

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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Committee on Trade in Industrial Products

NOTE BY THE SECRETARIAT ON MEETING OF 9 JULY 1971

1. The Committee met on 9 July 1971 under the chairmanship of Mr. G. Stuyck to review the work of its sub-groups and to consider what might be accomplished in the next working session.

I. Non-Tariff Barriers

2. The Chairman recalled that at its meeting in February the Committee had agreed to recommend that work on non-tariff barriers should be pursued on a more selective basis with a view to elaborating possibilities of concrete action. The Council had decided that the Committee and its Groups should proceed in the manner outlined in the Committee report¹ working towards the elaboration of solutions on an ad referendum basis with regard to standards and their enforcement, and problems associated with existing systems of valuation for customs purposes, and within the area of problems explored by Group 4, initially focussing on the operation of licensing systems. The Council had directed that the Committee should report progress on non-tariff barrier work in time to permit the Council to report to the twenty-seventh session.

3. The Chairman of each of the three Groups reported to the Committee on progress within their Groups. The full texts of these statements are set out in Annexes I-III to this note.

4. The Committee expressed its appreciation to the Chairmen and to the Groups for the progress already achieved in each case. However, it was clear that a substantial amount of work had yet to be done, and the hope was expressed that the Groups would make progress towards elaboration of solutions as quickly as possible.

5. There was a brief discussion regarding the work of Group 4 - Licensing. It was noted that this Group had agreed that delegations could submit questions regarding the replies² to the questionnaire on licensing; at the request of some delegations, the Committee agreed that the deadline for submission of such questions should be 15 September and not 1 August as agreed in the Group. Furthermore, it was recalled that the Group had discussed the possibility of an analysis of the replies to be undertaken by the secretariat; this question would be discussed at the next meeting of the Group.

¹Document L/3496, paragraph 16

²These replies are contained in COM.IND/W/55 and Addenda.

II. Tariff Study

6. The Chairman recalled that at its last meeting, the Committee had agreed to establish a working party "to carry out an objective analysis of the tariff situation as it will exist when all Kennedy Round tariff concessions have been fully implemented", and that such an analysis should include an examination of the variation in tariff rates between and within product categories and countries and according to the degree of processing. The Working Party had also been assigned the task of examining the feasibility of analyzing and developing better measures of the trade effects of tariffs and tariff changes.

7. The Working Party has met twice. With regard to the analysis of the tariff situation, the secretariat had been instructed to prepare analytical studies of the twenty-three product categories and to conduct an analysis of the tariff and trade situation for industrial products as a whole. It was expected that these studies would be completed by the end of September and would form the basis for the Working party's report to the Committee. The Committee could then make its report to the Council in accordance with the Council's decision of 22 February 1971 that the Committee should report to the Council as soon as possible on the progress of the work, and in any case, to permit the Council to report to the twenty-seventh session.

III. Future Work

8. The question of adding other topics to the non-tariff barrier work programme, in accordance with the Committee's decision at its last meeting¹, was discussed. In this connexion, delegations raised a number of possibilities which they considered merited further study.

9. One such possibility, supported by a large number of delegations, was export subsidies; another was countervailing duties, which some delegations considered might be dealt with in parallel with export subsidies. Other topics which met with considerable support were import documentation and packaging, labelling and marking requirements.

10. Having regard to the time-table of meetings in the short period between the resumption of work and the twenty-seventh session, the Committee was of the opinion that no meetings of new sub-groups could be held in the autumn. It would, therefore, be more appropriate to revert to the question at the next meeting of the Committee to be held on 2-3 November, when the Committee will consider, inter alia, its report to the Council.

11. It was agreed that the sub-groups would hold the following meetings in the autumn:

Group 3 - Standards	29 September - 1 October
Group 4 - Licensing	19 October - 22 October
Group 2 - Valuation	26 October - 1 November

12. It was further agreed that the Working Party on the Tariff Study would meet on 25-29 October.

¹L/3496, paragraph 16

ANNEX I

Group 2 - Valuation

REPORT BY CHAIRMAN TO THE COMMITTEE
ON TRADE IN INDUSTRIAL PRODUCTS

Mr. Chairman,

Group 2 - Valuation has met twice since the decision was taken to select valuation for customs purposes as one of the priority subjects for consideration within the non-tariff barrier context.

Starting in April from the earlier report of Group 2 contained in document Spec(70)47 (and included in an annex to L/3496), the Group addressed itself to Section I of that report and the related annex listing major matters covered by Inventory notifications on valuation. Without prejudice to the question whether this approach would take care of all of the problems with which it was called upon to deal, the Group agreed to focus attention on the paragraphs in the report which had been generally supported at the earlier Committee 2 meetings, and to attempt to spell out draft texts which would, if applied, eliminate the non-tariff barriers discussed in the report. No effort was made to settle in advance whether the text to be elaborated should contain binding obligations or whether it would only set out desirable methods of valuing goods offered for importation.

The initial two-part draft prepared on this basis was divided into so-called "Draft Principles" and equally tentatively described "Draft Interpretative Notes" (for Article VII). At the second meeting, just concluded on 6 July, this text was reviewed on the basis of the consideration which governments had been able to give to the matter in the interval. A number of constructive suggestions were brought in by various delegations and a revised text, which is to be distributed next week, still tentative and with alternatives on many points, will show that the Group has done very good work on the technical side.

As to the future, the nature of any obligations and their acceptability to governments are still entirely open questions, as is the scope and arrangement of the material. It is probably too early to tackle these somewhat political questions, which are to some extent linked to reviews of valuation procedures now in progress in some key countries. However, the Group still has considerable technical work to be completed. It is hoped that the countries whose valuation systems have given rise to notifications in the Inventory will all find it possible to attend the next meeting of the Group in order to obtain their views on the question whether the draft, if adopted by all contracting parties, would in fact help to the maximum in overcoming the difficulties which were notified. A further meeting scheduled to begin on 26 October will not complete the Group's work. It should be noted, however, that the meeting has been scheduled rather late partly to make possible an interim preparation and circulation among members of further proposals which should make it possible for the next meeting to accomplish more than would otherwise be possible.

ANNEX II

Group 2 - Standards

REPORT BY CHAIRMAN TO THE COMMITTEE
ON TRADE IN INDUSTRIAL PRODUCTS

Since its establishment by the Council in February of this year, Group 2 on Standards met twice, once in March and once in June-July, both of one week's duration.

At its March meeting the Group examined carefully the report of Working Group 3, and decided to set up a small ad hoc Expert Drafting Group to consider a more elaborate draft prepared by the delegation of the United Kingdom, on the basis of the Group's original report (COM.IND/W/41).

The Expert Drafting Group met in May and worked from the draft which the United Kingdom delegation had volunteered to prepare. Some elements were added from COM.IND/W/41, but time did not permit a systematic review to make sure that account had been taken of all. The experts understood their task to be the preparation of a technically feasible and internally consistent draft, without attempting to resolve the numerous underlying substantive issues. The result of their work was contained in document Spec(71)45/Rev.1, presented in the form of possible elements for a set of principles or a draft code of conduct regarding Standards, acting as technical barriers to trade.

At its June-July meeting, the Group had a very constructive discussion on the content and the form of this working paper and arrived at a new tentative draft which reflects the present state of thinking and divergencies of views. A number of issues and problems emerged from the discussion. Among the main ones is the question of the basis on which a country can participate in organizations with limited membership for the formulation and operation of standards and their enforcement. Another, is the question of the contractual nature of the instrument the Group is drawing up. There are also a number of subsidiary questions which derive from the main issues, i.e. geographical and material coverage.

It is expected that the next meeting of the Group, scheduled for the end of September, will be devoted exclusively to considering these issues, after which the redraft of the text would be continued.

It is to be expected that the next meeting will concentrate on, and come to grips with, the most difficult of the substantive issues. I think it is fair to say that the final text could not be arrived at at the next meeting, i.e. before the twenty-seventh session.

ANNEX III

Group 4 - Licensing

REPORT BY CHAIRMAN TO THE COMMITTEE
ON TRADE IN INDUSTRIAL PRODUCTS

1. At the last meeting of the Industrial Committee it was agreed that further work should be undertaken within the area of problems explored by Group 4, and that initially this work should focus on the operation of licensing systems. Group 4 - Licensing has to date held two meetings on the subject of licensing systems - the first in the middle of March and the second on Wednesday of this week.
2. As envisaged in the report of Group 4, the first meeting of the Group was devoted to the discussion of a questionnaire on the basis of a draft circulated by the secretariat. The questionnaire, which has been reproduced in document L/3515, was transmitted to contracting parties after the meeting. I might add that, at this first meeting, a question arose whether the questionnaire should apply to all products or whether information relating to agricultural licensing should be a matter for the Agriculture Committee. The question was referred to the Council in April when it was agreed that contracting parties would reply to the questionnaire on all products, agricultural as well as industrial, and that submissions should be made so that those relating to agricultural products could be transmitted to the Agriculture Committee, which Committee would then consider how best it could contribute to the work of our Group. The Council also decided that the Working Group "would consider licensing systems as measures of general application, subject to the right of the Agriculture Committee to review the applicability to the agricultural sector of any solutions evolved".
3. When the Group held its second meeting this week, it had before it replies from some thirty contracting parties. In view of the bulk of the material, and of the fact that a number of the submissions were available only a short time before the meeting, the Group confined itself mainly to a discussion on the organization of its future work.
4. It was agreed that, on the basis of the material, an extensive examination of licensing systems on a country-by-country basis should take place at the next meeting in the autumn. For practical reasons, it was generally agreed that this examination need not necessarily relate to all countries which had responded to the questionnaire; the list of countries whose systems would be subject to examination at the meeting could be based, for example, on notifications by other countries.
5. In the meantime it was agreed that the secretariat should remind countries which had not yet responded to the questionnaire, including those already consulting in the Balance of Payments Committee, to submit their replies. It was also agreed that contracting parties should have the opportunity of submitting

questions regarding the replies circulated;¹ such additional questions should be communicated to the secretariat by 1 August¹, in order that written replies would be available in advance of the next meeting. Countries could also submit prior to the meeting any other questions which they wished to be dealt with at the meeting.

6. The first stage of our work must necessarily involve an exhaustive and time-consuming assembly of data on licensing systems. The material now assembled by the Group can usefully be studied both in capitals and by the secretariat during the summer, in preparation for our next meeting, when we shall conduct an examination in depth of licensing systems. This examination will facilitate the identification of appropriate solutions to licensing.

¹The time-limit for submitting these questions was deferred until 15 September, at the meeting of the CTIP on 9 July (see paragraph 5 of note by the secretariat).