UNITED STATES PROPOSAL FOR A DECLARATION ON PROMOTION OF THE TRADE OF LESS-DEVELOPED COUNTRIES

The ministerial representatives of the CONTRACTING PARTIES, in discussing the trade problems of the less-developed countries during their meeting at Geneva, 27-30 November 1961, took note of the findings and Recommendations on this subject set forth in the Special Report of Committee III to the CONTRACTING PARTIES, and of the need for an intensified effort to reduce obstacles to the exports of less-developed countries. Accordingly, they approved the following Declaration and agreed that their governments would undertake to observe its principles to the fullest extent possible, with the object of making substantial progress in this effort over the next few years.

1. The CONTRACTING PARTIES recognize that there is need for rapid and sustained expansion in the export earnings of the less-developed countries if their development is to proceed at a satisfactory pace. They recognize the magnitude of the task before the governments of those countries in increasing per capita incomes and raising the standard of living of their peoples. To achieve these ends, increasing amounts of foreign exchange will be required for financing the imports needed to sustain and develop the economy. Although international aid is now and will continue to be essential in covering these needs, aid can be no substitute for trade. In the final analysis, economic development will have to be largely financed from the earnings of the countries concerned.

2. The export trade of the less-developed countries is not growing at a pace commensurate with the growth of their foreign exchange needs or with the growth of world trade generally. The CONTRACTING PARTIES accordingly recognize the need for a conscious and purposeful effort on the part of all governments to promote an expansion in the export earnings of less-developed countries through the adoption of concrete measures to this end. The success of the efforts of developing countries will depend to a great extent upon their ability to find the necessary markets. Accordingly, contracting parties should reduce to a minimum restrictions inhibiting access to markets for the export products of the less-developed countries. The governments of the major industrialized areas, on whose markets the less-developed countries must necessarily largely depend, recognize a particular responsibility in this respect.

3. The CONTRACTING PARTIES agree that, if the needs of the less-developed countries for enlarged and diversified export trade are to be met, these countries must develop trade in other than traditional products. They note that some developing countries
already have the investment and technological resources for the processing of raw materials and are able to produce efficiently some manufactured goods. They recognize the desirability that these countries and others possessing the necessary materials and skills be provided increased opportunities to sell in world markets the industrial goods which they can economically produce, and urge that governments give special attention to ways of enlarging these opportunities.

4. The CONTRACTING PARTIES recognize that governments can contribute to the general objectives outlined above by observing the following principles and taking into account the following facts regarding tariff and non-tariff measures affecting access to markets.

(a) **Quantitative restrictions.** Governments should give immediate and special attention to the speedy removal of those quantitative import restrictions which affect the export trade of less-developed countries. Where it is necessary for a government to maintain such restrictions under appropriate provisions of the GATT, it should apply them in a manner causing the minimum hindrance to international trade, pursue policies designed to remove the underlying conditions requiring the use of such restrictions and, pending their elimination, give careful and sympathetic consideration to progressive increases in quotas to allow sharing in the growth of the market. Contracting parties which are in process of moving out of balance-of-payments difficulties should take particular care that liberalization benefits are extended in the fullest measure to the trade of less-developed countries, having regard to the urgent need for helping these countries attain rapid, self-sustaining growth.

(b) **Tariffs.** Governments should give special attention to tariff reductions which would be of direct and primary benefit to less-developed countries. In this connexion, they should consider the elimination of tariffs on raw materials important in the trade of less-developed countries. They should also consider reducing those tariffs which differentiate disproportionately between processed products and raw materials, bearing in mind that one of the most effective ways in which less-developed countries can expand their employment opportunities and increase their export earnings is through processing the primary products they produce for export.

(c) **Revenue duties.** Excessive fiscal charges, whether imposed as tariff duties or internal taxes, inhibit efforts directed towards increasing consumption of
particular products important in the trade of less-developed countries and, even where applied equally to imports and to competing domestic products, can be a serious obstacle to the expansion of trade. The CONTRACTING PARTIES appreciate that adjustments in a fiscal system may be a complex matter, with important financial, economic and other consequences which have to be taken into account. Bearing in mind, however, the urgent development needs of less-developed countries and the current financial and economic situation in the industrialized countries mainly concerned, they agree that the removal or considerable reduction of revenue duties and fiscal charges in industrialized countries would be a most useful contribution to the foreign exchange earning capacity of less-developed exporting countries.

(d) **State trading.** Access to markets should not be unnecessarily impeded through the operations of State import monopolies or purchasing agencies. For many products exported by less-developed countries, the prices charged on resale by some State monopolies, whether in countries with centrally planned economies or in others, involve an implicit heavy taxation of imports. Countries operating such agencies should endeavour to improve access to their markets by reducing, if necessary, the difference between the import and sales prices and by decisions to import larger quantities of the products concerned.

(e) **Preferences.** Some less-developed countries benefit neither from the preferential tariff systems which were in operation when the GATT came into being nor from the preferential treatment being established in the common external tariff of the European Economic Community favouring imports from the associated overseas territories. The CONTRACTING PARTIES note the concern of these less-developed countries about the increases in the tariffs applied against their exports, and in the margins of preference afforded competing suppliers, which would result from the progressive implementation of the proposed common external tariff of the European Economic Community on certain products. While keeping in mind the necessity for appropriate measures to meet the needs of those less-developed countries now benefiting from preferential treatment, the CONTRACTING PARTIES recognize the desirability of adapting trade in these products to the principles of non-discriminatory multilateral trade. In certain cases, the most appropriate way to accomplish this objective may be through the progressive elimination, by all countries, of duties and other barriers to trade in the products concerned.
(f) **Subsidies.** The subsidization of either the production or export of primary products may restrict the market opportunities of less-developed countries. Where this is so, the governments concerned should seek to limit the use of the subsidies in question, with a view to avoiding injury to the export earnings of less-developed countries.

(g) **Disposal of commodity surpluses.** Governments undertaking to dispose of commodity surpluses should bear in mind that the products concerned are generally important in the export trade of one or more less-developed countries, and that this is an added reason for careful observance of the principles and guidelines regarding such disposals accepted in the GATT Resolutions of 4 March 1955 on the Disposal of Commodity Surpluses and on the Liquidation of Strategic Stocks and in the FAO's Principles of Surplus Disposal.

5. In negotiations for reductions in barriers to the exports of less-developed countries, contracting parties should adopt a sympathetic attitude on the question of reciprocity, keeping in mind the needs of these countries for a more flexible use of tariff protection. In considering methods to bring about a general reduction of tariffs in the future, account should also be taken of the special needs of less-developed countries.

6. An important contribution to the expansion of export earnings can also be made by intensified efforts to improve the production and marketing methods of the less-developed countries. The efforts of the less-developed countries along these lines would be greatly assisted if the industrial countries would give greater attention to this matter in the framework of their technical and financial assistance programmes.

7. Efforts to expand the export earnings of the less-developed countries and efforts to lessen the short-term instability of such earnings which results from fluctuations in primary commodity markets should proceed concurrently. Progress towards reducing market instability, or towards offsetting its effects on foreign exchange receipts, is essential if the maximum benefits of the trade expansion effort are to be realized; at the same time, progress towards a diversified export trade will reduce the vulnerability of primary exporting countries to market fluctuations.

8. Finally, it is recognized that there are important possibilities for encouraging sound economic development in the less-developed countries through increased trade among themselves and that these countries should keep this in mind in formulating their tariff and commercial policy measures. Lest the development of this important trade potential be prevented or unduly delayed, they should strive to attain and preserve liberal access to one another's markets in the same manner as they now seek to secure improved access to the markets of the economically advanced countries.