Introduction

1. The Working Group was established by the Agriculture Committee in February 1972 with the following terms of reference: "to examine the various techniques and modalities for future negotiations as they relate to agriculture, and to report to the Committee" (COM.AG/24).

2. The Working Group met on 27-30 March 1972. The documentation before it included, in particular, a working paper prepared by the secretariat (COM.AG/W/77). The Group addressed itself to Sections 1 and 2 of the working paper, dealing with the examination of techniques and modalities for negotiations on, respectively, export assistance, and tariffs, variable levies and other special charges. The main points raised in the examination are given below, grouped as far as possible under the respective subheadings and paragraphs of Sections 1 and 2.

General observations

3. The observation was made that it might be useful to reach consensus on the general objectives of the work in hand and of the future negotiations on agriculture. It was suggested that such objectives should be to ensure stable markets for agriculture products and a steady expansion in agricultural trade; and co-operation between exporters and importers to this end. Several delegations agreed that it might be desirable to establish common objectives for future negotiations on agriculture, but felt that this matter lay outside the scope of the Working Group and could usefully be taken up by the appropriate body at a later stage.

1So far the Group has dealt only with the first part of Section 2, regarding tariffs.
4. The view was expressed that the assessment of the relative advantages or disadvantages of a given technique might in certain cases involve subjective judgment; a technique which, for instance, appealed to an importer might not necessarily do so to an exporter.

5. The Working Group recalled the understanding reached in the Agriculture Committee that "the Working Group shall pay special attention to the particular interests of developing countries". It also recalled that in this connexion the hope had been expressed that developing countries, members of the Committee, would actively participate in the Working Group, and agreed that the interests of developing countries would best be served if their representatives made known their views on each technique or modality as it was being examined, especially as regards any particular adaptation that might be required.

Examination of techniques and modalities for negotiations on export assistance (Section 1)

"Direct" techniques for the abolition of export aids (Section 1, paragraph 4)

6. A member stated that his objective was the ultimate elimination of export aid and that any techniques leading to this, whether in single steps or in stages, should be examined.

Prohibition of export aids (paragraph 4(a))

7. The point was made that this technique would require a definition or a listing of export aids. Reference was made to the list of practices annexed to Section 1. The following alternative suggestions were made in this regard:

(a) Define all practices that should be eliminated, but agree that the list is not limitative so that other forms of export aid, including newly devised ones, could be added.

(b) Define a limited range of practices, selecting those which can be easily defined and controlled; agree to a general basket provision covering all others, e.g. not to engage in any practices with a similar effect. A safeguard provision with a nullification or impairment clause could be added.

(c) Define a list of practices for each country on the basis of a request and offer procedure; the equivalence of commitments would be a matter of negotiation. A nullification or impairment clause could be added, with provisions for representations, consultations, etc.

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1See also L/3472, Annex I, paragraphs 4-18.
8. It was suggested that as a complete elimination at short notice might create difficulties, one might set a date in the future by which the elimination should be complete. Each country would be free to adjust in the intervening period as it saw fit.

9. The point was made that an agreement on abolition of export aids might not be self-balancing and that counterparts might need to be sought in other areas. A member observed that a complete elimination of export assistance might prevent some countries from exporting; another member commented that the elimination of such assistance was a matter for negotiation, and for assessment by each country concerned.

10. A member saw the following advantages in a prohibition of all export aids as listed in the Annex to Section 1: it would put a stop to all the practices listed, some of which had so far not been covered by GATT provisions; it would lead to a reduction in the volumes offered on world markets and thus have an upward effect, considerable at times, on world prices; it would reduce outlays by national exchequers and the savings could be put to more fruitful use. Another member pointed to additional advantages of elimination: it tended to restore the validity of a world market and make it a more effective instrument for distributing world production and trade on the basis of price criteria.

11. It was pointed out that the elimination of export aids might shift the burden of adjustment onto other mechanisms. If export aids were banned and governments did not wish to rely solely on the world market, they could deploy their support in other ways, for instance by stockpiling, production controls, or by measures of income assistance. In the absence of other internationally agreed limitation, importers might also try to insulate themselves from imports, while those who were both exporters and importers might restrict imports of substitutes to enable them to dispose of the non-exportable quantities of the product on the home market.

12. A further member considered that an abolition of export assistance would also have the following effects: competition among exporters based on financial strength to subsidize exports would stop; some exports would expand and provide reasonable returns to producers; world prices would change and would need to provide a larger share of returns; alternative outlets for supplies not sold on international markets would have to be found, e.g. through increased domestic consumption or storage; higher unit costs to importers might influence production
levels and patterns; the withdrawal of export subsidy payments would cause some farmers to abandon production, but if other methods of support were found this might result in more overall support than before.

Techniques for progressive abolition (paragraph 4(b))

13. Several members considered that a prohibition of all export assistance measures was preferable to their gradual elimination. The view was also expressed that the value of a commitment to eliminate gradually would depend on the speed with which aids were to be phased out. The possible need was mentioned to provide for unforeseen effects, for instance by means of a temporary escape clause permitting a country to reduce the rate of phasing out under certain conditions such as an accumulation of stocks that might otherwise be exported; at the same time it was pointed out that escape clauses tended to lead to uncertainty. The question was discussed as to whether and to what extent the various techniques of prohibition or progressive abolition were likely to have a stabilizing influence on world prices; opinions differed on this.

14. It was pointed out that all the techniques in paragraph 4(b) involved problems of measurement and accounting, but it was felt that most of them could probably be overcome. The suggestion was made that different methods might need to be used to deal with different measures. The comments made on the individual techniques listed in paragraph 4(b) under (1) to (5) respectively, are given below.

15. Sub-paragraph (1) (Annual reduction of total assistance payments on all products) This technique would require an assessment of total subsidy payments which should preferably be expressed as three-year average because of variations in quantities exported. The fact that the commitment applied to an overall total and left countries free to concentrate aids in areas of their choice, was a disadvantage as it might lead to distortions. In this connexion it was also observed that the value of a commitment must be judged against the export pattern of the country concerned; for a single-crop exporter, for instance, a commitment on that product was equivalent to a commitment on all. On the other hand, the flexibility inherent in this technique as compared to technique (2) below constituted an advantage to the individual exporters.
16. **Sub-paragraph (2) (Annual reduction of total assistance payments for each product)** If exports of the product were large in the base year, the total permitted amount could be applied to a smaller volume of exports in a given year, leading to a higher subsidy per unit. While this was considered a disadvantage by some, others felt that the unit subsidy would change in inverse relation to the volumes exported had the advantage of tending to stabilize the market in the longer run. This technique also had the advantage of allowing traders to assess the market situation better than the method above. It was, however, also pointed out that even within the same product, an exporter could concentrate subsidies on a particular quality. Difficulties might arise in the administration of this system to the extent that the volume of exports in a given year was not known in advance.

17. **Sub-paragraph (3) (Annual reduction of unit export assistance per product)** This technique required comparable bases for assessing producer returns and export prices, but had some advantages over the two preceding techniques. As seen by another member, the advantages lay in its relative simplicity and in that it limited the exporting country's flexibility between products; the disadvantage was that it would apply only to direct aids.

18. **Sub-paragraph (4) (Setting of annual unit subsidy ceiling for each product according to a formula involving a domestic price ceiling and an estimated world market price)** This technique would require an estimate of world prices for each commodity each year, which might be difficult in particular as world prices did not exist for all commodities or all years. The view was expressed that for some commodities, such as meat, it might not even be possible to make such estimates. The suggestion was made not to estimate world prices but rather to take the average level of the three preceding years and adjust this by an expectancy factor. Another suggestion was to use benchmark prices for key commodities, based on returns to producers in major exporting countries. It was pointed out, however, that
world prices were already affected by subsidies and that similarly, prices to producers in the main exporting countries were affected by subsidies maintained by others; benchmarks should therefore be determined by agreement rather than based on actual prices.

19. The advantages attributed to this technique were that it did not require a definition of export aids, and that it covered both direct and indirect aids.

20. In the view of some members this technique should be considered as applying to domestic policy measures rather than to export assistance, because of its effects on domestic price levels. The reply was given that the technique could be viewed in either way, as in given circumstances one might need to act on certain elements of domestic production policy so as to reduce the difference between world and domestic prices; countries might wish to stabilize either the domestic or the world price, but they should not stabilize the former at the expense of the latter. The comment was made that if the domestic market of an exporter was protected by a tariff, the difference between internal and external price levels could never be eliminated.

21. The more general question was raised as to whether and how certain practices such as those listed as items 8, 9 or 13 in the Annex to Section 1 would be covered by this or similar techniques. The answer given was that these practices would be eliminated if it were agreed to include them in the technique; if, on the other hand, they were recognized as constituting food or development aid, one might wish to exclude them, by mutual agreement among the negotiators. These were general problems that applied, for instance, to sales for inconvertible currency, or sales on different types and conditions or credits. The particular problem posed by multi-year contracts could be solved either by agreeing to abstain from concluding new ones, or by specifying only the volume but not the price for future deliveries. Provisions might need to be made for allowing slight variations in prices resulting from discounts on large sales. A body to settle differences arising from unusual situations might need to be set up.
22. **Sub-paragraph (5) (Priority consideration to products of interest to developing countries)** It was suggested that developed countries might consider eliminating on a priority basis export aids on products of particular export interest to developing countries. Such products might be identified according to one or more of the following criteria: share of developing countries in world exports of the product; share of product in total exports of a given developing country or countries; the interest of developing countries as reflected either by their potential to produce efficiently or by the export potential of their products if barriers were reduced. Two forms for priority treatment were suggested: developed countries might eliminate export aids on these products outright, or phase them out more rapidly than those on other products.

23. It was pointed out that adequate emphasis should be given to food aid to developing countries; in addition to meeting humanitarian needs, food aid also helps to create new markets.

24. The question was raised how the techniques for abolition of aids to exports would apply to developing countries. It was pointed out that these countries frequently suffered from balance-of-payments difficulties, and needed to diversify their exports and to find increased and new markets. This meant furthering infant export industries, now techniques of production, packaging, marketing, for all of which some form of aid had to be used.

25. The following suggestions were made:

(a) Developing countries might be exempted from obligations to reduce or eliminate export aids, and their obligations in this area might be confined to a reporting and consulting procedure, possibly in connexion with the Committee on Balance of Payments;

(b) if developing countries participated in an agreement to eliminate or reduce export aids, they might be granted a longer phasing-out period than developed countries;

(c) it might be necessary to examine whether developing countries could take similar commitments to those by developed countries. Responsibility should be shared, on the basis of relative reciprocity.
26. The observation was made that if developing countries were generally exempted from all obligations with respect to subsidized exports this would lead to price competition among these countries, to the detriment in particular of the least developed of them. The reply was given that the exemption should be granted only to developing countries with balance-of-payments difficulties, and that moreover some obligations on reporting and consulting might still apply. Doubts were expressed as to the wisdom of any exceptions which might endanger the viability of the system as a whole.

27. The importance was stressed of the widest possible participation in any scheme for the elimination of export aids. Thus, it was considered desirable that "potential subsidizers" also participate in an agreement which by being universal would hold out more promise. An alternative would be an agreement among a limited number of countries with provisions for appropriate exemptions if difficulties arose from non-participants who engaged in practices to which the agreement applied. Similarly, where an agreement covered only some products, the aim should be to include all producers and potential producers with safeguard clauses concerning related products not covered by the agreement, in addition to the provisions concerning non-participants.

Techniques for limiting export aids (paragraph 5)

28. The observation was made that disturbance of world trade which might be caused by competition of export assistance hampered a steady and stable growth of world agricultural trade and was undesirable to both exporting and importing countries.

29. Several members stated that techniques that led to an ultimate elimination of export aids were preferable to those that merely limited them. In this connexion it was pointed out that a mere limitation would not tend to re-establish the world market in the same extent as elimination. Some members also considered that while elimination and limitation had many problems in common, the latter involved in addition a certain inequity due to present country-to-country
differences in levels of export assistance, and thus in starting positions. The question was asked as to what advantage, for instance, a country not granting aids would derive if both it and a highly subsidizing country were each to freeze their position. Other members, however, pointed out that different starting positions were also inherent in other types of negotiations.

30. It was suggested that a limitation of export aids could be combined with a previous reduction. A member considered that one might, for instance, set the objective as "a mutually agreed reduction", but would then have to agree on the level to which one should reduce. It might, however, be politically difficult to find a level which would be seen as reasonable, given the pre-existing historical pattern. By the same token, it might be difficult to maintain a limitation in the face of changing circumstances, while an elimination seemed more durable. In this member's view an elimination of aids by all countries was thus politically more acceptable than a mere limitation, because it had a clear common goal; any exceptions that might prove to be necessary should take the form of clauses but not apply to the goal itself.

Financial techniques (paragraph 5(a))

31. It was noted that these techniques were analogous to those mentioned in paragraph 4(b) of the working paper, but without the progressive annual reduction clause. It was, however, suggested that provision might be made for progressive modification down (or up) to a certain limit.

Techniques involving price clauses (paragraph 5(b)¹)

32. (Sub-paragraph 1 - technique as in 4(b)(4) but without annual reduction) It was suggested that a reduction clause might, in fact, be incorporated. It was pointed out that in this and certain other techniques for reducing or limiting export aids, account might need to be taken of the levels of freight charges.

33. (Sub-paragraph 2 - limitation to difference between domestic price and an international price of a given product) The difficulty was pointed out of determining and agreeing on the stipulated marketing stages.

¹For convenience, the items under the respective dashes in COM.AG/W/77 are referred to as numbered sub-paragraphs.
34. (Sub-paragraph 3 - absolute floor for export aids) It was explained that the reference to an absolute floor meant an obligation not to grant export aids which resulted in prices lower than those of countries that did not grant such aids. The comment was made that this technique would involve complex negotiations; and that problems might arise if the "best-placed competitor" at the time of negotiation were to be replaced by another during the lifetime of the agreement. On the other hand, it was pointed out that such a system would have the advantage of avoiding injury to efficient producers.

35. (Sub-paragraph 4 - avoidance of altering in international markets price relationships adopted on domestic market) The comments were made that such a concept would be difficult to negotiate and agreed upon, as price relationships in most markets shifted continuously as a result of market forces.

36. (Sub-paragraph 5 - establishment of fair relationship between price of primary and processed product) The same comments applied as in respect of the technique in sub-paragraph 4; furthermore the term "fair" could not be defined.

37. The limitation of export aids by means of minimum prices on international markets was discussed. A minimum price system, defined as a commitment by certain countries not to offer or import below a certain price, was stated to have the following advantages: under certain conditions it could prevent or eliminate the instability, irregularity and abnormality of prices; it would provide a guarantee against their decline and, if accompanied by maximum price provisions, against undue increases; it allowed a limitation of expenditure on export subsidies; it could be presented to producers and exporters in a politically clear fashion; it protected exporters against the monopolistic position of one or two among them; it could be applied, administered and implemented more easily than other techniques, and also by centrally-trading countries; it increased the receipt of exporters; it could allow importing countries to relax their methods of protection against certain practices; it would not require commitments on countries' production policies; nor would it require a definition of export aids.

38. The following difficulties or problems were mentioned: a minimum price set a limit to the free play of genuine competition; the problem of dealing with
sales on credit; the problem of implementing and supervising the observance of prices, in particular where trade was in private hands; the problem of quality differences; the adaptation of the minimum price to changing market situations.

39. It was also pointed out that it might be difficult to negotiate and agree on price levels that would be satisfactory as regards, for instance, their effect on production. The point was made that a minimum price system might not be effective without provisions for supply management, and that it was therefore incorrect to assume that a minimum price system would never impinge on production policies. The suggestion was made that, in addition, provisions for the disposal of surpluses might be required.

40. The question was raised whether a minimum price should be the responsibility of exporting or of importing countries. The observation was made that in either case the co-operation of importers was desirable.

41. Examples were given of bilateral, plurilateral (between an importer and several suppliers) and multilateral minimum price arrangements. A member expressed the view that bilateral minimum price arrangements might raise problems of equity and were thus inadvisable and, for the same reasons, unilateral arrangements were undesirable. An arrangement enforced at the importing end was not necessarily multilateral, nor necessarily tied to export subsidies. It might be bilaterally negotiated with each exporter, and possibly include provisions for sanctions for non-observance; it is then up to the exporter to decide whether to enter into a commitment. The problem of non-participating competitors could be solved by the importer refusing shipments at below the minimum, or resorting to quantitative restrictions or levies; such action might lead to justified complaints by the non-participating suppliers against being subjected to charges without their consent. If the price were enforced only by the exporters, the agreement could be effective only if all exporters participated and patently observed the minimum. This system had the relative advantage of easier control. In his view, the value of a minimum price arrangement would depend on how multilateral it was and on the extent to which it was linked to export subsidies.
42. The question of possible product coverage of minimum price arrangements was raised. The comment was made that whether all or only certain selected products should be brought under such arrangements was a matter for the negotiations themselves, but that experience showed that export aids constituted a real problem only for some major products traded.

Indirect techniques for limiting or eliminating export aids (section 1, paragraphs 6-2)¹

43. The Group’s discussion of various indirect techniques mainly dealt with three groups of possible approaches; modification or new implementation of Article XVI; developing a procedure for consultation and/or arbitration, and establishing provisions for steps to be taken in order to strengthen the observance of the rules.

Amendments to Article XVI (section 1, paragraph 7)

44. A number of representatives found that, in principle, most of the observations made with regard to direct techniques for limiting export aids also applied to indirect techniques. It was mentioned that direct techniques might be easier to control than the indirect ones suggested. The view was expressed that the latter had qualitative rather than quantitative effects and thus were less precise. A member stated, that, in any case, he preferred techniques of direct elimination of export aids.

45. Some delegations felt that any modification of Article XVI would essentially mean giving possible commitments a legal form. A preference was expressed for the establishment of more complete interpretative notes rather than changes to the Article itself. This would necessitate the development of criteria and an agreement on a basis for action. Another member stressed the need for a better balance in the General Agreement, in particular by bringing primary products under the provisions of Article XVI:4. Such modifications could be subject to negotiations, and not merely a result of these.

¹See also L/3472 Annex I, paragraphs 19 to 40.
46. **Sub-paragraph (1) (Notification of export aids under the procedures of Article XVI)**  
Sub-paragraph (2) (Definition of export aids) The Group agreed to leave aside, for the time being, the matters included in sub-paragraphs (1) and (2) of paragraph 7, for consideration at a later stage.

47. **Sub-paragraph (3) (More precise criterion for determining injury)** It was stated that it would be difficult to define the equitable share, which ought to be based on commercial criteria. This definition would most likely be rather subjective, and would have to be based on biased historical data.

48. A representative suggested as an alternative criterion that a country should be allowed to apply export assistance only if this were linked to various internal measures taken simultaneously in order to limit domestic supplies, for instance by reducing prices to producers. This could help to stabilize the world market through the price mechanism, as internal demand would be encouraged by the lower prices, instead of stabilizing the domestic market through subsidized exports, to the detriment of stability in the world market. The advantages of adopting such a technique would be that it would prevent a contracting party from using export aids to increase its share in the world market, it would be an incentive to reduce export aids and it would place a multilateral restraint on such aid. One disadvantage of such a technique would be the need to establish new machinery, for instance similar to that for balance-of-payments consultations, one of whose tasks might need to be to assess the effectiveness of a country's supply controls. Another member pointed to the political disadvantage of this technique, as it would affect the whole field of agricultural support and not merely export subsidies.

49. In the view of another delegation, to permit export assistance to be given on certain conditions would constitute a privilege to very rich countries which can afford to buy out farmers, or to pay them for not producing and at the same time also to disburse export subsidies on the remaining production. It might, however, be worthwhile to consider further a possible link between export assistance and consumers' subsidies aimed at expanding domestic consumption.
Several members reiterated an idea discussed on earlier occasions that a more precise criterion for determining injury should be extended so as to cover specifically the prevention of injury to countries that did not grant export aids.

50. **Sub-paragraph (4) (More precise definition of "previous representative period")** The opinion was expressed in the Group that a "previous representative period" would have to be defined as a recent period of several years, but the period might vary according to the product. A member said it was important not to freeze the patterns, and it would be necessary to give greater precision to Article XVI on this matter.

51. **Sub-paragraph (5) (Application of Article XVI to primary products)** Several members reiterated a suggestion discussed earlier, namely to bring primary products under the provisions of Article XVI:4, and considered that this in itself could be an objective of future negotiations.

52. **Sub-paragraph (6) (Provisions to prevent injury)** A member suggested that establishment of a standing committee for the examination of particular cases. He also suggested that the imposition of countervailing duties be made mandatory in order to prevent injury to the interests of a supplying country which did not subsidize its exports.

53. A member recalled earlier discussion of the term "harmful effects" in Article XVI:2, and suggested that further consideration be given to the question of a more precise definition of this term.

**Notification, consultation and arbitration procedures (Section 1, paragraph 8)**

54. Some members considered it premature at the present stage to go into detail on questions relating to procedures of notification, consultation or arbitration. A member drew attention to the fact that if any kind of minimum price arrangement were to be agreed upon, this might necessitate the setting up of an appropriate
policing body. The view was expressed that notification was a relatively weak technique for eliminating or reducing export aids, while consultation was useful to the extent it lead countries to respond to requests. The suggestion was made that it might be useful to have a consultation procedure similar to that laid down in Article XII which, in the past, had proved to be an efficient instrument for maintaining respect for the General Agreement.

55. A member of the Group proposed that in the further consideration of notification and consultation procedures, attention should also be given to the matter of establishing arbitration rules.

Provisions designed to strengthen the observance of rules to be negotiated (Section 1, paragraph 9)

56. Sub-paragraph (1) (Application of countervailing duties) As to measures designed to strengthen the observance of the rules to be negotiated, one delegation said that the General Agreement contained adequate provision for imposing countervailing duties on subsidized exports. This could allow a number of financial assistance practices to be brought under review and possibly under control. A disadvantage would be that one perhaps embarked upon a wider spectrum of control before the various types of support had been defined.

57. Sub-paragraph (2) (Use of compensatory measures where a third country benefits from export aid) A delegation recalled the suggestion to make resort to countervailing duties mandatory, either under Article XVI or under Article VI. This could include the right or obligation of an importing country to impose a countervailing duty in order to prevent injury in this market to exports from a country that did not subsidize exports. The advantage of this technique would be that it provided a legal remedy to limit the use of export aids. However, it would be a difficult matter to negotiate, and the number of countries that would co-operate might be limited.

58. One delegation suggested that instead of imposing a compensatory measure in cases where export assistance by one exporter causes damage to a competitor, a group of countries could co-operate and guarantee to keep at least their own customs territories free of subsidized competition from outside. Such a technique
was not thought to require any amendments to the General Agreement and if an agreement of this kind resulted in imposing countervailing duties, this would have to be done in accordance with the provisions of Article VI. Some delegates felt that this technique might tend to undermine and weaken the importance of the injury criteria, both in relation to countervailing and probably, by implication, in the anti-dumping field. In reply, a member mentioned the possibility of removing entirely the injury requirement from the countervailing duty provisions in the General Agreement; he considered that it was important to distinguish between compensatory measures, which were applied to a particular product, and general retaliation measures.

List of Practices (Annex to Section 1)

There was some additional discussion on the list of practices. Some members underlined that, in view of the fact that many practices other than just export subsidies and restrictions had an effect on world prices, all those in the list should be dealt with. The possibility of adding to the list should be kept open.

Other members pointed out that the list had originally been drawn up to serve as a basis for a notification procedure; the list was not a judgment as to whether or not a practice was covered by Article XVI nor as to what its effects on exports might be. It was open-ended. Each delegation would have its own view on the negotiability of individual items.

It was noted that to the extent that the list involved problems of a more general nature, these could be discussed later and in the appropriate form. The point was also made that the list provided a useful check, and that all items should be considered in relation to the various techniques. It was suggested that future discussions and negotiations should be based on it.

Examination of techniques and modalities for negotiations on tariffs, variable levies and other special charges (Section 2)

Tariffs as sole or predominant means of protection (Section 2, paragraph 3)

The Working Group noted that no discussion had so far taken place in the Agriculture Committee on possible techniques for negotiation on tariffs. Several members expressed the view that negotiations in agriculture on
tariffs alone had little meaning, and would thus need to be accompanied by negotiations on other measures. Some members considered that none of the techniques represented a useful approach by themselves, although some of the techniques might be acceptable as part of a broader package. It was also pointed out that it might prove difficult to find sectors where tariffs were the sole or predominant means of protection in a number of participating countries. Some members pointed out however that there did exist some sectors of agricultural trade where either access or producer returns could be improved by tariff reduction.

63. Sub-paragraph 3.1 (Elimination of all tariffs) A member observed that tariffs could be eliminated only in a sector where they were the sole or predominant protective device; although elimination had the advantage of simplicity, it had the disadvantage of throwing the burden of protection on non-tariff barriers and providing an incentive to use these. In his view it would, on the contrary, be desirable to replace non-tariff barriers by moderate, fixed but negotiable tariffs.

64. The suggestion was made that if tariffs were to be eliminated, priority might be given to those on commodities originating exclusively in developing countries.

65. Sub-paragraph 3.2 (Linear reduction) There was wide consensus in the Group that linear reduction or any other approach involving a uniform automatic formula might not be an appropriate technique for negotiations on agriculture. While linearity had the advantage of simplicity, it depended on agreement being reached on the uniform percentage of reduction. However, products differed in their sensitivity, their competitiveness and in their importance to individual countries, and this would raise problems of equity and reciprocity. The point was also made that reductions in tariffs would need to be accompanied by an assurance that they would not be nullified by the erection of other barriers.

66. A member questioned whether there was an essential difference between a uniform percentage reduction in tariffs and a uniform percentage reduction in export aids. Tariffs were a means of protection recognized in the GATT which had acquired considerable experience in the conduct of negotiations; and the problem of reduction of high versus low duties had been discussed in earlier negotiations. While possible rules agreed in the past had been worked out essentially for industrial products and might thus not be directly applicable to agricultural negotiations, one might still draw guidance from past experience.
67. Several members stressed that reductions in tariffs were valuable concessions, but would probably have to be arrived at product-by-product according to the more traditional method of offers and requests and subsequent multilateralization.

68. It was suggested that all tariffs and charges should be substantially reduced on primary commodities, including processed and semi-processed, which have a large share in the trade of developing countries, and in respect of which these countries have demonstrated a large measure of competitiveness or have significant potential exporting interest. Alternatively, all products falling within BTN chapters 1 to 24, and processed and semi-processed primary products in BTN chapters 25 to 99, should be included in the Generalized System of Preferences. Either system should be based on preferential adjustments to trade barriers in favour of developing countries with a view to allocation of a defined proportionate share of domestic consumption of such products in the markets of developed countries to imports from developing countries. The point was also made that such a system could directly benefit exports of developing countries and could be in the interest of liberalizing countries.

69. Sub-paragraph 3.3 (Elimination of low, reduction of other tariffs) It was pointed out that this technique had the disadvantages inherent in a uniform approach. Moreover, it involved larger sacrifices by those who had low duties which in spite of their low ad valorem equivalence might make a large difference in protective effect, especially where preferential suppliers existed. A member added that if circumstances in a country were such that elimination could be pursued, this was all to the good.

70. Sub-paragraph 3.4 (Downward harmonization of tariffs) This technique was also considered to suffer from the disadvantages common to automatic reductions. A member expressed the view that harmonization did not make sense economically because it ignored the relative efficiencies of countries and therefore the reasons why they protected themselves. It might make sense politically, if high-tariff countries can be induced to lower their duties. Another member added that the advantage of harmonization might be more apparent than real; tariffs with the same nominal level may differ in their effects.

71. Another form of harmonization suggested was the elimination of differential treatment between primary products in their natural, processed and semi-processed forms, which would be of particular interest to developing countries.

72. Sub-paragraph 3.5 (Tariff quotas) A member wondered whether a country with a high tariff would find tariff quotas (including tariff-free quotas) more appealing as a commitment than the reduction of high duties. He considered that tariff quotas had the disadvantage of being hard to administer; they raised
problems of who should benefit, of allocation or globality, of opportunity of access for distant suppliers, and of timing of supplies. He saw no reason to favour them as a negotiating technique, but thought them worthy of consideration if someone were to offer them.

73. Other members considered that tariff quotas were a valuable concession as they increased revenue to exporters. Their value would depend on the relative levels of the duty and on the size of the quotas; it would be enhanced if an automatic expansion formula applied to the latter. Some members also stated that preferential tariff quotas for developing countries might be a way of meeting the interests of these countries.

74. Sub-paragraph 3.6 (Time schedule) It was considered that the application of a time schedule would depend on the particular negotiating situation. If reductions were to be large, it would probably be helpful if they could take place over time. If they were small, there might be no need for staging.

75. Some members expressed the view that if reduction or elimination were to be carried out in stages, tariffs on imports from developing countries might be reduced or eliminated in advance of others, or at a faster rate, on a non-reciprocal or preferential basis.

Tariffs in conjunction with other frontier measures (Section 2, paragraph 4)

76. Several members felt that as cases where tariffs coexisted with other frontier measures were more frequent than those where tariffs represented the sole means of protection, this area offered more scope for possible techniques. A member pointed out that in many instances tariffs were applied in conjunction not only with other frontier measures, but also with domestic policy measures, such as deficiency payments; in examining techniques in this area one should therefore also bear in mind the relation with domestic measures.

77. Another member pointed out that the problem of how to treat different measures or combinations of different measures in an acceptable way would be simplified if all forms of protection were replaced by tariffs. The problem would then be reduced to agreeing on what should be done on tariffs in general, and what action should be taken in respect of the trade of developing
countries. He thus saw the following advantages in replacing all other barriers by tariffs: it would simplify protection; it would give it a quantitative form, enabling it to be judged; it would leave the price mechanism as a decisive element for regulating imports; it would link all markets together into a single system; and it would make action in favour of developing countries simpler. The disadvantages of the proposed system were that it would be difficult to accept as it would require a uniform outlook of all countries requiring protection and would not allow them to except any sector; a further disadvantage for a country that required protection would be that by participating in the system it also participated in the instability in world markets.