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 and would be *ad referendum*.

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. In the Working Party there was a substantial measure of agreement that, in order to carry out this mandate, the best working hypothesis would be for the negotiations to 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. It was agreed that linear offers on this basis would have to be subject to exceptions but that these exceptions must be in respect only of specified items where there are compelling grounds of national importance to warrant their exception and that 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 contracting 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 extend to, and take account of, any special arrangements necessary to deal with special problems arising in the field of agriculture and would at the same time have the fullest regard possible 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 the best means to achieve the objectives Ministers had in view. The Working Party on this assumption elaborated the following points of detail:

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 the relevant consideration was the volume of trade in the product concerned. If this 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 the reduction of a low one. 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. The precise procedures for such confrontation and justification, and whether these should be both bilateral and multilateral in character, should be considered by the Working Party.

11. 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.

   **Proposal (b)**

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

**Agriculture**

12. It was common ground that negotiations would cover all products - agricultural as well as industrial, and in particular that 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.
All problems would be settled before the negotiations were concluded.

And the balance of advantage would be assessed on the results finally obtained from the negotiations as a whole.

13. As far as agricultural products were concerned, it was suggested that these 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 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. There was wide agreement that the basic rules of the tariff negotiations were not appropriate for dealing with certain agricultural products in existing circumstances and that it would be necessary to deal with certain products through other kinds of negotiation such as through commodity arrangements. Cereals and meat represented the clearest examples of products where such negotiations might be appropriate. Such negotiations might also be appropriate for one or two other products.

1. The EEC delegation has reserved its position on the first sentence of paragraph 14.

2. The EEC delegation has proposed the deletion of the last two sentences.

15. It was suggested that since the negotiations referred to in paragraph 14 might be long and time-consuming, Ministers should take a decision to convene certain commodity groups, particularly cereals and meat, to begin these negotiations. One of the first tasks of these groups would be to negotiate interim arrangements to prevent trade being impaired while negotiations for longer-run solutions were being brought to a conclusion. Others felt that the first function of the groups should be to examine the points made in paragraph 14 and recommend how particular items within their fields should most appropriately be dealt with.

United Kingdom proposes this addition.
16. It was suggested that for the remaining agricultural products, where protection is afforded other than solely through a fixed tariff, and comprehensive commodity arrangements are not anticipated, the aim should 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 for each major participant which particular commodities would fall under each of the approaches indicated in paragraphs 9 to 13 above.

18. Agricultural items which could not be handled satisfactorily to the satisfaction of those concerned in the negotiations under any of the above procedures would be put on the exceptions list.

Special problems

19. The Working Party felt that in negotiations aimed at such far-reaching reductions in duties, it would be necessary to provide opportunities for consideration of non-tariff measures and practices which affect the value and stability of concessions. Two types of problems were referred to:

The Working Party felt that, with a view to negotiations aimed at such far-reaching reductions in duties, it would be necessary to examine para- and non-tariff measures and practices which affect the value and stability of concessions. Both types of problems should be taken into account, thus:

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1. EEC proposal.
2. New Zealand proposal.
3. 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.
4. New Zealand proposal.
5. Proposal by the EEC.
(a) Practices and measures of protection in particular countries:

It was felt that, in most cases, the proper way to deal with these was to provide that they should be dealt with in direct discussion between the countries concerned with a view to providing assurances to the exporting country or countries concerned that the value of the tariff concession offered would not be nullified or impaired. A further aspect of this problem was the existing imbalance in advantages under the General Agreement as a result of the failure of some countries to be accorded the full rights to which they felt they were entitled under the Agreement. 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.

The European Economic Community proposes that the first sentence of this sub-paragraph should read as follows: "There should be an examination of appropriate means of providing assurances to the exporting country or countries concerned that the value of the tariff concession offered would not be nullified or impaired."\footnote{The deletion of these words has been proposed by the EEC.}

(b) The stability of concessions:

The suggestion was made that\footnote{The deletion of these words has been proposed by the EEC.} 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. It was agreed that these matters should be examined further by the Working Party and, in the event that it was considered necessary, the Working Party could suggest that Ministers should recommend multilateral consideration of this matter.
Less-developed countries

20. It was suggested that, while reciprocity would not be required for the advantages which would be held out to them in the linear offers of the developed countries, less-developed countries should participate in the negotiations and make some contribution. The less-developed countries represented on the Working Party requested acceptance of the principle that their main export products would not be contained in the exceptions lists of participating countries. It was the present view of these countries that for a variety of reasons, inter alia the need to give protection to infant industries and to maintain duties for revenue purposes, they were not in a position to make a contribution by way of a reduction of tariffs. In so far as these negotiations afforded the less-developed countries better export possibilities, this improvement would be reflected in increased imports. It was in this direction that the corresponding advantages for the developed countries would be found.

Principal supplier rule

21. 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

22. 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

23. The Working Party agreed to hold a further meeting beginning on 22 April. It should be the aim of this meeting to finalize a report for submission to Ministers. If this should prove impracticable it would be necessary to envisage a third meeting although this would present practical difficulties in view of the short interval remaining before the ministerial meeting on 16 May.