

**MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND**

RESTRICTED

MTN.GNG/NG2/7

6 June 1988

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Group of Negotiations on Goods (GATT)
Negotiating Group on Non-Tariff Measures

MEETING OF 9 MAY 1988

Chairman: Ambassador L. Duthie (Australia)

Note by the Secretariat

1. The Negotiating Group held its seventh meeting on 9 May 1988. It adopted the agenda contained in GATT/AIR/2584.
- A. Exchange of views on the progress made in the preparation of proposals to be submitted in accordance with the decision adopted by the Negotiating Group at its meeting of 25 February 1988 (MTN.GNG/NG2/6, Annex).
2. Several delegations informed the Group that they were in the process of preparing for submission before 30 June 1988, lists of measures which they would like to see taken up in negotiations. One delegation stated that its submission would cover country-specific measures associated with specific product categories or sectors and also measures which affect a broad range of products within a market. Additionally, its submission would also include some issues which could be pursued multilaterally. The representative of a group of delegations stated that the work which they had carried out indicated that non-tariff measures which fell within Chapters V.B and IV.A of the Inventory of Non-Tariff Measures (Industrial Products) were particularly widespread. Examples of such measures were surcharges, port and statistical taxes, quantitative restrictions, prohibitions and import licensing procedures. A second group of measures which were less widespread, though they still constituted cause for concern, related to technical regulations and standards and were similar to those found in Chapter III.B of the Inventory. These delegations were also faced by obstacles to trade arising out of consular formalities and documentation, government procurement practices and restrictive practices tolerated by governments.
3. The delegation of Australia recalled that it had distributed at the previous meeting of the Group, a paper on the measurement of the impact of trade protection. Since then it had prepared an information document which dealt with the technical aspects of the concept. The document, entitled "Using the effective rate of assistance (ERA) in trade negotiations",

identified the dual role of the concept of ERA in measuring the impact of protection and contributing to transparency. This delegation repeated its suggestion that the secretariat prepare an explanatory document outlining a basis for a common methodology and worksheets which could be used by delegations in making their own measurements. If the ERA concept was going to be used in assessing the outcome of the negotiations, work on the calculations which it required had to be initiated rapidly. The representative of a group of delegations considered that the work which had been carried out on the concept of ERA by research institutes was very valuable, but he had doubts about the applicability of the concept to the Uruguay Round negotiations.

B. Preshipment inspection

4. For its discussion on this item, the Group had at its disposal a background note (MTN.GNG/NG2/W/11) which it had requested the secretariat to prepare. Several delegations expressed interest in discussing the subject of preshipment inspection in the Group, with a view to considering whether negotiations on it would be appropriate. One delegation, which was supported by some others, was particularly concerned by the following elements of preshipment inspection:

- compulsory inspection of all goods to be imported, and in some cases exported;
- physical inspection for quality and quantity at the site of production, warehousing and/or shipment;
- price comparisons to determine whether the fob price and other elements of the price charged in commercial transactions, correspond to the prices generally charged in the supplying country or the international market.

5. The combination of the first two components, which constituted the traditional elements of preshipment inspection, with the third one, caused this delegation to focus on the issue more directly. Several delegations were concerned by delays in shipments and associated costs which affected exporters in their countries. The price verification process continued to be a source of concern for practical reasons as well as for reasons of principle. Lack of protection of business information was also a problem because of the possibility of information available to inspection agencies being shared with the exporters' competitors. They also considered that the appeals procedures of preshipment inspection agencies were often inadequate to protect the interests of exporters. Studies carried out in different countries indicated that preshipment inspection was spreading and that the problems associated with it were growing. While it was generally recognized that some countries implemented preshipment inspection programmes because of some very real problems which they were facing, in practice exporters were

faced with non-transparent procedures which acted as a non-tariff barrier. What was needed was, therefore, to look for non-discriminatory, transparent and multilateral solutions which would eliminate or minimize the distortions associated with preshipment inspection. The elaboration of a code of practice was mentioned as one such possible solution.

6. Other delegations did not think that preshipment inspection could be assumed to constitute a non-tariff measure on which negotiations could be held. They had not received any complaints from exporters about the programmes that they maintained, and thought that specific information had to be made available before conclusions could be drawn. Thanks to these programmes, these countries had been able to save significant sums of foreign exchange. Additionally, PSI had a deterrent effect on exporters, which had to be taken into consideration in any discussion on the subject. One delegation considered that for some perishable goods, preshipment inspection might be preferable to inspection at the port of destination, which constituted a technical barrier to trade.

7. At the end of the discussion, the Chairman suggested that the Group revert to this question at its next meeting and invited delegations which wished it to conduct a more detailed examination of the issue to make specific proposals in accordance with the programme of work agreed upon by the Group (MTN.GNG/NG2/6, Annex). It was so agreed.

C. Other business

8. Following a suggestion made by some delegations, the Group requested the secretariat to prepare for its next meeting a background note on the administration of rules of origin, related GATT provisions and past discussion in the GATT.

9. The Chairman recalled that the Group had agreed to meet on 18-19 July 1988 to carry out a first examination of proposals which, according to its programme of work, would be submitted by 30 June 1988, (MTN.GNG/NG2/6, para. 10 and Annex). He suggested that the Group also meet on 18-20 October 1988, to carry out the tasks set out in paragraph 7 of this decision. It was so agreed.