The following is the text of a revision of Article XVIII of the General Agreement proposed by Australia, incorporating a model chapter dealing with the trade and development of the less-developed countries.

The text indicates the general structure of the revised Article XVIII which modifies to a certain extent the existing structure without however attempting a complete review of the text. It also makes provision for the position of the "middle countries" already referred to in paragraph 4(b) of the existing Article XVIII, in relation to the kind of measures to be listed in Section II of the revised text.

An explanatory key is attached to the proposed text showing the rearrangement of the existing Article XVIII.
REVISION OF ARTICLE XVIII TO INCORPORATE A MODEL CHAPTER
DEALING WITH TRADE AND DEVELOPMENT OF THE
LESS-DEVELOPED CONTRACTING PARTIES

Text Proposed by Australia

Article XVIII

I. Development of the economies and trade of less-developed contracting parties

1. Recalling that the basic objectives of this Agreement include the raising of standards of living and the progressive development of the economies of all contracting parties,

   And considering that the attainment of these objectives is particularly urgent for those contracting parties which are in an early stage of development and whose economies can support only low standards of living (which contracting parties are in this Article hereinafter referred to as "less-developed contracting parties"), the CONTRACTING PARTIES recognize that individual and concerted action by contracting parties to further the development of the economies and trade of the less-developed contracting parties is essential and that these contracting parties should enjoy additional facilities under this Agreement.

2. Accordingly, the CONTRACTING PARTIES agree that: [here would be inserted a series of agreed principles, e.g.]

   (a) there is need to promote rapid and sustained expansion of the export earnings of less-developed contracting parties.

II. Measures to assist less-developed contracting parties

3. The adoption of measures to give effect to the foregoing principles shall be a matter of conscious and purposeful effort on the part of contracting parties both individually and jointly.

4. Contracting parties having highly industrialized economies and trade structures shall: [here would be inserted a series of undertakings, e.g.]

   (a) accord high priority to the elimination and reduction of barriers to exports of particular interest to less-developed contracting parties.

5. Notwithstanding the provisions of Article I of this Agreement, contracting parties may, if the CONTRACTING PARTIES so approve and subject to such conditions as they may prescribe, accord preferential treatment to imports of products originating in less-developed contracting parties.
6. Contracting parties shall have regard to the trade interests of other contracting parties when applying any special measures permitted under this Article or under other provisions of this Agreement to meet particular problems.

7. Those contracting parties which are dependent upon a limited range of primary commodities for the major part of their export earnings but which are not less-developed contracting parties as defined in paragraph 1 shall endeavour, with due regard to their own development needs and policies, to apply to the maximum possible extent the obligations which other contracting parties accept under paragraph 4.

8. The CONTRACTING PARTIES recognize that it may be necessary for less-developed contracting parties, in order to implement programmes and policies of economic development designed to raise the general standard of living of their people, to take protective or other measures affecting imports, and that such measures are justified insofar as they facilitate the attainment of the objectives set out in paragraph 1 of this Article. The CONTRACTING PARTIES recognize further that less-developed contracting parties tend, when they are in rapid process of development, to experience balance-of-payments difficulties arising mainly from efforts to expand their internal markets as well as from instability in their terms of trade. They agree therefore that those contracting parties should enjoy the additional facilities provided in Section III of this Article to enable them:

(a) to maintain sufficient flexibility in their tariff structure to be able to grant the tariff protection required for the establishment or development of a particular industry;

(b) to apply quantitative restrictions or import surcharges for balance-of-payments purposes in a manner which takes full account of the continued high level of demand for imports likely to be generated by their programmes of economic development.

9. The CONTRACTING PARTIES further agree that there may be circumstances where no measure consistent with this Agreement, including the provisions of Section III of this Article, is practicable to permit a less-developed contracting party to grant the governmental assistance required to promote the establishment or development of particular industries with a view to raising the general standard of living of its people. Special procedures are laid down in Section IV of this Article to deal with those cases.

10. The CONTRACTING PARTIES further recognize that the export earnings of less-developed contracting parties which depend on the export of a small number of primary products may be seriously reduced by a decline in the sale of such commodities. Accordingly, when the exports of primary commodities by such a contracting party are seriously affected by measures taken by another contracting party, it may have to resort to the consultation provisions of Article XXII of this Agreement.
III. Duties and other trade regulations of less-developed contracting parties

11. If a less-developed contracting party considers it desirable, in order to promote the establishment or development of a particular industry with a view to raising the general standard of living of its people, to modify or withdraw a concession included in the appropriate Schedule annexed to this Agreement, it shall notify the CONTRACTING PARTIES to this effect and enter into negotiations with any contracting party with which such concession was initially negotiated, and with any other contracting party determined by the CONTRACTING PARTIES to have a substantial interest therein. If agreement is reached between such contracting parties, they shall be free to modify or withdraw concessions under the appropriate Schedules to this Agreement in order to give effect to such agreement, including any compensatory adjustments involved.

12. If agreement is not reached within sixty days after the notification provided for in paragraph 11 above, the contracting party which proposes to modify or withdraw the concession may refer the matter to the CONTRACTING PARTIES which shall promptly examine it. If they find that the contracting party which proposes to modify or withdraw the concession has made every reasonable effort to offer adequate compensation and reach an agreement, that contracting party shall be free to modify or withdraw the concession if at the same time it gives effect to the compensation offered.

13. In order to safeguard its external financial position and to ensure a level of reserves adequate for the implementation of its programme of economic development, a less-developed contracting party may, subject to the provision of paragraphs 14 to 21 of this Article, control the general level of its imports by restricting the quantity or value of merchandise permitted to be imported; Provided that the import restriction instituted, maintained or intensified, shall not exceed those necessary:

(a) to forestall the threat of, or to stop, a serious decline in its monetary reserves; or

(b) in the case of a less-developed contracting party with inadequate monetary reserves, to achieve a reasonable rate of increase in its reserves.

Due regard shall be paid in either case to any special factors which may be affecting the reserves, including, where special external credits or other resources are available to it, the need to provide for the appropriate use of such credits or resources.

14. In applying these restrictions, the contracting party may determine their incidence on imports of different products or classes of products in such a way as to give priority to the importation of those products which are more essential in the light of its policy of economic development; Provided that the restrictions are so applied as to avoid unnecessary damage to the commercial
or economic interests of any other contracting party and not to prevent unreasonably the importation of any description of goods in minimum commercial quantities the exclusion of which would impair regular channels of trade; and provided further that the restrictions are not so applied as to prevent the importation of commercial samples or to prevent compliance with patent, trademark, copyright or similar procedures.

15. In carrying out its domestic policies, the contracting party concerned shall pay due regard to the need for restoring equilibrium in its balance of payments on a sound and lasting basis and to the desirability of assuring an economic employment of productive resources. It shall progressively relax any restrictions applied under this Section as conditions improve, maintaining them only to the extent necessary under the terms of paragraph 13 of this Article and shall eliminate them when conditions no longer justify such maintenance; provided that no contracting party shall be required to withdraw or modify restrictions on the ground that a change in its development policy would render unnecessary the restrictions which it is applying under this Section.

16. Any contracting party applying new restrictions or raising the general level of its existing restrictions by a substantial intensification of the measures applied under this Section shall immediately after instituting or intensifying such restrictions (or, in circumstances in which prior consultation is practicable, before doing so) consult with the CONTRACTING PARTIES as to the nature of its balance-of-payments difficulties, alternative corrective measures which may be available, and the possible effect of the restrictions on the economies of other contracting parties. The consultations shall cover all basic elements in the trade and development problems of the less-developed contracting party concerned, including consideration of structural factors which may limit the possibility of expanding its exports or maximizing its export returns. The CONTRACTING PARTIES shall endeavour to devise and suggest remedial measures to overcome the problems identified in the course of such consultations.

17. Contracting parties applying restrictions under this Section shall enter into consultations of the type provided for in paragraph 16 above with the CONTRACTING PARTIES at intervals of approximately, but not less than, two years according to a programme to be drawn up each year by the CONTRACTING PARTIES; provided that no consultation under this sub-paragraph shall take place within two years after the conclusion of a consultation of a general nature under any other provision of this Section. In drawing up a programme of consultations under this paragraph, the CONTRACTING PARTIES shall make provision for early consultation with any less-developed contracting party which accedes to this Agreement and which, at the time of its accession, is applying restrictions.
18. The CONTRACTING PARTIES shall also invite any contracting party which is applying restrictions under this Section to enter into consultations with them at the request of any contracting party which can establish a prima facie case that the restrictions are inconsistent with the provisions of this Section or with those of Article XIII (subject to the provisions of Article XIV) and that its trade is adversely affected thereby. However, no such invitation shall be issued unless the CONTRACTING PARTIES have ascertained that direct discussions between the contracting parties concerned have not been successful.

19. If as a result of consultations with a contracting party under paragraphs 16, 17, or 18, the CONTRACTING PARTIES determine that the restrictions are being applied in a manner involving an inconsistency of a serious nature with the provisions of this Section or with those of Article XIII (subject to the provisions of Article XIV) and that serious damage to the trade of another contracting party is caused or threatened thereby, they shall recommend the withdrawal or modification of the restrictions.

20. In consultations under this Section, the CONTRACTING PARTIES shall have due regard to the factors referred to in paragraph 8 of this Article. Determinations under paragraph 19 shall be rendered expeditiously and, if possible, within sixty days of the initiation of the consultations.

21. A contracting party may apply, as an alternative or as an addition to import restrictions applied under this Section, import surcharges affecting products which are the subject of concessions included in the appropriate Schedule annexed to this Agreement. The application of such import surcharges shall, however, be subject to the conditions and procedures laid down in this Section in relation to the application of import restrictions.

IV. Additional facilities to enable less-developed contracting parties to promote their economic development

22. If a less-developed contracting party finds that governmental assistance is required to promote the establishment or development of a particular industry with a view to raising the general standard of living of its people, but that no measure consistent with the other provisions of this Agreement is practicable to achieve that objective, it may have recourse to the provisions and procedures set out in this Section.

23. The contracting party concerned shall notify the CONTRACTING PARTIES of the special difficulties which it meets in the achievement of the objective outlined in paragraph 22 of this Article and shall indicate the specific measure affecting imports which it proposes to introduce in order to remedy these difficulties. It shall not introduce that measure before the expiration of the time-limit laid down in paragraph 24 or 26, as the case may be, or if the measure affects
imports of a product which is the subject of a concession included in the appropriate schedule annexed to this Agreement, unless it has secured the concurrence of the CONTRACTING PARTIES in accordance with the provisions of paragraph 27; Provided that, if the industry receiving assistance has already started production, the contracting party may, after informing the CONTRACTING PARTIES, take such measures as may be necessary to prevent, during that period, imports of the product or products concerned from increasing substantially above a normal level.

24. If, within thirty days of the notification of the measure, the CONTRACTING PARTIES do not request the contracting party concerned to consult with them that contracting party shall be free to deviate from the relevant provisions of the other Articles of this Agreement to the extent necessary to apply the proposed measure.

25. If it is requested by the CONTRACTING PARTIES to do so, the contracting party concerned shall consult with them as to the purpose of the proposed measure, as to alternative measures which may be available under this Agreement, and as to the possible effect of the measure proposed on the commercial and economic interests of other contracting parties. If, as a result of such consultation, the CONTRACTING PARTIES agree that there is no measure consistent with the other provisions of this Agreement which is practicable in order to achieve the objective outlined in paragraph 22 of this Article, and concur in the proposed measure, the contracting party concerned shall be released from its obligations under the relevant provisions of the other Articles of this Agreement to the extent necessary to apply that measure.

26. If, within ninety days after the date of the notification of the proposed measure under paragraph 25 of this Article, the CONTRACTING PARTIES have not concurred in such measure the contracting party concerned may introduce the measure proposed after informing the CONTRACTING PARTIES;

27. If the proposed measure affects a product which is the subject of a concession included in the appropriate Schedule annexed to this Agreement, the contracting party shall enter into consultations with any other contracting party with which the concession was initially negotiated, and with any other contracting party determined by the CONTRACTING PARTIES to have a substantial interest therein. The CONTRACTING PARTIES shall concur in the measure if they agree that there is no measure consistent with the other provisions of this Agreement which is practicable in order to achieve the objective set forth in paragraph 22 of this Article, and if they are satisfied:
that agreement has been reached with such other contracting parties as a result of the consultations referred to above, or

if no such agreement has been reached within sixty days after notification provided for in paragraph 23 has been received by the CONTRACTING PARTIES, that the contracting party having recourse to this Section, has made all reasonable efforts to reach an agreement and that the interests of other contracting parties are adequately safeguarded.

The contracting party having recourse to this Section shall thereupon be released from its obligations under the relevant provisions of the other Articles of this Agreement to the extent necessary to permit it to apply the measure.

28. Nothing in the preceding paragraphs of this Section shall authorize any deviation from the provisions of Articles I, II, and XIII of this Agreement. The provisos to paragraph 14 of this Article shall also be applicable to any restriction under this Section.

V. The application of the provisions of Section IV to other contracting parties in the process of development

29. A contracting party which is not a less-developed contracting party but the economy of which is nevertheless still in the process of development and which is dependent in large measure on a relatively small number of primary commodities for its export earnings desiring, in the interest of the development of its economy, to introduce a measure of the type described in paragraph 22 of this Article in respect of the establishment or development of a particular industry may apply to the CONTRACTING PARTIES for approval of such measure. The CONTRACTING PARTIES shall promptly consult with such contracting party and shall, in making their decision, be guided by the considerations set out in paragraph 25 of this Article. If the CONTRACTING PARTIES concur in the proposed measure the contracting party concerned shall be released from its obligations under the relevant provisions of the other Articles of this Agreement to the extent necessary to permit it to apply the measure. If the proposed measure affects a product which is the subject of a concession included in the appropriate Schedule annexed to this Agreement, the provisions of paragraph 27 shall apply. Any measure applied under this paragraph shall comply with the provisions of paragraph 28 of this Article.

30. A contracting party to which the provisions of the preceding paragraph apply may have resort to the consultation provisions of Article XXII of this Agreement when the exports of primary commodities by such contracting party are seriously affected by measures taken by another contracting party.
VI. **Joint action by contracting parties**

31. The CONTRACTING PARTIES shall review annually all measures applied pursuant to the provisions of Sections IV and V of this Article.

32. The contracting parties agree to collaborate jointly within the framework of this Agreement and elsewhere to further the objectives and carry out the principles in Section I of this Article. In particular, the contracting parties agree:

(a) that appropriate international arrangements be made to improve conditions of access to markets of primary products and to ensure economically remunerative and more stable prices for exports of such products; /here would be inserted other provisions for joint action/.

VII. /Appropriate provisions regarding preferences and regional agreements for economic development might be inserted/
EXPLANATORY KEY TO AUSTRALIAN TEXT

The following key is designed to explain the manner in which the existing Article XVIII of the General Agreement has been accommodated in the proposed Article XVIII incorporating the chapter on trade and development.

<table>
<thead>
<tr>
<th>Provisions of existing Article XVIII</th>
<th>Corresponding provisions of proposed Article XVIII</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Para. 1</td>
<td>-</td>
<td>Covered in para. 1 of new text.</td>
</tr>
<tr>
<td>Para. 2</td>
<td>Para. 8</td>
<td>Minor drafting changes with added provision for the use of import surcharges (see also para. 21 of new text).</td>
</tr>
<tr>
<td>Para. 3</td>
<td>Para. 9</td>
<td>First sentence of existing para. 3 deleted, also the reference to Section D.</td>
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<tr>
<td>Para. 4</td>
<td>-</td>
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<tr>
<td>Para. 5</td>
<td>Paras. 10 and 30</td>
<td></td>
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<tr>
<td>Para. 6</td>
<td>Para. 31</td>
<td></td>
</tr>
<tr>
<td>Para. 7(a)</td>
<td>Para. 11</td>
<td>The words 'or development' have been added, c.f. Note 2 to paras. 1 and 4 ad Article XVIII, Annex I.</td>
</tr>
<tr>
<td>Para. 7(b)</td>
<td>Para. 12</td>
<td>The new text recognizes that less-developed countries may not be able to offer adequate compensation and it deletes the provision for the retaliatory withdrawal of equivalent concessions.</td>
</tr>
<tr>
<td>Para. 8</td>
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<td>Minor drafting changes with added provision for the use of import surcharges (see also para. 21 of new text).</td>
</tr>
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<td>Paras. 9 to 11</td>
<td>Paras. 13 to 15</td>
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<tr>
<td>Para. 12(a)</td>
<td>Para. 16</td>
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<td>Para. 12(b)</td>
<td>Para. 17</td>
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<td>Para. 12(c)</td>
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<td>Para. 12(d)</td>
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<td>Para. 12(e)</td>
<td>Para. 20</td>
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<td>Paras. 13 to 18</td>
<td>Paras. 22 to 27</td>
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<td>Para. 20</td>
<td>Para. 23</td>
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The content of para. V(d) of Spec(63)316/Rev.1 has also been incorporated.

The first sentence of existing para. 12(b) has been amended since the programme of consultations with less-developed countries has now commenced.

By placing existing para. 12(d) ahead of para. 12(c), i.e. in new para. 18, the new para. 19 serves as the replacement of both para. 12(c) and the last two sentences of para. 12(d). The new para. 19 also takes the consultation procedures to the point of recommendation by the CONTRACTING PARTIES but as in new para. 12 the possibility of retaliatory action has not been retained.

Omitted consequent upon the deletion of the last part of existing para. 12(d).

Existing para. 19 is felt to be redundant in view of the addition of the words 'or development' in new paras. 11 and 22.
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<tbody>
<tr>
<td>Para. 21</td>
<td>-</td>
<td>Deleted consistently with the deletion of other provisions for retaliatory action.</td>
</tr>
<tr>
<td>Para. 22</td>
<td>Para. 29</td>
<td>The criterion of substantial dependence on exports of primary products has been added, c.f. existing para. 5 and Note 2, para. 4 ad Article XXVIII, Annex I.</td>
</tr>
<tr>
<td>Para. 23</td>
<td>Para. 31</td>
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</tbody>
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