On the 3rd of January I transmitted to the governments of all the countries participating in the Kennedy Round a report outlining the steps which seemed to me to be necessary in order to bring the negotiations to a successful conclusion in the early part of 1967. No government has taken any formal position with respect to this report. But the general negotiating programme set out in the report has, in practice, been accepted as the generally accepted working basis. Many of the steps which I then suggested have been taken some time after the target date I had suggested, whilst some important steps remain still to be taken.

I might therefore run over some of the steps I suggested and consider how far these have now been taken. I pointed out that precise initial offers had not yet been tabled by certain participants on all industrial products on which they had indicated that they were prepared to negotiate. These offers have, in the interval been, or are about to be tabled. This, inter alia, has created the possibility of activating negotiations in such sectors as pulp and paper, chemicals, aluminium and steel. The negotiations on these products have been, or will shortly be, actively engaged bilaterally or multilaterally or by a combination of bilateral and multilateral techniques.

I also indicated that countries other than those participating on the basis of a linear reduction should specify the initial offer that they would make and that all these countries become fully integrated into the negotiating process. This condition has, by and large, now been achieved.

I also suggested that it was desirable that participants define their position with regard to the special offer made by Poland and to the negotiating proposals of Czechoslovakia. In these matters little progress has taken place...
and I would hope that these questions could be actively pursued in the coming weeks and at the latest when active work is resumed in September.

I made certain suggestions for the procedure to be followed with respect to cotton textiles. In the meantime a pragmatic basis has been established for continuing these discussions on a bilateral basis without awaiting the outcome of the pending discussion of the fate of the Long Term Arrangement. The result of the discussion on this latter point will clearly have important repercussions on the scope of tariff reduction in the course of the present negotiations.

The major lacuna was, however, the absence of comprehensive offers on agricultural products. I suggested that it was indispensable that specific offers be tabled on a fixed date which should not be later than 30 April. This has proved incapable of fulfilment but I have some confidence that such offers can now be expected to be put forward at the latest by the end of this month. This appears to me to be the latest possible date if we are to achieve our objective. Such a move would make it possible to engage in intensive and continuous negotiation on agricultural products from the beginning of September. I hope it will be the consensus of the Committee that this decisive step - by all the governments concerned - will in fact be taken by the end of July. In one important agricultural sector an earlier start can be made. All the principally interested countries have tabled proposals on the various elements which have been defined as relevant to the negotiation of a Cereals Arrangement. Discussion on cereals will, therefore, be resumed already later in the present month.

We have also now received all the offers on tropical products and a representative group of interested governments will review these offers at a meeting next week.

I also laid particular emphasis on the participation of the less-developed countries in these negotiations, a point to which I subsequently reverted in a statement before the Contracting Parties at their last session, and I would like to recall the terms in which I dealt with this point in my report of 3 January when I defined as the second major objective of the Kennedy Round "a series of activities to meet the urgent trade and economic development problems of less-developed countries" and I suggested that special responsibilities rested on the shoulders of the more highly developed countries which had, in the Ministerial Resolutions on which the trade negotiations are based, committed themselves specifically to making use of the negotiations to contribute in a substantial way to a solution of these problems.
The long delays which have intervened in the progress of the negotiations have, I know, occasioned concern to some of these countries lest their problems would be set aside and receive insufficient attention. It is now high time that the desiderata of the less-developed countries should be given more concrete form. They have been expressed to me in general terms under a number of headings: first, the elimination from exception lists of products of special interest to the less-developed countries; secondly, reduction of duties on these products beyond the 50 per cent which is the general working hypothesis; thirdly, accelerated application of the reduction agreed upon on these products, by exempting them from the phasing which is proposed for the tariff reductions in general; fourthly, an effort to maximise reduction of tariff and non-tariff barriers on tropical products; and fifthly, for some countries, consideration of the problem of compensation for loss of preferences consequent upon reductions in most-favoured-nation rates of duty. It must, I think, be our endeavour in the coming weeks and months to translate into more specific terms, and in particular into terms of particular products of export interest to the less-developed countries, these desiderata expressed in general terms.

This is the general picture of the state of the negotiations as I see it. We are now in a position to enter into the decisive negotiating stage. I feel we can do so with confidence, but also with a full realisation of the intensive effort which is required if we are to pull it off.

I suggest that the period of intensive negotiation, beginning immediately after a brief recess in August, should be directed towards building up a position of maximum negotiating opportunities which would provide the basis on which the participating governments can, by the middle of November, reach an assessment against which they can reconsider their initial negotiating position. The fruits of these assessments and reconsiderations would then be shared with the other negotiators so that by, say, the end of November governments would be in a position to consider against a comprehensive background the negotiating instructions with which to equip the negotiators for the final bargaining stage, which I envisage starting in mid-January and hopefully leading to an overall and positive settlement in the following weeks.

With full consciousness of the magnitude of the task I have outlined I nevertheless present this programme with some confidence to the Trade Negotiations Committee because I sense that governments of all participants are imbued with a determination to bring this negotiation to a successful conclusion within the few remaining months that lie before us.