SUMMARY OF THE CHAIRMAN'S INTRODUCTORY REMARKS

1. The Working Party's terms of reference are given in document L/2048. Briefly, it has been asked to study two particular proposals:

   (a) the granting of preferences on selected products by industrialized countries to less-developed countries as a whole; and

   (b) the granting of preferences on selected products by less-developed countries to all other less-developed countries.

2. These proposals derive from the Conclusions of the last ministerial meeting. As noted in paragraph 24 of the Conclusions in MIN(63)7, the Ministers "agreed that contracting parties should give urgent consideration to the adoption of other appropriate measures which would facilitate the efforts of less-developed countries to diversify their economies, strengthen their export capacity and increase their earnings from overseas sales. In this connexion it was suggested that one of the measures which should be studied promptly would be the accordance of preferential treatment to the semi-manufactured and manufactured goods exported by less-developed countries."

3. In an airgram of 11 July 1963 (GATT/AIR/338), the Executive Secretary invited contracting parties, in particular those which sponsored the proposals, to submit their views and suggestions. Communications have so far been received from two governments, namely Ceylon and Tunisia. These are reproduced in document Spec(63)263.

4. As all members of the Working Party are no doubt aware, the problem is a very important one and it is also exceedingly complicated. The first thing the Working Party will have to do, obviously, is to define the ideas of the Ministers and to go over various elements in the proposals. It would be unprofitable if members of the Working Party should, at this stage, feel obliged to take a definite stand in the name of their governments and, therefore, it is suggested that members should consider themselves experts engaged in an exploration of different possibilities and avenues without in any way committing their respective governments.

5. If this is agreeable to the Working Party, it is suggested that apart from hearing the general views of Members, the Working Party may immediately get down to examining the individual elements in the two proposals of the Ministers. It would appear that the following points, apart from any additional ones which may be indicated by Members, will have to be covered:
(a) **The value of the proposed preferences**: Members may wish to discuss what role preferences can play in facilitating the diversification of the economies of less-developed countries, in strengthening their export capacity and in increasing their export earnings;

(b) **Criteria and procedures**: What conditions must be fulfilled before a country can benefit from the preferences? Should the application of preferences be limited to industries which need the preferences to facilitate their development and to achieve a competitive position?

(c) **Nature and quantum**: The proposals are obviously limited to preferences in the customs tariff. The questions to be studied are: how the preferential rates are to be arrived at and expressed; whether there should be binding under the GATT; how the margins should be determined; whether there should be a uniform margin or different margins for different products; whether industrialized countries should act jointly in applying the preferences or should they act individually;

(d) **Countries to benefit from the preferences**: The ministerial Conclusions made it clear that any preferences must be applied to all "less-developed countries". The question arises as to which contracting parties should qualify for this designation;

(e) **Products to be covered by the preferences**: The ministerial Conclusions made it clear that the intention was only to cover "the semi-manufactured and manufactured goods exported by less-developed countries". Should a list of products to benefit from the preferences be agreed upon in advance, or should the goods be chosen on an ad hoc basis in the light of the criteria and procedures referred to in paragraph (b) above, or should the selection of products be left for negotiation between the interested parties?

(f) **Duration of the preferences**: Should the preferences run for a specified period? Whether there should be agreed conditions for the reduction or elimination of preferences? Should there be any consultation procedures to ensure the reduction and elimination?

(g) **Safeguards**: Is there any need to apply preferences, in certain cases, within the limits of tariff quotas? Or are the existing rules of Article XIX sufficient?

(h) **Legal and institutional changes**: Having agreed on the kind of preferences which it might wish to recommend, the Working Party, at the final stage of its work, will no doubt wish to give consideration to the question of what kind of amendments to the GATT or other institutional arrangements should be suggested to the Committee on Legal and Institutional Framework for consideration.

6. This list of questions is by no means intended to be exhaustive; there may well be others raised in the course of the discussion. Members will, no doubt, bear in mind these and similar questions when they address the Committee.