

# GENERAL AGREEMENT ON TARIFFS AND TRADE

## COMMITTEE ON TARIFF CONCESSIONS

### Minutes of the Meeting Held in the Centre William Rappard on 28 February 1983

Chairman: Mr. W. Lavorel (United States)

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1. <u>Adoption of the Agenda (GATT/AIR/1880)</u>	
1.1 The <u>Chairman</u> welcomed the participants to the tenth meeting of the Committee and called their attention to document GATT/AIR/1880 containing the agenda and the list of documents for the meeting. The agenda was <u>adopted</u> without any modification.	
2. <u>Submission of Loose-Leaf Schedules (TAR/W/23/Rev.5, TAR/W/32, 33, 34 &amp; 37)</u>	
2.1 The <u>Chairman</u> drew the attention of the Committee to document TAR/W/23/Rev.5 which contains the status of submissions of loose-leaf schedules. The following amendments had to be made to the document: firstly, the Loose-Leaf Schedule of Israel had been circulated with document TAR/69 and had to be added to the list; secondly, the schedule of Colombia had been received in loose-leaf form and would be circulated to contracting parties within a few days with document TAR/70. Regarding the schedule of Hong Kong, the United States should be deleted as a country having raised questions as to its certification. The Chairman added that, as could be seen from the document, not much progress had been made since the last meeting of the Committee. There were still only three schedules ready for certification: Burma, Nigeria and Singapore. He urged once more delegations to accelerate the work on the preparation of their own loose-leaf schedules as well as with respect to the examination of the schedules which had already been submitted. In many cases, countries which had raised objections to certain schedules had not yet specified the reason for doing so. The Chairman asked the countries which had not yet submitted their schedules to indicate to the secretariat when these schedules could be expected.	

2.2 The representative of the European Communities noted that certain important countries had not yet submitted their schedules which were urgently needed in view of the preparatory work for the adoption of the Harmonized System. He referred particularly to the schedule of the United States, but also to those of other countries. He wished to know when those schedules would be available. In his view, it was important to terminate the verification process with at least some of these schedules. In order to achieve this aim, his delegation was wondering whether it would not be useful to set up a small group of experts which might discuss the comments made or to be made in order to settle the remaining problems and finalize some of those schedules.

2.3 The Chairman pointed out that in respect of the loose-leaf schedules, other relevant questions had been raised in documents TAR/W/32 - problem raised by the delegation of the United States concerning the description of sub-headings referred to as "other" or "n.e.s.". In this regard, the Swedish delegation had submitted a suggestion on how this matter could be handled (TAR/W/37). There had also been in the past an exchange of ideas on the question of the legal status of loose-leaf schedules which were contained in documents TAR/W/33 - questions raised by the delegation of Japan - and the response given by the secretariat in document TAR/W/34. Responses given by some delegations could also be found in the minutes of the last meeting (TAR/M/9).

2.4 The representative of Finland, on behalf of the Nordic countries, expressed concern about the slow speed with which the exercise was moving. As stated at several previous occasions, he urged delegations which had asked for further time to comment on the schedules submitted so far, to speed up their work, since in some cases, delegations had indicated their objection more than a year ago without having to date forwarded any comments. He shared the concern expressed by the representative of the European Communities; regarding the EC proposal, he needed more time to discuss it with his Nordic colleagues. On the more specific points, he understood that one of the reasons for which some delegations had had difficulties in reacting to loose-leaf schedules had been the fact that column 7 was still empty. As far as the Finnish delegation was concerned, it was working on it and expected that column 7 would be submitted, in a somewhat simplified form, in a month' time. His delegation had held discussions with some of its trading partners regarding the question of old INRs and he hoped that the results obtained would be satisfactory. On the question of description of sub-headings, he stated that the proposal put forward by Sweden was being supported by the other Nordic countries.

2.5 The representative of Japan referred to the problem of the legal status of loose-leaf schedules and particularly to document TAR/W/34 representing the response given by the secretariat to the questions that his delegation had raised. His delegation had just received some further questions which he would submit to the secretariat shortly for circulation to the members of the Committee.

2.6 The representative of the United States, in reply to the European Communities' question on the submission of loose-leaf schedules, informed the Committee that the United States' Loose-Leaf Schedule would be available in Geneva in early March. On the suggestion of appointing a small expert group to examine the schedules, he expressed doubt whether this was a practical way to proceed; the checking of the schedules had to be done in the capitals and he could not see how this work could be carried out in Geneva. On the questions raised in document TAR/W/32, he understood that Sweden had submitted a suggestion and therefore wished to come back to this subject later. Regarding TAR/W/34, he confirmed that his delegation agreed entirely with the views expressed by the secretariat.

2.7 The representative of Switzerland regretted not to be able to give an exact date for the submission of the Swiss Loose-Leaf Schedule; work was, however, proceeding well. His delegation envisaged submitting a complete schedule, including information in column 7.

2.8 The representative of Australia replied that, at this stage, he had no further information to offer to the Committee.

2.9 The representative of Canada requested the delegate of the European Communities to give some clarification on his proposal concerning the loose-leaf schedules. Regarding the question of how to deal with the description of "other" items in the loose-leaves, he added that, given the Canadian nomenclature and the fact that most of the Canadian tariff was bound, he did not think that there would be cases leading to misunderstandings. In the Canadian tariff, there were a number of end-use provisions which were not limited by the headings to particular sub-headings. He doubted that providing a list of unbound items would be helpful. On the question of the legal status of the loose-leaf schedules, he had expressed the view of the Canadian delegation at the previous meeting, which had not changed since then.

2.10 The representative of the European Communities, in reply to the United States' comments, said that his delegation was hoping that the date indicated for the submission of the loose-leaf schedule would be adhered to. Regarding his suggestion to set up a group of experts, he agreed that capitals would, in the first place, verify the schedules and make their comments, but it had been noticed that, in certain instances, capitals had made the same kind of observations; his delegation's idea was to call on a group of experts only at that time in order to find jointly a solution to the problems raised. Moreover, there had been cases where capitals had made comments quite a long time ago and no reply had yet been received. He was concerned about the time taken for the checking and was wondering when it would be possible to have the loose-leaf schedules finally adopted.

2.11 The representative of Turkey referred to the suggestion made by the delegation of the European Communities and said that as far as the Turkish loose-leaf schedule was concerned, three countries had asked for an extension of the time-limit for its verification one year ago; two countries had forwarded their observations which had been discussed on a bilateral basis and only one country had not yet given any comment. He felt it advisable to keep those discussions at a bilateral level. According to him, an expert group might be useful at a time when it would be possible to group together objections or observations of the same type.

2.12 The Chairman concluded by saying that delegations needed more time to reflect upon the suggestion made by the European Communities.

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

3.1 The Chairman stated that as a result of informal discussions, it would appear that the problem faced by certain countries regarding the text of paragraph 2.1 of the document in question could be solved by deleting the sentence in the fifth line of the paragraph reading "which would not be justified on the basis of the minimal and inconsequential amount of trade or potential trade covered by the binding". Paragraph 2.1 would then read:

"The main principle to be observed in connexion with the introduction of the Harmonized System in national tariffs is that existing GATT bindings should be maintained unchanged. The alteration of existing bindings should only be envisaged where their maintenance would result in undue complexity in the national tariffs and should not involve a significant or arbitrary increase of customs duties collected on a particular product."

3.2 The representative of Japan informed the Committee that it could accept the document together with the modification suggested in paragraph 2.1. He further expressed the hope that the Committee would come back to the document later in order to see whether it was consistent with the final decision regarding the Harmonized System, perhaps after an authentic text of the Harmonized System Convention had been worked out by the Customs Co-operation Council in Brussels.

3.3 The representative of Turkey wished to ascertain that the adoption of the document would not prejudice the position of delegations with regard to the Harmonized System. Presently, his authorities were endeavouring to make the necessary modifications to their nomenclature in order to bring it in conformity with the CCC Nomenclature actually implemented. In this context, the adoption of the Harmonized System and the ways to adapt it to the nomenclature of Turkey would raise many difficulties and would require a long and exacting work.

3.4 The Chairman assured the delegate of Turkey that agreement of the document by the Committee in no way prejudiced the position that any delegation would take with respect to the adoption of the Harmonized System.

3.5 The representative of Canada said that his delegation could accept the paper with the modifications suggested in paragraph 2.1. He thought it would be useful to review the paper once the final decision by the Customs Co-operation Council had been taken, particularly in respect to certain time constraints indicated in the first section of the paper.

3.6 The Chairman suggested that the Committee adopt the document with the amendment, on the understanding that the Committee could revert to it in the light of the final form of the Convention to be agreed to in Brussels.

3.7 The representative of Brazil recalled her delegation's position that the document should be approved by the Council. This procedure had been discussed at previous meetings and she had understood that there had been no objection to this.

3.8 After some discussion of this procedure aspect, the Chairman proposed that the Committee adopt the paper, on the understanding that it could revert to it in the light of the final decision of the CCC, and that the document would be transmitted to the Council for approval. It was so decided.

3.9 The representative of Finland referred to the statistical aspects of the negotiations and indicated that, in providing statistics, countries could encounter difficulties in establishing the requested tables, due to technical differences in data machine systems. Moreover, his delegation had had some doubt as to whether all tables, as originally suggested, would be necessary. In the Nordic delegations' view it would be sufficient to present the tariff schedule in its old and its new versions (Annexes 1 and 2) and, regarding the conversion tables, it would appear that there would be relatively few cases where there would be increases in the tariffs on individual products. What would be needed for the successful completion of the negotiations was mainly material on those cases where increases in tariffs would take place; for all the items on which there would be no changes in tariffs or where changes would represent decreases rather than increases, it would not be necessary to provide extensive statistical material. This would constitute the basis on which the Nordic countries would provide statistical material and they would be most willing to discuss those ideas with other delegations in future meetings of the Committee.

3.10 The representative of Hungary fully supported the statement made by the Finnish delegate and drew the attention of the Committee to the fact that, for certain countries, the technical capacities and possibilities being limited, the implementation of the Harmonized System might cause a lot of technical difficulties. It was therefore important to make it possible for countries to choose the simplest solution within the framework of the agreed procedures.

3.11 The representative of the United States recalled that the Committee had come to the conclusion that the information requested in the document was considered to be essential information but that, as far as its format was concerned, the annexes represented only examples. He realized that there could be computer problems or reasons for which the modifications of the format would be desirable. Referring to the Finnish delegate's comments he felt that it was a matter which could be discussed in an informäl group.

3.12 The representative of the European Communities drew the attention of the Committee to the fact that there was not only the increase of duties which was important but also the redistribution of direct profits, where negotiations would be necessary. In these cases, the problem was not so much one of duty increase but the transfer of a product from one heading to another; this change could be properly assessed only if the complete picture was given. For that reason, his delegation was persuaded that the documentation, as described in paragraph 4, was required. It was clear that the annexes represented only examples and that countries would be free to supply their own documentation. For instance, the Communities had already had an opportunity to suggest a simplification to the extent that Annexes 5 and 6 could be combined with Annex 3, where items for which a mere modification would be needed, could be shaded; all other items would be left white and would represent those for which renegotiations would be required.

3.13 The Chairman summed up the discussion by saying that agreement existed on the information to be supplied, as laid out in paragraph 4 of the document but, as stated by several delegations, the annexes were merely examples of how the required information might be submitted. Suggestions were made by Finland and the European Communities on some altered formats.

#### 4. Tariff Study (TAR/W/36)

4.1 The Chairman recalled that the Committee had agreed at its meeting of October 1982 that the secretariat prepare a note on the implications of the Harmonized System and the Loose-Leaf exercise for the Tariff Study files; this note was contained in document TAR/W/36. He drew the attention of the Committee to the last paragraph of the document containing points on which decisions by the Committee were needed, especially point (iii), asking the Committee whether it would be in favour of creating a common data base. He pointed out that the exercise would involve expenditures which could only be justified if the Committee agreed with the proposed undertaking.

4.2 The representative of Canada said that his delegation had some technical problems which he thought it was premature to discuss in detail at this stage since the adoption of the Harmonized System was still some time away. His delegation would prefer to reflect further on the subject and revert to it at a future meeting.

4.3 The representative of Australia and the representative of Finland, speaking for the Nordic countries, said that they shared the views expressed by the Canadian delegation.

4.4 The representative of the United States said that concerning the first recommendation contained in the secretariat note his delegation believed that the conversion of the Tariff Study files to the Harmonized System should await the introduction of the Harmonized System. The resources necessary to convert the Tariff Study files might better be used to support the negotiations resulting from the introduction of the Harmonized System. The second recommendation proposing that future Loose-Leaf Schedules be recorded on magnetic tape or diskette and that existing schedules be made compatible with IBM equipment was supported by his delegation because computerization of data which will be supplied in accordance with paragraph 4 of document TAR/W/25/Rev.2 and Add.1 would be useful in the Article XXVIII negotiations. Concerning the third proposal to create a common data base containing the data described in paragraph 4 of TAR/W/25/Rev.2 and Add.1 and to establish a group of experts to examine the technical details of this proposal, his delegation first wanted to consider the logistics of obtaining access for US agencies to the data in Geneva as well as the costs and benefits of such a project. His delegation would suggest that a small group of experts of interested contracting parties might draft proposals for establishing a common data base, to be presented at the next meeting of the Committee.

4.5 The representative of the European Communities said that he shared the views expressed by the United States delegation. Although his delegation had not completed the study of the problems raised in the secretariat note, access to the data will be one of the problems to be settled. His delegation was also in favour of convening a small group of experts to discuss the technical problems since the necessary work would be too difficult to deal with in as large a forum as the Committee on Tariff Concessions. With regard to agriculture, the representative of the EC reminded the Committee that when the Tariff Study was first discussed, his delegation was rather reluctant to accept such a study for all products. His delegation had particular problems in the field of agriculture since in this sector, protection and the measures adopted by various countries were different from those which apply to other products. In the Ministerial Declaration, the Committee on Trade in Agriculture had been given a mandate which went beyond the scope of the Tariff Study concerning measures affecting access to markets. For that reason he believed that the agricultural sector should be separated from the Tariff Study and be dealt with in the Committee on Trade in Agriculture. The Tariff Study would continue to deal with industrial products.

4.6 The representative of Switzerland agreed that it would be useful to have the information in a computerized form. At this stage he could not see how far this work could be carried out but he would be in favour of setting up a group of experts which could clarify the scope of the exercise. Above all, the principle of reciprocity should be maintained as to the access to the data.

4.7 The representative of Finland said that he foresaw technical problems for the creation of a common data base. With regard to the proposal to set up a group of experts, the Nordic countries would have difficulties in taking a definite position at this meeting and would prefer at this stage to deal with the problem on an informal basis and revert to the issue at the next meeting of the Committee. As far as agriculture, he shared the views expressed by the representative of the European Communities since he wanted to avoid duplication of work in various GATT bodies. The Communities' proposal should not create a problem since a deadline existed for the Committee on Trade in Agriculture, i.e. end of 1984; he could not envisage the negotiations on the Harmonized System to be finalized by that time. He believed that further progress should be made in the Harmonized System negotiations before turning to the Tariff Study subject. At this stage, duplication of work could be avoided in view of the work to be undertaken in the Committee on Trade in Agriculture.

4.8 The representative of Australia said that his delegation thought it was premature to consider the three points raised by the secretariat on page 5 of document TAR/W/36. He agreed with the United States that Loose-Leaf Schedules should be computerized but he still saw technical problems which needed to be settled. He also thought that the suggestion by the European Communities with regard to agriculture and the Tariff Study was inappropriate since the Committee on Trade in Agriculture had still to discuss its work programme.

4.9 The representative of the United States said that his delegation did not share the view of the EC on the separation of agriculture from the industrial side. He thought that his delegation would need some more time to reflect on the secretariat note and have a discussion at the next meeting of the Committee.

4.10 The representative of Canada said that his delegation was also reluctant to separate agriculture from other products in the Tariff Study.

4.11 The representative of New Zealand said that for his delegation the value of the Tariff Study would be considerably reduced if agriculture was not included in the Study as suggested by the EC.

4.12 The Chairman, in summarizing the discussion, said that understandably it had not been possible to get into the substance of MTN/TAR/W/36 which contained a highly technical and complex subject. As most delegations believed that it was premature to proceed too rapidly on this subject, he suggested to revert to this item at the next meeting of the Committee. In the meantime, interested delegations could discuss the matter among themselves on an informal basis.

## 5. Tariff escalation

5.1 The Chairman referred to the Ministerial Declaration (document L/5424, page 10) and recalled that it had been decided "That prompt attention should be given to the problem of escalation of tariffs on products with increased processing with a view to effective action towards the elimination or reduction of such escalation where it inhibits international trade, taking into account the concerns relating to exports of developing countries".

5.2 The representative of Australia said that his delegation understood that the thrust of the sentence that had been read out by the Chairman would be fully taken into account by the secretariat in any studies which might be undertaken under the heading "problems of trade in certain natural resource products" in the Ministerial Declaration.

5.3 The representative of Chile thought that previous studies on tariff escalation carried out by the secretariat had been very useful and that further studies should be undertaken at a more general level in order to avoid some of the problems which the secretariat had identified in TAR/W/29. This new series of studies would help to analyze how to implement in practice the Ministerial Declaration.

5.4 The representative of Canada said that he would like to ensure that any work on tariff escalation undertaken in this Committee was coordinated with the work which will be undertaken on certain natural resource products following the Ministerial Declaration.

5.5 The representative of the European Communities said that as in the case of the Tariff Study, agriculture should be excluded from the scope of further work on tariff escalation in this Committee. The problem of tariff escalation in the sector of agriculture was very specific. During the next meeting of the Committee on Trade in Agriculture, the Communities would propose that tariff escalation be included in the work to be carried out by that Committee.

5.6 The representative of Austria said that his delegation had always understood that all agricultural problems were to be dealt with in the Committee on Agriculture. He therefore supported the view of the EC.

5.7 The representative of Brazil said that her delegation, together with other delegations of developing countries, attached great importance to the subject of tariff escalation. She would like the Committee to discuss possible ways of dealing with the subject without encountering the difficulties which had been mentioned in previous documents. With regard to agriculture, her delegation could not agree with the EC view.

5.8 The representatives of Chile, Colombia, Australia and the United States said that their delegations did not agree with the view to separate agriculture from the study.

5.9 The representative of Finland stated that the Nordic countries more or less agreed with the EC on the substance of the issue. They had agreed on a decision on tariff escalation which does not make the distinction between industry and agriculture but there had been an understanding to avoid duplication of work. He did not believe that a solution to the problem could be found at the present meeting; it might be useful to await the result of the discussions in the Committee on Trade in Agriculture. For the Committee on Tariff Concessions the important issue was to find whether there were certain specific aspects of tariff escalation covering any product which could be usefully tackled.

5.10 The representative of New Zealand said that his delegation did not regard the Agriculture Committee as the only body of the GATT entitled to discuss items relevant to agriculture. He could not see why various other organs of the GATT such as the Committee on Tariff Concessions could not be seen as bodies which could assist the work of the Committee on Agriculture.

5.11 The representative of the European Communities said that his delegation did not object to a study on the subject in agriculture, but that such a study should be carried out by the Committee on Agriculture. The Communities were prepared to make every effort to have the study completed by the end of 1984 as was stated in the Ministerial Declaration. His delegation wanted to have transparency in the sector of agriculture in all its aspects. He understood the hesitation of certain delegations to adopt a decision at this meeting and agreed that the subject could be discussed again at the next meeting. He reiterated that the EC would propose to the Committee on Trade in Agriculture to include among its work the subjects of tariff escalation and the Tariff Study.

5.14 The Chairman urged delegations to attempt to avoid the question of jurisdiction between different GATT Committees and to settle these questions in informal consultations.

#### 6. Date of the next meeting

The Chairman suggested that the next meeting of the Committee could be held in early July, at a date to be fixed in consultations between the Chairman and the delegations. It was so agreed.