

GENERAL AGREEMENT ON TARIFFS AND TRADE

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REPORT OF PREPARATORY COMMITTEE FOR TRADE NEGOTIATIONS

1. In February 1972, contracting parties received Joint Declarations on International Economic Relations which were made by Japan and the United States on the one hand and the European Community and the United States on the other hand. In these declarations, which differ only slightly in their wording, the signatories undertook to initiate and actively support multilateral and comprehensive negotiations in the framework of GATT beginning in 1973 (subject to such internal authorization as may be required) with a view to the expansion and the ever greater liberalization of world trade and improvement in the standard of living of the people of the world, aims which could be achieved, inter alia, through the progressive dismantling of obstacles to trade and the improvement in the international framework for the conduct of world trade. These negotiations would be conducted on the basis of mutual advantage and mutual consent with overall reciprocity, and would cover agricultural as well as industrial trade. Special attention would be given to the problems of developing countries.

2. At the meeting of the Council in March 1972 all major developed trading nations welcomed the initiatives contained in the Joint Declarations and expressed their intention of joining in the undertaking to initiate and actively support multilateral and comprehensive negotiations in the GATT beginning in 1973. Developing countries, while expressing appreciation of the initiatives, made it clear that their association with the negotiations was conditional upon the details to be applied to their participation including the techniques and modalities to be worked out for the negotiations.

3. The Preparatory Committee was established by the CONTRACTING PARTIES at their twenty-eighth session in November 1972 to prepare for a new multilateral trade negotiation under the auspices of the GATT to be opened by a meeting at ministerial level in Tokyo in September 1973. It was also agreed at the session that the Tokyo meeting would consider the Committee's report, establish a Trade Negotiations Committee and provide the necessary guidelines for the negotiations (L/3773/Rev.1).

4. The Committee has accordingly drawn up the present report on its work, which is set out under three main sections:

- A. Objectives
- B. Substance (including principles, coverage and approaches to be followed)
- C. Procedure

Points of interest to developing countries, including questions relating to objectives, principles and procedures, are dealt with under the sections to which they relate.

5. In preparing its report, the Committee has drawn on the preparatory work done under the Programme for the Expansion of International Trade. Details of the Programme are contained in document L/2943. A detailed picture of the present status of preparatory work for the negotiations, which includes work carried out since the Joint Declarations of February 1972, is to be found, for the work of the Agriculture Committee, in L/3472, COM.AG/25 and COM.AG/27, for the work of the Committee on Trade and Development, in L/3873, and for the work of the Committee on Trade in Industrial Products, in L/3886. The latest report of the Group of Three is contained in L/3871.

6. A number of delegations have presented, either orally or in writing, their overall approach to the negotiations and details relating to their positions.

A. OBJECTIVES

7. The Committee noted that at their twenty-eighth session, the CONTRACTING PARTIES had agreed that the objectives of the multilateral trade negotiations should be "an expansion and ever greater liberalization of world trade and an improvement in the standards of living of the people of the world through co-ordinated efforts to solve in an equitable way the trade problems of both the developed and the developing countries" (L/3773/Rev.1).¹

8. The Committee further noted the agreement reached at the twenty-eighth session that the multilateral trade negotiations should also aim to secure "additional benefits for the international trade of the developing countries so as to achieve a substantial increase in their foreign exchange earnings, diversification of their exports and an acceleration of the rate of growth of their trade, taking into account their development needs" (L/3773/Rev.1).¹

9. It was considered by many delegations that the negotiations should also aim at the improvement of the international framework for the conduct of world trade. In this connexion, it was suggested by delegations from developing countries that this should have the effect of making this framework more responsive to the needs of developing countries through a more just and equitable international division of labour.

10. In the discussion on agricultural products, some delegations suggested that the negotiations should, in line with the general objectives, aim at a steady expansion of agricultural trade in stable market conditions with acceptable and predictable conditions of access and adequate supply at reasonable and remunerative prices. Some delegations agreed that the objectives of the negotiations in the agricultural sector should be in line with the general objectives set out in the

¹Three delegations reserved their position on the paragraphs from which these extracts have been taken.

preceding paragraphs, but said that they should take account of the particular characteristics of agriculture; these delegations suggested that the specific objective of the agricultural negotiations should be an expansion of trade in stable world markets, in accordance with existing agricultural policies. Some other delegations stressed the importance of a substantial liberalization and expansion of trade in agricultural products in line with the overall objectives of the negotiations.

11. Delegations from developing countries have suggested that not only should the negotiations not result in any harm to developing countries either individually or as a group but they should result in net additional benefits for developing countries so as to contribute substantially to the achievement of the economic and social goals and objectives of the Second United Nations Development Decade. These delegations proposed in addition that the negotiations should have among their objectives a more just and equitable international division of labour; a substantial increase in the foreign exchange earnings of developing countries; diversification of their exports; an acceleration of the rate of growth of developing country trade; an increasing share in international trade for developing countries commensurate with the needs of their economic development; a substantial improvement in the conditions of access for the products of developing countries; a larger share of the markets of developed countries for these products; and stable, equitable and remunerative prices for these products. These delegations have stressed that there was also need for structural adjustment by developed countries with a view to an improvement in the international division of labour in the agricultural sector.

12. Delegations from developing countries proposed that the negotiations should also provide for special consideration of the problems of the least developed among developing countries. Some of these delegations suggested that this should involve differentiated or special treatment for this group of countries in the context of any general, specific or preferential measures taken in favour of the developing countries as a whole. Delegations from developing countries also referred to the need for special consideration of the problems of the land-locked developing countries in the negotiations.

13. Delegations from developing countries proposed that, apart from providing for additional benefits through trade policy measures, objectives for complementary negotiations in the appropriate fora in such fields as industrial co-operation, development financing and financing related to trade, transportation, transfer of technology, trade promotion and insurance should be established with a view to ensuring that developing countries, and in particular the least developed among them and the land-locked developing countries, would be in a position to increase their export potential and take advantage of trade concessions.

14. Some delegations remarked that quite obviously, the policy of liberalizing world trade cannot be successfully pursued unless parallel efforts are made to set up a monetary system which shields the world economy from the shocks and imbalances which have recently occurred. The trade negotiations therefore imply

that prospects exist for the establishment of a fair and durable monetary system, based on the following principles: fixed but adjustable parities, the general convertibility of currencies, effective international regulation of the world liquidity supply, a reduction in the rôle of national currencies as reserve instruments, the effective and equitable functioning of the adjustment process, equal rights and obligations for all participants in the system, the need to reduce the destabilizing effects of short-term capital movements, and taking into account the interests of the developing countries.

15. The same delegations added that this consideration should be borne in mind both at the beginning of and during the negotiations. For their part, they will assess the progress of these negotiations in the light of the progress achieved in the monetary field. They will take such progress into account when coming to a conclusion on the results of the negotiations.

16. Another delegation stated that similarly, an effective monetary system depends upon governments adopting trade measures which facilitate the adjustment process, as well as upon concurrent efforts to provide for trade liberalization and an improved framework for trade relations. These points should also be borne in mind throughout the negotiations which are aimed at improvements in the international economic order, in the light of structural changes which have taken place in recent years.

17. Delegations from developing countries stated that the monetary system should take account of the special interests and problems of developing countries in the fields of trade and development financing.

B. SUBSTANCE

Coverage

18. The Committee agreed that the multilateral trade negotiations should cover tariffs, non-tariff barriers and other measures which impede or distort international trade in both industrial and agricultural products, including tropical products and raw materials, whether in primary form or at any stage of processing, including in particular products of export interest to developing countries and measures affecting their exports.

19. It was suggested by some delegations that a distinction should be made in the negotiations between agricultural and industrial products, and that this will have to be defined. In the context of the treatment of agricultural products, it was also suggested as a first approximation to such a definition that agricultural products are those falling within Chapters 1 to 24 inclusive of the Brussels Nomenclature. One delegation suggested that any definition of agricultural products should exclude fish and fish products. It was suggested by some delegations that consideration should be given to how, for example, processed agricultural products should be treated. On the other hand, other delegations considered that no distinction should be made between agricultural and industrial products.

20. Delegations from developing countries suggested that the negotiations should cover on a priority basis all products of export interest (both actual and potential) to developing countries and all measures affecting the exports of developing countries and especially the least developed among the developing countries and the land-locked developing countries. In this connexion, it was stressed by some delegations from developing countries that the negotiations should include industrial products with a less-advanced level of technology.

Principles

21. The Committee agreed that the negotiations shall be conducted on the basis of the principles of mutual advantage, mutual commitment and overall reciprocity, while observing the most-favoured-nation clause, and consistently with the provisions of the General Agreement relating to such negotiations. Some delegations expressed the view that this would require a fair distribution of effort among developed countries. Delegations from developing countries stated, however, that concessions should be granted to developing countries on a preferential basis in all areas of the negotiations where this is practicable and that concessions should be made available to them immediately without phasing. Some delegations underlined the principle of non-discrimination among developing countries having the same level of economic development.

22. It was noted that the provisions of Part IV of the General Agreement lay down that "the developed countries do not expect reciprocity for commitments made by them in trade negotiations to reduce or remove tariffs and other barriers to the trade of less-developed countries". Some delegations suggested that guidelines should be established for the application of this latter principle. Some delegations also suggested that the degree of economic development of individual developing countries should be taken into account when considering the contribution they might make. Some delegations suggested that the question of the extent and manner of the contribution by developing countries could be considered by them in the light of the additional and special benefits granted by the developed countries. Some delegations pointed out that there are great differences between the levels and the opportunities for development in various developing countries and that provision should be made for the possibility of varying concessions granted to developing countries in the light of those differences. Some delegations felt that non-reciprocity should be absolute.

23. Some delegations have suggested that the negotiations on certain non-tariff measures should be conducted on the basis that the benefits would accrue only to countries that are parties to the resulting arrangement. Delegations from developing countries have stressed that all concessions resulting from the negotiations should be extended to them unconditionally.

24. Some delegations stressed that there should be the widest possible participation in the negotiations and it should be a matter of joint endeavour by all participants to achieve an overall balance of advantage at the highest possible level. In this context some delegations have stressed that account should be taken of the need to provide additional benefits to developing countries. The importance of the full participation of developing countries, whether or not contracting parties and including the least developed among them and the land-locked developing countries, was also stressed.

25. It was agreed that the possibility of countries joining in the negotiations after the Tokyo meeting should be provided for.

26. Some delegations said that, in the negotiations, account should be taken, in conformity with Article XXVIII bis of the General Agreement, of the particular circumstances of individual countries, including countries in a comparatively early stage of industrialization.

27. The Committee agreed that the negotiations should be considered as one undertaking, the various elements of which should move forward together. Some delegations suggested that priority attention should be given to products of interest to developing countries.

Approaches or Combinations of Approaches to be followed in the Negotiations

Tariffs

28. The Committee took note of the tariff study data and was of the opinion that this material would be a useful tool in facilitating the progress of the trade negotiations.

29. The Committee agreed that the negotiations in this area should be designed to secure a substantial reduction in tariffs. Some delegations considered that the negotiations should lead to a significant lowering of tariffs by means of reductions in duty graduated in relation to its current level, thus leading to a harmonization of tariffs. In the view of these delegations, it would also be desirable to establish a threshold or floor below which no reduction would be required, another consequence of which would be to maintain a margin of preference in favour of the developing countries. On the other hand, some other delegations stressed that in realization of a substantial reduction in tariffs, the elimination of tariffs should be the long-term objective, at least as far as industrial tariffs are concerned. Some delegations stressed the importance of all participants in the negotiations having authority to negotiate any tariff rate to zero.

30. The Committee agreed that the negotiations on tariffs should be based on simple rules of as general application as possible. Three main approaches to tariff reductions have been suggested by some delegations:

- tariff elimination
- the linear tariff reduction, and
- tariff harmonization

It has also been suggested that the possibility of a combination of these approaches as well as other types of approach should be kept in mind.

31. Delegations considered that no technique which enabled additional countries to participate in the negotiations on tariffs or the more extensive reduction of tariffs should be discarded. A number of other types of approaches have been suggested. It has, for example, been suggested that some countries might negotiate tariff reductions on an item-by-item basis. Some delegations have suggested that so-called nuisance duties might be eliminated. Delegations from developing countries suggested that whatever the approach or combination of approaches for negotiations on tariffs, provision should be made for their adaptation to the special needs of these countries.

32. The Committee agreed that nothing should discourage participants from making reductions on particular products which were greater than the reductions provided for in the general rules. In cases where it did not prove possible to secure the reduction of tariffs and where duties were unbound, these might be subject to negotiation in order to bind them against increase. It was generally agreed that provision may need to be made for the phased implementation of tariff cuts.

33. Some delegations suggested that the negotiations should reduce both the nominal and effective tariff protection and tariff escalation particularly on products of export interest to developing countries.

34. Delegations from developing countries stated that there should be advance implementation of tariff cuts on a preferential basis for developing countries. Every effort should be made during the negotiations to improve the Generalized System of Preferences and to avoid its erosion especially in respect of products in which developing countries have an actual or potential interest. Tariff cuts should be such as to permit the maintenance of the maximum preferential margin. The implementation of cuts on products of interest to developing countries and which involve any substantial erosion of preferential margins should be phased over a long period of years. Alternative trade opportunities should be provided to developing countries to offset any loss caused to them by the erosion of preferences. These delegations also stated that the Generalized System of Preferences should be bound in the negotiations, taking into account the special situation of the least developed countries. If for exceptional and compelling reasons it is not possible to include any product of particular interest to

developing countries in the Generalized System of Preferences there should be a deeper tariff cut for that product than for other products. The ultimate aim should remain the inclusion of that product in the Generalized System of Preferences.

35. Delegations from countries which have implemented the Generalized System of Preferences in favour of developing countries recalled that this was a unilateral measure taken by their governments which had required a waiver from Article I of the General Agreement. These delegations, while agreeing that the Generalized System of Preferences could be improved, stated that it should not be included as such in the negotiations.

36. The Committee agreed that the Trade Negotiations Committee should draw up a tariff negotiating plan.

Non-tariff measures

37. The Committee took note of the inventory of non-tariff measures relating to industrial and agricultural products, which is now being up-dated, and the general agreement that no measure included in the inventory should be excluded definitively from the negotiations and that it should be open to participants to add further measures to the inventory at any stage of the negotiations.

38. The Committee agreed that the negotiations should be designed to reduce or eliminate non-tariff measures or, where this is not appropriate, to reduce or eliminate their trade restricting or distorting effects, and to bring such measures under more effective international discipline.

39. In the preparatory work attention has been concentrated on problems which appear to call for a multilateral solution.

40. Solutions comprising alternatives have been drawn up on an ad referendum basis to problems in the fields of:

- valuation for customs purposes
- licensing systems
- standards

Some delegations have raised the question as to whether it would be possible to finalize these and implement them before the conclusion of the negotiations. Some delegations are of the opinion that all the texts already drawn up, or still in preparation, should be taken into account in the context of the negotiations so as to make up, with other elements of solutions, a meaningful and well-balanced package.

41. Solutions are actively being sought to problems in the fields of:

- quantitative restrictions including embargoes and export restraints
- export subsidies and domestic subsidies that distort trade
- countervailing duties
- import documentation, including consular formalities
- packaging and labelling requirements.

42. Other categories of non-tariff measures contained in the inventory on which some preliminary discussions have been held include government procurement; State trading in market economy countries; anti-dumping duties; customs classification; certificates of origin; samples requirements; marks of origin; minimum price regulations; motion picture restrictions; prior deposits; credit restrictions for importers; fiscal adjustments either at the border or otherwise; restrictions on foreign wines and spirits; discriminatory taxes on motor cars; statistical and administrative duties; special duties on imports; health and sanitary regulations; and internal taxes.

43. In the discussions particular attention has been paid to questions of interest to developing countries. The point has been made that the particular situation of these countries should be taken into account in the solutions to be adopted and that certain special problems experienced by developing countries could be solved by the insertion of provisions for the granting of technical assistance in codes etc. drawn up in the negotiations, as was being done for example in the area of standards. Delegations from developing countries suggested that an action programme should be established for the preferential reduction or elimination of the trade-restrictive and trade-distortive effects of non-tariff barriers of concern to developing countries. Delegations from some developed countries stated that they could not accept the concept of preferential treatment as a general principle.

44. Problems related to quantitative restrictions are of particular importance to developing countries. It was recognized that every effort should be made with a view to relaxing or eliminating quantitative restrictions on imports of the largest possible number of products of interest to developing countries on a priority basis. Delegations from developing countries have suggested that an agreed time-table for the removal of such restrictions, embargoes and export restraints on all products of export interest to them should be followed and that the relaxation or removal of such measures should be allowed to take place on a preferential basis. In those exceptional cases where the removal of such restrictions in accordance with the agreed time-table was not possible, arrangements should be drawn up providing for the progressive enlargement of quotas in favour of developing countries so as to ensure a gradual increase in their market share.

45. A number of delegations, including delegations from developing countries, have proposed that quantitative restrictions considered to be illegal should be eliminated as quickly as possible without negotiation and without compensation.

46. Some delegations suggested that a common list of priorities for dealing with the various categories of non-tariff measures in the negotiations should be drawn up. In this connexion it was also suggested that provision should be made for the possible inclusion of other categories of non-tariff measures at a later date.

47. Several delegations have proposed that, as a general principle, the examination should be directed at the measures which appear to be the greatest obstacles to international trade, and, where many similar measures are applied by a large number of countries, to seek multilateral solutions, whether by abolition or amendment or by agreement on greater harmony or discipline. In the view of these delegations, the forthcoming negotiations on non-tariff barriers should take account, as much as possible, of the work already done on the matter within GATT and the OECD. In this connexion, some delegations suggested that the work undertaken in other international organizations, including UNCTAD, should also be taken into consideration. It was generally agreed that in deciding on priorities due account should be taken of measures of interest to developing countries.

48. Some delegations have suggested categories for inclusion in a common list of priorities, while stressing that these suggestions are not necessarily complete. Among the suggestions which received a measure of support are:

- Export subsidies, and domestic subsidies that distort trade
- Anti-dumping duties and countervailing duties
- Government procurement
- Valuation for customs purposes
- Standards, including packaging and labelling
- Quantitative restrictions including embargoes and export restraints and licensing systems
- Internal taxes and levies
- Import documentation and consular formalities

Some delegations stressed the need for new rules governing the application of countervailing duties and the need to obtain agreement that neither countervailing duties nor anti-dumping duties would be applied unless a meaningful test of material injury had been met.

49. Some delegations suggested that countries applying non-tariff measures which were inconsistent with the provisions of the General Agreement should unilaterally present a programme for their elimination without negotiation and without compensation.

Sector approach

50. The Committee agreed that the sector approach might be used as a complementary technique in the negotiations in appropriate cases. This approach called for liberalization of trade to the greatest extent possible in carefully defined and selected sectors. Sector arrangements would cover all important measures including both tariff and non-tariff measures affecting or distorting trade in the products of a particular sector. Some delegations stressed the importance to them of achieving a balanced result in the sector negotiations. Delegations from developing countries said that this approach was well suited to their needs since their exports were concentrated in certain sectors.

Particular problems related to agricultural products

51. Some delegations suggested that in applying various approaches to agricultural products due account will have to be taken of any special circumstances that exist in the agricultural field. In this connexion, some delegations stressed the interrelationship between measures affecting production, imports and exports.

52. Some delegations have proposed various types of approach which might be adopted in the negotiations on agricultural products, and some have declared their willingness to borrow from each of these methods to varying degrees. Some delegations suggested that the approaches to be followed should be those that are most effective and suitable for the actual situation of the country and product concerned. It was stressed by some delegations that the objectives of negotiations in the field of agriculture are capable of achievement on the basis of co-operation between exporting and importing countries leading to a better accommodation of problems of shortages and surpluses. Some other delegations felt that exporting countries should, as trade is being liberalized, undertake commitments so as to ensure supplies for importing countries which undertake to reduce or stabilize their self-sufficiency ratios.

53. Certain delegations have indicated that the immediate, primary and principal subjects of negotiation are the tariff or non-tariff measures themselves. The approach suggested for this purpose covers five major categories of measures: export assistance; tariffs/levies and other special charges; quantitative restrictions; sanitary and administrative regulations of all kinds; domestic support policies having trade distorting effects. It would call for these measures, or their trade restricting or distorting effects, to be gradually eliminated or at least reduced to the fullest extent possible. Alternatively these measures should be harmonized.

54. This approach may imply either the use of the classical item-by-item technique of presenting lists of offers and requests with precise indications of the concessions sought and offered, or recourse to automatic negotiating formulae. In this context, some delegations have stated that automatic methods for reducing tariffs on industrial products could also be applied to agricultural products.

On the other hand, other delegations have stated that such an approach could not be realistically applied to agricultural products in view of the manifold situations as regards products and countries concerned.

55. At the same time, some delegations suggested that a code of conduct for agriculture should also be the subject of negotiations. This code could contain agreement in principle that countries granting concessions would not negate the trade expansion effect of these concessions by offsetting changes in domestic programmes. It could also contain a set of guidelines to which countries could refer.

56. A number of suggestions have been made by some delegations aimed at giving developing countries particular advantages: in any trade liberalization, priority should be given to the reduction and elimination of barriers to trade in products of export interest to developing countries on a preferential basis. In this connexion, account should be taken in the negotiations not only of the share of an individual developing country in a given market, but also of other trade criteria, such as the importance of products to individual developing countries.

57. Other delegations have expressed the view that the modification of existing practices in respect of exports, imports or production would result from the application of certain rules to those practices and the essential subject of negotiation would be those rules - or modification of any that already exist.

58. Delegations in favour of this method have indicated three main lines for development:

- (a) The codes or sets of rules designed to encompass practices in respect of imports, exports and production within a body of mutually acceptable general rules. Such codes could, inter alia, apply to export policies (codes of fair competition and adequate supply), to the use of sanitary regulations, and possibly to certain aspects of internal price policies.
- (b) In addition, for certain specified products or product groups, the above rules, supplemented where necessary (export policies, stocks, import policies, prices, food aid etc.) could be given expression in a more precise and more systematic way, even to the extent of constituting multilateral co-operation conventions in certain sectors.
- (c) Lastly, one particular variant of the general approach has been identified. Certain countries have expressed a particular interest in the idea of appraising commitments entered into during the negotiations either in terms of average protection (support margin - "montant de soutien"), or in terms of the evolution of the position of each country as an importer or exporter (self-sufficiency ratio).

59. In referring to their overall approach to the negotiations as reflected in L/3879, some delegations stated that the principles and mechanisms of their agricultural policy should not be called into question and did not therefore constitute a matter for negotiation.

60. These delegations, recalling the specific objective which they intend to assign to the negotiations in the agricultural field, stressed that the conditions for the expansion of trade would be more favourable if the stability of world markets were better assured. The best way of achieving that objective would be to organize some orderly world markets by means of appropriate international arrangements.
61. In the view of these delegations, for products such as grains, rice, sugar and the most homogenous dairy products, a price mechanism (minimum and maximum prices) would be negotiated for certain products, along with measures concerning stocks, in order to regulate supply; this would facilitate the implementation of food aid programmes. The best method of fulfilling such commitments would be to conclude international commodity agreements.
62. The same delegations stated that in the case of other products, which are not suited to such agreements, concerted arrangements might be negotiated to ensure that the operations of exporting countries on the world markets are carried out in an orderly fashion.
63. Delegations supporting this approach stressed that to the extent that stability in world markets had been achieved as a result of agreed international arrangements, the operation of import mechanisms would, as a consequence, be adjusted to the new situation. These measures as a whole would aim to further a steady expansion of trade within the framework of the specific agricultural policies of individual partners. These delegations further stated that, for their part, while observing the principles of their agricultural policy, they would operate the instruments of such a policy so as to ensure fulfilment of the commitments thus undertaken.
64. In the view of these delegations, although the measures set out in the preceding paragraphs are designed to bring about an improvement of world markets which would be beneficial to the developing countries as well, additional action should be taken on products of particular interest to the developing countries. This action could take the form of measures specially adapted to each individual case to enable these countries to improve their export earnings.
65. Other delegations have stated that such approaches outlined in the above paragraphs could not be realistically applied to agricultural products in view of the manifold situations as regards products and countries concerned; their experience with such approaches supported this view.
66. In connexion with the approaches discussed above it has been suggested that the rights and obligations to be assumed by developing countries might need to be differentiated according to the development and trade needs of those countries taken both individually and as a whole. Delegations from developing countries considered that in order to derive benefits from the application of the codes, multilateral co-operation conventions or international commodity agreements,

special measures would have to be included. It has been suggested that the participation of developing countries in such codes or arrangements would enhance their effectiveness and in certain cases might even be essential for their very viability.

67. Some delegations stated that the problems arising in connexion with the harmonization of legislation covering both human and plant health, and regulations concerning the use and treatment of products, should also be covered in the negotiations. Some delegations from developing countries suggested that administrative barriers to trade should also be taken into account.

68. There was a wide measure of agreement that tropical products in raw, semi-processed and processed forms should constitute a special and priority sector to be given early and urgent attention in the negotiations. It was suggested by several delegations that full liberalization should be achieved by the removal of barriers to access. In this connexion, some delegations from developing countries pointed out that the special arrangements which exist for the marketing of some tropical products emanating from historical and other links between certain developing and developed countries would need to be taken fully into account. Several delegations have also stressed that tariff escalation should be reduced and eliminated and that internal taxes, in particular selective taxes, should also be eliminated.

Safeguards

69. While there are differing views on the desirability of amending the safeguard provisions of Article XIX of the General Agreement, it has been agreed to examine the adequacy of the multilateral safeguard system of the General Agreement:

- (i) in the light of present conditions and efforts to achieve and preserve a further liberalization and expansion of trade, and
- (ii) for ensuring the maintenance of access.

In this connexion, it has been agreed that due consideration will be given to the adequacy of the multilateral safeguard system of the General Agreement to the special situation, development problems and needs of developing countries, bearing in mind the objectives of the negotiations.

70. Some delegations have suggested a number of elements for consideration in any revision of the multilateral safeguard system including, inter alia: consultations among interested importing and exporting countries; an international panel; criteria for invocation; modalities of measures; the principle of non-discrimination; selective and differential treatment for developing countries and countries not responsible for causing damage or distortion of trade; temporary application; degressivity; adjustment assistance measures; compensation; retaliatory measures; treatment of the existing bilateral safeguard arrangements. In this connexion some delegations are of the opinion that any new procedures of application in respect of Article XIX should neither result in new restrictive measures nor have the effect of merely making the system more flexible, in particular by restricting entitlement to compensation or

to take retaliatory action, unless the conditions governing their application are at the same time clearly laid down and control of their use made stricter. Some delegations considered that the principle underlying the use of safeguard measures should be the orderly expansion of world trade.

71. It was suggested by some delegations that there are some sectors, for example, horticulture, where the problem of injurious imports is a recurring one caused by climatic and seasonal factors rather than structural problems. In the opinion of these delegations, these problems should be the subject of special arrangements, not inconsistent with the GATT, which would not require the importing country to promote structural adjustment in the affected industry.

72. Delegations from developing countries have put forward a number of suggestions aimed at limiting the application of safeguard measures against their exports to exceptional situations, and restricting the application to a period of short duration. The conditions attached to the application of safeguard measures against their exports should be tightened with greater weight in this context being given to the use of measures of adjustment assistance in the developed countries. It has also been suggested that provision should be made for the differential treatment of developing countries, especially the least developed among them in the application of safeguard measures. Such countries should not be subject to safeguards on products in which they are new entrants in the markets of developed countries. These delegations also proposed that developing countries should be entitled to greater flexibility in the application by them of safeguard measures.

The question of the review of other GATT rules

73. Some delegations have suggested that other GATT rules should be reviewed with a view to improving the international framework of world trade as necessary or desirable in the light of progress in the negotiations. Some other delegations, however, have expressed reservations in regard to any reforms of the General Agreement which might result in the introduction of new restrictive measures that would run counter to the objective of trade liberalization. Some delegations said that the basic principle of most-favoured-nation treatment should not be impaired.

74. Mention has been made of the need to review at an appropriate time the provisions governing the use of trade measures for balance-of-payments reasons. It has been suggested that as far as possible developing countries should be exempted from measures taken for balance-of-payments reasons. Some delegations have stated that the trade negotiations cannot be taken as an appropriate way of remedying disequilibria in the balance of payments of any of the parties, in particular through the adoption of new restrictive provisions. Many delegations expressed doubts as to the desirability of resorting to trade measures for such purposes.

75. Delegations from developing countries have suggested that precise provisions should be incorporated in the GATT reflecting, inter alia, the right of developing countries to non-reciprocity, non-discrimination and preferential and/or differential treatment. Among other measures, these delegations have proposed that the right of developing countries to apply export incentives should also be explicitly recognized.

C. PROCEDURE

Terms of Reference of Trade Negotiations Committee

76. The Committee agreed that the terms of reference of the Trade Negotiations Committee should be:

- (a) to elaborate and put into effect detailed trade negotiating plans and to establish appropriate negotiating procedures, including special procedures for the negotiations between developed and developing countries;
- (b) to supervise the conduct of the negotiations.

It was proposed by delegations from developing countries that the Trade Negotiations Committee in carrying out these tasks should periodically supervise the progress of the negotiations for the developing countries in order to evaluate whether additional benefits are likely to accrue to them.

77. The Trade Negotiations Committee would be empowered to establish subordinate bodies as necessary to assist it in its work.

78. One question that would need consideration is the relationship of existing committees to the Trade Negotiations Committee.

79. Some delegations suggested that the negotiating procedures to be established by the Trade Negotiations Committee could provide, inter alia, for the possibility of groups of countries negotiating as a unit and for developing country participants to have due account taken of their joint interest in specific products, whether or not they are principal or substantial suppliers. The negotiating procedures could also provide, inter alia, for the effective and continuous participation of developing countries which wish to participate.

80. Some delegations suggested that provision may need to be made for the phasing of agreed reductions in barriers to trade. Some delegations have suggested that agreement would need to be reached on a base date for tariffs and non-tariff measures to provide a reference point for the negotiations and in this connexion 1 January 1973 was proposed.

Membership of Trade Negotiations Committee

81. The Trade Negotiations Committee would be composed only of the representatives of all participating countries.

Participation in the negotiations

82. The Committee agreed that it would be open to any government, through a notification to the Director-General, to participate in the negotiations.

Time-table of the negotiations

83. It was agreed that the Trade Negotiations Committee should hold its opening meeting not later than 1 November 1973.

84. The Committee noted the intention that the trade negotiations be concluded in 1975.