

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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## REPORT ON THE MEETING OF THE GROUP OF TECHNICAL EXPERTS ON THE TARIFF STUDY. 28 AND 29 MAY 1970

1. The Group of Experts met on 28 and 29 May 1970 to discuss and finalize the technical details of Summary Tabulation III, giving the tariff and trade profiles by stages of processing, and to agree on a text of the Explanatory Notes to be attached to the three Summary Tabulations. A sample tabulation had been prepared by the secretariat and distributed to the Group earlier. The secretariat had also prepared draft texts of the Explanatory Notes, issued as INT(70)83, 86 and 91.
2. The Chairman pointed out that the first task contained two distinct groups of problems, one relating to the coverage of the tabulation, the other to the types of averages and other analytical measures to be calculated. In the first group of problems, the experts had to decide, not only which categories and sub-categories lend themselves to analysis by stages of processing and should be included in the tabulation, but also which trade flows should be included in each category and sub-category.
3. Explaining the sample tabulations, the secretariat stated that its main concern in making them was to keep intact the categories and sub-categories which had been decided upon in a previous meeting and defined in INT(69)239. The secretariat then indicated which categories and sub-categories might be included in the tabulation. In the detailed discussion that followed, the experts distinguished and in succession addressed themselves to three types of problems. Several of the sub-categories which distinguish individual processing stages, do not include all the goods used in the fabrication of the products listed at the following - higher - stage of processing (e.g. in the chemical sector, the sub-category 10.05.01 included essential oils and perfume materials while sub-category 10.05.02 included not only perfumes but also other preparations such as soaps and cleaning agents) or the totality of the articles derived from the products listed at the earlier processing stage. Moreover, certain sub-categories included products of a different degree of elaboration (e.g. the sub-category 08.03.01, unwrought non-ferrous metals, includes scrap, which is a material for producing new metal, along with unrefined and refined metal). Finally, the processing stages distinguished within each category reported in Tabulation III could not always be defined with sufficient precision and might show small variations from one category to another (e.g. paring and wastes of leather, rubber, textile fibres, as well as iron and steel scrap were included in the first processing stage of the respective categories, while non-ferrous metal waste and scrap were placed in the same sub-category as unwrought non-ferrous metals).

4. The secretariat suggested that it would enhance the usefulness of the tabulation if the category of textiles were further sub-divided by the type of fibre. The experts agreed that such a sub-division could be usefully made in Tabulation III. The expert of the United States proposed that a similar sub-division should be made in other categories where a breakdown by material was feasible, i.e. by individual metal in the non-ferrous metal category. Referring to some of the difficulties mentioned in the preceding paragraph, another expert maintained that non-ferrous metals did not lend themselves as easily as textiles to an analysis by degree of processing; but he was willing to accept such a sub-division in the category of non-ferrous metals if an appropriate cautionary footnote were appended to this part of the analysis. The United States expert proposed that such a cautionary note on making comparisons of the data by stages of processing should relate to Summary Tabulation III as a whole, and indeed should be included in the Explanatory Notes as relating to all three summary tabulations. The experts from developing countries felt that such a cautionary note would unnecessarily weaken the usefulness of Summary Tabulation III since the minor degree of imprecision inherent in the definition of industrial categories as given in INT(69)239 could not invalidate the broad conclusions to be drawn from the tabulation. After further discussion, they however reluctantly agreed to have such a note appended to the tabulation.

5. The categories and sub-categories which the Group agreed to include in Summary Tabulation III are listed and defined in Appendix 1 of this report.

6. The Group then turned to the problem of the trade flows to be included in the categories and sub-categories of Summary Tabulation III. The expert of the EEC recalled in this context that from the beginning of the discussions of the Expert Group it had been his position that intra-EEC trade should not figure in any of the three summary tabulations. It was duty-free commerce within an accomplished customs union, therefore identical with inter-State trade of the United States, the inter-cantonal trade of Switzerland or with the exchanges among Scotland, England, Wales and Northern Ireland. The expert of the EEC had agreed, mainly in order not to delay the preparation of the basic documentation, to include intra-EEC trade in Tabulations I and II for the specific function of establishing a trade weighting base which would be as broad as possible, but had to insist on the exclusion of intra-EEC trade from the trade data shown in Tabulation III. Several other experts from developed countries argued that it was useful to have this information shown precisely because intra-EEC trade represented the only major flow of wholly duty-free trade on which statistical documentation was available. In view of the fact that information on intra-EEC trade was included in the preceding two tabulations, they suggested that the exclusion of this trade from Tabulation III should be explicitly noted in the text accompanying that tabulation. Experts from developing countries pointed out that the modification suggested by the expert of the EEC would considerably reduce the utility of Tabulation III, and could even defeat the basic objective for which the separate tabulation of intra- and extra-EEC trade was prepared. They considered that the exclusion of intra-EEC trade from the preferential trade data would give a distorted picture of the

present pattern of preferential and most-favoured-nation trade, particularly since intra-EFTA trade, and preferential trade of other developed countries, was being shown separately. In order to enable the secretariat to proceed with the work on the tariff study and to complete it by the target dates, however, they reluctantly agreed to the modification of Tabulation III requested by the EEC expert.

7. The Group then turned its attention to the selection of averages and other analytical measures to be used in Summary Tabulation III. The secretariat pointed out that two types of averages have been used in the sample tabulation since it would have been impossible to arrange four averages for each country in parallel columns for lack of space; but that all four averages could be included if a presentation in two rows of columns was found acceptable. One expert from a developed country stated that he would prefer having only one average shown, and several other experts from developed countries argued for retaining only the two averages of the sample tabulation by the secretariat. The expert from the United States stated, however, that, as there was no single method which satisfactorily measured the importance of individual tariffs, all four averages employed in Summary Tabulation II should also be presented in Summary Tabulation III. After some further discussion, the experts from developed countries then agreed to reproduce all four averages. Experts from the developing countries pointed out that the two averages used in the sample tabulation were useful and relevant to the analysis of the tariff situation facing developing countries. The inclusion of the other two averages employed in Tabulation II would, in their view, create difficulties in understanding the data, making the tabulation less intelligible and possibly even incomprehensible. They felt that the objectives of the study would be better served if the sample tabulation prepared by the secretariat were accepted without modification. In order, however, to enable the secretariat to proceed with the work on the tariff study, and to complete it by the target dates, they reluctantly agreed to the suggested modification.

8. The Expert Group then opened a discussion of the draft texts of explanatory notes. One expert stated that in his view the presentation of these explanatory notes would be simplified if features common to all three summary tabulations were discussed in one general part which should also contain some background information on the creation of the basic files from which these tabulations had been derived. Referring to Appendix A of INT(70)91, he suggested that comments on valuation procedures should also be included in the general part of the explanatory notes. Another expert suggested that the four averaging methods should also be explained in this general part. The Group accepted this method of presentation. The secretariat announced that a new draft would be distributed within a week in order to enable the members of the Group to send in their comments by 15 June at the latest.

9. With this understanding, the Group completed its immediate task and could devote the remaining time to other business. The expert from New Zealand announced that his Government was willing to co-operate in the tariff study to the fullest extent possible. It would supply by August perforated cards containing trade

information for 1968/69, but might have difficulties in supplying detailed tariff information in the form required for the analysis of these trade data. The Group welcomed the decision of the New Zealand Government and suggested that the technical details of its participation in the study be settled directly between the New Zealand expert and the secretariat.

10. The expert of the United States expressed the hope that the secretariat would be able to build upon the trade data bank which they have established for the major countries and that all contracting parties participating in the study will be able to provide, on a continuing basis, up-dated trade and tariff data. The United States would be able to provide 1969 data in a few months. Recalling that the trade data used in the summary tabulations referred to 1967 for most countries, 1968 for some, and 1969 for Canada, several other experts suggested that the secretariat should up-date the basic files to 1969 for all countries. It was recognized that if the basic files were up-dated, some of the averages, particularly those weighted by combined trade, would need to be recalculated. The secretariat stated that this recalculation would be a relatively simple task; its results could be distributed to the users of the summary tabulations in the form of mimeographed addenda.

11. The United States expert then suggested it would be useful to have a separate listing giving the status of tariff bindings. It should be an exhaustive listing of all tariff items in BTN order, giving only the post-Kennedy Round duty rates and the status of that rate. This suggestion was supported by several other experts. One expert further suggested that indications of initial negotiators be also included in such listings.

12. The Group then agreed that, despite careful checking of all the material included in the basic files, minor statistical errors may continue to be uncovered and, if so, should be notified to the secretariat as soon as possible. The secretariat would then correct the basic files, carry out the required recalculations and issue them in the form of mimeographed errata sheets.

13. The expert of the EEC noted that the two concordances used in the study, established between the BTN on the one hand, and the Canadian and United States tariff schedules on the other, were only provisional and still under discussion between the competent authorities of these two countries and their main trading partners. Should the final version of these concordances differ from the provisional ones, the allocations under them should be corrected and appropriate recalculations made in the summary tabulations.

14. The Chairman then recapitulated the past work of the Group and mentioned, among the various subjects considered, the secretariat study on specific duties as they affect exports of developing countries. He recalled the technical difficulties which, in the view of the experts, a systematic analysis of this problem involved, and the experts' conclusions that this particular area of problems could best be analyzed after some notifications of particular cases were received by the secretariat.

15. In concluding the Chairman noted that the Group has discharged the task entrusted to it by the Committee on Trade in Industrial Products.