

GENERAL AGREEMENT ON TARIFFS AND TRADE

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EXPLANATORY NOTE BY THE UNITED STATES ON THE UNITED STATES PROPOSAL FOR A TARIFF RATE INFORMATION FILE ON APPLIED RATES

At the March 1974 meeting of Group 3(a) the United States proposed the establishment of a central tariff rate information file on applied rates to be maintained by the Secretariat which could be made available to any country participating in the Multilateral Trade Negotiations and also could be used by the Secretariat in its work in support of the negotiations. The purpose of the proposal is to provide accurate and authoritative information on each country's tariff rates in the detail necessary for the conduct of the negotiations and in a form which would be both more useful and more adaptable for the work of the negotiations than the form in which rate information has been available in the past.

This note addresses the questions raised in the brief preliminary discussion of the proposal in the March meeting.

Rates to be included in the file

The United States is of the view that for every item in a participating country's tariff, answers to the following questions are necessary to provide the minimum tariff rate information for the negotiations:

1. What is the present GATT rate for the item?
2. If the item is not in the country's GATT schedule, what is the normal ("statutory," "autonomous," "general") rate?
3. Is a rate which differs from the GATT rate or, for non-GATT items, the normal statutory, autonomous, or general rate actually being assessed regular imports from GATT countries?

If so, is there a formal termination date for application of the rate?

The U.S. proposal is, in effect, that authoritative answers to these questions be supplied by each country with respect to its own tariff. The proposal is prompted by the difficulties experienced in the United States in determining these facts with respect to the tariffs of other countries without resorting frequently to extensive research, and the realization that other countries experience similar difficulties with the U.S. tariff schedules.

It is proposed, therefore, that Governments supply for each item in their tariff schedules (1) the "statutory" MFN rate, (2) the GATT rate, and (3) the applied MFN rate in force on a given date (or dates) to be determined by members of Group 3(a), and that this information be updated throughout the duration of the negotiations at the time any change in the situation for an item occurs. The three types of rates are defined and described below.

The "statutory" MFN rate (rate Column A in the attached illustrative format) is the permanent rate which applies to imports from GATT countries in the

absence of any overriding temporary measure specifying a different rate (e.g., temporary duty suspensions or reductions, temporary duty increases under escape-clause actions, etc.). In the U.S. tariff schedule, the "statutory" rate, for these purposes, would be the rates shown in Column 1 for TSUS schedules 1 through 8. ^{1/} These Column 1 rates for an item are either the GATT rate, or a rate established by permanent legislation. In the case of the latter, the item is either not in the U.S. GATT schedule or the legislated permanent rate is lower than the applicable GATT rate (which is not shown in this case). ^{2/}

The GATT rate (rate Column B in the illustrative format) is the lowest rate to which the reporting country is committed for the item in Part I of its GATT schedule.

The applied MFN rate (rate Column C in the illustrative format) is the rate actually assessed regular imports from GATT countries on the reporting date (or dates) selected by Group 3(a), regardless of whether the rate has a termination date, and regardless of the authority (i.e., legislative or executive action) under which it is applied. For example, rates in effect as a result of temporary duty suspensions in whole or in part, unilaterally reduced duties with or without a termination date, import surcharges, GATT Article XIX actions, or other temporary additional charges would be included as applied rates and so indicated on the tabulation.

At the present time, for most of the items in the U.S. tariff schedules, the "statutory" rate, the GATT rate, and the applied rate for an individual item are identical, but there are a number of instances where they differ. For some other countries it appears that the current situation is one in which the rates would be different for the bulk of items in the country's tariff schedule.

It is not proposed that provisions for drawback or other special arrangements (such as TSUS item 807.00 of the United States) be reflected in the rate information contained in the file because of the difficulties which would be encountered in correctly indicating the effect of these measures on the actual rates of duty paid.

^{1/} Rates in TSUS schedule 9 are temporary rates which supersede those specified in the other schedules.

^{2/} There is no information in the U.S. tariff schedules which enables the user to determine conclusively whether the Column 1 rate is a GATT rate or a rate in force pursuant to permanent legislation, although certain general conclusions which are valid for most cases can be made from information presented in the schedules.

It is proposed that items subject to variable levies and similar charges in addition to, or in lieu of, a regular duty be identified by an appropriate symbol in the rate columns.

A suggested method for handling the various types of rate situations is set forth in the illustrative examples attached to this note.

Nomenclature

Rate information should be reported preferably at the tariff line level in each country's tariff nomenclature. If a country maintains a different statistical nomenclature, then that corresponding number or numbers should also be shown for convenience in relating the rate information to import data.

Special difficulties are presented in reporting information for "ex-outs" (i.e., two or more rates apply to products in a single item). One way of showing such situations is given in the illustrative examples.

Initial rates to be reported

The United States has proposed that the initial report of information to the Secretariat should reflect the rate situation existing on January 1, 1974, as being a most recent, convenient reference date. The file subsequently should be maintained current and up-to-date throughout the future course of the negotiations by notification to the Secretariat of changes in the rate situation as they occur ^{1/} and by annual submissions of ad valorem equivalents for specific rates.

The principal concern of the United States is that the file should provide authoritative current information on each country's tariff.

Members of Group 3(a) may wish to consider other reporting dates in addition to January 1, 1974, for inclusion in the file.

Product coverage

It is proposed that the file should cover all products (i.e., BTN chapters 1 through 99).

Country coverage

All countries participating in the Multilateral Negotiations should provide the information for this central file on their respective tariff schedules. It can be assumed that data on the Tariff Study countries and other developed nations would be the first to be available in the file.

^{1/} Presumably, most rate changes which would be reported would be in the applied rate column.

Distribution

Information in the file should be made available upon request to all participants in the negotiations.

Specific rates and ad valorem equivalents

It is important that specific and compound rates be included in the file in their exact form (rather than only as ad valorem equivalents), because the incidence of such rates can vary significantly for the individual countries supplying imports.

It is also proposed that each country report annually as soon as possible after the end of the year an ad valorem equivalent for each specific rate contained in the country's tariff information file at the close of the year. The ad valorem equivalent should be calculated on the basis of total MFN imports under the respective specific duty item in the reporting year.

In the case of compound duties, the United States proposes that the reported ad valorem equivalents should be only for the specific component of the rate, but this point perhaps should be discussed by the Group.

Illustrative Examples from

Tariff Rates of the United States

(Note.--When there is no entry in rate Columns B or C, the rate for these columns is identical to that shown in rate Column A.)

Tariff number (or statistical number)	Brief description	"Statutory"		GATT rate	Applied MFN rate	Ad valorem equivalents of specific rates and of specific components of compound rates, based on imports in --			
		MFN rate	A	B	C	1972	1973	1974	1975
<u>Example No. 1.</u> ---Items with ad valorem, specific and compound rates of duty; statutory, GATT and applied rates are identical									
461.30	Perfumes, not containing alcohol-----	7.5%							
461.35	Perfumes, containing alcohol---	8¢ per lb. + 7.5%				0.9%	0.6%		
728.20	Floor coverings of cork-----	2.5¢ per lb.				6.1%	5.2%		
<u>Example No. 2.</u> ---Items without a GATT rate, or with a GATT rate which differs from the statutory and applied rates									
110.10 pt.	See herring, smelts, and tuna:								
110.10 pt.	Tuna other than albacore---	Free		None					
	Other-----	Free							
147.72	Raisins with seeds-----	2¢ per lb.		None		12.7%	10.2%		
725.23	Bagpipes-----	Free							7.5%
<u>Example No. 3.</u> ---Items with temporary duty reductions or suspensions									
192.70	Idle, processed-----	20%		None	Free until 9/5/75				
653.39 pt.	Generator lighting sets for bicycles-----	19%			Free until 12/31/74				
653.39 pt.	Other illuminating articles, of base metal-----	19%							

Illustrative Examples

(Note.--When there is no entry in rate Columns B or C, the rate for these columns is identical to that shown in rate Column A.)									
Tariff number (or statistical number)	Brief description	Statutory		GATT rate	Applied MFN rate	Ad valorem equivalents of specific rates and of specific components of compound rates, based on imports in --			
		MFN rate	A			1972	1973	1974	1975
Example No. 4.--Items with temporary duty increases (example from U.S. tariff)									
132.50	Potato starch-----	1¢ per lb.			2.5¢ per lb.	A) 24.1% C) 60.2%	A) 11.3% C) 28.3%		
533.31 pt.	Earthenware steins and mugs, valued not over \$3.60 per dozen-----	5¢ per doz. + 12.5%			10¢ per doz. + 25%	A) 3.2% C) 6.4%	A) 3.2% C) 6.3%		
533.31 pt.	Other earthenware steins and mugs-----	5¢ per doz. + 12.5%				1.7%	0.8%		
Example No. 5.--Items with surcharges (example from U.S. tariff when temporary surcharge was in effect)									
114.01	Razor clams-----	3.5%			3.5% + 10% Surcharge				
202.62	Wood moldings, of pine-----	1.5%			1.5% + 3.5% Surcharge				
Example No. 6.--Items with variable levies (example from the tariff schedules of the European Community)									
02.01 A II a 1 as 11 (02.01-03)	Domestic bovine meat, fresh or chilled: Calves, carcasses and half carcasses-----	20% + VL		None					
02.01 B II c 4 (02.01-85)	Livers of domestic swine-----	VL		14%					