

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

MIN/W/8

25 February 1975

Special Distribution

Multilateral Trade Negotiations

RULES AND PROCEDURES FOR THE DILLON AND KENNEDY ROUNDS

Factual Note by the Secretariat

1. This note is being circulated by the secretariat in the belief that it will provide useful background material for delegations participating in the negotiations.
2. It is divided into the following sections:

	<u>Paragraphs</u>
A. Dillon Round	3 to 22
B. Kennedy Round	23 to 64
I. The early stages of the negotiations	29 to 58
II. The final stages of the negotiations	59 to 64
C. Summary of points of particular interest to developing countries	65 to 74

A. DILLON ROUND

3. The GATT 1960/61 Tariff Conference (the Dillon Round) was divided into two parts. The first part was mainly devoted to the renegotiation of the GATT schedules of the six original members of the European Economic Community which were being replaced by a single schedule of the Community. The second part of the Conference, which is dealt with in this paper, had as its main aim the negotiation of new concessions, giving contracting parties their first opportunity for negotiating reductions in the common external tariff of the Community.

4. The Dillon Round was the last of the traditional GATT tariff negotiations, which provided a multilateral framework for a collection of bilateral item-by-item tariff negotiations. The rules and procedures for the negotiations were relatively straightforward and are in the main reproduced in BISD, Eighth Supplement, on pages 114 to 120.

5. The rules stated that the negotiations would be based on the principles of Article XXVIII bis, which had been added to the General Agreement at the Review Session not many years before the Conference was held. The text of the Article is annexed to this note.

6. Accordingly, the rules stated that the object of the negotiations in the tariff field "shall be directed towards the reduction of the general level of tariffs and other charges on imports and, in particular, to the reduction of such high tariffs as discourage the importation of even minimum quantities".

7. Largely at the initiative of agricultural exporting countries and developing countries and, in particular of Australia and India, the rules also provided that negotiations might be held on the following non-tariff measures:

- (a) the protection afforded through the operation of import monopolies, as provided in Articles II and XVII (including the interpretative notes thereto);
- (b) internal quantitative regulations as provided in paragraph 6 of Article III (mixing regulations);
- (c) the level of screen quotas as provided in Article IV;
- (d) import restrictions as provided in paragraph 2(c) of Article XI;
- (e) the level of a subsidy which operates directly or indirectly to reduce imports;
- (f) internal taxes.¹

¹Sub-paragraph (f) was included subject to the understanding contained in the Interpretative Note to Article 17 of the Havana Charter which reads "An internal tax (other than a general tax uniformly applicable to a considerable number of products) which is applied to a product not produced domestically in substantial quantities shall be treated as a customs duty under Article 17 in any case in which a tariff concession on the product would not be of substantial value unless accompanied by a binding or a reduction of the tax."

Belgium, France, Germany, Italy and Sweden reserved their positions on sub-paragraphs (d), (e) and (f).

8. The rules stated that the negotiations would be governed by the principle of reciprocity or, in the precise words of the rules, that the negotiations "shall aim at the exchange of reciprocal and mutually advantageous concessions". It was further specified that "no participating government shall be required to grant unilateral concessions, or to grant concessions to other governments without receiving adequate concessions in return". India had raised the question of unilateral concessions but it had been pointed out "that Article XXVIII bis recognized the special needs of less-developed countries and confidence was expressed that contracting parties would bear this in mind in the course of the forthcoming negotiations".

9. No rules were laid down regarding the measurement of reciprocity other than those already contained in Article XXVIII bis, and the traditional view of the GATT on this matter (that "governments participating in negotiations should retain complete freedom to adopt any method they might feel most appropriate for estimating the value of duty reductions and bindings") was reaffirmed.

10. It was understood that concessions granted in the negotiations would be extended to all contracting parties on a most-favoured-nation basis.¹ To safeguard the interests of contracting parties not participating in the negotiations the rules provided that requests lists were circulated to all contracting parties and the draft or drafts of the results of the negotiations would be submitted to the CONTRACTING PARTIES for their approval.

11. The rules provided that the negotiations would take place between pairs of participating countries on the basis of specific requests and offers lists.

12. In the first stage of the negotiations delegations presented request lists to the countries with which they wished to negotiate. The rules specified that these lists should show, item by item:

- (a) the tariff item number;
- (b) description of products;
- (c) present rate of duty, and
- (d) requested rate of duty.

¹It was also foreseen that preferential concessions might be granted to the extent that these were in conformity with paragraph 2 of Article I of the General Agreement, which permits the maintenance of margins of preference which pre-dated the GATT.

13. It was also specified that "participating countries may request concessions on products of which they individually, or collectively are, or are likely to be, the principal suppliers to the countries from which the concessions are asked". This is the well known "principal supplier rule". It was, in fact, not a rigid rule but a practical consequence of the adoption of the principle of reciprocity and the most-favoured-nation clause.¹ The rule continues to read: "This rule shall not apply to prevent a country not a principal supplier from making a request, but the country concerned may invoke the principal supplier rule if the principal supplier is not participating in the negotiations or is not a contracting party to the General Agreement". It was noted that the traditional rule in this matter would permit contracting parties to negotiate jointly on products of common concern to them.

14. In the second stage of the negotiations delegations submitted consolidated offers lists, showing item by item:

- (a) the tariff item number;
- (b) description of products;
- (c) present rate of duty;
- (d) requested rate of duty;
- (e) concession offered; and
- (f) countries to which the offer was made.

15. It is always a major concern in trade negotiations to ensure that offers are maximized and it was with this in mind that the Committee which drew up the rules "agreed to re-affirm the established principle that the offers made by one contracting party to another shall be based on the assumption that the latter will in its offers meet all the requests addressed to it by the former".

¹It is a recognition of the fact that, since a participant would have to give the benefit of any concession to all contracting parties, another participant would normally not be prepared to give enough in return to secure the concession unless it was the principal supplier of the item concerned.

16. The European Economic Community had been convinced by its experience with the Rome Treaty that it was more efficient to negotiate on the basis of general rules than to negotiate item by item. They therefore tabled an offer of a linear 20 per cent tariff reduction subject to certain exceptions. This was not an unqualified success in the Dillon Round, as only the United Kingdom was able to match this offer, but this technique was successfully used in the next round of GATT trade negotiations (the Kennedy Round).

17. The Indian delegation had suggested that, to give less-developed countries the margin of flexibility they need for meeting essential developmental needs, the rules allow bindings at certain ceilings rather than at existing or reduced levels, and bindings of average levels of duties under a tariff heading or commodity group. The first possibility was expressly provided for in the rules and the second in Article XXVIII bis.

18. During the next stage of the negotiations, countries gradually defined their positions in a series of bilateral meetings and finally struck a bilateral balance with each of their negotiating partners (by improving their initial offers or withdrawing certain of these). The rules and procedures did not limit participants' freedom of action during these stages and in the end each participant decided whether or not it was in its own national interest to undertake obligations in the negotiations.

19. In addition, participants negotiated for reciprocity from other countries which would benefit from the concessions which had been negotiated bilaterally, the rules providing that "participating governments will be expected to take into consideration the indirect benefits which they will receive from the negotiations between other governments".

20. Since the Dillon Round negotiations were very largely bilateral in character, little machinery was needed for their conduct. The rules established a Tariff Negotiations Committee to monitor the progress of the negotiations, to discuss problems of general interest and to give advice and make recommendations. The rules specified that participating governments shall give full consideration to the advice and recommendations of the Committee but that "each country retains the right to determine for itself whether to accept such advice or recommendations and to decide on the basis of its own assessment whether to accept the results of the negotiations". The Executive Secretary of the GATT was Chairman of the Committee, which adopted its own rules of procedure. Membership of the Committee was limited to participants in the negotiations, i.e. governments which had submitted consolidated lists of offers. Non-contracting parties participated only when invited to negotiate with a view to acceding to the GATT.

21. As will have been noted from the earlier paragraphs, no rules or procedures were adopted in the Dillon Round which only applied to developing countries. In the first period of the GATT's existence, it had been generally accepted that developing countries should not be treated as a homogeneous category apart and that the trade interests of these countries would differ with the problem under examination. However, with the publication of the Haberler Report in 1958, a new philosophy began slowly to emerge. During the Dillon Round, the Tariff Negotiations Committee dealt with the participation of developing countries as a separate item and, in this connexion, some participants indicated that they would not demand strict reciprocity from these countries.

22. However, it is of interest to note that, even before the end of the Dillon Round, the limitations of the approach used in these negotiations were recognized and a ministerial meeting held in November 1961 agreed that new initiatives should be undertaken and, inter alia, that "in view of the stage of economic development of the less-developed countries, a more flexible attitude should be taken with respect to the degree of reciprocity to be expected from these countries".

B. KENNEDY ROUND

23. The GATT Trade Conference 1964/67 (the Kennedy Round) was launched by a Ministerial meeting, held in May 1963. The Resolution adopted by this meeting, which established the framework for the negotiations, is reproduced in BISD, 12th Supplement, pages 47-49. A further meeting was held at ministerial level in May 1964 to mark the formal opening of the negotiations (see BISD, 13th Supplement, pages 109-112).

24. The Kennedy Round differed from previous GATT negotiations in particular because the tariff negotiations among the industrialized countries were based on a linear offer, and determined efforts were made to deal with non-tariff barriers to trade, with problems in the agricultural sector and with the trading problems of developing countries.

25. The principles on which the Kennedy Round was based, which were laid down at the Ministerial meeting of May 1963, were to a large extent the same as those that had governed previous negotiations. Ministers agreed that the negotiations should be conducted "on a most-favoured-nation basis and on the principle of reciprocity". However, Ministers laid down as a basic principle for the negotiations "that the developed countries cannot expect to receive reciprocity from the less-developed countries" and that the contribution of these countries to the overall objectives of trade liberalization should be considered "in the light of the trade and development needs of those countries".

26. The Ministers also established a Trade Negotiations Committee, composed of representatives of all participating countries, to elaborate a trade negotiating plan and to supervise the conduct of the trade negotiations.

27. The first stages of the negotiations were concerned with establishing rules and procedures designed to secure the tabling of maximum offers in the different areas covered by the negotiations and with the actual tabling of offers or, where appropriate, specific proposals. During these first stages each area of the negotiations was dealt with in a multilateral group established for the purpose, in which developing, as well as developed countries, took part. This phase of the negotiations is dealt with in paragraphs 29 to 58 below.

28. During the final bargaining stages which followed the tabling of offers and specific proposals, negotiations were largely conducted in numerous bilateral negotiations or, where necessary, in groups composed of countries with a major interest in particular problems. There were, in the nature of things, few formally adopted rules and procedures for this stage. Such rules and procedures as were adopted are dealt with in paragraphs 59 to 64 below.

I. The first stages of the negotiations

Tariffs

29. In May 1963 the Ministers agreed that limited results had been obtained in recent years by item-by-item negotiations and that the tariff negotiations among industrialized countries should therefore be "based upon a plan of substantial linear tariff reductions".

30. It was later agreed that the rate of 50 per cent should be used "as a working hypothesis for the determination of the general rate of linear reduction", and that the cuts would actually be made only if other problems arising in the negotiations were solved.

31. It was also necessary to specify the rates to which this hypothesis would apply and it was therefore agreed that participants making a linear cut would notify the base date and the level of duties by reference to which the 50 per cent linear reduction would be calculated, "it being understood that this basis would have to be acceptable to the other participating countries and that in all cases the duties used for reference purposes should reflect the results of the 1960-61 Tariff Conference". Since it was also agreed that the linear offer should apply only to industrial products, it was also necessary for each participant making such an offer to specify the products to which it applied.

32. It was agreed that there would be "a bare minimum of exceptions which would be subject to confrontation and justification". It was also agreed that the exceptions should "be necessitated only by reasons of overriding national interest", i.e. that they should not be justified by sectoral interest or by bargaining considerations. Each country tabling a list of exceptions justified these in a series of meetings attended by other countries which had also tabled specific offers.

33. As a result of requests by developing countries, it was specified that "nothing in the negotiating rules would preclude any participant from making a larger reduction /than 50 per cent/ in or completely eliminating, duties on particular products".

34. In May 1963 Ministers agreed that "in those cases where there were significant disparities¹ in tariff levels, the tariff reductions would be based on special rules of general and automatic application". After a long and complicated discussion, no such rules were generally agreed since most governments participating on the basis of a linear offer did not wish to invoke such rules themselves. Instead, the European Economic Community, which had raised the question, applied a set of criteria which provided that it would reduce its tariff by less than 50 per cent on items which were subject to significantly lower duties in the EEC than in the United States or the United Kingdom.

35. The rules also recognized that there was a "problem for certain countries with a very low average level of tariffs or with a special economic or trade structure such that equal linear tariff reductions might not provide an adequate balance of advantages". Countries claiming to fall in the first category did not, in the event, table any special proposals and participated in the negotiations on the basis of a linear offer. During the negotiations it was recognized that Australia, Canada, New Zealand and South Africa fell into the category of countries with a special economic or trade structure. These countries therefore submitted an item-by-item offer of the traditional type used in the Dillon Round. Like the linear countries, they were expected to grant trade concessions of "equivalent value".

Non-tariff barriers

36. At their meeting in May 1963, the Ministers agreed "that the trade negotiations shall deal not only with tariffs but also with non-tariff barriers", directed the Trade Negotiations Committee to deal with "the rules to govern and the methods to be employed in the treatment of non-tariff barriers, including, inter alia, discriminatory treatment applied to products of certain countries and the means of assuring that the value of tariff reductions will not be impaired or nullified by non-tariff barriers", and laid down that "consideration shall be given to the

¹A "tariff disparity" was defined as a difference between tariff rates applied by different governments to the same product.

possible need to review the application of certain provisions of the General Agreement, in particular Articles XIX and XXVIII, or the procedures thereunder, with a view to maintaining, to the largest extent possible, trade liberalization and the stability of tariff concessions".

37. A Sub-Committee on Non-Tariff Barriers was set up to deal with these points and "any other special problems", under which fell a request of the Polish Government, which was not then a contracting party, to participate in the negotiations.

38. It was agreed that participating governments should be asked to indicate which particular measures they wished to be brought within the scope of the negotiations and to submit specific suggestions on how they should be dealt with. It was suggested that a broad distinction could be drawn between, on the one hand, those barriers which involved general issues which could require the drawing up of new rules or codes of conduct, and, on the other hand, those which required, at any rate in the first instance, bilateral or multilateral negotiations on particular measures affecting particular exporters and which do not involve the drawing up of new rules.

39. In the early stages of the negotiations, six Groups were set up each dealing with a different type of barrier, namely: assessment of duties; administrative and technical regulations; government procurement policies; internal taxes; quantitative restrictions; and State trading. These Groups each held one meeting to survey the problems. By common consent, negotiations subsequently proceeded on a bilateral basis.

40. At a somewhat later stage, a Group on Anti-Dumping Policies was also established, when specific suggestions had been received from delegations.

41. A Special Group on the Participation of Poland in the Trade Negotiations examined a Polish proposal regarding the basis for its participation. The Trade Negotiations Committee subsequently decided that Poland would become a full participant in the negotiations on tabling an offer.¹

¹The terms of Poland's accession to the GATT were established in the ordinary way by a Working Party appointed by the GATT Council.

Agriculture

42. In May 1963 Ministers agreed "that, in view of the importance of agriculture in world trade, the trade negotiations shall provide for acceptable conditions of access to world markets for agricultural products ... in furtherance of a significant development and expansion of world trade in such products".

43. The Ministers also agreed that the existing Special Groups on Cereals and Meats would be converted into negotiating¹ groups and that a Special Group on Dairy Products would also be established. The work of these Groups was directed towards the negotiation of general arrangements. They first held discussions to identify the elements which should enter into the negotiations. Procedures were then agreed for the tabling of specific proposals, including concrete offers, with respect to each of these elements.

44. As regards agricultural products other than cereals, meats and dairy products, it was agreed that negotiations should take place on the basis of "concrete and specific offers on individual products relating to all relevant elements of agricultural support or protection or to the total effect of those elements and designed to achieve the objectives [laid down by the Ministers]". These negotiations started by a "multilateral confrontation" in the Committee on Agriculture in the course of which participating governments "furnished explanations on the content and scope of their offers", and then continued bilaterally.

Tropical products

45. The Trade Negotiations Committee established a Group on Tropical Products "to pursue further the question of trade in tropical products with a view to working out arrangements and procedures for their treatment in the trade negotiations".

46. The Group did not reach full agreement on procedures for the treatment of tropical products in the negotiations. No agreement was reached for instance on a common definition of the sector. The Group, however, agreed that "it would not be essential to have an agreed and recognized list of tropical products in order

¹As was "normal practice for multilateral negotiations and consultations", "participation was limited to those countries having a substantial interest in trade in the products under consideration".

for the negotiations to start", particularly as "several participating governments had made it clear that in tabling their offers they would duly take into account tropical products included in the lists submitted by less-developed countries, irrespective of whether or not these products figures on an indicative list of tropical products drawn up by the secretariat".

47. The Group decided to proceed on the basis of the partial agreement that had been reached, the main point being that "specific and concrete offers were to be made in respect of tropical products ... on the same date as the offers on agricultural products in general".

48. It was also agreed that negotiations based on such offers would start by multilateral confrontation in the Group of Tropical Products, in the course of which the participating governments should be prepared to furnish explanations on the content and scope of their offers. Thereafter, the negotiations would proceed on the basis of the offers tabled. It was further agreed that discussions on tropical products which had been initiated in the Committee on Agriculture would continue to be carried on in that Committee, in accordance with the agreed procedures for negotiations in the agricultural sector. It was, however, understood that this did not, in any way, prevent a participating country from raising in the Group on Tropical Products, any questions relating to tropical products which were being dealt with in the Committee on Agriculture.

The work of the Sub-Committee on the Participation of the developing countries

49. In May 1963 Ministers laid down "that in the trade negotiations every effort shall be made to reduce barriers to exports of the less-developed countries, but that the developed countries cannot expect to receive reciprocity from the less-developed countries".

50. During the first stages of the negotiations developing countries participated in the work in each of the areas referred to above - tariffs, non-tariff barriers, agriculture and tropical products.

51. In addition, a Sub-Committee on the Participation of the Less-Developed Countries was appointed to "consider, and submit to the Trade Negotiations Committee recommendations in regard to, any special problems relating to the participation of less-developed countries in the trade negotiations". This Committee was designed, in the words of the Ministers, to examine and call attention to any problems arising in the negotiations which were of special interest to the less-developed countries and to act as a focal point for bringing together all issues of interest to those countries.

52. When preparing for the second Ministerial meeting, held in May 1964, the Committee examined the participation of the developing countries from two points of view: one, the benefits which they wished to obtain from the negotiations and, two, the contribution which they might make to the overall objectives of the negotiations.

53. With regard to the first, the Sub-Committee agreed that developing countries should indicate products of special interest to them so that developed countries could take account of these when making up their offers. Twenty-six countries circulated lists of such products. Some developing countries suggested that preferential reductions should be made by developed countries in favour of developing countries. However, the Ministerial Resolution of 1963 had laid down that the negotiations should be conducted on a most-favoured-nation basis and the question of preferences was already under study in other GATT bodies. Consequently no preferences were granted in the Kennedy Round.

54. With regard to the second point mentioned above, the Sub-Committee, and subsequently the Ministers, agreed "that the contribution of the less-developed countries to the over-all objective of trade liberalization should be considered in the light of the development and trade needs of these countries".

55. In July 1965 the Sub-Committee conducted an examination of lists of products of export interest to developing countries which had been included in the exceptions lists of countries participating on the basis of a linear offer.

56. The Sub-Committee also drew up a special plan for the participation of developing countries in the negotiations. Any contracting party to the GATT had been able to take part in the initial stages of the negotiations if it had expressed a wish to do so. However, in previous negotiations, countries had not received copies of offers and could not take part in negotiating meetings unless they themselves had presented a detailed and specific offer. The main reason for the establishment of the plan was that, as the date for the presentation of exceptions lists had approached (i.e. the moment at which countries participating on a linear basis specified their offer on industrial products), developing countries argued that they would not be able to reach a decision as to whether they themselves would present an offer until they knew what offers developed countries had made on products of special export interest to them.

57. The plan for the participation of the developing countries provided that developing countries could receive information regarding exceptions made on products of interest to them and take part in an examination of these lists of excepted items when they formally notified their readiness to table a statement of the offers which they would make as a contribution to the objectives of the trade negotiations. Developing countries would become full participants in the

negotiations when they presented such a statement, which might or might not contain specific offers. It was understood that it was for the developing country presenting the offer to decide for itself, taking into account the objectives of the trade negotiations and the provisions of Part IV of the General Agreement, what offer it could make and that the offers need not be confined to offers of tariff reductions but could take other forms. It was also understood that all offers put forward would be initial offers to provide a first move for the opening of the negotiations and that as regards the adequacy and value of the offers made, the discussion of this would be part of the purpose and the substance of the negotiations.

58. In pursuance of the plan, twenty-three countries became full participants in the negotiations on presenting statements of contribution; some of these statements contained specific tariff offers. The plan also provided that other participants might put forward "suggestions" as to the offers that developing countries might make as a contribution to these objectives, rather than specific lists of requests as in previous negotiations. Suggestions made related, inter alia, to:

- (a) the reduction and binding of tariffs when such reductions would stimulate further economic development;
- (b) the binding at present levels of the majority of the other tariffs;
- (c) the removal of consular fees and documentation;
- (d) the elimination of other burdensome import formalities;
- (e) the adjustment of certain government purchasing regulations;
- (f) the reduction of barriers to imports from other developing countries.

II. The final stages of the negotiations

59. Once offers or precise proposals were tabled, the negotiations proceeded bilaterally or, when the nature of the problem demanded it, in informal groups of countries involved in particular problems such as arose in the chemical and steel sectors. Developed participants made regular arrangements for separate bilateral negotiations with individual developing countries. These bilateral negotiations, which covered agricultural and industrial products, clarified the scope of the offers and covered, inter alia, the possibility of creating new tariff positions for products of interest to developing countries. The secretariat provided technical assistance to developing participants in this connexion.

Detailed negotiations also continued in the Group on Anti-Dumping Policies¹ and the agricultural product Groups.² As in previous GATT negotiations, few formal rules and procedures governed this phase. At the multilateral level the Trade Negotiations Committee continued to supervise and co-ordinate the negotiations. One of its main functions was to ensure that all participants were informed of developments in the negotiations.

60. At this stage of the negotiations discussions in the Sub-Committee for the Participation of the Less-Developed Countries centred around five main points. These were:

- (a) the possibility of eliminating products of special interest to the developing countries from exceptions lists;
- (b) the possibility of making tariff reductions greater than those provided for under the linear rule on these products;
- (c) the possibility of implementing tariff reductions on these products without the phasing provided for in the general rule;
- (d) maximization of reductions of tariff and non-tariff barriers on tropical products;
- (e) for some countries, consideration of the problem of compensation for loss of preferences consequent upon reductions in most-favoured-nation rates of duty.

61. As the negotiations entered their final stage each participant in the negotiation assessed the potential benefits which the negotiations held for it and decided which of its initial offers it was prepared to maintain, or what additional offers it was prepared to make, in order to secure these benefits.³

¹In an extensive series of meetings it drew up the text of the Agreement on Implementation of Article VI (containing the Anti-dumping Code).

²After long negotiations, the Group on Cereals drew up the Memorandum of Agreement on Basic Elements for the Negotiation of a World Grains Arrangement but it was not possible to draw up general agreements for meats and dairy products, which were in the end dealt with under the procedures agreed upon for other agricultural products.

³For participants which had tabled linear offers subject to certain exceptions, it was also necessary to express their final offer in a positive, rather than a negative, form.

At the meeting of May 1964, Ministers had agreed that in the negotiations it would be open to each country to request additional trade concessions or to modify its own offers where this was necessary to obtain a balance of advantages between it and the other participating countries and that "it would be a matter of joint endeavour by all participating countries to negotiate for a sufficient basis of reciprocity to maintain the fullest measure of trade concessions"

62. During this final stage, two points were added to those already being considered by the Sub-Committee on the Participating of the Developing Countries:

- (a) the defence by developing countries against the possibility that offers of developed countries might be withdrawn on grounds of reciprocity, and
- (b) the contribution of the developing countries themselves.

Developing countries urged in particular that developed countries should not withdraw offers relating to products for which developing countries were the principal suppliers in order to establish a balance of advantage with other developed countries. Developing countries were urged to table specific requests relating to individual products of priority interest to them. It was also pointed out that the question of withdrawals was not unrelated to the question of the contribution of developing countries. In the end, fourteen developing countries decided to undertake tariff concessions which were included in the legal instruments embodying the results of the conference.

63. The closing date for the negotiations was effectively set by the expiry of the authority under which the United States' Administration was negotiating. In the final days of the negotiations, a gap remained between the positions of several key participants. This gap was closed when these participants accepted a compromise proposal put forward by the then Director-General of the GATT.

64. The remaining days of the negotiations were devoted to the establishment of the necessary legal texts (on the basis of work done by a Legal Drafting Group) and, finally, their signature.

C. SUMMARY OF POINTS OF PARTICULAR INTEREST TO DEVELOPING COUNTRIES

65. In the Dillon Round no rules or procedures were adopted which only applied to developing countries. However, some participants in these negotiations indicated that they would not demand strict reciprocity from these countries (see paragraph 21).

66. At the ministerial meeting of May 1964, which marked the formal opening of the Kennedy Round, the Ministers laid down the basic principle "that the developed countries cannot expect reciprocity from less-developed countries" and that the contribution of these countries to overall objectives should be considered in the light of the trade and development needs of these countries (see paragraph 25).

67. During the first stages of the Kennedy Round, developing countries took part in the multilateral groups which established the ground rules and procedures for the negotiations in each of the following areas - tariffs, non-tariff barriers, agriculture and tropical products. In regard to tropical products, which is of great interest to many developing countries, it was agreed that it would not be essential to have an agreed list of such products and that negotiations on these products should take place on the basis of specific and concrete offers (see paragraphs 29 to 48).

68. A Sub-Committee on the Participation of the Less-Developed Countries was appointed which examined and called attention to any problems arising in the negotiations which were of special interest to these countries and acted as a focal point for bringing together all issues of interest to these countries (see paragraph 51 et seq.).

69. In the first stages of the negotiation, it was agreed that developing countries should indicate products of special interest to them so that developed countries could take account of these when making up their offers (paragraph 53).

70. An examination of products of export interest to developing countries which had been included in the exceptions lists tabled by the main developed countries took place in the Sub-Committee on the Participating of the Less-Developed Countries (see paragraph 55).

71. The Sub-Committee for the Participation of the Less-Developed Countries drew up a plan permitting these countries to become full participants in the negotiations when they tabled "a statement of the offers which they would make as a contribution to the objectives of the trade negotiations" rather than the list of precise offers on individual products which was required of other participants. The plan also provided that other participants might put forward suggestions as to the contribution that developing countries might make, taking into account the principle that any contribution by these countries would have to be consistent with their "trade and development needs" (see paragraphs 56-58).

72. The final stages of the negotiations between developed and developing countries took place in the main bilaterally, on the basis of specific requests relating to individual products by developing countries. The secretariat provided technical assistance to developing participants in this connexion (see paragraph 59).

73. At the multilateral level, the Trade Negotiations Committee and the Sub-Committee on the Participation of the Less-Developed Countries continued to supervise and co-ordinate the negotiations (see paragraph 59, 60 and 62).

74. In the end, fourteen developing countries decided to make tariff concessions which were included in the legal instruments embodying the results of the conference (see paragraph 62).

ANNEX

Article XXVIII bis Tariff Negotiations

1. The contracting parties recognize that customs duties often constitute serious obstacles to trade; thus negotiations on a reciprocal and mutually advantageous basis, directed to the substantial reduction of the general level of tariffs and other charges on imports and exports and in particular to the reduction of such high tariffs as discourage the importation even of minimum quantities, and conducted with due regard to the objectives of this Agreement and the varying needs of individual contracting parties, are of great importance to the expansion of international trade. The CONTRACTING PARTIES may therefore sponsor such negotiations from time to time.

2. (a) Negotiations under this Article may be carried out on a selective product-by-product basis or by the application of such multilateral procedures as may be accepted by the contracting parties concerned. Such negotiations may be directed towards the reduction of duties, the binding of duties at then existing levels or undertakings that individual duties or the average duties on specified categories of products shall not exceed specified levels. The binding against increase of low duties or of duty-free treatment shall, in principle, be recognized as a concession equivalent in value to the reduction of high duties.

(b) The contracting parties recognize that in general the success of multilateral negotiations would depend on the participation of all contracting parties which conduct a substantial proportion of their external trade with one another.

3. Negotiations shall be conducted on a basis which affords adequate opportunity to take into account:

- (a) the needs of individual contracting parties and individual industries;
- (b) the needs of less-developed countries for a more flexible use of tariff protection to assist their economic development and the special needs of these countries to maintain tariffs for revenue purposes; and
- (c) all other relevant circumstances, including the fiscal,^{*} developmental, strategic and other needs of the contracting parties concerned.

*A note to the Article, which is an integral part of the General Agreement, reads:

"It is understood that the reference to fiscal needs would include the revenue aspect of duties and particularly duties imposed primarily for revenue purposes or duties imposed on products which can be substituted for products subject to revenue duties to prevent the avoidance of such duties."