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GENERAL AGREEMENT ON TARIFFS AND TRADE

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Committee on Trade in Industrial Products

WORKING PARTY ON THE TARIFF STUDY

Report on the Meeting of June 1972

1. The Working Party met from 27-30 June 1972 under the Chairmanship of Mr. Hans Colliander (Sweden). Two main items were discussed at this meeting, (a) the future work programme of the Working Party¹ and (b) the special tasks regarding techniques and modalities assigned to the Working Party at the June meeting of the Committee on Trade in Industrial Products.²

A. Work programme

2. With regard to the Feasibility Study, the Working Party noted the replies to the questionnaire regarding the availability of statistics (Spec(72)32 Add.1) and to the letter soliciting information on study and research methods (summarized in Bibliography of Studies, Spec(72)40/Add.1) as well as the survey made by the secretariat of possible approaches to a study of trade effects of tariff changes (Spec(72)40). The delegation of the United States was of the view that this material indicated that adequate, although not always comparable or complete, data existed to permit the expansion of the existing Tariff Study data base through the inclusion of a 1964-70 time series of available production and consumption statistics concorded to the trade and tariff data classified into two-, three- and four-digit SITC groups, and Tariff Study product categories, for each of the countries covered by the Tariff Study. After a discussion of the specific proposal by the United States to this effect (Spec(72)53), and Spec(72)74) the Working Party decided that the secretariat should make a detailed assessment of the magnitude and complexity of the problems involved in such a task, particularly with respect to concording the various data elements and constructing a time series. This assessment should be based on an attempt to collate

¹L/3609 paragraph 19

²COM.IND/W/83 paragraphs 52 and 53

the requisite statistics for a few selected product groups for the period 1964-70. The secretariat would report its findings to the next meeting of the Working Party.¹

3. With regard to the other items on the work programme of the Working Party, it was decided that first priority should be given to the updating of Summary Table 1 (based on BTN headings) and Tables A to D of the Supplementary Tables² (i.e. the green book). The secretariat would update the general analysis of tariffs and trade (COM.IND/W/62/Add.1) adding simple and cumulative frequency distributions for individual stages of processing and distributions of dutiable tariff lines and imports only (in addition to the existing distributions of all lines and imports). The text would be amended where necessary, in the light of the new statistical data, taking into account the additional relevant insights gained in the exercise to establish statistical facts concerning trade at most-favoured-nation and other rates. The updating of the remaining tables, as well as of the analyses of a few product categories in which the greatest changes in the size or pattern of trade flows had occurred, would be carried out at a later date. A view was expressed that it would be useful, when updating to 1970 was completed, to update the existing trade and tariff data files to 1971 as well. It was decided that the question of adjusting the data to take into account the adoption of the EEC tariff by three countries included in the study would be discussed at the next meeting in the autumn.

¹ The United States expressed its disappointment and regret that it was not possible to reach agreement in this meeting of the Working Party on the United States proposal with respect to the feasibility study and the hope that such agreement could be reached at the next meeting. Other delegations, however, expressed doubts as to the practicability of this approach, notably in respect to the difficulties inherent in matching production and trade statistics, the availability of statistics, and the comparability of consumption and production statistics between different countries and over time. Furthermore, some of these delegations also doubted whether useful conclusions could be drawn from a comparison of tariffs, trade flows, and production and consumption statistics.

² This would not conflict with preparatory work on the tabulations discussed below in connexion with techniques and modalities.

B. Techniques and modalities

4. Following instructions from the Committee on Trade in Industrial Products, the Working Party had an initial discussion of the possibilities of presenting the tariff and trade data in forms that would facilitate an assessment of the implications of the various possible techniques and modalities for tariff negotiations. It had in front of it several specific proposals, and it was understood that additional proposals could be submitted before, and discussed in the subsequent meetings of the Working Party. After a thorough discussion of the proposals in front of it, the Working Party agreed to recommend at the present stage the following presentations as an illustrative approach. The fact that these presentations may relate to certain techniques and modalities is not to be interpreted as a preference for the examination of any particular technique or as prejudicial to others. These data presentations are also not to be interpreted as providing an analysis or evaluation of actual results under any technique and modality but are intended merely to facilitate an assessment of their implications by the CTIP.

(a) As an exploration of the various linear techniques, two tabulations could be prepared, each based on 1970 m.r.n. import data. The first, based on the alternative assumptions that all tariffs would be completely phased out in ten and in fifteen years, would indicate for the tariff of each country, the number of tariff lines and the amount of imports subject to average annual reductions of varying absolute extent (for example, zero, 0.1-0.5 percentage point, 0.5-1.0 etc.). This would be shown for all industrial products, imports by the three stages of processing, by the twenty-three product categories and 119 sub-categories¹, and by four-digit BTN headings. The second table would show the cumulative frequency distributions in percentage terms of tariff lines and the corresponding most-favoured-nation imports as they would appear after one third and two thirds of any given period over which tariffs might be phased out.

(b) Existing documentation for the Tariff Study could also be used for a tabulation showing simple frequency distributions of tariff lines and trade at their present levels; this again for all industrial products, the three stages of processing, the twenty-three product categories and 119 sub-categories. The tabulation would be in terms of one percentage point intervals up to 25 per cent, in wider intervals at higher levels, but it would be also summarized in terms of six intervals only.

(c) A tabulation could be prepared showing total 1970 imports into each of the countries covered by the Study broken down exhaustively by country of origin; it could present on this basis all imports of industrial products

¹ It was recalled in this context that these product categories and sub-categories were established for purely analytical purposes in the course of the Tariff Study, and in no way imply any recommendations, decisions or commitments with respect to the coming negotiations.

as well as imports in the twenty-three categories, 119 sub-categories and at the three stages of processing. Sub-totals would be included indicating duty-free, dutiable, most-favoured-nation, and preferential imports; in the latter sub-total, a separate breakdown would show all imports from countries eligible for preferential treatment and imports that actually received a margin of tariff preference.¹ The supplying countries would be grouped by geographical regions.

(d) Turning to presentations that could be of help in exploring the possibilities of tariff harmonization, the Working Party recognized that there exists a multitude of scales and formulae for a progressive reduction of customs duties in which the rate of reduction would be a function of the original level of the duty. It asked the secretariat to prepare material, illustrating formulae of a varying degree of progressivity, on which further discussion in the next meeting of the Working Party could be based.

(e) A tabulation could also be made based on an average of all thirteen tariffs calculated in two stages: a simple average of tariff lines in each BTN heading and, as a second stage a simple average of the BTN heading averages in each product category or sub-category. In each product category or sub-category, one standard deviation on both sides of the "world" average would define a uniform interval. The distribution of national tariff lines and trade within and outside these intervals would be established. The group wished to see whether a different way of calculating the "world" average would bring additional information. The secretariat was therefore asked also to calculate a "world" average based on average No. 1 as defined in the Tariff Study, the intervals for which would not be based on standard deviation but would be derived from the calculated mean value, to enable the Working Party to compare the two measures in its next meeting.

(f) A revised version of Table F in the supplementary tabulations could be prepared which would include for both 1967 and 1970 trade and tariff data for those BTN headings under which the developing countries supplied more than 20 per cent of combined imports of the countries covered by the Tariff Study. The resulting comparative data would show *inter alia* the most dynamic growth items in the exports of developing countries and new items which have only recently become important.

(g) The Working Party recognized the need for additional tabulations of trade and tariff data which would facilitate the analysis and evaluation of the techniques and modalities necessary for an effective participation of developing countries in future negotiations. In particular, a tabulation could be prepared which would summarise all information on the actual tariff situation facing developing countries after the implementation of the generalized system of preferences. The Working Party noted that the secretariat

¹The latter sub-total would be included in the up-dated tabulations as well.

was about to distribute an analytical note exploring in a general way the implications of the negotiating techniques presently under discussion for the trade interests of developing countries. It is also noted that the Committee on Trade in Industrial Products may provide the Group with additional instructions as to the data presentations suitable for the exploration of techniques and modalities for developing countries. It was agreed that the Working Party would discuss the required additional tabulations at its next meeting in the light of the secretariat note and such additional instructions as it may receive from the Committee. In the meantime, the secretariat will begin recording on computer tape the available information on the generalized preferential schemes in existence, and study the possibilities of updating such information on a continuous basis.