

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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## COMMITTEE ON TRADE IN INDUSTRIAL PRODUCTS

### Report to the Council

#### I. Introduction

1. At their twenty-sixth session, the CONTRACTING PARTIES noted with satisfaction the progress that had been made under the Work Programme established in 1967 and directed the Committee on Trade in Industrial Products to proceed with the task of formulating conclusions on possibilities for concrete action to deal with the trade problems that arise in the field of industrial products. In this connexion, the CONTRACTING PARTIES stressed the importance of the earliest possible completion of the Tariff Study so that tariffs as well as non-tariff barriers could be fully taken into account in the execution of the Work Programme.
2. In February 1971 the Committee was able to report progress on both aspects of its work: preparation of the basic data on the Tariff Study had been completed and five sub-groups on non-tariff barriers had concluded a preparatory stage of examining the non-tariff barriers on the illustrative list and had begun the search for solutions to these problems.
3. The Committee now submits its third report to the Council in accordance with the decision of the Council of 22 February that it should report on both tariff and non-tariff work in time to permit the Council to report to the twenty-seventh session. This report sets out the present situation of work in the field of non-tariff barriers and on the Tariff Study, as well as the views prevailing in the Committee on the work to be undertaken between the twenty-seventh and twenty-eighth sessions.
4. In February 1971, further work on both tariffs and non-tariff barriers was approved by the Council on the recommendation of the Committee. An extensive exchange of views on the Tariff Study resulted in agreement to establish a Working Party to submit a preliminary report containing an analysis in a form agreed by the Committee, whilst on non-tariff barriers it was decided that the existing Groups would make an effort to elaborate solutions on an ad referendum basis, beginning with the three topics which appeared to lend themselves most readily to concrete action. These topics were also selected with a view to giving priority attention to problems of interest to developing countries. The topics were: standards and their enforcement, existing systems of valuation for customs purposes, and problems within the area of Group 4, where it was envisaged that initially work would focus on the operation of licensing systems. In the July and November meetings there has also been exploration of the possibility of adding other topics to the work programme on non-tariff barriers, taking into account the results of work in other GATT bodies.

5. The Committee noted that the Swedish delegation, at the informal meeting of contracting parties in April, had put forward a proposal to establish a small trade policy group to investigate possibilities for new concerted efforts with special regard to timing and modalities. The Swedish delegation explained that the purpose of the policy group would be two-fold: to study negotiating techniques and to examine the scope of global negotiations. It was the intention of the Swedish delegation to pursue the proposal during the forthcoming session of the CONTRACTING PARTIES.

## II. Non-tariff barriers

6. Work on valuation has reached a measure of agreement on two texts provisionally called "principles" and "interpretative notes". The latter give greater precision to Article VII, in particular to the concepts "actual value", "like merchandise" and "nearest ascertainable equivalent of actual value". The text contains a few points on which there still remain some differences between the members of the Group. The Group considers that there is now need for reflection and decisions on whether and under what conditions the proposed texts are acceptable. The Group, having regard to the reservations made in the Group and reproduced in document COM.IND/W/64, therefore considers that it would be appropriate to refer the texts to their administrations for careful examination and for consideration of changes in their legislation and practices which might be implied in accepting them.

7. In Group 3 on Standards, three meetings and the work of a Drafting Group of experts have produced a working paper relating to definitions and principles concerning the elaboration and product coverage of standards, their use, procedures to be followed relative to publicity, compliance, testing procedures and consultations. The Group has also debated certain issues involving differences of view which subsist, including the binding nature - or otherwise - of the principles, the question of which States might adhere, the kind of consultations wanted and in particular the rôle of standards which are developed by limited groups of States in cases where other States interested in the trade are not permitted to participate or choose to abstain from preparation of and participation in standards. Involved in this debate was also the question of the ability of States to enforce international obligations in the field of standards. At its latest meeting, the Group instructed the Chairman to pursue actively informal consultations with key members with a view to convening a meeting early in January.

8. In Group 4 on Licensing, an examination of individual countries' licensing systems has been carried out in an effort to determine what solutions would be appropriate to the problems identified. Some fifty replies were received from contracting parties in response to a questionnaire sent out by the Group, and a selection of replies was reviewed by the Group. Revised and supplementary documentation and a secretariat study of the replies are in preparation. The Group has prepared a working paper which is now under study in capitals, containing alternative approaches to the question of automatic licensing systems. It has also begun consideration of ways of improving existing systems of licensing to administer import restrictions and this work will be continued on the basis of a secretariat study.

Future work on non-tariff barriers

9. The Committee agreed that work in all three non-tariff barrier subjects should be actively pursued to the preparation of solutions which could be placed before governments for acceptance. In the case of valuation the Committee, subject to the reservations set out in COM.IND/W/64, accepted the Group's suggestion to transmit the texts to administrations for careful examination and for consideration of changes in their legislation and practices which might be implied in accepting them. It was also agreed that the valuation drafts might be reviewed at a future meeting of the Committee after governments have had an opportunity of taking positions in regard to them. It was understood that work on standards and licensing should be actively pursued to the stage of submission of ad referendum solutions to governments, hopefully in the coming months. With reference to standards and licensing, some delegations felt that there should be a greater degree of movement towards solutions if the work of these two groups is to be submitted to governments on an ad referendum basis in the near future.

10. It was agreed that a list of topics should be prepared, on which similar work might be done during the interval from now to the twenty-eighth session. The Committee noted that the Council had directed it to continue to explore the possibilities of adding other topics to its work programme. A number of possible subjects were mentioned in this connexion in the Committee's debate, including export subsidies, countervailing duties, consular formalities, import documentation, marks of origin, packaging and labelling, quantitative restrictions including export restraints, interpretative notes for Articles III, XX and XXI, motion-picture restrictions, samples and prior deposits. It was agreed that the diversity of subjects available, together with the desire to complete work already under way, argued for adoption at the appropriate time of a short list taking account in particular of items of interest to developing countries.

11. The following suggestion was put forward by one delegation as one possible line of approach which might perhaps offer a basis for a compromise. As and when their present tasks permit, existing groups would turn to the following subjects respectively: Group 2 - consular formalities; Group 3 - packaging and labelling; Group 4 - quantitative restrictions, in particular those affecting developing countries. A new group might also be set up to undertake work on export subsidies, followed by work on countervailing duties. This proposal commanded some support.

12. It was suggested that the discussion held on future work should be without prejudice to the possibility that more far-reaching decisions might be taken in the near future.

13. Most members of the Committee agreed that the time had come to take a firm decision on the question of additional work. Certain delegations felt that there should be a further opportunity for reflection in capitals on the differing views expressed with respect to the addition of new topics for concentrated attention at this time. The Committee expressed the hope that a consensus could be reached in the twenty-seventh session.

### III. Tariff Study

14. The Working Party on the Tariff Study was established by the Committee on Trade in Industrial Products in February 1971, with the following terms of reference:

"On the basis of documentation that has been prepared and such other material as may be found useful, the Working Party should carry out an objective analysis of the tariff situation as it will exist when all Kennedy Round concessions have been fully implemented, with a view to providing the Committee on Trade in Industrial Products with the necessary elements for carrying out its terms of reference in the tariff field. This analysis, incorporating trade flows, will provide an objective basis for the contracting parties, at the appropriate time, to explore various possible approaches to future action in the tariff field and would include, *inter alia*, an examination of the variations in tariff rates as between and within categories and as between countries, and of the differentials in duties according to the degree of processing. The report of the Working Party will present the results of the various parts of the analysis but should not make recommendations as to possible action.

"The Working Party should submit to the Committee, as soon as possible, a preliminary report on the basis of the present documentation. A final report incorporating additional trade and tariff data will follow.

"The Working Party will also examine the feasibility of analyzing and developing better measures of the effects on trade of tariffs and tariff changes and should report, as soon as possible, the results of its examination to the Committee on Trade in Industrial Products."

Since its establishment the Working Party has met three times - in March, June and October.

15. In compliance with the first two paragraphs in the terms of reference, the Working Party carried out a general analysis of industrial tariffs and trade. The tariffs which are included in the analysis are those of: Canada, the EEC, the following EFTA countries: Austria, Denmark, Finland, Norway, Sweden, Switzerland and the United Kingdom; Japan and the United States. Special attention is given to those sub-categories and individual products of export importance to developing countries. In addition, the secretariat has prepared preliminary analyses of the tariff and trade situation in each of the twenty-three product categories established for the purposes of the exercise. The preliminary report will not be complete until the product category analyses are finalized and submitted to the Committee on Trade in Industrial Products as addenda.

16. Supplementary tables to the basic documentation, presenting the data in a form more suitable for analysis, were also prepared. Taken together, the general analysis of industrial tariffs and trade, the product category analyses and the supplementary tables form the Working Party's preliminary report, which will present a systematic examination of the structure of industrial tariffs and the variations in levels of tariff rates between the countries studied as well as between product categories. The contracting parties, in exploring various possible approaches to future action on the tariff field, will thus have in the preliminary report and its revisions, a detailed objective analysis of the structures of industrial tariffs and trade, both in respect of trade in industrial products as a whole, and of individual categories and sub-categories of products.

17. It was agreed that the revisions to the Summary Tables of Basic Documentation ("White Books") as well as the Supplementary Tables ("Green Book") should be made available on the same conditions as those which were agreed upon by the Committee in February 1971 with reference to the original Summary Tables, including the provision of a cover note by the secretariat.

18. With regard to the feasibility study (the third paragraph in the terms of reference), the Working Party decided that the first step should be to determine what relevant information was available. A questionnaire regarding the availability of statistics was sent to the countries which had already supplied data for the Tariff Study. Nine countries have already replied to this questionnaire while the remaining countries stated that their response would be submitted in the near future. In addition, a letter was circulated to all members of the Committee on Trade in Industrial Products requesting information on studies and research relevant to the feasibility study. One country so far has submitted an interim response.

#### Future work on the Tariff Study

19. At the October meeting of the Working Party it was agreed that the next step in the Tariff Study should be to bring the supplementary tabulations and the general analysis up to 1970 trade figures and to add data on Australia and New Zealand. This would also apply to certain product category analyses, particularly those accounting for a large amount of trade or for which world trade had shown its greatest increase since 1967. It was also agreed that the secretariat should prepare, on a country basis, analyses of the tariff and trade situation with regard to Australia and New Zealand and proceed to tabulate data on South Africa as soon as they are finalized.

The secretariat was also instructed to contact other countries with a view to determining whether they would be prepared to furnish material for inclusion in the tariff study.

With regard to the feasibility study, it was decided that the secretariat would compile responses to the statistical questionnaire on a question-by-country basis, and would prepare a summary of replies to the letter regarding study and research methods. These would both be circulated to the Working Party prior to its next meeting, tentatively scheduled for February 1972. The secretariat might prepare suggestions as to how the study could be conducted.

20. The Committee at its 2-3 November meeting approved this work programme.