

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

MTN/3A/3

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Multilateral Trade Negotiations

GROUP 3(a) - MEETING OF MAY 1974

Note by the Secretariat

1. The Group met on 14-16 May 1974. The items for consideration, set out in document GATT/AIR/1081, were the following:

- A. Determination of the Customs Tariffs to be considered for negotiations:
Base date, base rates (bound or effectively applied) (Chapters 1-99 BTN) -
Item 5 of the Programme of Work (MTN/2).

2. In an introductory statement the Chairman gave an account of the procedures that were followed and the solutions that were found during the Kennedy Round of Tariff Negotiations. He went on to say that the determination of base rate and base date had not been uniform among the so-called "linear" countries. He concluded that the differences in dates and treatment of "statutory" and "applied" rates did not at the time seem to have caused any serious difficulties; no participating country had raised objections to the dates or rates notified by other participants. In the view of some delegations, however, for the current multilateral negotiations it would be desirable to try to arrive at a common definition for the participating countries.

3. There was consensus in the Group that it would be premature at the present stage to take any decision as to the base date/base rate to be selected for the negotiation and that the discussion in no way prejudiced the positions governments might wish to take at a future date. Rather, the exchange of views would serve as a background that would be of assistance when decisions would be taken on the base date/base rate question. Some delegations were of the view that if possible, a uniform date should be selected for all participants; only when there were very good reasons for not applying the agreed date should a different date be allowed. 1 January 1972 was mentioned as a suitable uniform date, thus excluding any date prior to the date of the last tariff cuts under the Kennedy Round; allowance had nevertheless to be made for later changes, if any. Other delegations said that the discussion on the base date question would be facilitated by first discussing the problem of base rates.

4. On the base rate question, some delegations thought that statutory rates and/or GATT rates would be the appropriate rates for the negotiation. Some delegations pointed out that, in view of the importance of the issue, it would be necessary first to know what the practices and procedures of participating countries in this respect were, i.e. what were legal rates, statutory rates etc. To this end, an explanatory note describing individual practices would be very useful. This note could serve as an introduction to the national "files" proposed earlier by the United States delegation.

5. Some delegations elaborating on their proposal mentioned in paragraph 4 above, said that, in view of the fact that practices and definitions of the various kinds of rates in question often varied considerably from country to country, participating countries should submit an explanatory note along with the information outlined in the United States proposal. This note should explain in some detail the constitutional and legal practices followed in defining and determining the various tariff rates and their application, suspension etc., so that a better understanding of the meanings given to the basic concepts in different countries could be obtained. This suggestion was generally welcomed by the Group.

6. The discussion then proceeded on the basis of two working papers presented by the United States delegation (documents MTN/3A/W/1 and 6). The essence of the United States proposal was that a tariff data bank should be established on the basis of submissions by governments of detailed information on their various tariff rates, such as "statutory" most-favoured-nation rates, GATT rates, and applied most-favoured-nation rates. Information would also be sought on ad valorem equivalents of specific rates and specific components of compound rates. The information should preferably be in the form of magnetic tapes. They should be based on rates as of 1 January 1974, and should be updated on a continuous basis. Among other things, these data would facilitate the consideration of the base rate/base rate question.

7. Some delegations said that, with regard to the date for submission of data, they considered that it would be more useful to have a number of reference dates - e.g. 1 January or 1 April 1972, 1 January 1973 and 1974 - as this would give a clearer picture of the development of the tariff situation after the implementation of the Kennedy Round tariff cuts. Other delegations said that the data submitted should be as of the date of submission of the data to the secretariat, and expressed the hope that one could later move on to a common date base. In their view it was of considerable importance to keep the "file" up to date on a continuing basis.

8. Some delegations representing developing countries proposed that in addition to the three columns proposed by the United States, a column should be added showing, for developed countries, the effectively applied rates under the Generalized System of Preferences (GSP). The Group agreed that this would be a useful addition, some delegations however pointed out that in their view it was clear that the rates applied under the GSP could not be considered a subject of the multilateral trade negotiations.

9. One delegation was of the view that a column should also be added showing non-m.f.n. rates. Another delegation said that such rates were not relevant to the negotiations; this country's position on the question could nevertheless be set out in the explanatory note if this were to be found desirable.

10. Some delegations said that the file should show import charges other than normal duties such as surcharges and should also flag with an appropriate symbol items subject to variable levies. Some other delegations were of the view that the question of variable levies was a matter to be taken up in Group 3(e). Some other delegations stated that matters relating to the collection of data of this type fell within the responsibility of Group 3(a) with subsequent review by Group 3(e) of recommendations as they related to agricultural products.

11. Some delegations emphasized that countries with tariff nomenclatures different from the BTN should as far as possible indicate in their submissions the correspondence established by them between each heading in their tariff and the four-digit BTN heading. Other delegations said that for many tariff items this would be a very complicated undertaking, but that technically it would be possible to do so to the extent done for the purposes of the Tariff Study.

12. Some delegations from developing countries stressed the need for assistance, to be provided by the secretariat, in the compilation and presentation of the necessary data. They further stated that the provision of such data, as available, should not be interpreted as prejudicing their position concerning procedures and objectives of the multilateral trade negotiations as far as developing countries were concerned.

13. It was pointed out by the secretariat that if the data were supplied in magnetic tapes, this would raise no technical difficulties. However, if the data would be submitted in the form of printed tariff lists, the technical work involved would be so time consuming that it would be difficult to estimate when the "file" could be ready.

14. With regard to the proposed inclusion in the "files" of ad valorem equivalents of specific rates and of specific components of compound rates, some delegations said that this should be based on the most recent year for which trade data were available, and that new equivalents should be submitted as data for subsequent years became available.

15. Some delegations said that they were not convinced of the usefulness of calculating ad valorem equivalents, particularly because the exact ad valorem equivalents could not be arrived at for those items where information corresponding to each tariff line was not available. One delegation pointed out that some ad valorem equivalents had been used for the purposes of the Tariff Study. Some other delegations said that if ad valorem equivalents were to be calculated, it would be desirable to have three columns of calculations: one based on global imports, for each tariff item, one based on global imports minus trade under regional arrangements under Article XXIV, and one based on global imports minus trade under regional arrangements minus imports under the GSP.

16. There was widespread support in the Group for the basic proposal, as outlined in paragraph 6 above, to establish a tariff data bank, on the understanding that this did not in any way prejudice governments' positions with regard to the choice to be made of base date/base rates. The Group agreed to consider the problem of solving certain outstanding technical details at the next meeting, looking toward the early submission of the relevant data.

17. The Group requested the secretariat to produce a technical note on methods in use for the calculation of ad valorem equivalents.

B. Determination of the base year or years for the collection of statistics to be used in the negotiation (Chapters 1-99 BTN) - Item 6 of the Programme of Work (MTN/2)

18. Some delegations emphasized the need for collecting statistics for the negotiation for a period of several years in order to obtain as clear a picture as possible of the trade flows involved. These delegations stressed that the data so collected should be as recent as possible and that the year 1972 would be particularly useful; the years 1970-72 would therefore be a suitable point of departure. A three-year period would also be needed for the determination of, for example, principal and substantial suppliers. Nevertheless, these delegations acknowledged that, in view of the distortions caused in recent years by monetary instabilities and the substantial change in terms of trade for raw materials and energy imports, such series would not necessarily give a correct picture of present or future trade flows and that they would at any rate have to be used with great caution.

19. Some delegations pointed out that any one year or years would be unsatisfactory for some countries. They were of the view that since over time trade flows changed, the most recent representative period should be used on a continuous basis. The GATT "data bank", being built on the Tariff Study, should contain statistics for as many years as practicable. Thus the necessary flexibility of being able both to go back further than, e.g., to 1972 and to have the benefit of more recent data, would be ensured. These delegations proposed that statistical data for years subsequent to the 1972 data now contained in the GATT data files should be submitted by participants in the negotiations annually on a timely basis throughout the period of the negotiations. Annual detailed import data of the type supplied in the past for the Tariff Study should be provided to the secretariat as promptly after the end of the year as possible. These delegations felt that most countries should now be in a position to supply data for 1973 so that the secretariat could move to updating the material currently in the files as soon as possible.

20. Some delegations said that it might only be possible to determine the base year or years on a case-by-case basis for individual products. Some delegations pointed out that a flexible attitude should be taken in this matter and account should be taken of new developments as they occurred during the negotiation.

21. One delegation said that as for the trade data of the Tariff Study, its authorities had, for comparison purposes, at the time prepared an informal concordance between their own tariff and the BTN. The possibility was now being considered of submitting additional data similar to the ones supplied for the Tariff Study, but which would not be concorded to the BTN. It was considered that this would be both necessary and useful, because there was no way to be certain that the data shown under any particular BTN position would be precise enough for negotiation purposes.

C. The problem of quantitative import data to be included in the basic files of the Tariff Study

22. Some delegations elaborating on their proposal made at the last meeting (MTN/3A/2 paragraphs 16-17) said that the suggested quantitative data on a tariff line level would not be published, but should only appear in the basic files and that each country should provide these data on magnetic tape in as much detail as possible. There was widespread support in the Group for this proposal.

23. A group of countries pointed out that for certain products such information would be most useful in view of, inter alia, the monetary fluctuations of recent years. There were, however, some practical problems that would have to be overcome. These delegations informed the Group that quantitative data on their imports were presently being collected, to the extent that they existed and where they were comparable, on a four-digit BTN level and in certain cases on a more detailed level. The 1972 data, where meaningful, would probably be transmitted to the secretariat in the autumn of 1974.

24. One delegation said that it would be able to supply quantitative data on approximately 50 per cent of the value of its imports, mainly on agricultural products and primary industrial materials, compatible with the value data in the GATT tariff files, and on a four-digit BTN and SITC basis. Such information could be made available later this year.

D. Determination of the unit of account to be used in the negotiation
(Chapters 1-99 BTN) - Item 7 of the Programme of work (MTN/2)

25. The Group had before it a note submitted by the European Communities (MTN/34/W/3), as well as a technical note by the secretariat on statistical practices in presenting trade data in periods of exchange rate instability (MTN/34/W/5).

26. The Group had an exchange of views on the relative merits of either endeavouring to establish a common unit of account, for instance some agreed version of the SDR, into which normal data could be converted; or to follow for the time being the current practice of other international organizations of using prevailing rates of the United States dollar as a reference unit for foreign trade data. In addition, the Group examined the problem of methods for converting data in terms of national currency into the reference unit. The three following possibilities were discussed: conversion on the basis of par values communicated to the IMF, conversion on the basis of central rates, and conversion at the daily rates in accordance with modalities that would have to be determined.

27. Some delegations expressed the view that a common reference unit was needed, in particular so that the trade statistics of participants in the negotiations could be compared and so that, where necessary, the reciprocity of concessions could be evaluated. Having regard to the monetary fluctuations that had occurred in recent years, no national currency could meet that need from 1972 onwards. Although those delegations had not yet adopted a final position on the matter they emphasized that the problem was deserving of the Group's attention.

28. Delegations generally agreed that at the present stage the task was limited to the subject of statistical compilations for the negotiations. Some delegations believed that the question of a unit of reference was not an urgent one. Conversions on the basis of prevailing market rates for the time periods in question would, given the inherent imperfections of any possible unit of account, provide a less distorted picture of actual trade flows. These delegations therefore felt that it was not necessary at this point to take any decision in the matter, and that factual experience should be the guide to a future choice of a reference unit to express trade on a common basis. Meanwhile, in the view of these delegations, it was not necessary to diverge from current practice of other international organizations.

E. Further extension of the country coverage of the tariff study

29. Some delegations pointed out that an extension of the country coverage of the tariff study was a question of capacity, both of national administrations and of the secretariat. Some delegations emphasized that the prospect of being included in the tariff study might possibly be useful for these countries in improving their national methods of collecting trade data and of analyzing their foreign trade.

30. The Group agreed to revert to the question at a later stage, it being understood that governments were free to request to be included in the tariff study.

F. Establishment of a separate column for trade under regional arrangements in relation to the tabulations described in COM.IND/W/111

31. Several delegations stressed the usefulness of adding a column to the tabulations that would indicate trade taking place under regional arrangements. Some delegations said that the information in question was already available in the two white books of the tariff study and that there was no need to establish a separate column. Other delegations pointed out that it would nevertheless be useful to have this in a comparable form and expressed the hope that an additional column would be incorporated in the study.

32. The secretariat was instructed to proceed with the tabulation and consequent circulation of a document containing the four agreed columns and that in the event of agreement being reached, the additional column would be added later.

G. Future work

33. The Group agreed to start its next meeting in the first week of July in order to discuss the question of the Group's report to the Trade Negotiations Committee. It was agreed that the secretariat would circulate a draft report of the Group in advance of the meeting, which would serve as a basis for discussion. It was also agreed that for the report not to be too long, the notes by the secretariat on the previous meetings of the Group should be annexed to the draft report.