Mr. Chairman, it might perhaps be useful if I attempted to comment on one of the suggestions which I made at the outset of this second Working Party session, namely the idea of having equal across-the-board linear cuts apply automatically, and in the first instance only to commodities with tariff rates in excess of 5 per cent. Such comment may help, particularly in view of the fact that the delegate of Japan has referred to the matter, and to avoid a misunderstanding, at least as regards our intentions. That will also give me the opportunity to comment on one or two other aspects that have been mentioned here this morning. In the first instance what I said at the first meeting was a suggestion only, and we are not wedded to this completely, we would, if the other countries were willing or more interested, be willing to have these across-the-board cuts apply to all tariff items. The reason why we made the first suggestion was largely two-fold. First, because we happen to have in our legislation authority to go further than 50 per cent on the less than 5 per cent items. We can reduce our duties 100 per cent on those items, and we felt that this was a means, a convenient means, of achieving this while at the same time perhaps meeting the needs of those countries who are very low tariff countries, who have the majority of their rates in a very low area, and where reciprocity might not be achieved on a basis of equal linear cuts. That is why we suggested that the linear cut be applied to rates above 5 per cent. We do not believe, as has been suggested, that this would constitute a derogation from the basic principle of equal linear cuts particularly since we would be prepared in the under 5 per cent area to go even further. The suggestion was made to get a reaction from other governments and to see whether this is more acceptable to them, but either one of these two proposals is agreeable to us.

Secondly, I want to make it clear that unfortunately it is not possible under the kind of system which we operate in my country, to get other trade legislation. We have an Act on our books, and we will have it on the books for some four more years, and it is not possible to go back and to ask for other legislation. Furthermore, since we are interested in the maximum degree of trade liberalization and hope to use our powers to the fullest to achieve this, I would like to make clear that the comments I made with regard to unequal linear cuts do not mean that we reject the possibility or the need to look into the problem of whether or not the existence of disparities, in certain areas, does or does not permit certain countries to achieve overall reciprocity. In fact we believe that certain of the paragraphs in the Record of Points Examined
already make it clear that this is a matter that needs to be looked into, and we are quite prepared to do this. We feel that under the Act we would have authority to provide compensation if it is shown that a particular country, that is an important trading partner, cannot achieve reciprocity on the basis of the basic plan. I was therefore very pleased to hear the delegate of Japan say that a 50 per cent equal linear cut as a working hypothesis is acceptable. What we mean by a working hypothesis, I believe, is that we assume that this will result in an overall balance. We are flexible in our position and we are willing to recognize that for certain countries it may not. And we are further willing to recognize that if this develops in the course of the next negotiation, as stated in some of these earlier paragraphs of the Working Party Record on the linear approach, it will then become necessary to work out adjustments in those cases, adjustments to the basic approach which permit these countries to achieve reciprocity. This applies also, as regards the trading relations between the EEC and the United States.

Let me put it another way: there are in fact two extremes, one being the suggestion that the whole plan should be based on unequal cuts — that is one extreme — and that is the extreme which under our legislation we cannot accept and cannot participate in. That is clear and there is no other legislation that we can achieve to remedy this situation. It would mean that we are excluded from the negotiations. That is one extreme. The other end of the spectrum would be a plan which provides for 50 per cent across-the-board linear cuts and rejects the notion that it is possible that one country or another cannot achieve reciprocity under such plan. That would be the other extreme. We are not taking this position. We are taking an intermediate position and we are quite willing to work out language that recognizes the intermediate nature of this position. Our position is that we start off and base the plan on equal linear cuts. We then examine whether or not disparities or other structural problems of individual countries do in fact in the course of negotiations prove to prevent the achievement of reciprocity for these countries. If that is so we do have the possibility, through our 5 per cent authority and through our regular authority, to make adjustments and to provide the kind of balance and compensation necessary to restore reciprocity. So that if in fact it is proved that tariff disparities are of such a nature that even with a cut the situation remains unbalanced in the overall sense, we can deal with this problem. We are quite flexible in this regard. But we are precluded from a plan that from the outset says the negotiations will be based on some form of unequal linear cut and we hope that the kind of negotiating plan that the Ministers would agree on would be based on the intermediate position I described.

As far as the overall limitation on exceptions of 5 per cent is concerned I would say that even without the suggestion which I made at the first meeting, namely that only items subject to tariffs of more than 5 per cent were to be included in the basic plan of equal linear cuts, we are in a position to live with this formula. If it turns out that other countries require a greater percentage limitation we would deplore this, we would feel that it would minimize the opportunities for trade liberalization that are open, but if that is the general view then of course something would have to be worked out. But when we say that we can live with 5 per cent we know what we are talking about.