GENERAL AGREEMENT ON TARIFFS AND TRADE

WORKING PARTY ON PREFERENCES

Note Submitted by the Secretariat

1. At their annual session in March 1964, the CONTRACTING PARTIES agreed that further discussions in the Working Party on Preferences should be arranged with a view to enabling the Working Party to submit a report to the Council in time for the latter to make a submission to the CONTRACTING PARTIES at their session in mid-November 1964.

2. In the informal discussions between governmental representatives which have taken place earlier this week, a number of contracting parties have emphasized the importance attached by them to the insertion in the new Chapter on Trade and Development of a provision enabling preferences to be established in favour of less-developed countries by developed contracting parties and between less-developed contracting parties. A number of other contracting parties have, however, expressed the view that it would not be possible to make such a provision in the Chapter until agreement had been reached upon the principle of such preferences on the basis of a thorough examination of their implications. In this connexion some contracting parties have indicated that they could not at the present time accept such a principle.

3. It is suggested that the Working Party may initially give those contracting parties who wish to see a provision on preferences in the Chapter on Trade and Development, the opportunity to present their formulations of the principles which they would wish to see incorporated in the Chapter under A and B of the proposals remitted to the Working Party for examination, namely, the granting of preferences by industrialized countries to less-developed countries and the granting of preferences by less-developed countries to other less-developed countries. The formulations proposed in this connexion should be taken note of in the report of the Working Party on Preferences so that they can be taken up for examination, as appropriate, in the light of the progress made in the work programme indicated below.
4. It is suggested that, with a view to making further progress on its terms of reference, the Working Party might agree to adopt the following two working hypotheses:

(i) a clause should be inserted in Article I of the General Agreement which would provide that nothing in the Agreement should prevent preferences being granted by industrialized countries to products originating from less-developed countries without discrimination between these countries;

(ii) a clause should also be inserted in Article I which would provide that nothing in the Agreement should prevent less-developed countries from granting preferences to other less-developed countries.

5. It is suggested that contracting parties should be invited to submit detailed proposals on the basis of these two working hypotheses by 30 November 1964, it being understood that it is open to any contracting party to submit proposals which might involve modification of either of these two working hypotheses. The proposals could usefully cover the essential points and problems which need to be considered in the practical implementation of the working hypotheses and might, in particular, take account of the points listed in paragraph 11 of secretariat document Spec(64)167. It is hoped that the examination of these proposals would enable the contracting parties to explore more fully the implications of the arrangements envisaged, the practical points that need to be provided for and the feasibility of inserting a provision in the General Agreement.

6. The Working Party should recognize that a decision to consider proposals on the basis of the working hypotheses mentioned in paragraph 4 above does not, at this stage, commit any contracting party to accepting the principle of new preferences or to the eventual inclusion of any provision in regard to preferences in the General Agreement.

7. The Working Party might also wish to recommend to the Council that examination of the proposals received from contracting parties be entrusted to the Standing Committee on Trade and Development which, according to
proposals submitted to the Committee on Legal and Institutional Framework, will provide a permanent institutional framework for the work of the CONTRACTING PARTIES in the field of trade and development. The Working Party might also recommend that the Standing Committee begin examination of these proposals at a meeting in January 1965.