next meeting.