

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

TAR/W/28  
18 May 1982

Limited Distribution

---

## COMMITTEE ON TARIFF CONCESSIONS

### Draft Minutes of the Meeting held in the Centre William Rappard on 21 April 1982

Chairman: Mr. W. Lavorel (United States)

	<u>Page</u>
1. Adoption of the agenda	1
2. Possible contribution to the ministerial meeting	1
3. Tariff reclassification	10
4. Date of the next meeting	10
1. <u>Adoption of the agenda</u>	
1.1 The <u>Chairman</u> drew the attention of the Committee members to GATT/AIR/1806 containing the proposed agenda for the meeting. It consisted of two items: possible contribution to the ministerial meeting and other business.	
1.2 The representative of <u>Canada</u> requested that tariff reclassification be considered under "other business".	
1.3 The agenda was <u>adopted</u> with that addition.	
2. <u>Possible contribution to the ministerial meeting</u>	
2.1 The <u>Chairman</u> referred to the previous meeting of the Committee where some discussion had taken place on the contribution that the Committee might make to the preparatory process for the GATT ministerial meeting. He recalled that on that occasion two topics had been put forward: the Harmonized System of tariff nomenclature and tariff escalation. With respect to the Harmonized System, it was noted that several countries were unlikely to be in a position to signal acceptance of the system by the date of the ministerial meeting. A number of delegations believed, however, that it was important for the ministers to endorse the work on the Harmonized System and certain principles for the tariff negotiations that would be necessary. Regarding tariff escalation, the Committee had not yet been able to examine the pilot study prepared by the secretariat. Many delegations had stated the belief that tariff escalation inhibited international trade and the feeling that the ministers should address the subject. At the last meeting of the Committee, however, no specific suggestion had been made as to how the ministers might address the matter. He noted that, subsequently, two delegations, Brazil and India, had submitted a paper to the Preparatory Committee (PREP.COM/W/6) on those topics; the secretariat pilot study on tariff escalation had been circulated in document TAR/W/26. He expressed his intention to forward to the Preparatory Committee a summary on how the ministers might address these	

two topics, as well as any other that the Committee might deem appropriate.

2.2 The representative of the European Communities reiterated the importance that his delegation had attached from the beginning to the adoption of the Harmonized System by as many countries as possible. The adoption of the new system would be very important, not only from a GATT point of view, but for all contracting parties, since it would facilitate greatly the comparison of tariff concessions. His delegation was in favour of submitting the question of the Harmonized System to the ministers, so that its adoption could be recommended and, once the system adopted, that certain principles be safeguarded and respected with regard to the renegotiations that would have to take place in GATT.

2.3 The representative of Austria said that at the time of the ministerial meeting some countries would not have decided whether they would accept the Harmonized System or not. In those circumstances, he believed that the ministers should only establish some general principles in that area.

2.4 The representative of the United States agreed with the representative of the European Communities that the Harmonized System would be an appropriate item for the ministers to consider, but he also agreed with the representative of Austria that it would be premature to expect a decision on the adoption of the Harmonized System. Considerable work would need to be done before countries could take a decision. The ministers could, however, focus on the potential benefits of the Harmonized System, giving emphasis to ongoing work in the area. In addition, the ministers might note the importance of the new system in facilitating trade and the benefits that could be derived from improved statistical data. They might also note that several countries were already preparing tariff schedule conversions in anticipation of possible adoption of the system. The ministers should endorse the important work of the Committee in developing procedures for the renegotiation of concessions that would be required in converting to the new system. If work were sufficiently advanced by the time of the ministerial meeting, certain principles might also be endorsed. Moreover, there was a need for beginning preparations for Article XXVIII negotiations in view of the scope of the project. Finally, his delegation would expect the ministers to support a study on the trade effects of the rules of origin in the context of the Harmonized System.

2.5 The representative of Canada said that as far as the Harmonized System was concerned, he believed that the ministers should limit themselves to a general declaration on the question, inviting the greatest number possible of countries to adopt the system once the work within the Customs Co-operation Council had been completed and to encourage the Committee to continue its work in that field. He reiterated some suggestions he had made at the previous meeting of the Committee that ministers might confirm their full support for the implementation of tariff concessions granted in the MTN and for the general principle that countries should ensure that the value of concessions be preserved. Ministers might for example give emphasis to work towards elaboration of rules on tariff reclassification and on

rules of origin. Finally, his delegation would also envisage ministers to encourage the adoption of the Harmonized System and the continuation of work on problems relating to tariff escalation.

2.6 The representative of Japan stated that his authorities had no particular objection to submitting the Harmonized System as a topic for the ministerial meeting, provided that it did not prejudice the work presently being carried out by the CCC in Brussels.

2.7 The representative of Australia referred to document PREP.COM./W/6 submitted by the delegations of Brazil and India and requested some elucidation from those countries on the subject of tariff escalation. He found it useful but of very general nature. In terms of this Committee's contribution to the ministerial meeting, he pointed out that there was already on the draft agenda a possible item on the subject of non-ferrous metals. He understood that the question of tariff escalation would come under that heading and wondered what was the connexion between the two items, what sort of interest there would be in tariff escalation and how broad the commodity coverage would be. His delegation had no problem with the question being handled by ministers since it was regarded as an important problem. to comment on it.

2.8 The representative of the European Communities referred to the statement made by the representative of the United States and to rules of origin in particular. He was of the opinion that as far as the adoption of the Harmonized System was concerned, it only represented an exercise of transposition from a nomenclature to another. He quoted document TAR/W/25, paragraph 2.2 which read that "in order to avoid complicating the introduction of the Harmonized System, contracting parties should endeavour to avoid modifying or renegotiating, in the context of the introduction of the Harmonized System, their bindings for reasons not associated with the System."

2.9 The representative of Austria fully supported the view expressed by the Canadian representative that the value of the concessions should be preserved but said that, as far as the rules of origin were concerned, in his opinion, this was not a matter for discussion at the ministerial meeting.

2.10 The representative of India referred to the communication which had been circulated in document PREP.COM/W/6. He recalled that at the meeting of the Committee on 1 April 1982, his delegation, along with several other delegations, had expressed continued interest in the subject of tariff escalation. It had been felt in the quest for trade liberalization that this area appeared to be one of the most neglected ones. It had also been felt that in the possible contribution that could be made by the Committee to the ministerial meeting, the subjects of tariff escalation and the Harmonized System were two issues on which the Committee could possibly focus as possible areas for providing an input for the forthcoming ministerial level meeting in GATT.

2.11 A very large number of delegations had felt that although the overall significance of tariff escalation was not disputed, as high levels of nominal and effective protection constituted barriers to trade

in products of increased degree of processing, no systematic effort had yet been made to come to grips with the problem. He recalled that with a view to further the understanding of the problem, the Committee had blessed the idea of pilot studies to be carried out on certain selected products which were of a general representative nature. The first of these pilot studies had only recently been received and his delegation looked forward to an examination of this study in the subsequent meetings of the Committee. It was, however, necessary that the Committee should decide that further pilot studies should be carried out expeditiously on certain product or product groups to be determined.

2.12 He added that the plurilateral consultations on trade liberalisation which had been held under the auspices of the Committee on Trade and Development on certain tropical products last March had clearly established the incidence of tariff escalation or measures having a tariff escalation type effect. This contributed further evidence of the importance of this subject and its appropriateness for consideration and decision by the ministers.

2.13 His delegation therefore, had wished to recommend that this Committee should in its report to the Preparatory Committee highlight the problem of tariff escalation as one ripe and appropriate for decision by the ministers. To this end, the necessary studies should be completed expeditiously and intensive work followed up so as to have barriers to trade resulting from the application of escalation promptly eliminated.

2.14 The representative of Austria was also of the opinion that the adoption of the Harmonized System merely meant the transposition of positions. The tariff escalation had nothing to do on the agenda of the ministerial meeting. He feared that the discussion of tariff matters by ministers could lead to a new round of tariff negotiations, which was certainly not the intention of his authorities; the commitments of the Tokyo Round had first to be fulfilled.

2.15 The representative of Chile commented on the statement made by the representative of India and believed that the document presented by India and Brazil put in clear terms the concern not only of Brazil and India but of a great number of delegations with respect to the problem of tariff escalation. In his opinion this subject had already been of concern for quite a number of years. His delegation felt that it was of great importance to trade and indeed required that the ministers should concentrate their attention on this matter and take appropriate decisions. Discussion and analysis of the first pilot study prepared on the subject would be most important in order to determine what would be the future course of action to be followed by the Committee in the field of tariff escalation. Without prejudice to the progress of this work, this issue should be brought to the attention of the ministers, independently of the degree of preparations reached in November.

2.16 The representative of Canada repeated that his delegation would be interested in seeing the ministerial meeting deal with tariff escalation. However, he was not sure that work would be sufficiently

advanced by the time of the ministerial meeting to allow ministers to take the kind of decisions suggested in the paper circulated by Brazil and India. He wondered whether it would not have been preferable to describe the subject of tariff escalation as an important element in the GATT work programme for the 1980's which ministers would be asked to endorse.

2.17 The representative of Peru pointed out that it was clear that two main points could be proposed for the ministers' attention, the Harmonized System, on which many delegations were already working and which was also of great interest to her delegation because it would efficiently contribute towards better development of trade between all contracting parties, and tariff escalation. Concerning that point, her delegation had read with attention the communication from Brazil and India and believed that it was indeed an important problem. When this question would be dealt with in the Committee on Trade and Development, her delegation would look forward to seeing the results of the consultations which had been held on tropical products. Her authorities had not yet had a possibility to examine in detail the pilot study prepared by the secretariat. For the time being, there was only one study available but she presumed that other studies could be requested in order to create a basis for proposals to the ministers who then could take appropriate decisions.

2.18 The representative of the Philippines associated his delegation with the Indian/Brazilian submission and supported the views expressed by the delegations of India, Peru and Chile in respect of the problem of tariff escalation being presented to the ministers for their consideration.

2.19 The representative of Japan referred to the pilot study received a few weeks earlier which called for discussion on the technical aspects of tariff escalation. Such discussions had not taken place yet, in his view, it was therefore too early at this stage to take any decision regarding the contribution of the Committee to the ministerial meeting.

2.20 The representative of Nigeria stressed that the issue of tariff escalation had been identified as being of concern to various delegations. It had therefore been agreed that studies on the subject should be undertaken. The importance of tariff escalation had been supported by the work already done in the recent consultations undertaken on tropical products. His delegation was in favour of submitting this topic to the ministers.

2.21 The representative of the United States said that his delegation was looking forward to the examination of the paper submitted by the secretariat and felt it would be useful to consider several areas in an analytical way, but he wondered if at that stage ministers could take far-reaching decisions as suggested in the Brazilian/Indian paper. His delegation had no objection to the ministers considering this topic but they should limit themselves to endorse the issue in the future programme of the contracting parties.

2.22 The representative of Brazil believed that it was not up to the Tariff Committee to suggest where a specific item should fit in the agenda of the Preparatory Committee. The work that had been already carried out in this field suggested that attention of ministers be drawn to the problem. Regarding the issue itself and the paper submitted jointly by India and Brazil, he confirmed the clarifications given by the representative of India. He did not think that the problem of tariff escalation was necessarily linked to product by product negotiations. He further stated that the matter was relevant and practical as had appeared during the consultations on tropical products. He believed that the examination of the pilot study presented by the secretariat would clarify the nature of the problem.

2.23 The representative of India commented on the statement made by the representative of Austria and said that if a criterion of ripeness should be applied, he believed, without any prejudice to the Harmonized System, that the issue of tariff escalation was far more ripe for consideration by the ministers, not only because it had been discussed for a far longer period within the Committee and other GATT fora, but also because its adverse implications had been concretized in various studies. Concerning the negotiation aspects of tariff escalation, as the Brazilian representative had pointed out, the question of tariff escalation might or might not involve tariff negotiations. Referring to the Harmonized System and to document TAR/W/25, the representative of India recalled that it had been made clear in the paper that the intention was to maintain the existing level of concessions but in view of the fact that for certain contracting parties this objective might in some cases be problematic, special negotiating procedures had been proposed.

2.24 The representative of Finland pointed out that on the basis of document PREP.COM/W/6 he understood that there had been a fairly wide agreement on the fact that tariff escalation was an important matter, worth of consideration by the ministers. He was concerned however about the way the ministers should tackle the question. He was convinced that there was room for it in the future work programme of GATT but had doubts about the kind of concrete decision that the ministers could take.

2.25 The representative of Austria explained that he had nothing against the Harmonized System being dealt with by the ministers but stressed that at the time of the ministerial meeting some delegations would not be able to say whether they could accept the Harmonized System or not. Therefore, he was of the opinion that the ministers should only deal with the principles of the Harmonized System. Regarding tariff escalation, he agreed that the issue might or might not lead to new tariff negotiations but it was important for his authorities to implement first the results of the Tokyo Round.

2.26 The representative of Chile referred to the comments made in particular by the Finnish representative concerning the form of decision that could be taken by the ministers. His delegation was of the opinion that the ultimate goal was to achieve trade liberalization and this was

the motive for carrying out studies in respect of tariff escalation. The document prepared by Brazil and India justified in broad terms the reasons for taking up the subject and suggested a possible form of decision to be taken by the ministers. His delegation therefore supported the text submitted by the delegations of Brazil and India.

2.27 The representative of Brazil referred to the comments made by the delegations of Austria and Finland and suggested that the Committee should limit itself to putting forward proposals to the Preparatory Committee which would then decide how they should be presented to the ministers. Moreover, there had been so far no indication of the nature of the decision, if any, which could be taken by the ministers in other fields. It would then be very difficult to know what the decision in the tariff escalation area could be. Referring to the implementation of the Tokyo Round concessions, he compared the forthcoming ministerial meeting to the one held in Tokyo and felt that it was not for this Committee to say that nothing could be done before the complete implementation of the Tokyo Round results; The decision remained with the ministers.

2.28 The representative of Finland explained that his delegation would have some difficulties in envisaging a decision which would go further than the inclusion of the question of tariff escalation in a future work programme, given the present stage of the discussion, but he would not exclude the possibility of going further if progress achieved before the ministerial meeting permitted. The same situation applied to the Harmonized System; it was not known today how far developments would have gone in this field at the time of the ministerial meeting. He raised a point concerning the responsibility of the Committee on Tariff Concessions in the preparation of the ministerial meeting and asked whether it should simply draw attention to certain issues or whether the Committee should help ministers in reaching concrete conclusions. His delegation would favour the last alternative. It was fair to expect from the Committee some indication as to what kind of decision on tariff matters could be expected.

2.29 The representative of India stated that, given the limited mandate of this Committee, one way of facilitating the decisions to be taken by the ministers could be to place before them the effects of tariff escalation in concrete terms, and this could be achieved only if further pilot studies could be expedited.

2.30 The representative of Nigeria suggested establishing a time-frame for additional studies to be prepared.

2.31 The representative of Australia recalled that the two items being discussed at the present meeting had already been included in the draft agenda of the ministerial meeting and suggested that the discussion might be directed from the chair in order to know what could be done in the way of possible concrete proposals.

2.32 The Chairman summarized the discussions which had taken place during the meeting and confirmed that the role of the Committee was to put forth possibilities for ministerial consideration. He suggested preparing a note which would not necessarily be an agreed position that would commit all members of the Committee, but would contain suggestions on how the topics in the tariff area might be handled by the Preparatory Committee. He noted that the Committee had examined two topics which could be considered by the ministers: the Harmonized System of tariff nomenclature and tariff escalation. With respect to the Harmonized System, the Committee could emphasize the benefits that might be derived from it in that it would facilitate trade and the analysis of trade statistics. From a GATT viewpoint, the adoption of the system would ensure greater uniformity in customs classification as well as a greater ability for countries to monitor and protect the value of tariff concessions. He would also note in his paper that the work of the Committee on this topic focussed on preparing for the renegotiations which would be necessary by developing guidelines for facilitating such negotiations. He would add that although individual contracting parties might not have completed the necessary internal procedures to be in a position to signal acceptance of the Harmonized System or to establish a date for the beginning of the negotiations, ministers could recognize the importance of the work on harmonization of international tariff and statistical nomenclatures. They could also support the facilitation of the necessary tariff negotiations by noting that such negotiations under the GATT should be started in sufficient time so that they could be completed one year before the entry into force of the new Harmonized System. Finally, assuming that the work in the Tariff Committee on the guidelines for these negotiations would be sufficiently advanced by November, the ministers could also endorse the major guiding principles for the negotiations such as, for example, the maintenance of the benefits provided by present bindings.

2.33 Concerning tariff escalation, he could note that the work of the Tariff Committee was in its initial stages, that the pilot study just completed had not yet been examined but that there was a widespread belief among members of the Committee that tariff escalation was a factor inhibiting the faster expansion of international trade. The ministers could therefore express appreciation for the problem as well as encourage further work on the analysis of tariff escalation in selected product categories as well as perhaps examine possible means for reducing such escalation.

2.34 On the basis of the discussion held at the meeting and in view of the status of development of these two topics, the Chairman felt that he should present a paper to the Preparatory Committee along the lines he had described. At the time of the ministerial meeting, the work might have evolved sufficiently for stronger recommendations for decisions to be made.

2.35 The representative of Canada found the summary made by the Chairman on the two subjects adequate but he wished to reiterate that he had indicated that his delegation had hoped that the ministers could also give emphasis to work towards elaboration of rules on tariff reclassification and rules of origin. Unless any delegation would