Introduction

1. At its meeting on 1 and 2 May 1972 the Working Group continued its examination of the techniques and modalities listed in working paper COM.AG/W/77. The Group addressed itself to paragraph 5 of Section 2 of the paper (variable levies), to Section 3 (quantitative restrictions) and to Section 4 (health and sanitary regulations, marketing standards and licensing).

Variable levies (Section 2, paragraph 5)

2. Suggested technique: Establish ad valorem equivalents of variable levies for base year by ascertaining, for each commodity, the average unit differential between domestic price and landed cost (c.i.f. plus any fixed duties and/or charges). For each commodity require that this ad valorem equivalent be reduced by, say 20 per cent for base year plus one, 40 per cent for base year plus two, etc. (paragraph 5(1)).

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1 The main points raised in the previous meeting are contained in document Spec(72)21.

2 A delegation which did not speak in the discussion on the advantages and disadvantages of the various techniques listed made its position known in the course of the general discussion regarding variable levies (see paragraphs 8 to 12).
Suggested advantages

(a) Would be consistent with freeing trade.
(b) Would bring domestic prices into line with world prices.
(c) Would encourage production by efficient producers.
(d) Would be of advantage to producers, and to consumers of the country which made the concession.
(e) Reduction and ultimate elimination of levy would relieve and ultimately remove uncertainty due to variability.
(f) Technique envisages removal of levy as protective device, while other techniques only put constraints on the system but allow it to continue.

Suggested disadvantages

(a) Difficult to calculate average unit differential between domestic price and landed cost; problems of weighting by volume of imports and by average height of levies; difficult to define domestic price.
(b) Added weighting problem if not all trade on most-favoured-nation basis, e.g. if some on preferential basis or under levy quotas or other exemptions.
(c) If levies are applied jointly with duties, would need to bind both the levy reduction and the duty, otherwise risk that latter might be raised.
(d) Technique has indirect effect on domestic prices of country giving concession and might thus introduce instability in its market (however, bringing domestic prices down to world prices is advantage to consumers).
(e) One should not entirely exclude variability of levies on products whose world prices very unstable.

(f) Technique implicitly recognizes levies as acceptable protective device.

Other points

(a) If world prices went up faster than domestic prices, the automatic reduction of the levy stipulated by the technique would be regarded as a commitment on a ceiling; there would be no need or obligation to charge higher levy than that required by the market situation.

(b) The "domestic price" foreseen in the technique could be the one normally used for calculating the height of the levy, and could vary from commodity to commodity. The "landed cost" would not necessarily be the world price; where there was no trade in a given commodity might need to calculate a theoretical landed cost based on notional world price.

(c) The technique could work without destroying the basic pillars of certain agricultural policy systems. Common prices can be maintained through deficiency payments. Free movement of goods does not depend on the existence of levies and can be maintained in markets which are protected only by fixed duties. Financing of an agricultural policy system can operate equally under fixed duty system or levy system, and receipts can come from fixed duties and internal taxation.

3. **Suggested technique:** Binding of the height of a levy to a maximum ad valorem incidence (paragraph 5(2)).
Suggested advantages

(a) Would clearly define conditions of access, and remove one element of uncertainty. Would give some stability of expectation of access by exporters.

(b) Would give exporters assurance that if gap widened between domestic and world price, there would be some effect on domestic price, depending on the height of the binding.

(c) Might put ceiling to, or act as a brake on, the rise in domestic prices and in amount of protection. Would bring international influence to bear on the latter, which so far has been exposed only to national and sectoral pressures.

Suggested disadvantages

(a) Does not necessarily result in assured or improved access (although this might depend on the level at which the levy were bound).

(b) If binding were at high level, no result in trade terms.

(c) As long as ceiling not in effect, there would still be variability. Therefore only partial technique from point of view of exporter, who would have to assess value of concession in terms of future market expectations, i.e. whether ceiling was likely to come into effect.

4. Suggested technique: levy-free quotas or quotas at reduced levies (paragraph 5(3)).

Suggested advantages

(a) Provides some access, but value of commitment would depend on size of quota and, if not levy-free, on level of remaining levy.

(b) Could be a means of preferential access for developing countries; quotas could be allotted to particular sources.
Suggested disadvantages

(a) Problems of allocation would require some administrative mechanism and unless quotas were sufficiently large, might outweigh advantages.

(b) Unless levy quotas were negotiated uniformly, i.e. if they became bilateral concessions to individual applicants, the value of the concessions would become increasingly unpredictable. An individual supplier's success in gaining access would depend on the failure of others to do so, unless suppliers negotiated among themselves on how to approach the country offering the quota.

5. **Suggested technique:** levy-free entry or entry at a reduced levy subject to observance of a minimum c.i.f. price by the supplying country (paragraph 5(4)).

Suggested advantages

(a) Might provide access, depending on level at which minimum price set and on market evaluation in long term.

(b) Would avoid disruptive competition from subsidized exports.

Suggested disadvantages

(a) If minimum price set too high, domestic production would be stimulated and possibly fill all demand to the detriment of imports.

(b) Might lead to higher prices for consumers and thus weaken demand.
(c) Might undermine the role of price in efficient resource allocation; would not provide appropriate incentive to lower-cost producers.

(d) Might lead to difficulties with most-favoured-nation principle, as non-participants to the scheme would be subjected to a levy or an import prohibition; the scheme would thus represent a form of conditioned most-favoured-nation clause.

(e) If prices were uniform, competition might have to take place on the basis of other factors, such as quality, but possibly also some that were less desirable, leading to risks of fraud.

(f) There might be problems of supervision and administration, in particular if not all major countries participated.

Other points

There was consensus that the technique should not be discarded because of possible administrative difficulties, which could probably be overcome.

6. Suggested technique: Differentiation of the height of levies according to each supplier's offer price (paragraph 5(5)).

Suggested advantages

(a) Allows the exporter to price his shipments so as to minimize the levy he attracts.

(b) Could have advantage in at least one particular instance, i.e. when an efficient, non-subsidizing exporter is being undercut by a subsidizing competitor, an "automatic countervailing duty system" enters into operation.
Suggested disadvantages

(a) Same disadvantage as levy system in general, in that it prevents foreign supplier from pricing competitively with domestic producer in importing country.

(b) As levy system in general, it penalizes low-cost efficient producer, who would still have to pay the highest levy.

(c) Would destroy the basis of price competition and remove ability of foreign producers to compete against each other; competition, if any, would be shifted to another basis.

Other points

(a) The technique is of negotiating value only on the assessment that a subsidizing situation would continue to prevail.

(b) Technique would have value if combined with other elements of negotiation.

7. Suggested technique: Administrative measures in the application of levies (e.g. lengthening the period of validity of a given height of levy) (paragraph 5(6)).

Suggested advantages

(a) Has theoretical attraction, in particular for distant suppliers, provided the periods were made sufficiently long.

(b) The longer the periods are made, the more the system would approach a tariff system and remove uncertainty.

Suggested disadvantages

(a) If the result during a given period is an increase in imports leading to a larger increase in the levy for the subsequent period than would otherwise have been the case, then the value of the lengthening of the period becomes neutralized.
(b) It is difficult to assess the value of the concession, which would partly depend on the height of the levy.

General discussion regarding variable levies

8. One representative pointed out that the proposed techniques were in general similar to those already used in GATT in negotiations on tariffs or quantitative restrictions; they could nevertheless not be applied satisfactorily to levies, which were a sui generis instrument. That characteristic of the levy was not disputed, since the techniques suggested were aimed at transforming them into a traditional instrument. He said that the root of the problem was in fact the system of the agricultural policy applied by a group of countries, and he explained why that policy had been introduced. Two objectives had been taken into account: the need to provide farmers with living conditions approximated more closely to those of other sectors of the economy and the need to stabilize the market. Of the different methods which might have been used, the one chosen had been a price policy. Measures at the frontier had to be of a kind that would allow imports to continue - they had in fact increased - and prevent world price instability from jeopardizing price policy. Resort to the traditional techniques (customs duties and quantitative restrictions), even if used simultaneously, would not have enabled the desired objective to be achieved or the earlier measures applied by individual countries in the group to be dismantled, since they would not have ensured the stability of the domestic market or made it possible to apply the policy of intervention which was a basic feature of price guarantees. Moreover, experience showed that the use of quantitative restrictions could have more harmful effects than the use of levies. Quotas, unless fixed at a level lower than that of real import requirements, would have interfered with the operation of the intervention system and with the working of price guarantees; the fixing of small quotas would have been a source of instability on the world market.
Consequently, the levy system had been preferred as a method of protecting domestic producers against international price instability and, in particular, artificially low prices. Levies constituted the only instrument at the frontier; their sole object was to bring the prices of the goods supplied into line with the prices guaranteed to domestic producers and to enable domestic and third country producers to compete on equal terms. As a principle and as an element in agricultural policy, they were an indispensable part of that policy and of its operation, and to bring them into question again would bring the policy itself into question.

In the techniques proposed in paragraph 5, two aspects of levies were envisaged, namely variability and height. There was a reference to certain variants and to partial methods, but, although a few exceptions to the levy system could be made, adjustments must not call in question basic principles, and it would hardly be wise at the present stage merely to look for partial techniques, when the proposed negotiations were to be of a far-reaching nature. The aim of some of the techniques was to lessen or eliminate the variability of levies. The variability was always adapted to the requirements of the internal stability mechanism and it was compatible with management of the market and existing business practices. For instance, in certain cases it had been possible to apply a pre-fixing system which lessened the variability and made it possible to avoid the quantitative limitation of imports. He emphasized the fact that levies were a link between a system of stable prices and the unstable prices on the world market; variability was a consequence of the instability of those prices. If the variability could be diminished, that would remove an element of uncertainty for trade.
So far as trade was concerned, if the levy remained unchanged for a certain time a rise in world prices would make imports dearer, to the disadvantage of exporters, while a fall in world prices would facilitate imports and lead to a further decrease, again to the disadvantage of exporters. In the importing countries, the rise in prices would represent an increase in the amount produced by the levies without that being necessary, but a fall in prices would have serious consequences; it would make increased intervention necessary, but the withdrawal of the goods would only be provisional and their reappearance on the market would accentuate the imbalance. Furthermore, the system of the free movement of goods within the member States would be endangered, contrary to the opinion expressed by one representative. If levies were stabilized, other measures would have to be used to guarantee the incomes of producers.

Since levies represented the difference between the world price and the domestic price, it would be necessary, in order to bring about a decrease in the absolute figure, either that world price should rise or that the domestic price should fall. The last-mentioned solution could not be examined during a discussion on measures at the frontier; the question was how, when and by what method the mechanism of levies should be envisaged.

9. Other members, commenting, said that if levies covered 20 per cent of the agricultural imports of the group of countries in question, while for the remaining 80 per cent customs duties seemed to satisfy its needs and its objectives, what were the criteria for selecting levies as the frontier measure? While they
accepted the objective of assuring satisfactory incomes to farmers, they also queried the choice of domestic price policy as the instrument towards its attainment. They considered that this choice, and the use of levies was probably not fixed for all time, because the list of products subject to levies was occasionally added to or, less frequently, subtracted from. The choice was therefore autonomous, except where it might possibly be influenced by negotiations. It was not the intention of these members to attack the system or the levies, but to find methods of negotiating them so as to obtain mutually acceptable results, of benefit to all. Some members expressed the view that adjustments in the levy system would not undermine the agricultural policy system as a whole.

10. The member to whom these comments were addressed explained that levies had been chosen for administrative and commercial reasons and, in particular, because of conditions prevailing in world markets. Thus, primary commodities whose world prices were unstable were subject to levies, which created the link between the stable market within the group of countries and the unstable world markets. Such a link was necessary in order to ensure equitable incomes to the agricultural population. To reach this objective, three means had been open: (a) an enlargement of outlets, which would have implied a substantial reduction in imports, or a significant increase in exports; (b) a direct transfer of incomes, not linked to production. One of the reasons that this means had not been chosen was that it had been felt that transfer payments should not be taken into consideration except as aids strictly limited in time for financial and fiscal reasons; (c) a price policy aimed at raising of producer prices or a lowering of the cost of the means of production which would be reflected in net
returns. He added that the price policy itself can operate only within strict limits to avoid the dangers of excessive costs of income supports or of disposals of surpluses. As regards possible adjustments to the levies, he said that if levies on a given product were cut, the result might be an influx of low priced imports which would have to be bought up by the intervention agencies, and the system would therefore have to be changed or it would break down for lack of funds. He went on to point out that a price policy together with a structure policy had already been envisaged at a conference that preceded the formation of the grouping he represented. Variable levies were a new instrument and traditional GATT negotiating techniques were thus inadequate in this respect. His delegation had been saying since 1964 that agriculture policies of different contracting parties formed one whole and it was vain to start negotiating policies by examining frontier measures. If agreement was reached on the principle of negotiating on domestic production policies, one would be negotiating on levies indirectly.
Examination of techniques and modalities for negotiation on quantitative restrictions (Section 3)

Techniques designed to achieve the abolition or progressive elimination of quantitative restrictions (Section 3, paragraph 4)

11. **Suggested technique**: Abolish all restrictions generally and replace them by customs duties, established at non-prohibitive levels (paragraph 4(1)).

**Suggested advantages**

(a) GATT generally prohibits use of quantitative restrictions for good reasons: a quota as a permanent measure isolates the market and reduces price competition or any other competition. In contrast, tariffs allow a linkage between the world market and domestic markets, lead to lower prices to consumers and favour greater consumption.

(b) The resulting customs duties could and should be progressively liberalized and bound in GATT.

(c) An advantage of particular value to developing countries could be derived by giving urgent consideration to priority elimination of quantitative restrictions on products of export interest to these countries and on products covered by the Generalized System of Preferences. The work of the Group on Residual Restrictions should be taken into account in determining products of export interest.

**Suggested disadvantages**

(a) It is difficult to calculate precise tariff equivalents of quantitative restrictions.

(b) In the same context, it is difficult to assess the likely trade results of replacement of quotas by tariffs, in particular where quotas have been in existence for a long time.
(c) The conversion into duties would have to be followed by negotiations for mutual concessions.

(d) The technique would not be applicable to countries where imports are not governed by price and market considerations.

12. **Suggested technique**: Abolish all illicit quantitative restrictions (paragraph 4(2)).

**Suggested advantages**

(a) This technique would bring situation into conformity with GATT.

(b) It would be one way of improving access to markets.

**Suggested disadvantages**

(a) The technique raises the question of which restrictions are or are not legal under GATT: some involve balance-of-payments problems, some are at present universally recognized as legal exceptions, others as inconsistent with GATT.

(b) Automatic elimination would not give reciprocity.

(c) If illicit restrictions are replaced by tariffs, what would be the status of these tariffs under GATT and, hence, the value of the concession? The difficulties under (b) and (c) may not be insuperable, but should be recognized.

(d) It is not useful to try to distinguish between legal and illegal restrictions; all quantitative restrictions should be examined and dealt with, irrespective of what their status might be.

(e) The technique is not very meaningful; instead, tighter criteria should be established for conditions under which restrictions would be permitted.

13. **Suggested technique**: Eliminate quantitative restrictions having insufficient economic justification (paragraph 4(3)).
Suggested advantages

(a) Would improve access to markets.
(b) Quotas which have not been fully utilized for a given period should be eliminated, in particular where products of interest to developing countries are concerned.
(c) In cases where developed countries claim that existing quantitative restrictions are used only to protect their own agriculture against products from other developed countries, these restrictions could be removed vis-à-vis developing countries on a preferential and priority basis.

Suggested disadvantages

(a) Difficult to determine in general what constitutes insufficient economic justification.
(b) The technique is not very meaningful; instead, tighter criteria should be established for conditions under which restrictions would be permitted.

14. Suggested technique: Eliminate all prohibitions (paragraph 4(4)).
Suggested advantage: Would improve access to markets.
Suggested disadvantage: Difficult to implement; some prohibitions are maintained on justifiable health grounds.

15. Suggested technique: Establish average duty equivalents of quotas by ascertaining for each commodity the average unit differential between domestic price and landed cost (c.i.f. plus any fixed duties and/or charges) for the base year; where this differential is greater than zero, the quota should be enlarged so as to reduce the differential by, say, 20 per cent for the base year plus one, 40 per cent for the base year plus two, and so on; (paragraph 4(5)).
Suggested advantages: The technique is related to technique 4(1) and has the same advantages (see paragraph 11 above).
Suggested disadvantages

(a) Same disadvantages as in paragraph 11 above.
(b) The calculation might be subject to a bias because the domestic price is already affected by the existence of the quota.

16. Suggested technique: negotiate formulae for automatic enlargement and negotiation of liberalization time-tables (paragraph 4(6)).

Suggested advantages:

(a) Provides flexibility of negotiating possible action product by product.
(b) As a transitional step towards complete elimination of quantitative restrictions, consideration could be given to an enlargement of quotas by a fixed annual percentage or according to an agreed time-table, possibly with provision for some flexibility. The increase could be related to consumption and should provide an increase in the share of developing countries in the markets for such products.

17. General points regarding the abolition or progressive elimination of quantitative restrictions. The point was raised that quantitative restrictions were a more effective instrument than tariffs, in that they could lead to a total or partial prohibition of imports. There was a built-in tendency to use quantitative restrictions beyond what was necessary for the protection of domestic prices and the agricultural sector as a whole. On the other hand, tariffs alone often proved inadequate to deal with subsidized exports.

18. Several members therefore considered that a link existed between the abolition or gradual elimination of quantitative restrictions and corresponding action on export aids. Some of these members felt that action on export aids might be a prerequisite to action on restrictions.
19. Various views were expressed on the merits and demerits of different import measures at the frontier as a protection against subsidized exports. Reference was made to tariffs, levies, quantitative restrictions, countervailing and anti-dumping duties. The view was expressed that a temporary surcharge might be an appropriate instrument if short-term protection was needed. It was noted that the task of the Working Group was not to establish the merits or demerits of individual measures but to examine the advantages and disadvantages of negotiating techniques for dealing with the measures.

20. A member pointed out that certain suggestions listed in paragraph 5 of Section 3 of the Working Paper as possible elements for incorporation in a code of principles should more properly be regarded as elements of direct negotiations. This applied in particular to problems of discrimination, including discrimination on the basis of country classification or of product differentiation (e.g. between chilled and frozen meat). Another member stressed that the elimination of discriminatory country classification was important for developing countries, and drew attention to the relevance of the recommendations of the Group of Three to this matter.

21. A member recognized that it was desirable to reduce or eliminate quantitative restrictions with a view to liberalization of world trade. He considered, however, that the fact should be noted that many countries still maintained quantitative restrictions and that, given this fact, quantitative restrictions were to be considered as one of the agricultural protection measures which were being applied as an integral part of agricultural production and price policies. He stressed that any formula to impose the elimination of quantitative restrictions within a limited period was far from being a realistic solution and that one should explore realistic solutions aiming at a steady expansion of agricultural trade. Other members on the other hand felt that setting a time-limit - for instance ten years - for the elimination of restrictions was not unreasonable.

22. Some members were of the opinion that for the purposes of the negotiations, so-called "voluntary" restraints should be assimilated to quantitative restrictions. One member said that the restrictions of that type had been introduced after negotiations. It was pointed out to him that it might perhaps be advantageous for them to be re-negotiated within a multilateral framework.
Techniques aimed at achieving the adoption of a code of principles to govern the administration of remaining restrictions (Section 3, paragraph 5)

23. General points. It was recalled that, at the appropriate time, the Agriculture Committee would have to review the applicability to the agricultural sector of any solutions evolved in the Committee on Trade in Industrial Products in respect of measures of general application. In particular, it would have to examine any results which emerge from the Groups on Licensing and on Standards and to consider whether modifications are necessary to make these results applicable to the agricultural sector (COM.AG/W/77, page 13 and COM.AG/24, page 5).

24. Suggested technique: Rules on the elimination of all discriminatory elements (paragraph 5(1)).

Points raised

(a) The rules would be intended to cover discrimination between outside suppliers.

(b) The elimination of discriminatory elements had been envisaged in the context of the Joint Working Group on Import Restrictions as one of a series of cumulative steps towards the ultimate elimination of restrictions and was one of the possible commitments to be taken pending complete elimination.

25. Suggested technique: Rules on the progressive globalization of all bilateral quotas (paragraph 5(2)).

Points raised

(a) The technique has aspects in common with the preceding technique.

(b) Because of possible problems relating to the position of "traditional suppliers", consideration should be given to whether the volume of the envisaged global quotas would merely correspond to the sum of the bilateral quotas, or be larger.
(c) Similarly, would the global quotas be open to the previous beneficiaries of bilateral quotas, or to all countries?

26. **Suggested technique:** Criteria for non-discriminatory administration of quotas (paragraph 5(3)).

**Points raised** The technique is similar to that in paragraph 23 above.

27. **Suggested technique:** Legalization of remaining restrictions under provisions of the General Agreement (paragraph 5(4)).

**Points raised**

(a) The technique would be difficult to implement as it would require either a change in GATT rules or a waiver procedure, which is itself a complex procedure.

(b) A waiver under Article XXV may not be necessary if the various countries concerned agree among themselves.

28. **Suggested technique:** Undertakings by exporting countries to observe ceiling levels (paragraph 5(5)).

**Points raised**

(a) This technique differs from others as it implies an obligation by suppliers.

(b) It might be considered as having a certain advantage as the exporting country has an interest to fill the quota and to have an assurance of access. If the exporting country administers the quota, it may be able to arrange for any benefits derived from the scarcity value of the quota to accrue to itself.

(c) Export quotas have merits and demerits, and it would be difficult to work out rules that would apply equally to import quotas, export quotas and voluntary restrictions, especially as the latter have already been negotiated and agreed between the trade partners concerned.
(d) Multilateral negotiations could be a means of inducing importing countries to increase the ceilings.

(e) The technique is not necessarily the same as voluntary restrictions. It could for instance also be considered as an element of an international stabilization arrangement.

(f) Developing countries should be free from any obligation to apply export restraints.

29. General points regarding the value of codes regarding quantitative restrictions

(a) Either the observance of existing GATT rules should be ensured, or, alternatively, a code could be drafted to cover present practices and provide rules to govern their continued application.

(b) The codes themselves could reinforce the existing rules of GATT or, alternatively, if they could contain new rules and thus represent a modification of existing GATT rules. However, codes should not be regarded as a first step; it would be better first to eliminate all restrictions that can be eliminated, and cover any remaining practices by a code so as to arrive at a comprehensive final agreement.

(c) The problem of existing GATT rules, in particular those in Article XIII, was not that they did not cover the various practices, but that they were not observed.
Examination of techniques and modalities for negotiations on health and sanitary regulations, marketing standards and licensing (Section 4)

30. The Working Group recognized the competence of specialized technical bodies in the field of health and sanitary regulations, but considered that GATT had a rôle to play as regards the trade aspects of such regulations, taking full account of the work done in those bodies.

31. The question was raised whether health and sanitary regulations were negotiable; if so, which would be the appropriate multilateral techniques. Some members considered that to the extent that these regulations were not intended for economic protection, they did not seem to be negotiable in the same sense as commercial measures. However, practical experience showed that they frequently were negotiated, generally on a bilateral basis, to ascertain if they were warranted, or could be eased. This proved that they were negotiable and, given the volume of trade covered, as indicated by the large number of notifications made to the Agriculture Committee, it was worth while further to explore whether they lent themselves to multilateral negotiations.

32. One member pointed out that the question had already been settled by the Agriculture Committee and that the task of the Working Group was to examine practical modalities for the negotiations. Furthermore, if the contracting parties reached the conclusion that health and sanitary regulations were not negotiable, taking into account the fact that some contracting parties applied a large number of such measures at the frontier, with substantial limitative effects on trade, then at the outcome of the negotiations a serious problem of overall reciprocity might arise vis-à-vis those countries.

33. Some members felt that it would be difficult to fit this area into comprehensive multilateral negotiations, in particular if governments were convinced that certain regulations were necessary for the protection of human, animal or plant health and therefore regarded them as non-negotiable. Regulations that were being used as a cloak for commercial restrictions should, however, be dealt with. A member said caution was necessary in dealing with health regulations so as not to limit their effectiveness.

34. Some members considered that regulations designed for the protection of health were not negotiable. The view was expressed that if they were appropriate and necessary the country concerned could not relinquish them. If they were
unjustified—should be abolished, but not by way of negotiation because this would imply that another country would be granting a concession to the first country for refraining from an arbitrary practice. A member considered that if the regulations, and the way they are administered, acted as an indirect protection of domestic products, they should not be negotiated but be dealt with under the existing procedures of GATT.

35. The point was made that some countries must maintain high standards of health and sanitation in order to safeguard their exports. This sometimes results in regulations that are more stringent than necessary, including cases where more than two countries are simultaneously involved. The example was given of country A which exports to country B but has to maintain more stringent standards than B would normally require, because B exports to country C whose regulations are particularly severe. There was therefore scope for multilateral discussion.

36. It was also pointed out that economic problems might arise if regulations to protect the environment were applied in some countries but not in others, or where they differed in severity. For instance, producers in a country which prohibited the use of certain pesticides might press for compensation, higher protection or export assistance. Such problems would become larger in time, and had multilateral implications.

37. As regards the form multilateral negotiations could take, it was suggested that in the first instance request lists concerning particular products might be presented, followed by bilateral or multilateral concessions. Some reciprocity might result from this approach.

38. As an alternative, it was further suggested that a code or a set of general guidelines might be drawn up, for the formulation and administration of regulations so as to reduce or eliminate as far as possible any harmful trade effects. It was suggested that the elements listed in paragraph 3 of Section 4 might be useful, and that the relevant principles of Article XX might be further elaborated; the experience of specialized technical bodies might also be drawn upon.
39. In this connexion it was suggested that a code might aim at the harmonization of regulations. While several members considered this desirable, some of them doubted that the concept of reciprocity was applicable to harmonization codes. It was, however, suggested that a degree of reciprocity might be attained in a code, as in a non-self-balancing sectoral approach, with the possibility of an overall balance being found across several sectors. The point was made that strict harmonization might be possible among countries in the same region and with similar economic and natural conditions, but that it would be difficult to achieve for all contracting parties the world over.

40. The point was made that the more liberalization took place on other non-tariff barriers, the more important it would be to have an internationally-agreed code on sanitary regulations, so as to prevent the liberalization being nullified by increased resort to alleged health measures.

41. Some members suggested that a code should be strengthened by an arbitration procedure, administered by a panel of independent experts. Others doubted that this approach was practicable, as governments would not be ready to delegate their right of decision in matters of public health to an outside body.

42. Several members favoured the establishment or strengthening of consultation procedures in this area. While most of these members considered that such procedures would in any case be desirable and necessary for the implementation of a code, certain members expressed a preference for consultation procedures above.

43. The point was also made that making health and sanitary regulations and the related administrative rules and procedures public and easily available, would be a step towards easier access to markets.