The United States delegation is prepared to co-operate in working out mutually acceptable terms of reference so that a Working Party can proceed rapidly with the next and most important part of the Tariff Study—an analysis which would provide the basis for exploring further liberalization in the tariff field.

The work of analyzing the documentation assembled by the secretariat poses some important and complex questions. The newness and complexity of this next step should not give rise to misunderstandings. Let me make my Government's attitude and objectives in this work clear.

My delegation has carefully examined the proposals put forward by the secretariat in July and the draft terms of reference proposed by the EC in November. The United States is willing to and, indeed believes we should proceed with work on the two types of analyses specifically proposed—an examination of variations in tariff rates by product categories and countries and of the differentials in duty rates—as these are essential elements of any analysis of tariffs. They clearly represent two of the problems in future trade liberalization efforts and their significance should not be minimized. However, important as they are, they are but two of the possible lines of future action which should be explored. My Government believes that to fulfill the mandate from the twenty-fifth session to "indicate possible lines of action" a variety of possible negotiating objectives and techniques should be examined. At this point governments are not in a position to select the form future negotiations might take; various possibilities should be given equal focus.

The secretariat and EC proposals do not appear to include an examination of trade flows in relation to tariff levels. We believe that an analysis of tariffs but not of trade data, which is the basic part of the present documentation, would have limited meaning and would in fact constitute a step backward from previous negotiations which have traditionally included trade coverage as an essential element in attempting to assess reciprocity. We also propose the analyses should be based on a time series of trade and tariff data with tariff rates actually in effect corresponding with the trade data. The final report of the Working Party should incorporate trade and tariff data for additional years although we do not object to preliminary reports based on the present documentation.
In November the United States proposed that the CONTRACTING PARTIES consider the feasibility of a broad and more comprehensive analysis based on available economic information in addition to trade and tariff data for developing better measures of the effects on trade of tariffs and tariff changes. We also outlined some of the possible elements of such an analysis and some of the reasons why we felt it was a desirable additional effort to make. We are prepared to accept the proposal made by the European Communities in November that the Working Party examine the feasibility of specific analyses. We do not seek a commitment by governments at this time to provide the additional required data or agreement at this time that the secretariat or Working Party undertake the actual work. We do hope that - on the basis of a feasibility report - governments will see the utility of developing better insights on the major question underlying trade negotiations - what is the effect on trade flows of differing reductions in tariff levels.

In the interest of getting on with the work at hand, the United States is also willing to drop its earlier proposal for incorporating the NTB notifications in the Tariff Study. The Working Party should, however, make sure that its report does not create the impression that the analyses provide a full picture of import protection.

The proposal we are making is essentially that the available data be used to the fullest extent possible to analyze various negotiating possibilities and that trade be examined along with tariffs. As I said at the outset, the United States wishes to proceed rapidly with the work, at the same time using to maximum advantage the time available before negotiations for a meaningful analysis.