

# GENERAL AGREEMENT ON

# TARIFFS AND TRADE

RESTRICTED

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## COMMITTEE ON TARIFF CONCESSIONS

### Draft Minutes of the Meeting held on 20 November 1991

Chairman: Mr. Alejandro de la Peña (Mexico)

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#### 1. Adoption of the agenda

1.1 The Chairman welcomed the participants to the third meeting of the Committee in 1991 convened by GATT/AIR/3262 of 7 November 1991, which contained the proposed agenda and the list of relevant documents. The agenda was adopted.

#### 2. Changes in the Harmonized System nomenclature affecting GATT Schedules

2.1 The Chairman recalled that, at its meeting of 8 October 1991, the Council had adopted a text containing the procedures for incorporating changes in the Harmonized System affecting GATT schedules (document

L/6905). He reminded the members of the Committee that the documentation related to the changes which would come into effect on 1 January 1992 should have been submitted to the secretariat for circulation to contracting parties well before the entry into force of those changes. He reported that to date, the secretariat had received such notifications from only seven countries: Australia, Finland, Japan, Sweden, Switzerland, Thailand and Yugoslavia, and that the relevant documentation had been circulated with documents SECRET/C/HS/1 to 7 respectively. He enquired whether other delegations would soon be in a position to submit the requested documentation.

2.2 The representative of the European Communities informed the Committee that the documentation was ready but that its submission had been blocked because clearance had not been obtained from Council Ministers on one item. He added that the changes did not affect the bound rates of duty except for one item, resin acid, for which the duty had been slightly increased from 4.6 to 5 per cent with minimal trade impact; in many other cases there had been decreases. As soon as formal clearance was received from Brussels, the documentation would be submitted for circulation.

2.3 The representative of Norway told the Committee that the Norwegian Parliament would formally approve the HS changes in a few days and that the notification would be submitted very soon thereafter.

2.4 The representative of Canada said that the necessary work was under way and close to completion in Ottawa and that there might be a possibility of an increase in rates in only two cases. However, the Canadian authorities were still examining options that might be available in order to avoid rate increases but technical difficulties had been encountered in identifying the precise nature of the imports involved. Every effort would be made to have the required documentation ready for submission as soon as possible.

2.5 The representative of the United States stated that her country would implement the HS changes in January 1992 and explained that the implementing legislation required a process that involved both presidential and congressional review of how the United States would reflect the international changes in the national nomenclature. The process was still under way and until it was completed, her delegation would not be in a position to submit the required documentation to the GATT secretariat. She ensured the Committee members that the proposal being examined by the Congress would not result in any changes in current US duty rates. A draft document was available for consultation in her delegation.

2.6 The representative of Australia drew the attention of the Committee members to the short time available before the implementation of the changes. He requested delegations which might have comments on the documentation submitted by Australia to forward them as soon as possible before 1 January 1992.

2.7 The representative of Singapore confirmed that her country would implement the HS changes in January 1992 and that this would not result in any changes in the bound rates. Her delegation hoped to submit the relevant documentation in the near future.

3. Status of implementation of the Harmonized System and ongoing negotiations and submission of documentation related to schedules in Harmonized System

3.1 The Chairman referred to the status of implementation of the Harmonized System and to document TAR/W/74/Rev.8 which indicated that no new HS schedule had been submitted for annexation and that therefore no Geneva (1991) HS Protocol had been opened. He added that the reference to Argentina having implemented the Harmonized System as of 1 January 1991 on page 2 of the document, should be deleted since the HS had not been yet officially introduced by that country.

3.2 According to information available to the secretariat, seventy-seven contracting parties would be implementing the Harmonized System on 1 January 1992 and, in this connection, the Chairman reminded those countries having a schedule, to request a waiver accordingly. He pointed out that the situation regarding the status of loose-leaf schedules in the HS nomenclature was very unsatisfactory since only eighteen countries and the European Communities had certified HS schedules; among them only four were complete, i.e. information in all the columns had been transposed. He reminded the Committee members that until complete schedules were certified other contracting parties retained the right to challenge the entries in columns 5 to 7 of the schedules. Moreover, as long as no cut-off date was fixed for the supply of the required information, previous GATT legal instruments remained valid sources of information. He added that recently a few countries had submitted, through the procedure of rectification and modification, proposals for entries in the various columns of their schedules.

3.3 Referring to document TAR/W/67/Rev.11 on the ongoing negotiations and the submission of documentation related to the transposition of schedules into the Harmonized System, the Chairman stated that the present situation indicated that fourteen countries were under waivers to carry out consultations and negotiations under Article XXVIII after having put into force the Harmonized System. While some countries were in the final stage of their negotiations, others had not yet submitted the necessary HS documentation and were, therefore, in the process of requesting appropriate extensions of their waivers until 30 June 1992. He also reminded the Committee that several countries had introduced the Harmonized System without following GATT established procedures. The Chairman said that, because of the intensive work being carried out in the context of the Uruguay Round he understood that it had not been possible for most delegations to address these questions. He added that the Committee would have to organize and set up its work programme for the future.

3.4 The representative of Argentina confirmed that his country had not yet officially introduced the Harmonized System but was hoping to do so during the course of the first three months of next year.

3.5 The representative of Brazil reported that his delegation had concluded HS negotiations with some interested contracting parties, but that it would not be possible for Brazil to complete those negotiations before the end of the year. His authorities were therefore requesting an additional extension of their waiver until 30 June 1992.

3.6 The representative of Turkey confirmed that his authorities had requested an extension of the Turkish waiver until 30 June 1992. He reported that negotiations were being carried out with major trading partners and that some of them had been concluded recently on the question of INR status with another country. Results of those negotiations would be communicated to the secretariat.

3.7 The representative of Romania informed the Committee that his country would introduce, as of 1 January 1992, a new Customs Tariff based on the Harmonized System nomenclature at the 6 digit level. He pointed out that the introduction of the new tariff was linked to the broader economic reform process taking place in Romania. In this context, the establishment of a new tariff had been based on two main objectives: (1) to set up a level of protection adapted to the demands of the new economic regime so that the tariff could become the main instrument of trade policy; (2) the transposition of the old nomenclature into the Harmonized System. His authorities had submitted a formal communication of these measures to the secretariat. Although his authorities had taken into account the concessions contained in Schedule LXIX - Romania during the transposition into the Harmonized System, and had tried to maintain as far as possible the same rates of duty for 99 tariff lines out of the existing 175, in view of the two objectives described earlier, it had not been possible to keep the level of concessions for 35 tariff lines. The exceptional situation of Romania and the introduction of a new customs

tariff as of 1 January 1992 had made it impossible for his country to enter into negotiations under Article XXVIII before the entry into force of the new Tariff. He told the Committee that Romania had introduced, for examination at the forthcoming session of the contracting parties, a formal request for a waiver from its obligations under Article II. His authorities hoped to obtain this waiver and ensured the members of the Committee that regarding the increases of certain tariff rates they were ready to offer compensation by reducing the tariff levels of thirty one tariff lines in the existing schedule and through a widening of the scope of concessions. His authorities were making every effort to prepare the necessary documentation as soon as possible.

3.8 The representative of Hungary confirmed that her country had implemented the Harmonized System on 1 January 1991 and that it had a waiver until the end of the year. She explained that her authorities had encountered some technical problems in the preparation of the necessary documentation but had now submitted it to the secretariat. Her delegation would, however, need some more time to carry out consultations and negotiations under Article XXVIII and, to this effect, had requested an extension of the waiver until 30 June 1992.

3.9 The representative of Pakistan stated that his delegation was in the process of renegotiating its schedule of tariff concessions including its transposition into the Harmonized System. He hoped that an understanding would soon be reached with the countries with which his delegation was engaged in negotiations. His country was also under waiver until the end of the year and had requested an extension until the end of June 1992.

3.10 The representative of Australia pointed out that the situation with regard to the introduction of the Harmonized System by certain contracting parties was unsatisfactory. He noted that comments made by his delegation, in some cases two years ago or even longer, on the HS documentation submitted by several other delegations, had not yet received a reply. He invited those countries to react to the Australian's comments

in order to carry out and conclude negotiations under Article XXVIII as quickly as possible. Moreover, he expressed concern at the number of times extensions of waivers had been requested and at the tendency that waivers would become permanent.

3.11 The representative of the European Communities supported the comments made by the representative of Australia and said that the Committee should "put the house in order" at the earliest possible time following the conclusion of the Uruguay Round. It should establish the appropriate work programme, not only regarding regarding the completion of schedules but taking into account the new tasks deriving from the Uruguay Round, in particular Article II 1 (b) data that would need to be included in the schedules.

3.12 The representative of Mexico reported that his country had also requested an extension of its waiver for an additional six months in order to be able to conclude the necessary Article XXVIII negotiations in the course of 1992.

3.13 The Chairman took note of the various statements made and expressed concern about the unsatisfactory situation regarding the status of the loose-leaf schedules and stressed that one of the major tasks of the Committee over the forthcoming year would be to establish a work programme taking into account several outstanding issues which needed a thorough examination. In the short term, it would be necessary for those contracting parties which had followed GATT procedures in transposing their schedules into the Harmonized System, to request extensions of their corresponding waivers so that they could bring their situation into line with the GATT requirements which of course did not mean that those waivers should continue ad infinitum. He added that priority should be given to ensuring that the contracting parties which had adopted the Harmonized System without following GATT procedures bring their situation into line with their GATT obligations. In this connection he invited those contracting parties to follow the regular GATT legal procedures without any further delay.

4. Report of the Committee to the CONTRACTING PARTIES

4.1 The Chairman referred to document TAR/Spec/7 which contained a draft report on the activities of the Committee during the year and which would be submitted to the CONTRACTING PARTIES at their forty-seventh session. The draft report was examined by the Committee paragraph by paragraph and was approved on the understanding that it would be completed in order to include the discussion which took place at this meeting. The document would be circulated as TAR/219.

5. Date of the next meeting

5.1 The Chairman pointed out that the date of the next meeting would be fixed in due course in consultation with the members of the Committee.