

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

COM.IND/W/33

30 September 1970

Special Distribution

---

## Committee on Trade in Industrial Products

### MEETING OF THE STEERING GROUP - 25 SEPTEMBER 1970

#### Note by the Secretariat

As requested at the meeting of the Steering Group, held on 25 September 1970, the Chairman of each of the Working Groups prepared a short note setting out his personal assessment of the status of the work of his Group and his personal suggestions as to how the task assigned to his Group should best be carried forward in the autumn. These notes have been assembled below.

Each of the Chairmen and the Chairman of the Committee on Trade in Industrial Products emphasized that the suggestions were based on the mandate given by the CONTRACTING PARTIES at the twenty-sixth session, which was to complete the preparatory work by the end of 1970. This preparatory work, it was understood, was what could usefully be carried out without any prior decision to negotiate, with no advance discussion of ways in which negotiations would be conducted, and without commitment by participating countries.

Each of the Chairmen noted the types of barrier which his Group had considered, characterized briefly some of the major results, and designated those items for which he thought the preparatory work, in the above sense, had gone as far as feasible and those for which additional work would be productive in the present circumstances.

These notes, together with the proposal by the United Kingdom delegation (see Spec(70)101), will permit the Committee at its 5 October meeting to reach agreement on how to organize the further work on non-tariff barriers in the light of the mandate.

#### Group 1 (Mr. Eastham - Canada)

The types of non-tariff barriers examined at the meeting of Group 1 were: trade-diverting aids, export subsidies and countervailing duties, government procurement and State trading in market economy countries.

The Group agreed that government procurement could be best dealt with through a code or set of guidelines. It understood that the OECD during the fall will attempt to reach an accord in respect to the major elements of a code. It would seem that Group 1 should wait to see what progress can be made in the OECD Group.

As regards State trading, the Group was of the opinion that the provisions of Article XVII were adequate but that the effectiveness of this Article could be improved. It would not appear that much further refinement of these proposals is necessary at this stage.

For trade-diverting aids, it was proposed that the obligations entailed in Article XVI be elaborated in a code of good conduct or Interpretative Note. There is probably not much now that can be done on this item in present circumstances, but the Group might wish to consider this item in connexion with its further discussion on export subsidies.

The solutions proposed for export subsidies were (a) that those countries, especially developed countries, which had not done so, accept the obligations of the Declaration giving effect to Article XVI:4, (b) that these obligations be strengthened through clarification and new notification and consultation procedures, (c) that there be an extension of the existing obligations to cover primary products and all export subsidies having trade-diverting effects whether or not meeting the two price criterion of paragraph 4.

In regard to countervailing duties, it was suggested that there was a need for a code along the lines of the Anti-Dumping Code. In addition certain delegations supported the view that countries should be permitted to take direct action in cases where export subsidies were causing injury to their export industries in third markets.

The proposed solutions for export subsidies and countervailing duties are of particular interest and it would seem that the Group could usefully give more attention to these items at the next meeting. The fact that a Working Party has been established on export subsidies and countervailing duties, but has never met, and that paragraph 5 of Article XVI provides for review of the Article, would suggest that further work could be done. (A review under Article XVI:5 could also deal with trade-diverting aids.)

It should also be noted that a new section of notifications on restrictive practices tolerated by governments has been added since the meeting of Group 1 and has not yet been discussed.

#### Recommendation

The meeting of Group 1 should take place as soon as possible, concentrating its discussion on export subsidies and countervailing duties. It could also examine restrictive practices tolerated by governments.

#### Group 2 (Mr. van Alphen - Netherlands)

Group 2 examined possible solutions to problems arising from anti-dumping duties, documentation, consular formalities and fees, valuation, and customs classification.

The issue of anti-dumping duties, is centred on the problem of having all contracting parties accept the Anti-Dumping Code. Inasmuch as this is under discussion elsewhere, the Group would not seem to need to continue discussion on this subject.

In regard to documentation, there was a suggestion that the possibility of drawing up an all-purpose import document be pursued; the initiative for expanding this proposal rests with the notifying country.

The Group noted that substantial progress had been made towards the abolition of consular formalities and fees, and it would appear that this subject can safely be put aside for the moment as more time is needed.

In regard to valuation a number of suggestions were made as to how the trade barrier effects of customs valuation practices could be minimized and to how a greater degree of harmonization of valuation systems could be achieved. It would be hoped that the examination the members of the Group would by now have made of the first report would permit a useful discussion of the proposed solutions in greater detail.

On the question of the harmonization of custom classification systems, some time might usefully be spent examining the problems involved.

#### Recommendation

Group 2 should focus on the proposed solutions to problems of valuation. Delegations may also find useful some further discussion of customs classification.

#### Group 3 (Mr. Kadota - Japan)

Working Group 3, on Standards examined three main aspects of standardization:

- the development and harmonization of standards and regulations;
- the enforcement of standards or regulations; and
- consultation machinery.

Under each of these headings, the Group explored general principles (i.e. the desirable goals), and practical methods of application. A considerable degree of consensus was reached with regard to general principles, even if some divergence in wording had to be recorded.

A number of avenues were explored on consultation machinery. While the principle of consultation procedures to deal with cases of trade difficulties resulting from the application of compulsory regulations or voluntary standards was never questioned, the form such consultation could take brought forth different views.

Finally, the Group examined packaging, labelling and marking requirements and expressed general support for the idea that Article IX and further elaboration of the Recommendation of 21 November 1958 would provide the basis for solving the problems arising from marking requirements.

Recommendation

Because standardization is a new field in the GATT, the Group could usefully hold another meeting at which some of the points made in the report could be expanded or additional suggestions put forward.

Group 4 (Mr. Colliander - Sweden)

Group 4 dealt with quantitative restrictions, bilateral agreements, export restraints, licensing and two minor problems of less general interest.

It was generally agreed that no separate solutions could be adopted for the problems of bilateral agreements and export restraints. As to quantitative restrictions, no agreement was in sight as to the nature of any central solution. It was recognized that the exchange of concessions would inevitably play a large rôle in any solution.

In these circumstances, it is doubtful whether much additional progress can be made in the area of quantitative restrictions except after a decision has been taken to negotiate and after something is known of the scope and modalities of such a negotiation.

The discussion of continuing procedures for review and relaxation of remaining hard-core quantitative restrictions indicated it too was a problem which cannot usefully be pursued until we have seen whether negotiations may possibly lead to the reduction and eventual abolishment of many existing restrictions. Such continuing procedures have, moreover, been mentioned as a matter for the Joint Working Group, under the Council, to deal with as a part of the general GATT programme. We would, therefore, seem to have concluded our useful preparatory work on this item.

However there is in our report one suggestion which might be pursued further: the possibility of a sector or commodity approach to removal of quantitative restrictions as outlined in paragraph 13 of the Group's report. As we know, many products are restricted in a large number of countries, especially where there is general fear that low-cost imports may hurt domestic products. In some such areas it is possible that a concerted move towards liberalization would enable action to be taken which no one country could take alone. These possibilities of "burden-sharing", attractive on economic as well as political grounds, would have special interest for developing countries, since it is often their manufactures which are the object of such restrictions. The feasibility of such an approach could be discussed. One may thus investigate which commodity sectors could possibly be suitable for such an approach and what methods to be used.

Finally, if delegations have concrete proposals regarding solutions to make with regard to quantitative restrictions, they would be welcome to do so.

Licensing, which has close links to the main problem of quantitative restrictions, may also offer a possible area for some further preparatory work if there is interest in a code of standard procedures to which licensing systems would be expected to conform. This too is a matter in which a number of developing countries expressed interest, as a safeguard against the delays and discrimination to which they feel their trade is often exposed in the form of administrative red tape.

Furthermore, there exist in some cases licence requirements often of an automatic character which do not seem to be connected with the main problem of quantitative restrictions, but appear to be obsolete. Efforts remain to be made for their identification and removal.

#### Recommendation

It is not certain that much progress can be made on the sector question except in a negotiating context. It is also not clear that there is a general wish for a licensing code. However, at least a short meeting focused on these topics would be useful and this group could in this way complete what can be regarded as its preparatory work.

#### Group 5 (Mr. Pasin - Turkey)

The illustrative list items assigned to Working Group 5 are of a somewhat miscellaneous character: prior import deposits, credit restrictions for importers, variable levies, border tax adjustments, restrictions on foreign wines and spirits, taxes on motor cars as well as administrative, statistical and special duties.

There would not appear to be much more that can be said in present circumstances on credit restrictions for importers. As for variable levies and border tax adjustments, these are being dealt with by the Agriculture Group 2 and the border tax adjustments Working Party respectively. The results of that work may suggest some useful work for Group 5 late in the autumn.

With regard to the administrative and statistical duties, there seems to have been a consensus that some more information about the scope of the problem was needed before discussion could be resumed. In any case, this is a non-priority matter in the view of most countries.

In respect of the special duties on imports, a study of Article XIX might be useful, but there did not appear to be much interest in such work.

This leaves me with three items which might offer some prospect of useful further work, namely, prior deposits, restrictions on wines and spirits and taxes on motor cars. Of these, prior deposits is linked to the study of appropriate trade measures for countries in balance-of-payments difficulties, and should probably be left aside for the moment. The notifications relating to wines, spirits and cars could probably be discussed further in the form of interpretative notes to Article III.

#### Recommendation

In general Working Group 5 should be convened for a one-two days' meeting in order to examine further the solutions proposed for discriminatory taxes on wines, spirits and cars and to agree on the final text of its report to the Industrial Committee.

The Chairman of the Committee on Trade in Industrial Products emphasized that the Groups' mandate from the CONTRACTING PARTIES, through the Council, was to complete preparatory work by the end of the year and noted that although as much detail had probably been developed as was possible in the circumstances on many topics, it remained for each of the groups to decide on what items are and what items are not suitable for action during the rest of this year. In his view, much remained to be done also in spelling out the specific interest of developing countries in different types of non-tariff barrier, in the interests of safeguarding their interests in any selection which might be made of priorities. These tasks should, in his view, be left to the Groups.