

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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## Multilateral Trade Negotiations

### GROUP 3(a) - CONSIDERATION OF TECHNICAL WORK TO BE UNDERTAKEN

#### Note by the Secretariat

As Group 3(a) begins to plan its work, it might be useful first to summarize what has been done in the GATT in the field of data collection and tariff analysis in recent years, and, second, to suggest certain work that the Group might begin at its first meeting.

1. The twenty-fourth session of the CONTRACTING PARTIES, in November 1967, asked the secretariat to carry out an objective analysis of the general tariff situation as it would be after the full implementation of the Kennedy Round tariff cuts. The Committee on Trade in Industrial Products, meeting in October 1968, agreed on the kind of data required for the analysis and established a Group of Technical Experts to guide and advise the secretariat in the analytical work.
2. It was decided that countries covered by the Study<sup>1</sup> would supply to the secretariat their tariff/trade statistics in full detail of their national tariffs, and on magnetic tape so that a computer could be used in the analysis. This primary material supplied by national governments and the Commission of the European Communities had to be processed by the secretariat to ensure comparability. The first data received were those for 1964 and 1967. After processing them, the secretariat proceeded to print-out all this basic information so that the governments supplying it could review and approve it in its final form.
3. Since international comparability of these data can be ensured only at the four-digit level of the BTN, and since, for analytical purposes, further aggregation was required, the Group of Technical Experts devoted a series of meetings to the problems of devising meaningful analytical categories, and tariff averaging.

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<sup>1</sup>Originally, the United States, Canada, Japan, the EEC Six, the United Kingdom, Sweden, Denmark, Norway and Switzerland. Subsequently, Australia and New Zealand were added (in 1972).

4. As a result of this work, it was decided to classify the data into twenty-three categories, sub-divided further into 119 sub-categories. Where possible, the sub-categories comprised products at different degrees of processing, so that the totality of tariff and trade data could also be presented, compared as between tariffs, in three horizontal "slices" of raw materials, semi-manufactures, and manufactures.

5. Several different averaging techniques were adopted. Where individual tariff lines are combined to produce an average of a four-digit BTN heading, two alternative ways were used: an unweighted average, and an average weighted by national or regional imports entering under each tariff line. In producing averages for the sub-categories, categories, and product classes by degree of processing, four different methods were used. These averages had to be computed in two stages, first to form averages of BTN headings, and then to combine them into averages of the sub-categories, categories or classes. The basic alternative of a weighted or unweighted average was observed in the first stage. In the second stage, weighting of the BTN headings was done, in one case, by each country's imports, in the second case, by the combined imports of the countries studied. Utilizing all the alternatives available has led to the adoption of four averaging methods described in COM.IND/W/91/Add.10.

6. After a series of sample tabulations was prepared and examined by the Expert Group, the secretariat produced, according to detailed instructions, Basic Tabulation for the Tariff Study (two volumes of "White Books", July 1970), based on post-Kennedy Round tariffs and 1967 imports.

7. In February 1971, the Group of Technical Experts was replaced by the Working Party on the Tariff Study, established by the Committee on Trade in Industrial Products with the following terms of reference:

"On the basis of documentation that has been prepared and such other material as may be found useful, the Working Party should carry out an objective analysis of the tariff situation as it will exist when all Kennedy Round concessions have been fully implemented, with a view to providing the Committee on Trade in Industrial Products with the necessary elements for carrying out its terms of reference in the tariff field. This analysis, incorporating trade flows, will provide an objective basis for the contracting parties, at the appropriate time, to explore various possible approaches to future action in the tariff field and would include, inter alia, an examination of the variations in tariff rates as between and within categories and as between countries, and of the differentials in duties according to the degree of processing. The report of the Working Party will present the results of the various parts of the analysis, but would not make recommendations as to possible action.

"The Working Party should submit to the Committee, as soon as possible, a preliminary report on the basis of the present documentation. A final report incorporating additional trade and tariff data will follow.

"The Working Party will also examine the feasibility of analyzing and developing better measures of the effects on trade of tariffs and tariff changes and should report, as soon as possible, the results of its examination to the Committee on Trade in Industrial Products."

8. On the basis of the documentation described above (and of the Supplementary Tables or the "Green Book", published in December 1971), an analysis of the general situation was carried out on the terms agreed in the Working Party and submitted to the Committee on Trade in Industrial Products in COM.IND/W/62/Add.1 (General Analysis of Industrial Tariffs and Trade), dated 15 November 1971. A more detailed analysis of the tariff situation was prepared for all twenty-three major product categories. These category analyses were released in a series of Spec documents, the list of which was given pec(72)58, 27 June 1972, Analysis of the Tariff and Trade Situation, Annex of Product Category Analyses.

9. A report by the Working Party, accompanied by a technical study by the secretariat, on the feasibility of analyzing and developing better measures of the effects on trade of tariffs and tariff changes was submitted to the Committee on Trade in Industrial Products in COM.IND/W/84, 5 July 1972 (Report on the Meeting of June 1972) paragraph A.2, and Spec(72)40, 15 June 1972 (A Survey of Possible Approaches to a Study of Trade Effects of Tariff Changes - A Study by the Secretariat).

10. In the July 1972 meeting of the Committee on Trade in Industrial Products an additional task was entrusted to the Working Party on the Tariff Study. It was asked to study the possibilities of presenting the tariff and trade data in forms that would facilitate an assessment of the implications of various possible techniques and modalities for tariff negotiations. In its first meeting after these instructions had been given, the Working Party decided that delegations could make proposals for such illustrative tabulations at any time, i.e., that there would be no deadline for tabling such proposals. A large number of proposals was received. On a number of them, the Working Party came to an agreement as to the specific form in which the illustrative tabulations should be made. Some of these illustrative tabulations were actually made and presented to the Committee on Trade in Industrial Products. Some of the agreed illustrative tabulations have not yet been made as it was thought better to make them only after the updating of the basic tariff-trade data information to 1971 was completed. This updating has been completed and the secretariat could now proceed to prepare those tabulations which the Group would indicate as most urgent.

11. The following illustrative tabulations were prepared, discussed or tabled in the Working Party on the Tariff Study:

(a) Tabulations already made

- (i) illustrating the progress of complete elimination of duties in ten or fifteen years (COM.IND/W/91, Add.5 and 6)<sup>1</sup>;
- (ii) indicating the dispersion of national tariffs in individual classes, categories and sub-categories of industrial products (Add.7);
- (iii) illustrating harmonization of tariffs by arithmetic formulae making reduction in duty rates proportionate to initial duty levels (Add.9).

(b) Tabulations agreed to be made

- (i) tabulation under (i) above to be expanded to 119 sub-categories of industrial products, and to show the tariff profiles resulting from the various harmonization formulae used in Add.9 above;
- (ii) table presented in COM.IND/W/91/Add.4, showing for each product category the main m.f.n. suppliers, to be expanded into a matrix form showing the imports from all major suppliers into each of the thirteen markets, distributed by main duty ranges;
- (iii) a tabulation illustrating the extent of preferential treatment under the GSP and the possible effects on it of m.f.n. tariff reductions (discussed in the July 1973 meeting of the Committee on Trade in Industrial Products, see COM.IND/W/112, paragraph 5).

(c) Tabulations proposed but not yet decided

- (i) tabulations illustrating an approach to harmonization in which account would be taken of the importance of preferential trade or preferential tariff margins;
- (ii) tabulations illustrating the effects of a number of other formulae for progressive reduction of duties;
- (iii) a tabulation illustrating the structure of tariffs in the 23 product categories and 119 sub-categories by showing the weights of individual BTN headings making up the category and sub-category averages,

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<sup>1</sup>Addenda 1-4 contained regular summary tabulations used in the Tariff Study.

12. As the preceding account shows, both the Expert Group and the Working Party on the Tariff Study were concerned with analytical methods (classification, averaging and presentation of analytical tabulations) rather than with the analysis of the data. The preliminary report on the General Analysis of Industrial Tariffs and Trade, and all the summary, supplementary and illustrative tabulations were, when completed, submitted to the Committee on Trade in Industrial Products. However, a substantive discussion of these results never took place in the Committee, either.

Work to be done

13. It has been suggested in GATT/AIR/1066 that Group 3(a) should deal in its first meeting with points 1 and 7 of the Programme of Work MTN/W/3. Commencing with point

1. "Bringing up to date and completing the analytical and statistical documentation with respect to tariffs assembled in the context of the programme of work adopted by the CONTRACTING PARTIES in 1967 (Industrial Products, Chapters 25-99 BTN)",<sup>1</sup>

it may wish to begin its deliberations by a substantive review and evaluation of the analyses and documentation made and assembled in the past, from data based on 1964 through several up-datings to the most recent tabulations prepared on the basis of 1971. This substantive review could also include a discussion of the Secretariat Note The Generalized System of Preferences and Most-Favoured-Nation Tariff Reductions (COM.IND/W/111 and Add.1).

14. As a part of this review, the Group will have to dispose of the unfinished business regarding the illustrative tabulations and decide what further work it would wish to be carried out with respect to tabulations agreed but not yet made and those proposed but not yet decided.

15. While points 5 and 6 of the Work Programme (determination of base date and base rates of customs tariffs for the purpose of negotiation, and of base year or years for the collection of statistics) may be left for a future meeting of the Group, the Group will have to consider, already in its first meeting, how it can best organize this part of its work in conjunction with Group 3(e).

16. Certain technical decisions to guide the present and future work of the secretariat will also have to be taken already in the first meeting. The main one relates to the next up-dating of the material assembled for the Tariff Study. The main consideration to be taken into account can be outlined as follows.

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<sup>1</sup>Including analytical and technical work relating to tariffs under the GSP.

17. In its meeting on 24-26 January 1973, the Working Party decided that the secretariat should update the basic information to 1971 and, when statistics became available, to 1972. The process of updating the basic tariff-trade information to a new year is a long one, depending as it does on the speed with which the authorities administering the thirteen tariffs respond to the technical queries of the secretariat regarding the inevitable ambiguities found in the basic material. The updating to 1971, commenced in March 1973, was not completed until January 1974. The secretariat could commence immediately the already decided updating to 1972. On the basis of past experience, however, it is impossible to guarantee a date of completion which could hardly be expected before autumn 1974. If it was decided then to update the material to 1973, it would seem optimistic to hope for these data to be available before the end of summer 1975. A decision in this matter is complicated by two further considerations. 1972 was a year of relatively stable exchange rates whereas the trade statistics of 1973 will be to a significant extent vitiated by the high degree of exchange rate instability experienced throughout the year. On the other hand, the 1972 trade statistics for the enlarged European Communities will still have to be obtained by the process of ex-post trade allocations under concorded tariffs, which necessarily implies a certain sacrifice in precision, whereas the 1973 statistics will be the first ones to be collected under a uniform tariff nomenclature.

18. Obviously, this pressing technical question has a bearing on points 5 and 6 of the Programme of Work.

19. Finally, the Group may wish to commence discussion on point 7 of the work programme, determination of the unit of account to be used in the negotiation.