

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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COMMITTEE ON TARIFF CONCESSIONS

Draft Minutes of the Meeting Held in the Centre William Rappard on 21 October 1982

Chairman: Mr. W. Lavorel (United States)

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1. <u>Adoption of the agenda</u> (GATT/AIR/1855)	
1.1 The <u>Chairman</u> welcomed the participants to the ninth meeting of the Committee and called their attention to document GATT/AIR/1855 dated 30 September 1982 which contained the agenda and the list of documents for the meeting. He pointed out that document TAR/W/25/Rev.2/Add.1 concerning the Harmonized System had been distributed very recently and had not been listed in the airgram.	
1.2 The representative of <u>Canada</u> said that his authorities had asked him to make a remark under "other business" on the length of time taken for Article XXVIII negotiations.	
1.3 The agenda was <u>adopted</u> with this addition.	

2. Submission of loose-leaf schedules (TAR/W/23/Rev.4, TAR/W/32 and TAR/W/33)

2.1 The Chairman referred to document TAR/W/23/Rev.4 and noted that twenty contracting parties, plus Thailand, had submitted their schedules in loose-leaf form, and that not much progress had been made since the last meeting of the Committee. Once again, he urged contracting parties to accelerate their preparatory work as well as the verification process. So far, only two schedules were ready for certification. The Chairman recalled that under this agenda item, several technical issues had been raised. Since the adoption at the last meeting of simplified procedures concerning INRs on former bindings in column 7, other problems had been taken up: the delegation of the United States had raised the question of identification of sub-headings referred to as "other" or "n.e.s.". A communication in this respect had been circulated in document TAR/W/32. Another problem - which was not new - had been taken up by the delegation of Japan concerning the legal status of the loose-leaf system. A written communication had been reproduced in document TAR/W/33.

2.2 The representative of the United States noticed that in the Japanese communication, the Government of Japan had asked for the views of member countries and of the GATT secretariat. It would help his delegation if it could know what the views of the secretariat were on this matter.

2.3 The representative of Japan confirmed that his delegation had asked the secretariat to circulate document TAR/W/33 in order to seek clarification on certain points raised in the paper. He added that his delegation would appreciate hearing the views of member countries and also of the secretariat on this issue.

2.4 The secretariat (Mr. Lindén) explained what the secretariat's views were on the issues raised in the Japanese paper. It was agreed that the oral statement would be reproduced in a TAR/W/- document and would be circulated within a few days to all members of the Committee.

2.5 The representative of Finland, on behalf of the Nordic countries, declared that the views expressed by the secretariat reflected those of the Nordic countries and recalled that the decision taken by the Council (BISD 27S/22) in this matter had not met with opposition from any contracting party. Furthermore, the very benefit of the introduction of the loose-leaf system would be that it would represent the sole legal source for interpreting concessions. Otherwise, the value of the whole exercise would be doubtful.

¹ See document TAR/W/34 of 29 October 1982.

2.6 The representative of the United States stated that the views of his delegation were about the same as those expressed by the secretariat. As the representative of Finland had said, his delegation had always taken the view that after 1 January 1987, the loose-leaf schedules would be the sole legal source. In case his delegation had further thoughts, after reflection, it would communicate them to the secretariat.

2.7 The representative of the European Communities felt that, basically, their position was identical with that expressed by the secretariat.

2.8 The representative of Hungary said that the position of her delegation regarding the legal status of the loose-leaf schedules was the same as that explained by the secretariat.

2.9 The representative of Japan indicated that he would inform his authorities of the views expressed by the secretariat and the members of the Committee and, at the next meeting, would revert to the subject. Regarding the proposal made by the delegation of the United States and contained in document TAR/W/32, he said that his Government held the view that this proposal required careful consideration since it was related to the matter regarding the legal status of loose-leaf schedules.

2.10 The representative of Finland referred to the fact that very few loose-leaf schedules already submitted had been certified and recalled that the Finnish schedule had been submitted for inspection more than one year ago; it had not yet been certified because certain countries had asked for an extension of the time-limit for its examination. These countries had not raised any question nor criticism concerning the Finnish schedule. He therefore asked them to accelerate their examination of the Finnish schedule.

2.11 The representative of Spain agreed with the comments made by the representative of Finland. He said that Spain had submitted its schedule in June 1981 and that some contracting parties had wished to extend the time to examine it. He urged those contracting parties to forward their comments as soon as possible.

2.12 The representative of Canada mentioned that his authorities had found that the verification of schedules had gone slower than they had hoped, particularly concerning columns 6 and 7, perhaps for reasons not unconnected with the legal problem the Japanese delegation had raised. He added that his authorities were ready to remove their reservation on the Norwegian schedule.

2.13 The Chairman urged contracting parties to accelerate the verification process of the loose-leaf schedules already submitted.

3. The Harmonized System and GATT concessions (TAR/W/25/Rev.2 + Add.1)

3.1 The Chairman recalled that at the end of 1981, the secretariat had been asked to prepare a paper on the procedures to be followed in the renegotiations likely to take place in connection with the introduction of the Harmonized System. Document TAR/W/25/Rev.2, together with Add.1 distributed a couple of days ago, represented the result of consultations carried out by the secretariat and interested delegations in a large number of informal meetings. Referring to the third paragraph of the first page of the document, the Chairman stressed that the discussion or the eventual adoption of these procedures would in no way prejudice the decision of individual contracting parties with respect to whether or not they would apply the Harmonized System. The paper constituted merely a set of procedures that would be followed once countries had adopted the Harmonized System and if they found it necessary to enter into Article XXVIII negotiations concerning changes in the schedules.

3.2 The representative of Egypt pointed out that although his delegation had been involved in the preparation of the document, he was not yet in a position to give the final reaction of his authorities but hoped to be able to do so at the next meeting of the Committee.

3.3 The representative of Finland, on behalf of the Nordic countries, said that they could generally give their support to the document. There was only one point they wished to emphasize. As far as the Nordic delegations were concerned, the annexes represented only models for the presentation of the information required and their format was not binding.

3.4 The representative of Japan indicated that, as a general comment, his Government was of the view that it was premature to finalize such a paper at this stage, for two reasons: firstly, because no final decision had been reached at the CCC in Brussels on the type of instrument that would introduce the Harmonized System, nor on the target date at which the System would become effective; secondly, because his authorities had made a proposal at the CCC Committee on the Harmonized System which would enable contracting parties to dispense with the need for adjustments of national tariff rates and which would avoid negotiations.

3.5 The representative of Australia shared the understanding of the representative of the Nordic countries with respect to the status of the annexes as representing only examples. Secondly, referring to paragraph 2.1 of the paper he felt that, while it was the aim of all participants to maintain existing GATT bindings unchanged, it was obvious that this would not always be possible. This paragraph therefore meant for his delegation that, the basic principle was that existing GATT bindings should be maintained unchanged as far as possible.

3.6 The representative of the European Communities had also understood that regarding the annexes to the paper, it was necessary to respect the content but not the format and that this point of view had been accepted during the informal meetings. With respect to the intervention made by the representative of Japan, he said that until now nobody had taken any decision on the adoption of the Harmonized System and that the acceptance of the paper did not prejudge in any way the final decision to be taken by Tokyo. With respect to the remarks made by the representative of Australia, he thought that everyone had agreed that it was not possible to respect in every case the exact level of the present concessions. Of course, to the extent possible, every effort should be made to keep the concessions unchanged and only in cases where this would be absolutely impossible, Article XXVIII negotiations would have to be held. He questioned whether the representative of Australia had formally proposed to reinsert in the text the words "to the extent possible".

3.7 The Chairman said that he had understood that the representative of Australia had given an interpretation of the paragraph, but did not ask for language changes.

3.8 The representative of Switzerland pointed out that his delegation had taken part in the drafting group and could also accept the contents of the paper. For his delegation, the annexes represented nothing more than examples and were not binding as to the format. As to the prejudice question raised by the representative of Japan, it was clear for his authorities that in accepting the paper, his country was not bound with respect to the decision on the adoption of the Harmonized System. They also felt that within the framework of GATT, it was necessary to be ready to act when the decision would be taken in Brussels. Concerning the statement made by the representative of Australia, he shared the interpretation given by the delegate of the Communities.

3.9 The representative of India appreciated that any decision the Committee would take on the acceptance of the paper under consideration would be without prejudice to the stand taken by individual contracting parties on the Harmonized System. He also appreciated that a considerable effort had been put in by the Committee and the secretariat in informal sessions to prepare the paper. His delegation was however of the view that it might be somewhat premature for the Committee to move towards finalization of the document and, he agreed with the statement made by the representative of Japan. He further noted that the paper would have a very significant rôle to play in the work to be carried out in GATT.

3.10 The representative of Brazil said that although she had participated in most of the informal discussions of document TAR/W/25/Rev.2, she would not be prepared to support the adoption of the paper at this meeting, although most of the suggestions she had made at the informal meetings had been taken into account. She was confident that her authorities would have no problem with the text but because of Add.1 issued only a few days ago, her delegation could not accept the paper at the present meeting.

3.11 The representative of Hungary said that her delegation had not participated in the informal consultations and had to forward the revised version of the document to her authorities for their consideration. She wished to revert to this item at the next meeting of the Committee.

3.12 The representative of Japan raised some specific points in the paper. The first one related to the last sentence of paragraph 2.1: his Government was of the view that in principle the present tariff concessions should be maintained as far as possible and this was true irrespective of the rate of tariff concessions and the volume of trade; therefore, his delegation had some difficulty in supporting this sentence, and it would be preferable if the sentence would read: "... and should not involve arbitrary increases of customs duties". In this connection, he wished a clarification on the relationship between the second sentence of this paragraph and the first sentence of paragraph 4.2. He understood that the second sentence of paragraph 2.1 stated the basic principle under which the alteration of existing bindings should be justified. He wished to know whether the first sentence of paragraph 4.2 was an exception to this principle or whether it would apply only when the requirements mentioned in the second paragraph of 2.1 were satisfied. Secondly, concerning paragraph 3.2, his delegation had some doubt as to whether it was appropriate to insert the word "bilateral" before "negotiations" in the fourth line, a word which did not appear in the text of Article XXVIII. Thirdly, concerning paragraph 4.1 his authorities were still studying what kind of information would be available; therefore, at the moment, they had some difficulty in supporting this paragraph. Finally, concerning paragraph 4.2 there might be cases where exporting countries would be adversely affected by the modification of existing concessions as foreseen in this paragraph. In such cases, importing countries concerned should pay particular attention to maintaining their level of tariff concessions. It might consequently be necessary to put a sentence to this effect.

3.13 The representative of the United States said that his delegation could accept the paper as it was. He stressed that if any changes were necessary in the paper, his delegation would hope that they could be discussed first in the informal group and that agreement on the paper could be reached at the next meeting of the Committee.

3.14 The representative of Canada said that his delegation could have accepted the paper as it stood but that, if there were amendments to be worked out in the drafting group, his delegation would also have some suggestions to make.

3.15 The representative of Chile said that his delegation wished to second the views expressed by the representative of India that, in view of the importance of the document the question should remain open in order to enable the members of the Committee to reflect more in depth until the next meeting of the Committee.

3.16 The representative of Peru regretted that her delegation had not been able to follow all the informal meetings. As far as her delegation was concerned, the consultations had been very important since Peru was a member of the Andean Group and represented the five countries. Since those countries had got identical tariffs, it was important for them to be able to reflect on the position that the Andean Group as a whole would take with respect to the document. She therefore could not take a decision now but wanted the national authorities and the authorities of the Andean Group to have more time to examine the document.

3.17 The Chairman summarized the discussion and confirmed that it was the wish of the Committee members to carry over this item to the next meeting of the Committee. He noted that there had been some specific comments and that some delegations needed more time to reflect upon this rather complicated document. He suggested that, as individual contracting parties undertook such examination and as they come up with comments or problems, they would get in touch with the secretariat so that, at an appropriate time well in advance of the next meeting of the Committee, the secretariat could reconvene the informal group in an attempt to iron out any difficulties that delegations might have, in order that at that meeting it would be possible to adopt the guidelines.

4. Tariff escalation

4.1 The Chairman recalled that at the last meeting of the Committee some preliminary discussion had taken place on this item, based on the pilot study prepared by the secretariat contained in document TAR/W/26 and on the problems related to the measurement of tariff escalation which were described in the secretariat note TAR/W/29. He added that this subject was currently included in the preparatory text for the ministerial conference and, presumably, the Ministers would take some decision relating to the subject.

5. Tariff reclassification

5.1 The Chairman pointed out that the item on tariff reclassification had been placed on the agenda at the request of one delegation which had intended to submit a paper as a basis for discussion. Unfortunately, the preparations for the Ministerial meeting had not permitted this delegation to submit a paper in time for the meeting.

5.2 The representative of the European Communities recalled that two delegations had requested that this item be maintained on the agenda. He confirmed that his delegation had been very busy with the preparation of the Ministerial meeting and had not had the possibility of preparing the document for the present meeting. He therefore asked that the question be maintained on the agenda for the next meeting of the Committee.

5.3 The representative of Canada observed that, being the other delegation which was involved in this matter, the pressure from other business had not allowed his delegation to prepare a paper. His authorities had informed the delegation in Geneva that for the moment they could not see the prospect of producing a paper in the immediate future. However, he also wished to maintain the item on the agenda of the Committee.

5.4 The Chairman urged both delegations to develop a paper in time for the next meeting of the Committee. The item would be maintained on the agenda on the understanding that a paper would be submitted. In the absence of a paper for discussion, he would propose to delete the item from the agenda and put it back at such time as a paper was submitted.

6. Tariff study

6.1 The Chairman recalled that at the last meeting of the Committee in July, the delegate of the United States had made a proposal concerning the enlargement of the tariff study, but there had been no discussion on this item. He therefore asked the delegate of the United States whether he had anything new to report on his proposal.

6.2 The representative of the United States said that his delegation had done some more thinking on this topic and had talked to a few delegations since the last meeting; on reflection it had thought that the work on the tariff study needed to be developed in the context of the possible adoption of the Harmonized System and resulting changes in the loose-leaf schedules. It would therefore be premature to undertake a detailed analysis of the data contained in the files until work had progressed further in those areas. Nevertheless, he wished to ascertain that the files would be complete and kept up to date. It was also his hope that further countries would join in the tariff study. As far as non-tariff measures were concerned, his delegation still had an interest in attempting to include those in the files, but he realized that there were problems and thought that this issue could be left pending awaiting bilateral discussions in order to find out how problems could best be handled. In the meantime, his delegation had thought that it might be useful if the secretariat could produce fairly soon a short paper on the implications of the Harmonized System and loose-leaf schedules for the tariff study, in order to know whether the files would need to be re-organized and additional data would have to be provided. In summary, what his delegation was looking for was a complete data base for possible future analysis.

6.3 The representative of Australia said that it was with some regret that he had heard the intervention of the United States delegate as his delegation had felt that his original proposal had considerable merit. His delegation would support an extension of the tariff study to include non-tariff barriers.

6.4 The representative of the European Communities said that the proposal made by the United States to examine the implications of the adoption of the Harmonized System for the tariff study seemed reasonable. His delegation wished also to support the request that a maximum number of contracting parties should participate in the tariff study.

6.5 The Chairman confirmed that the secretariat files contained tariff data on the entire CCC Nomenclature, i.e. Chapters 1 to 99. The secretariat could certainly undertake the type of analysis or study proposed by the United States and seconded by the European Communities regarding the implications of the adoption of the Harmonized System for the tariff study. It was agreed that such a study should be undertaken.

7. Report to the Council

7.1 The Chairman said that as in previous years, this meeting of the Committee on Tariff Concessions was held at such a late date that it would not be possible to have a written report approved and circulated within the time-limit necessary for the next Council meeting, scheduled for 2 November 1982. Consequently, he suggested that the Committee would follow the same procedures as in past years and that he would deliver on his own responsibility an oral report at the next Council meeting. His statement would then be circulated as a TAR/- document. It was so agreed.

8. Other business

- Article XXVIII negotiations

8.1 The representative of Canada informed the Committee that he had been asked by his authorities to stress that a number of Article XXVIII negotiations in which his authorities had been involved recently, had become rather protracted. It was the Canadian view that, in some circumstances, it might be necessary to proceed with the implementation of tariff changes for domestic reasons, before negotiations had been formally concluded but it should not prevent the parties involved from continuing their efforts to reach an agreed settlement. His delegation did not expect the Committee to take any action but simply to take note of the fact that there existed a potential problem.

- Date of next meeting

8.2 The Chairman suggested that the next meeting of the Committee could be held in the first quarter of 1983 at an exact date to be set in consultations between the Chairman and interested delegations. It was so agreed.