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Committee on Market Access

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REPORT OF THE MARKET ACCESS COMMITTEE

TO THE COUNCIL FOR TRADE IN GOODS

Revision

Section A - Background

1. The Committee on Market Access was established under paragraph 7 of Article IV of the WTO Agreement by the General Council at its meeting of 30 January 1995. Its mandate (WT/L/47) covers market access issues related to tariffs, non-tariff measures not covered by any other WTO body, as well as matters related to the Integrated Data Base.

2. Mr. Jean Saint-Jacques (Canada) has been elected Chairman, and Mrs. Marie Gosset (Côte d'Ivoire), Vice-Chairperson of the Committee. Their mandates were renewed for 1996. Participation in the meetings of the Committee is open to all WTO Members, to Governments granted observer status by the General Council and to the following international organizations: FAO, IMF, ITCB, UNCTAD, WCO and the World Bank.

3. Rules of Procedure for the Committee, based on the Rules of Procedure adopted by the Council for Trade in Goods (CTG) and approved by the General Council on 31 July 1995, were adopted by the CTG on 1 December 1995 (WT/L/79).

4. The Committee held four formal meetings each in 1995 and in 1996 as well as a number of informal meetings.

Section B - Status report of the Committee's work

Tariff Matters

Implementation of the Uruguay Round results

5. The implementation of tariff concessions contained in the WTO Schedules on Goods began on 1 January 1995 according to the provisions of the Marrakesh Protocol and the Schedules annexed thereto. Beginning on 1 January 1996, the second stage of reductions started. There is no special notification procedure for the implementation of tariff reductions. The Committee agreed that if problems arose in this respect, it would rely on reverse notifications. To date, no such reverse notifications have been submitted.

Implementation of Harmonized System 1996 changes

6. The Harmonized Commodity Description and Coding System (Harmonized System or HS), which is administered by the World Customs Organization (WCO), is the customs nomenclature used by nearly all WTO Members for their schedules of tariff concessions. Special procedures were established for the introduction of changes to the Harmonized System into WTO schedules of concessions. In 1993, the WCO agreed to approximately 400 sets of amendments to the Harmonized System, to enter into effect on 1 January 1996. These affect bound schedules of tariff concessions of a large number of WTO Members. Members have had to implement the changes, in keeping with their WCO obligations, in their customs nomenclature on 1 January 1996. They were unable, however, to carry out the procedures related to the introduction of HS changes in WTO schedules prior to their implementation. These Members therefore had to request waivers, in accordance with Article IX of the WTO Agreement, from their obligations under Article II of GATT 1994. At its meeting of 13

December 1995, the General Council approved a Decision granting waivers to 33 Members, allowing them to implement the HS96 changes on 1 January 1996 and to carry out the necessary procedures subsequently. These waivers were to expire on 30 June 1996.

7. By June 1996, 19 Members had submitted the necessary documentation in connection with the introduction of the HS96 changes and reservations, both general and specific, had been made with regard to most of the submissions. Only two submissions of HS96 changes were finalized and certified during this period. Thus, an extension of the waivers appeared necessary. At the meeting of the Committee on 13 June 1996, the Chairman proposed that - for practical reasons and because there was not always a meeting of the General Council in December -the period for extension of waivers in general, which was usually six months - from January to June and from July to December-, be changed from May to October and from November to April of each year. The Committee approved this proposal and agreed that, in order to bridge the gap between the current situation and the new proposal, any extension of waivers should be until 30 April 1997. It was then decided to recommend that the HS96 waivers be exceptionally extended until 30 April 1997 for the Members that individually had requested and documented a need for an extension or had newly requested a waiver in connection with the HS96 changes. The complete required documentation was to be submitted by the Members concerned by 30 September 1996 at the latest. The draft decision on the extension of the waivers was approved by the CTG at its meeting of 5 July 1996 and adopted by the General Council at its meeting of 18 July 1996. The situation with respect to the submission of documentation is reproduced in G/MA/TAR/2/Rev.3.

8. Developing and least-developed Member countries stressed the need to obtain technical assistance from the Secretariat in connection with the introduction of HS96 changes and for the preparation of consolidated loose-leaf schedules.

Procedures under Article XXVIII

9. With reference to the submission of documentation containing HS96 changes, several Members expressed concern about reservations of a purely general character presented by other Members under Article XXVIII. Two problems were identified in this respect: on the one hand there is the need for Members submitting changes to provide as much information as possible to facilitate a review of these changes by other Members; on the other hand there is the need for Members making reservations to specify the exact nature of their reservations in order to enable the Members concerned to either supply missing information or to enter into negotiations. The Chairman was requested to carry out consultations regarding the procedures governing Article XXVIII.

Further trade liberalization initiatives

10. The Market Access Committee discussed several further trade liberalization papers by delegations. Two proposals focused on the future agenda for tariff liberalization: an Australian proposal on Further Industrial Tariff Negotiations (G/L/96) which recommends that industrial tariff negotiations begin in 2000 and that preparatory work be undertaken by the Goods Council or Market Access Committee; and a Canadian proposal on Further Tariff Liberalization (G/MA/W/9) which proposes a WTO work program for the acceleration of Uruguay Round tariff reductions, expansion of membership for existing zero-for-zero and harmonization initiatives, and identification of additional sectors for zero-for-zero and harmonization initiatives. Members expressed divergent views with respect to both of these proposals.

11. Additionally, there were two other communications submitted which concern plurilateral market access initiatives: a paper on the Information Technology Agreement (G/MA/W/8) submitted by the United States which summarizes the benefits of further liberalization on information technology products and outlines the product coverage; and one on Trade in Pharmaceutical Products (G/MA/W/10) submitted by the European Communities on behalf of the WTO Members concerned which outlines the review

of pharmaceutical product coverage that has taken place and resulted in the addition of 465 products for duty-free treatment. Members welcomed the information provided and took note of the communications.

Waivers granted in connection with the introduction of the Harmonized System

12. The Committee examined the situation related to the transposition and renegotiation of schedules of certain Members which had adopted the Harmonized System in the years following its introduction on 1 January 1988. These Members were requested to provide factual information in relation to requests for an extension of the waivers; the information is reproduced as an Annex to the semi-annual reports of the Committee to the CTG (the latest being G/MA/4). While a number of Members have been able to complete this transposition in recent years, 11 Members requested an extension of their waiver until 30 April 1997. These extensions were approved by the General Council on 18 July 1996. Technical assistance is being provided to some Members to assist in the transposition of their pre-Uruguay Round schedules into the Harmonized System.

Establishment of consolidated loose-leaf schedules on goods

13. During the past two years, the Committee examined various issues related to the establishment of consolidated loose-leaf schedules on goods. These concern in particular the legal implications of the establishment of such schedules and their content (e.g. the coverage of unbound items; the treatment of *ad valorem*, specific and mixed duties; stages of implementation; other duties and charges (ODCs); the reflection of agriculture commitments; and the indication of Initial Negotiating Rights). At its meeting of 22 November 1995, the Committee agreed to the establishment of consolidated loose-leaf schedules on goods on the basis of a proposal by the Chairman. The question of verification, however, remains outstanding. Several Members raised the possibility of creating a computer-assisted verification of the schedules. The Chairman has held informal consultations with a view to solving the problem.

14. As a result of these consultations, he proposed that the Committee adopt the Draft Decision on the Establishment of Consolidated Loose-Leaf Schedules on Goods contained in document G/L/121. The Committee adopted the Decision and agreed to forward it to the CTG for approval. The Committee, noting that as of 18 October 1996, 15 Members had submitted consolidated loose-leaf schedules on goods in connection with the submission of their HS96 documentation using the format appended to the Decision, recognized the importance of giving priority consideration to the verification of these schedules.

Non-tariff Matters

Notifications of quantitative restrictions

15. A Decision on Notification Procedures for Quantitative Restrictions (G/L/59) was adopted by the CTG on 1 December 1995. In accordance with this Decision, Members were to submit to the Secretariat by 31 January 1996 complete notifications on the QRs they maintained. The situation with regard to those notifications is far from satisfactory as only 22 Members have submitted their notifications.

Reverse notification of non-tariff measures

16. At its meeting in December 1995, the Council for Trade in Goods also adopted a decision related to the reverse notification of non-tariff measures (G/L/60). One submission has been received to date.

Integrated Data Base

17. In October 1995, the Committee examined several issues concerning the future of the Integrated Data Base and agreed that Members should make every effort to provide the necessary trade and tariff information in order to establish a reliable data base. However, to date very few Members have submitted the required information. Since October 1995, the Secretariat has received complete IDB submissions from 10 Members and recent import statistics from 14 Members. In addition, in response

to specific requests, the Secretariat has been able to update the files of a number of countries on the basis of data collected, *inter alia*, from the Trade Policy Review Division and from published customs tariffs.

18. The Committee also agreed that (1) the Secretariat prepare a simplified format for the IDB data submissions and develop PC applications for the preparation of data in capitals; (2) the Secretariat undertake a study on the "restructuring" of the IDB from a mainframe to a PC environment; (3) the IDB be made operational with basic information on tariffs and imports before broadening its scope to include non-tariff measures and other types of restrictions; and (4) access to the IDB could be given to international organizations. Since then, the Secretariat has prepared and circulated simplified formats for the submission and a PC software for the preparation of data in capitals in a format compatible for use with the IDB mainframe applications. A study on the "restructuring" of the IDB from a mainframe to a PC environment was initiated in August 1996.

WTO-WCO Coordination

19. Members expressed the desire for increased cooperation with the WCO with respect to future changes to the Harmonized System. Under the current WCO agenda, changes to the Harmonized System are made every 4 years and the next update is being prepared for the year 2000. Thus, the Committee suggested that better communication between the two organizations would be advantageous for the implementation of Harmonized System 2000 changes and their introduction, as necessary, into WTO schedules of concessions. The Chairman undertook to initiate consultations on this issue.

Future work of the Committee

20. The Committee will focus on the following issues:

- continue the supervision of the implementation of Uruguay Round concessions relating to tariffs and non-tariff measures, and of concessions by acceding countries;

- improving the efficacy of its work through ensuring a) the submission of timely notifications of Quantitative Restrictions and timely provision of trade and tariff information by Members; b) the completion and implementation of the loose-leaf schedules on goods and the development of an electronic verification process; both of which will provide Members with the necessary information for such supervision;
- complete the establishment and verification of the changes in the Harmonized System approved by the World Customs Organization;
- review the procedural issues identified with respect to modifications of schedules;
- establishment of a closer working relationship with the World Customs Organization, particularly with respect to the introduction of future changes in the Harmonized System;
- implement modifications to the Integrated Data Base in order to develop a database that will facilitate the information-gathering and -dissemination processes, thus improving the analytical tools at the disposal of the WTO and its Members.

Section C - Recommendations

21. The Committee recommends to the Council for Trade in Goods that:

- Given the importance of completing as soon as possible the changes in the Harmonized System agreed to by the World Customs Organization, Members do their utmost to complete the verification of HS96 changes already submitted so as to prevent requests for additional waivers. Also, to urge those Members who have not submitted complete documentation to do so as soon as possible.
- Members agree on the importance of the work being considered in the Market Access Committee to develop the basic information and the analytical tools that will enable Members to improve the efficiency of tariff negotiations. [and to understand the issues involved in such negotiations and to identify their interests in respect of them.] These analytical tools include [*inter alia*]

the development and implementation of loose-leaf schedules on goods and of a PC-based Integrated Data Base.

- In order to fulfil this work, Members:
 - (a) complete their notification obligations on quantitative restrictions;
 - (b) participate fully in the development of the Integrated Data Base and submit the required trade and tariff data to the WTO Secretariat;
 - (c) undertake to submit as soon as possible their loose-leaf schedules on goods in electronic format; and
 - (d) complete as soon as possible the verification of submitted loose-leaf schedules on goods.
- The CTG take into account the need, when necessary, for technical assistance for developing countries and least developed countries to facilitate the implementation of these recommendations.
- [- Members note Australia's request for positive consideration of its proposal for further comprehensive industrial tariff negotiations from the beginning of 2000.]
- [- Members be encouraged to consider and work toward effecting further tariff liberalization, including *inter alia* through plurilateral efforts]
- [- Members take note of the liberalization proposal contained in the US paper and recognize that if the Information Technology Agreement is achieved it will constitute a positive development for further trade liberalization]
- [- Members take note of the recent review of product coverage for trade in pharmaceutical products, as contained in the paper submitted by the EU on behalf of those Members concerned, which will result in extra products (465) receiving duty-free treatment and recognize the positive effects on trade liberalization.]