

GENERAL AGREEMENT ON TARIFFS AND TRADE

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TARIFF STUDY

Statement by the Representative of the United States
at the Council of Representatives on 2 December 1970

This is the second occasion that the Tariff Study has been placed on the Council's agenda. My Government believes this is not the appropriate forum to discuss so technical a matter unless we have reached the point where new or amended terms of reference for the entire GATT work programme are before it. It may well be that the directives of the twenty-fourth session of the CONTRACTING PARTIES and the Conclusions of the twenty-sixth session should soon be re-examined. If so, the United States Government believes any such review should include the work and progress of the other phases of the present GATT work programme as well. All of these activities are part and parcel of a whole and are designed to contribute equally to the very important objective of preparing an adequate and comprehensive basis for future trade negotiations. There is sufficient time to accomplish the necessary preparatory work. This opportunity should not be wasted.

There seems little purpose in the Council at this time reviewing only issues in one of the phases of this work. The Tariff Study has been a pioneering effort of which we can all be proud. Under the highly commendable guidance of the secretariat, governments have provided for the first time a body of data which has been processed into an impressive documentation of certain tariff and trade statistics and averages. This compilation, however, is only a first significant step forward. It is not an end in itself nor should it now be applied to only limited objectives. The United States Government has supported this project from its beginning. It originated the first proposals and provided both the initial electronic tapes and the technical advice. The proposals the United States is now circulating reflect its continuing belief that this work is of major importance.

The United States has made a careful examination of the present documentation and concludes that the contracting parties will be able to obtain important new insights and understanding formerly believed impossible and of interest primarily in the realm of academic research. To do so, however, will also require governments and the secretariat to assume added responsibilities and to explore together the further development and applications of the present documentation.

We must, however, view realistically what we have and what we could have with more effect. While the data assembled thus far are impressive, they cannot yet be considered the best we can provide as a basis for future action. What we have now is a comprehensive

set of tariff rates for certain countries as they will be when the Kennedy Round is implemented. Combined into averages weighted by trade for a much earlier year and to which they did not apply; trade data without the tariff rates in effect that year, and ad valorem equivalents computed from unit values of earlier periods without possible recognition of subsequent price change. We do not yet have any time series of data on either tariffs or trade, a deficiency which could readily be corrected now that the necessary methods and machinery have been established by the secretariat. And we do not have other relevant data, such as price information, which would permit us to achieve a better understanding of the effects of tariffs on trade flows.

While a significant improvement over what we had before, the present documentation is still a narrow basis, inadequate for the objective analysis we agreed to do. In the proposals my Government is circulating to the contracting parties, we are suggesting a minimal number of refinements in the existing data, an expansion of the data base to include tariff and trade data for other years, and, finally, certain further analyses of the relevant information. These proposals are aimed at developing better measures of the effects of tariff changes upon trade which could then be applied to analyses of various possible negotiating schemes.

The United States is not in these proposals asking contracting parties to agree upon any new set of theoretical principles or quantitative assumptions. Nor is it seeking to exclude from future work any analysis of negotiating objectives of particular interest to any contracting party. Rather, it is insisting that future work be conducted with the emphasis where it properly belongs - upon the effects on the flow of trade - and on a more adequate basis than the data we now have before us permits. The United States does not believe, in particular, that mere manipulation of tariff rates with or without reference to fragmentary past trade statistics to which those rates in no way applied can provide meaningful conclusions about the probable effects of tariffs and tariff changes on trade. And, finally, the United States urges contracting parties in their participation in this important GATT project to take into account the work on the effects of tariffs upon trade which their own representatives are developing in the IMF, OECD and UNCTAD. They should also take note of the work the GATT itself is co-sponsoring in the forthcoming seminar on effective tariff rates. To continue the practices of the past on as small a base of knowledge as the present documentation in the Tariff Study would be a grave mistake.

The United States Government has made many proposals for a meaningful GATT work programme and for possible solutions in both the Agriculture and Industrial Products Committees. It is disappointing that more proposals have not been forthcoming from others. The results in many areas, particularly in agriculture, leave much to be desired. The United States believes the question for the Tariff Study is now one of re-examining its goals and of setting a course which will better satisfy them.

To this end, the United States proposes that the following terms of reference for this work be adopted:

"A working party of the Committee on Trade in Industrial Products should direct a comprehensive and objective tariff and trade analysis to include the following elements: (a) further refinement and analysis of the existing documentation; (b) augment the existing data base with trade and tariff information for additional years and with other readily available economic information; and (c) develop better measures of the effects of tariffs and tariff changes upon trade flows for application to the development and analysis of various possible negotiating plans."

My Government urges that the contracting parties reflect upon the opportunity now before them to increase the usefulness of the GATT work programme and to give favourable consideration to the proposals it is making. It believes these proposals which are set forth in document COM.IND/W/42 should be discussed in further detail at the next meeting of the Committee on Industrial Products and that a specific programme of work should be agreed upon at an early date.