1. The Working Party met from 18 to 29 March 1963. It was agreed that discussion in the Working Party was exploratory at this stage.

**The linear approach**

2. At their meeting in November 1961 Ministers agreed that consideration should be given to "the adoption of new techniques, in particular some form of linear tariff reduction". They directed that officials should consider this.

3. The Working Party agreed, in order to carry out its mandate, to take as a working hypothesis that the negotiations should be launched with offers of a substantial linear cut staged over a maximum period of five years. The Working Party also agreed, in the context of this hypothesis, that the magnitude of the tariff reductions to be offered on this basis should be 50 per cent. In this connexion it was understood that a broad participation of contracting parties was predicated.

4. Linear offers on this basis would have to be subject to exceptions but these exceptions must be in respect only of specified items where there are compelling grounds of national importance to warrant their exception and all such exceptions should be tested through a process of individual confrontation and justification.

5. It would thereafter be a matter of joint endeavour by all parties participating in the negotiations to negotiate for a sufficient basis of reciprocity to maintain the fullest measure of the reductions of tariff made thereby available. This negotiation would take account of the differing characteristics of the trade, tariff levels, and economic structure of participants and the problems which arise for countries exporting only a few commodities and any special arrangements necessary to deal with certain problems arising in agriculture and at the same time have the fullest regard for the special needs and problems of the less-developed countries.

6. There was a wide measure of agreement that negotiations organized on these broad lines would furnish a means to achieve the objectives Ministers had in view. The Working Party on this assumption elaborated the following points:
General considerations

7. It was suggested that differences in tariff levels on particular products might present a problem for the appraisal of the real value of the linear cut to be agreed on, and, subsequently, for the measurement of reciprocity; for example, where the tariff of one or more participating countries contains very high rates of duty and where the level of tariff protection would remain high even after a 50 per cent reduction. It was, however, observed in this connexion that an important relevant consideration was the character and volume of trade in the product concerned and that — where the volume was high despite the level of the tariff or could be presumed to become significant as a result of the reduction — the benefit of a reduction could be very considerable and the reduction of a high tariff might well prove more valuable than, for instance, the reduction of a low one covering a small amount of trade; in any case this was a matter which could be resolved in the course of the negotiations.

8. The question was raised as to whether a linear approach could offer reciprocity to countries the general incidence of whose tariff was substantially lower than that of other countries. The Working Party reserved this question for examination at a later meeting if this should prove necessary. The feeling was expressed, however, that this was an aspect of the general problem of reciprocity and that a solution could be worked out in the course of the negotiations.

9. Some members of the Working Party indicated that, while they expected that their countries would wish to participate in any future tariff negotiation, and to offer important concessions for their trading partners and to pay fully for all benefits received, in view of their economic structure and the limited range of their export products, it was apparent in advance that, even if they were to make the most favourable assumptions on the outcome of the negotiations, sufficient compensation would not be provided for a 50 per cent cut in their tariffs. They, therefore, felt that it might be more appropriate to express their initial offer in terms which, in their view, would amount to a fair reciprocation of the linear offer to be made by other countries.

Exceptions procedure

10. It was agreed that exceptions to the general rule of an offer of a 50 per cent linear cut should be kept to a minimum. Two proposals designed to limit the exceptions to the initial offers list were before the Working Party:
Proposal (a)

The rules of the negotiation would lay down the principle that initial lists of exceptions should be minimal and that items should be included only for reasons of over-riding national importance. Initial lists of exceptions would be subject to a process of confrontation and justification. This process and the subsequent negotiations would afford opportunities for the negotiation of concessions which might lead to satisfactory arrangements in terms other than provided for by the general rule.

The precise procedures for such confrontation and justification, referred to above, and whether these should be both bilateral and multilateral in character, should be considered by the Working Party.

Proposal (b)

The two conditions in proposal (a) would be accompanied by the addition of a quantitative limitation.

Agriculture

11. The Working Party recalled that it was common ground in the light of the ministerial discussions that negotiations would cover all products - agricultural as well as non-agricultural; in particular it had been recognized by Ministers in their conclusions from which the present discussions derive, that there should be negotiation of practical measures for the creation of acceptable conditions of access to world markets for agricultural commodities. The conclusion of the negotiations would depend on a satisfactory resolution of the problems in both fields and the balance of advantage would be assessed on the results finally obtained from the negotiations as a whole.

12. There was wide agreement that agricultural products presented special problems. The following proposals, which met with substantial support, were put forth as a means of dealing with agricultural products in the negotiations.

13. It was suggested that they would be dealt with to the maximum extent possible within the framework of the tariff negotiations; thus where products were subject to fixed tariffs only, they would be subject to the general procedures for tariff negotiation - e.g., the linear rule for a 50 per cent reduction of tariffs in the same way as industrial products.
14. It would be necessary to deal with some agricultural products through other kinds of negotiation, for example commodity arrangements. Cereals and meat represented clear examples of products where such negotiations might be appropriate. Such negotiations might also be appropriate for some other products.

15. It was suggested that Ministers should give directives for certain commodity groups to be convened, particularly on cereals and meats. These groups should examine the points made in paragraph 14 and recommend how particular items within this field should most appropriately be dealt with. Where the groups recommend the negotiation of commodity arrangements, the parties concerned should in the first instance negotiate interim arrangements to prevent trade being impaired while negotiations of longer-term solutions were being brought to a conclusion.

16. Where protection is afforded other than solely through a fixed tariff, and comprehensive commodity arrangements are not anticipated, the aim would be to offer concessions which would afford a reduction in the level of protection comparable to a 50 per cent reduction in a fixed rate of duty. In some instances, such concessions might involve a combination of fixed tariffs and other measures.

17. It was suggested that before offers of concessions could be established it would be necessary to determine which particular commodities would fall under each of the approaches indicated in paragraphs 9 to 13 above.\(^1\)

18. If in respect of any particular agricultural product a country was not prepared, irrespective of what other countries might be prepared to do on that product, to negotiate under any of the procedures outlined above, the product would be included in its list of exceptions.

\(^1\)It was suggested that in negotiations on agricultural products, the relationship between derived products and the primary material would have to be taken into account.
19. The representative of the European Economic Community wished it to be clearly understood that he could not take a position regarding the proposals set forth in paragraphs 12-18.

Special problems

20. The Working Party felt that, with a view to negotiations aimed at such far-reaching reductions in duties, it would be necessary to examine the problem of measures and practices, other than tariffs, which affect the value and stability of concessions.

(a) Practices and measures of protection in particular countries:

There should be an examination of appropriate means of providing assurances to the exporting country or countries concerned that the value of the concession offered would not be nullified or impaired. In this context it was observed by the representatives of agricultural exporting countries that they had not, in their opinion, been accorded the rights to which they were entitled under the General Agreement. In their view any existing imbalance which had resulted from this situation would need to be redressed or taken into account in some way if they were to consider making further concessions. It was also suggested that some guidelines be established by the Working Party to facilitate bilateral discussions which would take place between the countries concerned.

(b) The stability of concessions:

The application of certain provisions of the General Agreement, in particular Articles XIX and XXVIII, or the procedures thereunder might need to be reviewed with a view to maintaining, to the largest extent possible the stability of concessions.

Less-developed countries

21. It was suggested that, while reciprocity would not be required for the advantages which would derive from the linear reduction offers of the developed countries, less-developed countries should nevertheless participate in the negotiations and make some contribution. The less-developed countries represented in the Working Party stressed that owing to various reasons which had been recognized by the contracting parties, inter alia the need to promote their economic development, their ability to reduce their tariffs was limited. For these reasons they considered that they were not at present in a position to make a contribution especially by way of a reduction of tariffs. They pointed out that in so far as the concessions granted afforded the less-developed
countries better export possibilities, that improvement would bring about an increase in their imports. It was in that direction that the corresponding advantages for the developed countries would be found. That would logically imply that, as a matter of principle, the export products of interest to the less-developed countries would not be included in the exceptions lists of participating countries.

Principal supplier rule

22. If the expectation of a broad participation in the negotiations were fulfilled the question of the principal supplier rule would presumably be a marginal one. If, however, in the case of a particular product, the principal supplier to a particular country were not taking part there might be some difficulty in including that product in the linear offer. If, on the other hand, one of the participating countries was an important secondary supplier it might not be the proper answer to exclude that product altogether; the general feeling was that this kind of situation would have to be worked out during the course of the negotiations and that rigid rules were not required.

Procedural and administrative arrangements

23. It was agreed that in its report to Ministers the Working Party would indicate the type of machinery necessary for the conduct of the negotiations.

Next meeting of the Working Party

24. The Working Party agreed to resume discussions from 22 to 26 April in order to draw up its report to Ministers.