UNDER-DEVELOPED COUNTRIES AND THE GATT

At the Eighth Session I was instructed, in consultation with ECAFE and ECLA, to make a report on the position of the under-developed countries in relation to the General Agreement. Soon after the return of the Deputy Executive Secretary from Latin America I hope to begin the preparation of this report. In the meantime I have been considering the problem and arrived at certain tentative conclusions.

It is more or less common ground amongst the leading trading countries that the review of the General Agreement should aim at the strengthening of the trade rules with a view to the GATT playing an appropriate part in a freer trading system which, it is hoped, will exist when it becomes possible for a number of contracting parties to restore a degree of convertibility for their currencies. Whilst it should not prove insuperably difficult to find a basis for agreeing on such a revision of the rules as between the more developed countries, there is the serious question whether such agreement could be arrived at as between all the contracting parties to the General Agreement. The contracting parties include a considerable number of countries, the economies of which are in an early stage of development, and whose fiscal and administrative machinery is also weak. If the trade rules are drafted in terms of the lowest common denominator, which would make them acceptable to all these countries in different stages of evolution, it is extremely doubtful whether any useful result could be achieved. There is, however, another alternative which would be to recognise the special problems confronting the under-developed countries, and in the light of these problems, to concede that these countries would not be expected to live up to the stricter disciplines which would be applicable to the more developed countries. The under-developed countries would be required to accept the philosophy and spirit of the Agreement, and to move progressively towards the full application of the letter. It would be recognised, however, that for a transitional period...
(of undefined duration) a country in the early stages of economic development should be permitted to deviate from the letter of the Agreement to the extent necessary to further its programme of economic development. It should be provided that such deviation would only be permissible to the extent that other measures consistent with the Agreement would not be feasible or effective to accomplish these purposes. There would be a requirement for consultation prior to taking the measures, if practicable, or alternatively immediately after they had been taken. The GATT organisation should also review annually all measures in force under this escape clause. In such review the organisation should have power to make recommendations to the contracting parties concerned regarding the discontinuation of such measures and the substitution for them of alternative practicable measures consistent with the Agreement.

I would suggest that the resort to this escape clause should be limited to those contracting parties recognised by the organisation as being entitled - having regard to their degree of economic development - to do so. What I have in mind is something similar to the recognition by the Fund of the right of certain countries to operate under Article XIV of the I.M.F. articles.

I am aware of the difficulties of this approach, but I think there are solid arguments in its favour, such as:

(a) it recognises the facts of life. It is in fact not practicable to hold, say, the Latin American countries to a strict commercial code. If this is attempted they will either stay outside, or more or less openly violate the Agreement, or resort to indirect devices such as multiple currency practices to evade the obligations.
(b) it would enable the review to aim at a higher standard in the revision of the trade rules than would otherwise be possible.
(c) there would be some political advantage by conceding a principle to which the under-developed countries attach considerable importance, and
(d) the process of consultation suggested would provide opportunities for guiding the less developed countries in the right direction.