The United States representative outlined his Government's further views on certain points discussed at previous meeting, including (1) the matter of the basic tariff reduction and exceptions to it; (2) the problem of non-tariff barriers; and (3) the relationship of the less-developed countries to the trade negotiations.

1. The basic tariff reduction and exceptions

The United States believes very strongly that the basic approach should be an across-the-board linear cut, and that exceptions should be strictly limited. A quantitative limitation on exceptions is in the United States view essential (a) to keep under control pressures for expanding the list of exceptions and (b) to avoid the possible "padding" of lists initially for bargaining purposes. The United States continues to believe that exceptions lists even within the quantitative limit should not be automatically accepted but should be subject to a confrontation procedure. It also endorses the criterion mentioned in the Record of Points Examined; namely, that items should be excepted only for reasons of overriding national importance.

The United States has considered two possible ways of applying the linear cut, (1) reducing all tariffs or (2) reducing only those dutiable at rates above 5 per cent ad valorem or the equivalent. The second of these has been thought a useful approach from the United States' point of view. The United States has authority to eliminate its duties of 5 per cent or less, hopes to negotiate for such elimination, and hopes other countries will also be willing to do this. It might, therefore, be preferable to negotiate these duties on an item-by-item basis or some other basis. This proposal would also help to meet the problem of countries having predominantly low tariffs.

On this basis, the United States would propose that exceptions be limited to 5 per cent of each country's total imports, with the proviso that excepted imports in any one of the nine SITC sections should not exceed 10 per cent of the total imports in that category. Although the percentage limitation could be calculated in various ways, e.g., it might be based on dutiable rather than total imports, the problem is essentially a simple one: how to obtain a reasonably small quantity which varies directly with the amount of each participant's import trade. Therefore, the use of a percentage of total imports seems adequate.
Examples of the 5 per cent limitation, calculated on the basis of 1961 imports, are as follows:

<table>
<thead>
<tr>
<th>Country</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>EEC</td>
<td>$1,034 million</td>
</tr>
<tr>
<td>United States</td>
<td>731</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>616</td>
</tr>
<tr>
<td>Canada</td>
<td>285</td>
</tr>
<tr>
<td>Japan</td>
<td>291</td>
</tr>
<tr>
<td>Sweden</td>
<td>146</td>
</tr>
<tr>
<td>Switzerland</td>
<td>135</td>
</tr>
<tr>
<td>Australia</td>
<td>99</td>
</tr>
</tbody>
</table>

A possible formulation of this proposal is attached to this summary.

2. Non-tariff barriers

The United States continues to believe that the problem of non-tariff barriers is very important, and it is of considerable interest to the United States to include it in these negotiations. Therefore, the United States hopes that as part of the negotiating plan there will be set up a mechanism for dealing with the problem. Possibly a committee could be established which would determine which non-tariff barriers are most restrictive, and on which some reciprocal or mutual liberalization should take place. The United States would be prepared, for example, to talk about so-called Buy-American policies, if other countries were willing to discuss and negotiate their government-purchasing policies. Dumping policies would be another example. But there would have to be reciprocal commitments.

3. Less-developed countries

From the United States point of view, the participation of the less-developed countries in the trade negotiations should be viewed first and foremost from the standpoint of their development needs. As far as the United States is concerned, we do not expect the less-developed countries to make the basic automatic tariff reduction, on the same basis as the advanced countries. But we think the less-developed countries should participate fully in the trade negotiations since their economic development depends on foreign trade and the expansion of their export markets. The question then, is how they might be expected to participate so that the maximum benefits might accrue to them and their economic development furthered to the maximum possible extent.

The United States suggests that consideration be given to the possibility of making an examination of the commercial policies of the less-developed countries to ascertain to what extent they fit the objective of their fastest possible economic development. For example, it might be possible to have a discussion of their commercial policies and in this discussion to give some indication of any changes which might be desirable, and obtain some indication of the changes the less-developed countries might be willing to make.
The advanced countries might ask in these discussions that particular rates of duty be reduced over a period of time if they do not further, or if they hinder, economic development. Or they might ask the less-developed countries to find some rates. On the other hand, there might be increased rates for infant industries. Other restrictions might be examined to see which ones best suit the basic objective. In the United States' view, then, the discussions might result in:

(1) Reductions or other changes in tariff rates.

(2) A statement of intent by the less-developed countries regarding the future development of their commercial policies.

(3) A mechanism for a further review of the course of developments in, and possible changes in, their commercial policies.

Regarding the proposals which have been made for preferences to be extended by advanced countries to less-developed countries, or by less-developed countries among themselves, the United States is willing to examine these further, but such examination as we have made at present indicates that we would have real difficulties with both of these approaches, and we do not see practical possibilities for implementing them.
ANNEX

Possible Exceptions Formula

1. The basic linear tariff reduction would apply to all imports subject to
duties of more than 5 per cent ad valorem or the equivalent.

2. Exceptions from the basic linear reduction must be limited to specified
items where there are compelling grounds of national importance to warrant their
exception.

3. Exceptions will not in any case exceed 5 per cent of a country's total
imports, and excepted imports in any one of the nine SITC sections will not
exceed 10 per cent of the imports in that category.

4. All exceptions, even if within the quantitative limitation, will be subject
to a process of individual confrontation and justification. Such a process
should give special attention to any proposed exceptions on which rates of
duty appear high, or on which quantitative restrictions exist, even if their
trade volume is small.

5. As used above, "exceptions" means not only those items entirely reserved
from negotiation, but those items for which treatment is proposed different
than the basic linear cut. Not included in "exceptions" would be products
covered by paragraphs 14 and 15 of the Record of Points Examined by the Tariff
Reductions Working Party, i.e. items for which commodity arrangements are to
be negotiated; or items where protection is afforded by other means than solely
through a fixed tariff, and which, if concessions were offered on them that
would afford a reduction in protection comparable to the basic linear reduction,
would not be counted against the exceptions limitation.

6. There should be both bilateral and multilateral confrontation. Countries
should first be prepared to justify their exceptions bilaterally to any other
country which indicates an interest, and to indicate how far short of the basic
linear cut they may be prepared to negotiate on such items. If any country
remains unsatisfied after such bilateral discussions, it should be entitled to
raise the question in a multilateral body which should be established for this
purpose. This body would hear both sides of any case, and make recommendations
to the country proposing the exceptions. Such recommendations would, however,
not be binding on the excepting country and the ultimate remedy for dealing with
the exceptions problem would lie in the determination of reciprocity at the end
of the negotiations.