41. In accordance with the additional instructions given by the Committee, the Working Party has prepared some preliminary tabulations which are designed to clarify the implications of alternative techniques and modalities for tariff negotiations. These tabulations (which appear in document COM.IND/W/91 and Adds.1-9) will now be revised to take into account the updated material. The Working Party has recently been able to find a presentation of trade data which would make it possible to identify in the most precise and practical way the most-favoured-nation, and area or preferential trade flows. Certain additional tabulations illustrating further approaches for negotiation techniques which were proposed by some contracting parties will be discussed at a subsequent meeting of the Working Party.
46(a) The Committee discussed the possible preparation of a common list of priorities attached to dealing with the various categories of non-tariff measures. It was understood that, should such a list be agreed, it would not be exhaustive and it would be possible to add further items at a later stage.

46(b) Some delegations took the view that it was not within the competence of the Committee on Trade in Industrial Products to fix priorities for the negotiations, as this would be the task of the Trade Negotiations Committee when the latter was established. In any case it would be premature to decide on such a list at the present time; when the Inventory of Non-Tariff Measures was still in process of revision. These delegations, however, offered certain general principles which, in their view, should guide the Committee in its programme of work in the area of non-tariff measures; namely, that work should proceed on those subjects which seem to offer the best prospects for finding agreed solutions within the context of the multilateral trade negotiations, and those which appear from the Inventory to constitute the greatest obstacles to trade. Examples of non-tariff measures which conformed with these principles were those which were already under study in GATT and in the OECD. These delegations also suggested that the question of the abolition of the Protocol of Provisional Application be taken up in the multilateral trade negotiations.

46(c) The following subjects were proposed by different delegations for inclusion in the priority list: Export Subsidies including Domestic Subsidies that stimulate Exports and Subsidies that have Import Substitution Effects; Countervailing Duties; Anti-Dumping Duties; Government Procurement; Valuation for Customs Purposes; Import Documentation and Consular Formalities; Standards, including Packaging and Labelling; Quantitative Restrictions including Embargoes and Licensing Systems; Minimum Price Systems; Internal Taxes and Levies; Import Taxes; Prior Deposit Schemes; Restrictions concerning Credit and Foreign Currency; Sanitary and Health Regulations.

46(d) Other delegations stated that the eight categories which had already been considered by the existing Working Groups would provide a good basis from which to begin preparation of a common list of priorities. One delegation, while supporting this view, felt that this list was not necessarily an accurate reflection of country priorities, since the list comprised only those categories on which full agreement could be reached for inclusion in the work programme.
III. The sector approach

47. This technique calls for all factors affecting trade in specific sectors, including tariffs and non-tariff barriers, to be dealt with together within particular product groups (L/3756, paragraph 50).

48. One conception of the sector approach (COM.IND/W/109) was that it would be used to liberalize trade to the greatest extent possible on a most-favoured-nation basis in precisely defined and closely related groups of products which are significant in world trade and that it would complement other negotiating techniques for reducing or eliminating either tariff or non-tariff barriers. In defining a sector it would be important to make the sector broad enough to be meaningful but not so broad that it would be unmanageable. In broad terms, any commodities or product groups traded by a number of countries could be candidates for sector negotiations. Prime candidates were industries which could take account of economies of scale and a range of raw materials such as chemicals, aluminium, forest products, copper, lead and zinc, by way of illustration. In conducting the sector negotiations, contracting parties should have authority to abolish tariffs and deal effectively with non-tariff barriers, which was not discussed in detail.

49. Another possibility was that all industrial products would be divided into sector groupings, as had already been done in the tariff study, and techniques for negotiating on all factors affecting trade elaborated sector by sector (L/3756, paragraph 52).

50. It was suggested that as to the advantages of the sector approach, it would enhance the degree of trade liberalization by improving the prospects of:

(a) coming to grips with all major trade barriers, non-tariff barriers, as well as tariffs, within a sector;
(b) achieving a more efficient international allocation of resources; to the extent that it is applied to the resource sector, it would allow the geographical allocation of processing and fabricating facilities and value added on the basis of international comparative advantage;
(c) permitting greater progress towards freeing trade than would otherwise be possible; within each sector, the speed of trade liberalization could be tailored to the needs and peculiarities of individual sectors; the reduction in impact of tariffs and non-tariff barriers could in individual sectors be either faster or
slower than provided under general liberalization formulae; (d) dealing with the problems of tariff escalation, effective protection, tariff disparities, by including all stages of production; (e) achieving liberalization of trade in product groupings of particular export interest to developing countries (COM.IND/W/109).

51. Apart from the difficulty related to the definition of the sectors themselves, among the disadvantages in the view of some delegations were that it might create trade distortions and lead to an increased effective protection if barriers to trade in raw materials were reduced more than barriers to trade in the related finished products, and that there could also be a substitution problem with regard to other products for which liberalization would be slower. Problems would have to be identified at an early stage. It might also complicate the negotiations by posing problems in regard to the balance of concessions, since there might be a tendency to seek reciprocity within each sector. It was doubtful, in the view of some delegations, whether many such sectors could be found, but the aim should in any case be to achieve overall reciprocity. One important disadvantage of a political nature raised by this technique was that it might be more difficult to resist protectionist pressures in individual sectors if these were picked out for special treatment than if general rules were applied across the board. The sector approach might also be used to minimize rather than to maximize trade concessions.

52. Representatives of developing countries said that this technique was well suited to their needs, since their exports were concentrated in certain sectors and since it could lead to a liberalization of trade in products and sectors at present excluded from the Generalized System of Preferences and to the solution of problems of tariff escalation. These countries had a particular interest in exporting their raw materials in a more processed form (L/3756, paragraph 55). One of these representatives agreed with the advantages described in paragraph 50 above. He thought that in some cases less orthodox ways than the most-favoured-nation reductions should be envisaged. It was particularly attractive since it would allow them to decide both on the timing and the extent of the liberalization in order to protect the Generalized System of Preferences margins. This sector
approach in his view, might facilitate the evaluation of the benefits accrued to
developing countries. If the technique was adopted, there should be a selection
of products of interest to developing countries to be dealt with on a priority
basis; the whole range, or all stages, of the products should be included, and
within each sector some specific provisions should be devised for dealing with
the developing countries' problems. He further saw the technique as a com-
plementary one.