GENERAL AGREEMENT ON
TARIFFS AND TRADE

Working Party on Preferences

POINTS TO BE CONSIDERED IN DISCUSSION OF
PROPOSALS FOR NEW PREFERENCES

Note by Chairman

After a preliminary survey of the subject the main questions which would be raised in any elaboration of the proposals before the group seem to be:

(a) The value of the proposed preferences

Members may wish to discuss what rôle 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 of preferences

Would preferences be only in the customs tariff? In what circumstances should non-tariff preferences (e.g. in the fields of quantitative restrictions and State trading) be used in place of, or supplementary to, the tariff preferences? Other 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; should industrialized countries 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.

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(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? Should there be any regulations regarding the certification of origin?

(f) **Duration of the preferences**

Should the preferences run for a specified period? Should there be agreed conditions for the reduction or elimination of preferences? Should there be any consultation procedures to ensure the reduction and elimination of the preferences?

(g) **Interests of third countries**

Would it be necessary to make specific provisions safeguarding the trading interests of countries not benefiting from the preferences?

(h) **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?

(i) **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. Should there be a new body within GATT to supervise the exercise? It may also be necessary to take account of the existence of bilateral agreements under which non-contracting parties are granted m.f.n. treatment by contracting parties.