GENERAL AGREEMENT ON
TARIFS AND TRADE

Working Party on Preferences

OUTLINE OF PROPOSALS ON NEW PREFERENCES

Note by the Secretariat

This paper is intended to provide a guide to proposals already before the Working Party and to proposals which have been submitted to the Committee on the Legal and Institutional Framework in so far as they are relevant to the work of this Working Party. It refers to the documents in which the various proposals appear and these should be consulted for a more definitive statement. The proposals are grouped under headings similar to those proposed by the Chairman of the first meeting of the Working Party and contained in document Spec(65)273. A check list of documents cited is contained in the Annex.

Proposals relating to the two points in the terms of reference of the Working Party, i.e. (a) preferences to be granted by industrialized countries and (b) those between less-developed countries are separated out under each of these headings. Proposals on regional preferences between less-developed countries made by the delegations of the United Arab Republic and the United States are not covered (see L/2136 and L/2138).

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LEGAL AND INSTITUTIONAL PROVISIONS

(a) Preferences to be granted by industrialized countries

**Australia:** An enabling clause would be inserted in Part II of the General Agreement. This might read: "Notwithstanding the provisions of Article I of this Agreement, contracting parties may, if the CONTRACTING PARTIES so approve and subject to such conditions as they may prescribe, accord preferential treatment to imports of products originating in less-developed contracting parties." Appropriate provisions regarding preferences might also be inserted (L/2165, II, paragraph 5 and VII).

**Brazil:** A Declaration might be drawn up containing a new interpretation of the most-favoured-nation clause which would be open for signature by all countries including non-contracting parties (a suggested text interpreting Article I of the GATT is contained in L/2073, paragraph 26). The Brazilian delegation has suggested that preferences should be granted to developing countries as a whole without discrimination as between developing countries and that a multilateral negotiating body might be established (Spec(63)270, pages 3 and 4).

**Chile:** A clause should be inserted in Part II of the General Agreement, enabling contracting parties to grant special concessions which would be applicable to all under-developed countries. If criteria subject to which the countries would accord preferences were agreed upon, this enabling clause would be so worded as to cover specific arrangements complying with the agreed criteria (L/2143, III(g) and V(b)).

**India:** Developed countries should undertake a commitment to be inserted in Part II of the General Agreement to "accord preferential treatment to imports of products originating in less-developed countries". (L/2128, III(d).) An enabling clause should also be added to Part II of the General Agreement. This would read "that nothing in the General Agreement shall prevent the establishment of new tariff preferences on products of particular interest to the less-developed countries, provided such preferences are extended immediately and unconditionally to the trade of other less-developed countries," and "that any special arrangement in furtherance of the aims of the provisions contained in Section III above shall automatically be deemed to be an exception to the obligations under the GATT." (L/2128, V(b) and (c).)

**Japan:** A standing body should be established to decide on and review standard margins of preferences for different products (Spec(63)343).

**Nigeria:** Preferences should be granted on a non-discriminatory basis, with, however, the possibility of certain exceptions, to take into account the different stages of development of different less-developed countries and the importance of particular products in the economies of less-developed countries.
United Arab Republic: The preamble of the General Agreement should be modified so that "the importance of adopting appropriate measures which could facilitate the efforts of less-developed countries to diversify their economies, strengthen their export capacities and increase their earnings from overseas sales, including the granting of preferential treatment to the semi-manufactured and manufactured goods exported by those countries" is recognized. (L/2138, page 2.)

The United Arab Republic has also proposed the text of a New Chapter. This would contain a clause enabling contracting parties, in accordance with specified procedures, to accord preferential treatment to semi-manufactured and manufactured products originating in developing countries, with a view to promoting economic development and international trade of less-developed contracting parties. Such preferential treatment granted by any contracting party shall be applied automatically and unconditionally to like products originating in all other less-developed contracting parties. (L/2138, New Chapter, Article I.)

It is also specified that "negotiation of preferences to be granted by developed contracting parties to developing contracting parties will be carried out through a preference negotiations committee, composed of representatives of developed and developing contracting parties, which shall seek agreement upon the products to which preferences shall be accorded by developing contracting parties and upon the standard margin of preference to be accorded to those products". (L/2138, New Chapter, Article II.)

Uganda: Article I of the General Agreement should be amended to allow the granting of new preferences which should be extended to all less-developed GATT countries although nothing should bar countries from granting preferences to other less-developed countries. Less-developed countries should be divided into two groups "the least-developed" receiving a larger preference than other less-developed countries. (L/2141, paragraphs 1-3.)

(b) Preferences between less-developed countries

Australia: The enabling clause in (a) above would also permit preference between less-developed countries.

Brazil: The Declaration mentioned in (a) above might be drafted to permit preferences between less-developed countries.

Chile: The enabling clause in (a) above would also permit preferences between less-developed countries.

India: The enabling clause in (a) above in so far as it deals with tariff preferences would also permit preferences between less-developed countries.

1The United States has put forward a proposal for the granting of preferences between less-developed countries on a regional basis. This is contained in L/2136, paragraphs 3-5. See also L/2138, page 4 for a United Arab Republic proposal.
United Arab Republic: The enabling clause in the proposed New Chapter would permit preferences between less-developed countries. It is also provided that the "negotiation of preferences to be exchanged between developing contracting parties will be carried out through a developing countries preference negotiations committee, composed of representatives of developing contracting parties, which shall seek agreement upon the products to which preferences shall be granted among developing countries on a specified individual item-by-item basis", subject to certain understandings set out in the text of the New Chapter, inter alia that "preferences exchanged between two developing contracting parties should be unconditionally applicable to like goods which are the product of other developing contracting parties, provided, however, that no contracting party shall be obliged to extend to other contracting parties concessions which are in force exclusively between developing contracting parties to a free-trade area or customs union". (L/2138, New Chapter, Article III.)

DEFINITION OF LESS-DEVELOPED COUNTRIES

(a) Preferences to be granted by industrialized countries and (b) preferences between less-developed countries

Israel: Article XVIII and its Interpretative Note should be used (October meeting).

Japan: Definition might be based on the classification contained in General Assembly Resolution 1975 of 27 June 1963, bearing in mind the level of per caput income (Spec (63)43).

United Arab Republic: A combination of quantitative criteria should be used (L/2138, New Chapter, Article IX).

Uganda: Various indicators should be used and less-developed countries should be divided into two categories according to their stage of development (L/2141, paragraph 1). Uganda has also suggested that the "less-developed countries" might possibly be those with a per caput income of less than $150 per annum (L/2073, paragraph 14).

COUNTRIES GRANTING THE PREFERENCES

(a) Preferences to be granted by industrialized countries

Australia: "Contracting parties which are dependent on a limited range of primary commodities for the major part of their export earnings but which are not less-developed contracting parties ... shall endeavour, with due regard to their own development needs and policies to apply to the maximum possible extent" obligations accepted by other contracting parties.

United Kingdom: The preferences should be put into effect by the governments of the major industrialized countries acting in parallel (L/2073, page 12).
RECIPROCITY

(a) Preferences to be granted by industrialized countries

Brazil: Preferences by industrialized countries should be extended on a non-reciprocal basis (Spec(63)270, page 3).

Chile: Principle of non-reciprocity should be defined (I/2143, IV).

United Arab Republic: Preferences by industrialized countries would be negotiated without full reciprocity being given (L/2138, New Chapter, Articles II and VII).

INTERESTS OF THIRD COUNTRIES

(a) Preferences to be granted by industrialized countries and (b) preferences between less-developed countries

Australia: "Contracting parties shall have regard to the trade interests of other contracting parties" when granting preferences (L/2165, II, 6). The wording of Ministers in MIN(63)7, paragraph 3, should be borne in mind (L/2073, paragraph 21).

Brazil: Special provisions providing for sheltered or preferential access considered indispensable to the maintenance of export earnings of some less-developed countries might be retained on a temporary basis and be progressively reduced and substituted by full compensation through measures not affecting other less-developed countries, particularly through financial assistance to economic development (L/2123, II, (iv)).

Canada: New preferences should be "subject to the provisions of Article XXVIII and hence negotiable under rules involving compensation for damage to other suppliers" (December meeting).

Japan: Care should be taken to ensure that changes in the pattern of world trade should not be too abrupt nor too drastic (Spec(63)343).

United Kingdom: Before the United Kingdom grants preferences, countries already benefiting from preferences on its market would have to indicate that they would be prepared to waive their existing rights (L/2073, paragraph 23).
PRODUCTS TO BE COVERED BY THE PREFERENCES

(a) Preferences to be granted by industrialized countries

Brazil: Preferences should be limited to non-primary products and might be granted item by item or by a system of linear cuts on categories of products with certain exceptions (Spec(63)270, page 4).

Ceylon: It is proposed that preferences should be granted for certain specified products (Spec(63)263).

Chile: Products of special interest to the economies of the developing countries (L/2143, III(g)).

Japan: In the first instance, Committee III products which are not already competitive (Spec(63)343, pages 1 and 2).

Nigeria: Preferences to cover all products, primary as well as semi-manufactures and manufactures (December meeting and L/2073, paragraph 15).

United Arab Republic: Preferences would be limited to semi-manufactured and manufactured goods (L/2138, New Chapter, Article I).

Uganda: All products including those not at present produced in less-developed countries, with limited exceptions (L/2141, paragraph 5).

(b) Preferences between less-developed countries

United Arab Republic: These should relate to semi-manufactured and manufactured goods on a specific item-by-item basis. Preferences would not be granted which were against the interests of the importing country's domestic industries (L/2138, New Chapter, Articles I and III).

THE NATURE OF THE PREFERENCES

(a) Preferences to be granted by industrialized countries and (b) preferences between less-developed countries

Brazil: In practice preferences would primarily affect the tariff (Spec(63)270, page 6) although countries with centrally-planned economies might grant preferences in other forms (Spec(63)270, page 6 and L/2123, Part VI).

Chile: Refers to "obstacles to trade" (L/2143, III(g)) and suggests that ways should be found for centrally-planned economies to grant preferences (L/2143, III, footnote to paragraphs (a) to (f)).
India: Refers to "tariff preferences" but also mentions "special arrangements" (L/2128, V(b) and (c)).

Nigeria: Preferences should be granted in the tariffs or, where free entry already exists, by means of quotas. Special quotas might also be granted if less-developed countries were adversely affected by the preferences. Countries with centrally-planned economies could grant non-tariff preferences (December meeting).

Uganda: Refers only to tariffs (L/2141).

MARGIN OF PREFERENCE

(a) Preferences to be granted by industrialized countries

United Arab Republic: A reduction of 50 per cent over and above the percentage to be agreed upon in the forthcoming trade negotiations (Spec(63)268, paragraph 21). In a later proposal the United Arab Republic has suggested that "standard margins of preferences" should be accorded to products receiving preferences (L/2138, New Chapter, Article II).

Uganda: The margins of preference should be the same for all products with an Appeals Board to determine exceptions. A group of "least-developed countries" should be accorded free entry while other less-developed countries would pay half the most-favoured-nation duty (L/2141, paragraph 7).

(b) Preferences between less-developed countries

United Arab Republic: The margin of preference should be not less than that at present granted on similar products by some less-developed contracting parties to industrialized contracting parties (L/2138, New Chapter, Article III(ii)).

DURATION OF PREFERENCES

(a) Preferences to be granted by industrialized countries

India: Preferences should not be withdrawn when individual industries become competitive. The guiding concept should be that of the infant economy rather than the infant industry (October meeting).

Japan: New preferences should be accorded on a temporary basis and the arrangements envisaged should provide for their gradual phasing out (Spec(63)343).

Nigeria: Preferences to be withdrawn when the industry becomes competitive (December meeting).

Uganda: Duration would be limited in the sense that preferences would be eliminated automatically as most-favoured-nation duties are reduced to zero (L/2141, paragraph 8).
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<th>Proposals by</th>
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