NEW CHAPTER ON TRADE AND DEVELOPMENT
ENTERS INTO FORCE DE FACTO

On 8 February, at the conclusion of a Special Session, the Contracting Parties took formal action to add a Part IV of the General Agreement, comprising three new Articles relating to the trade problems of the less-developed countries. Firstly, the representatives of the contracting parties signed a Final Act authenticating the text of these new Articles. Secondly, they opened for signature the Protocol which will give legal status to these amendments when it has been accepted by two thirds of the contracting parties; on 8 February the Protocol was signed by twenty-eight governments, and it is expected that other governments will accept it in the near future. Thirdly, the Contracting Parties adopted a Declaration providing for the de facto implementation of the new provisions until they enter into force de jure. They also set up appropriate institutional arrangements - a Committee on Trade and Development - to keep under review the implementation of the provisions of the new Chapter, which comprises Part IV of the Agreement. This Committee is holding its first meetings on 9 and 10 February.

The full text of the new Articles was published in press release GATT/910, dated 1 December 1964.

Scope of the New Chapter

The new Chapter is a result of a decision taken at a Ministerial meeting in May 1963, when the Ministers recognized that an adequate legal and institutional framework was needed for the efforts made in GATT to facilitate the expansion of the export trade of the less-developed countries. The new Chapter gives a contractual and legal basis for commitments on individual and joint action by contracting parties aimed at ensuring that less-developed countries can increasingly find from their participation in international trade and from the sustained growth of their export earnings, the means to raise standards of living and promote more rapid economic development. It may be stressed that what is involved here is not the adoption of recommendations but the acceptance of precisely defined legal commitments embodied in a formal treaty. It is significant that the Chapter is being established concurrently with the most ambitious series of trade negotiations ever undertaken in GATT.
Article XXXVI

The first of the three Articles which make up the new Chapter spells out the general principles and objectives which will govern the policies of the contracting parties in relation to the trade and economic development of the developing countries. The Article recognizes that rules governing international trade should be consistent with the need to promote rapid and sustained expansion of the export income of less-developed contracting parties. In this context, it stresses the importance both of favourable conditions of access to world markets for the primary products exported by developing countries and the need for ensuring stable, equitable and remunerative prices for such products. The Article equally emphasizes the importance of promoting the diversification of the economies of less-developed contracting parties through the opening of markets to their exports of processed and manufactured products. The Article also lays down the major principle that developed contracting parties should not expect reciprocity for commitments made by them in trade negotiations to reduce or remove tariffs and other barriers to the trade of less-developed contracting parties.

Article XXXVII

The second Article sets out certain undertakings by the developed and the developing countries in pursuance of the agreed principles and objectives. Except where compelling reasons make it impossible, developed countries agree not to increase barriers to exports of products of special interest to the less-developed countries and to give high priority to the reduction of existing barriers. The Kennedy Round will provide an opportunity in the field of tariff barriers to give effect to the latter. High priority is also to be given in any adjustments of fiscal policies to the reduction or elimination of fiscal taxes which hamper consumption of products exported by less-developed countries. A procedure for consultations has been provided to deal with any difficulties which may arise in the implementation of these commitments. This procedure which is an integral part of the commitments in the new Chapter is aimed at securing mutually satisfactory solutions for such difficulties on the basis of individual and joint action by contracting parties. In addition to reducing trade barriers the developed contracting parties also agree to give consideration to other measures aimed at expanding markets for exports from less-developed countries. For their part the developing countries agree to implement the provisions of the Article for the benefit of their mutual trade in so far as this is consistent with their individual development needs.

Article XXXVIII

The third Article provides for appropriate collaboration by contracting parties in promoting measures aimed at improving world markets for primary products, in facilitating a clearer understanding of export potential and market prospects for developing countries and in the action required to realize such export potential and prospects, as well as in furthering the expansion of the trade of less-developed countries through the international harmonizing and
adjustment of national policies and regulations and the provision of facilities for export promotion. The Contracting Parties will also collaborate with the U.N. institutions and other international agencies active in this field.

Committee on Trade and Development

The Committee on Trade and Development will take over the work done by GATT Committee III and the Action Committee. The Committee will be concerned both with reviewing practical progress in the removal of barriers and the development of other measures for expanding export earnings of developing countries.

An important part of the work of the new Committee will consist in the examination of proposals for the elaboration of new rules and procedures designed to meet the trading needs and problems of developing countries. Thus the Committee will consider and make submissions on proposals relating to the granting of preferences by industrialized countries to less-developed countries and by less-developed countries to other less-developed countries. It will also undertake a review of certain important Articles of the Agreement, namely Article XVIII which deals with the use of protective measures by less-developed countries to promote their economic development and Article XXIII which deals with procedures for settling disputes affecting the rights and obligations of contracting parties in the General Agreement.