Committee on the Legal and Institutional Framework of GATT in Relation to Less-Developed Countries

DRAFT CHAPTER ON TRADE AND DEVELOPMENT

1. The contracting parties,

(a) recalling that the basic objectives of the General 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 less-developed contracting parties;

(b) considering that export earnings of the less-developed contracting parties can play a vital part in their economic development and that the extent of this contribution depends on the volume of their exports, the prices received for these exports, and the prices paid by the less-developed contracting parties for essential imports or having due regard for the import purchasing power of the commodities exported;

(c) recognizing that individual and joint action is essential to further the development of the economies of less-developed contracting parties, in order to bring about a rapid advance in the standards of living of these countries so as to raise their standards of living as quickly as possible towards the attainment of the levels of the more-developed contracting parties; or so as to reduce the gap between their standards of living and those of the more-developed contracting parties;

The words in square brackets in this draft represent areas of disagreement. When a contracting party is specifically mentioned in a footnote, this means that the contracting party concerned was the only member of the Committee to reserve its position or to propose the retention or deletion, as the case may be, of the words in question.
(d) recognizing that international trade as a means of achieving economic and social advancement should be governed by such rules and procedures as are consistent with the objectives referred to in this Chapter and should not be hampered by measures incompatible therewith or with such rules and procedures/;

Ad paragraph 1

Acceptance of this Chapter constitutes acceptance of the objectives set forth in amended Article I, set forth in Section A of paragraph 1 of the Protocol of 10 March 1955 Amending Part I and Articles XXIX and XXX of the General Agreement on Tariffs and Trade, even though the amendment provided for in such Section A shall not yet have become effective.

agree as follows:

I. PRINCIPLES AND OBJECTIVES

2 (a) there is need for a rapid and sustained expansion of the export earnings of the less-developed contracting parties;

(b) there is need for positive efforts designed to ensure that less-developed contracting parties secure a share in the growth in international trade commensurate with the needs of their economic development;

(c) given the continued dependence of many less-developed contracting parties on the exportation of a limited range of primary products, there is need to provide in the largest possible measure more favourable access to markets for these products, and wherever appropriate to devise measures designed to stabilize and improve conditions of world markets in these products, including in particular the attainment of stable, equitable and remunerative prices, thus permitting an expansion of world trade and demand and a dynamic and steady growth of the real export earnings of these countries so as to provide them with expanding resources for their economic development;

(d) the rapid expansion of the economies of the less-developed contracting parties will be facilitated by a diversification of the structure of their economies and the avoidance of an excessive dependence on the export of primary products; there is, therefore, need for increased access in the largest possible measure to markets under favourable conditions for processed and manufactured products currently or potentially of particular export interest to less-developed contracting parties;
Ad paragraph (d)

A diversification programme would generally include the intensification of activities for the processing of primary products and the development of manufacturing industries, taking into account the situation of the particular country and the world outlook for production and consumption of different commodities.

(e) because of the chronic deficiency in the export proceeds and other foreign exchange earnings of less-developed contracting parties, there are important inter-relationships between trade and financial assistance to development which require close and continuing collaboration between the CONTRACTING PARTIES and the international lending agencies so that they can contribute most effectively to alleviating the burdens these developing contracting parties assume in the interest of their economic development;

(f) there is need for appropriate collaboration between the CONTRACTING PARTIES, other intergovernmental bodies whose activities are relevant in matters relating to trade and development and the organs and agencies of the United Nations system on behalf of the economic development of less-developed countries;¹

(g) there is need for the Agreement to provide to the less-developed, contracting parties flexibility in the application of its provisions to enable them to use special measures as may be necessary to promote their trade and development and to meet difficulties arising from a shortage of foreign exchange in relation to growing import needs associated with their economic development;

or

there is need for the Agreement to provide the flexibility in the application of its provisions to enable less-developed contracting parties to use such special measures as may be necessary to promote the trade and development of the less-developed countries and to meet the difficulties of such countries arising from a shortage of foreign exchange in relation to growing import needs associated with their economic development;

¹The Committee agreed to consider the precise language of the text of (f) at a later stage but agreed on the principle contained therein.
(h) /not to expect to receive reciprocity from the less-developed contracting parties/ or /not to expect to receive equivalence of concessions in trade negotiations from the less-developed contracting parties/ or /the developed contracting parties should not expect reciprocity for measures taken by them to reduce or remove tariffs and other barriers to the trade of developing contracting parties/.

Ad paragraph (h)

As the less-developed countries accept a measure of discipline in their commercial policies through their participation in the General Agreement, it is to be expected that reciprocity for tariff concessions would be expressed in the increased capacity to import, generated by such concessions, rather than through reciprocal concessions by the less-developed contracting parties. The effect of this increased capacity to import on the trade of individual developed contracting parties could be balanced through the exchange of concessions among the developed contracting parties concerned.

Ad paragraph (h)

This paragraph would apply in the event of action under Section A of Article XVIII-B, Article XXVIII, Article XXVIII bis (Article XXIX after the amendment set forth in Section A of paragraph 1 of the Protocol of 10 March 1955 Amending Part I and Articles XXIX and XXX of the General Agreement on Tariffs and Trade shall have become effective), Article XXXIII, or any other procedure under this Agreement.

(i) the adoption of measures to give effect to these principles and objectives shall be a matter of conscious and purposeful effort on the part of the contracting parties both individually and jointly who, for this purpose, should take into account the urgency of development needs of the individual less-developed contracting parties as well as measures already being applied by contracting parties individually or jointly toward meeting such needs.

II. COMMITMENTS

3. To give effect to the foregoing principles and objectives, the contracting parties undertake the following commitments:

A. the developed contracting parties shall:

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1As there was a difference of view as to where this paragraph should appear, it is also reproduced in paragraph 3(g) below.
(a) [to the fullest extent possible] accord high priority to the reduction and elimination of barriers to products currently or potentially of particular export interest to less-developed contracting parties, including tariffs and other restrictions which differentiate unreasonably between such products in their primary and in their processed forms;

Ad paragraph (a)

This paragraph would apply in the event of negotiations for reduction or elimination of tariffs or other restrictive regulations of commerce under Articles XXVIII, XXVIII bis (XXIX after the amendment set forth in Section A of paragraph 1 of the Protocol of 10 March 1955 Amending Part I and Articles XXIX and XXX of the General Agreement on Tariffs and Trade shall have become effective), and Article XXXIII, as well as in connexion with other action to effect such reduction or elimination which contracting parties may be able to undertake.

(b) [to the fullest extent possible] refrain from introducing, or increasing the incidence of, duties or other restrictive regulations of commerce on products currently or potentially of particular export interest to less-developed contracting parties;

Ad paragraph (b)

This paragraph would apply in the event that consideration were being given to special measures permitted under Article XII, Article XVIII bis, Article XIX, Article XXIV, Article XXVIII, or under any other procedure permitted by this Agreement.

(c) [to the fullest extent possible] refrain from imposing new fiscal measures and take steps to eliminate the existing fiscal measures which may hamper growth of consumption of products wholly or mainly produced in less-developed contracting parties and which are applied specifically to those products;

(d) make every effort, in cases where a government directly or indirectly determines the resale price of products wholly or mainly produced in less-developed contracting parties, to maintain trade margins at equitable levels;

(e) give active consideration to the adoption of other measures designed to provide greater scope for the development of imports from less-developed contracting parties and collaborate in appropriate international action to this end;

The EEC have a specific reservation on the inclusion of Article XXIV in this paragraph.

The EEC have a specific reservation on this paragraph.
Add paragraph (e)

The other measures referred to in this paragraph might include steps to promote domestic structural changes, to promote the consumption of particular products, or measures of trade assistance.

(f) have special regard to the trade interests of less-developed contracting parties when considering the application of other measures permitted under the General Agreement to meet particular problems and to explore all possibilities of constructive remedies before applying such measures where they would affect essential interests of those contracting parties;

(g)\(^1\) have not to expect to receive reciprocity from the less-developed contracting parties; or have not to expect to receive equivalence of concessions in trade negotiations from the less-developed contracting parties; or the developed contracting parties should not expect reciprocity for measures taken by them to reduce or remove tariffs and other barriers to the trade of developing contracting parties;

(h) preferences;

(i) without prejudice to the generality of the above provisions, in establishing and administering their agricultural policies, adjust and moderate protective measures and avoid restrictive measures in order to facilitate exports of agricultural products of particular interest to the less-developed contracting parties; or in formulating and implementing their domestic policies affecting trade in primary products, avoid measures which stimulate in their countries uneconomic production in such a way as to deprive developing countries of the opportunity to obtain a fair and reasonable share of world markets and market growth. Where existing levels of protection have adverse effects upon the trade and trade opportunities of developing countries, developed countries should aim to modify the form or reduce the aggregate of such protection.

\(^1\)If it is decided to place this paragraph here the interpretative notes at present reproduced under paragraph 2(h) of Section I would also appear here.
The less-developed contracting parties shall, in their commercial policies contribute to the expansion of world trade to the extent and in a form compatible with their current economic and financial needs, the nature of their economic and financial structures and their programmes for future development, bearing in mind the trade interests of other less-developed contracting parties. The less-developed contracting parties shall further devise other measures to promote the expansion of their trade with other less-developed contracting parties, seek outlets for their products in the markets of such contracting parties and strive to obtain from them the primary products and manufactures needed for their economic development.

B. the less-developed contracting parties also undertake the foregoing commitments to the largest extent possible, bearing in mind the trade interests of other less-developed contracting parties.

Those contracting parties, the economies of which are undergoing a process of industrialization and which are seeking to avoid an excessive dependence on a limited range of primary products for their export earnings or on primary production but which are not less-developed contracting parties, 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 Section IIA.

In the implementation of the commitments set forth in paragraph 3 above, contracting parties shall afford to any other contracting party or contracting parties full and prompt opportunity for consultations under the normal procedures of the General Agreement with respect to any matter or difficulty which may arise.

III. ARTICLE XVIII

A United States proposal (L/2136, p. 3) to amend Article XVIII to permit a less-developed contracting party to impose import surcharges in place of quantitative restrictions subject to certain criteria and procedures set forth elsewhere in the Agreement was accepted in principle by the Committee.

The Committee agreed to leave aside for the time being certain proposals, notably those of Australia, concerning possible amendments to the present Article XVIII. (See Annex II L/2195/Rev.1).

IV. JOINT ACTION IN RELATION TO ECONOMIC DEVELOPMENT

6. The contracting parties shall collaborate jointly, within the framework of this Agreement and elsewhere, as appropriate, to further the objectives set forth in this Chapter.
7. In particular, the CONTRACTING PARTIES shall:

(a) where appropriate, take action, including action through international arrangements, to improve conditions of access to markets for primary products of particular interest to less-developed contracting parties and to devise measures designed to stabilize and improve conditions of world markets in these products including the attainment of stable, equitable and remunerative prices for exports of such products;

(b) /preferences/;

(c) seek appropriate collaboration with the Conference and the Trade and Development Board of the United Nations and with other organs and agencies of the United Nations system in trade and development policy;

(d) collaborate in analyzing the development plans and policies of individual less-developed contracting parties and in examining trade and aid relationships with a view to devising concrete measures to promote the development of export potential and to facilitate access to export markets for the products of the industries thus developed. In this connexion they shall seek appropriate collaboration with governments and international organizations, and in particular with organizations having competence in relation to financial assistance for economic development, in systematic studies of trade and aid relationships in individual less-developed contracting parties aimed at obtaining a clear analysis of export potential, market prospects and any further action that may be required;

(e) keep under continuous review the development of world trade with special reference to the rate of growth of the trade of less-developed contracting parties and shall make such recommendations to contracting parties as may, in the circumstances, be deemed appropriate;

(f) collaborate in seeking feasible methods to expand trade for the purpose of economic development, through international harmonization and adjustment of national policies and regulations, through technical and commercial standards affecting production, transportation and marketing, and through export promotion by the establishment of facilities for the increased flow of trade information and the development of market research.

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1 The Committee agreed to consider the precise language of the text of (c) at a later stage but agreed on the principle contained therein.