In GATT/AIR/408 of 3 September 1964, contracting parties were advised that the secretariat would circulate for the information of the Committee a document which would contain a comparison of the texts of the draft chapter as contained in L/2195/Rev.1 with the recommendations set forth in the Final Act of the United Nations Conference on Trade and Development. The attached paper contains a comparison of those texts in the Final Act which are relevant to points where agreement has not yet been reached in the Committee.
Preambular section

GATT Text

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 both on the volume of their exports
and, particularly, on the prices received for these exports in relation
to prices paid by the less-developed contracting parties for essential
imports;"

Comparable UNCTAD text

"All countries should co-operate through suitable international arrangements
on an orderly basis in implementing measures designed to increase and stabilize
primary commodity export earnings, particularly of developing countries, at
equitable and remunerative prices and to maintain a mutually acceptable relation­
ship between the prices of manufactured goods and those of primary products.

*Wherever there are close similarities between the UNCTAD and GATT texts
the language quoted from the UNCTAD text is underlined."
Recommendation A.II.1 Annex A, page 36

The UNCTAD text defines the basic objective of international commodity arrangements as that of stimulating dynamic and steady growth in the real export earnings of developing countries by inter alia securing remunerative, equitable and stable prices for primary commodities especially those exported by developing countries, having due regard for the import purchasing power of the commodities exported.

Comments

In the vote on Principle Seven Australia, Canada, Denmark, Switzerland, South Africa, United Kingdom and United States voted against, while all the other industrialized countries Brazil, Greece, New Zealand, Portugal and Spain abstained. Recommendation A.II.1 was adopted without dissent.

GATT Text

"(c) noting that there is a wide gap between standards of living of less-developed and other contracting parties;

"(d) 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 reduce the gap between their standards of living and those of the more developed contracting parties;"

Comparable UNCTAD text

Preamble of the Final Act (page 1)

Paragraph 1: contains the following wording:

"it is essential that the flows of world trade should help to eliminate the wide economic disparities among nations."

Paragraph 2:

This refers to the dangers of a widening gulf in living standards between peoples, the benefits of international co-operation with a view to helping the developing countries to reach a higher standard of living and the need to employ international machinery for the promotion of economic and social advancement of all peoples.

1 The industrialized countries of Eastern Europe voted in favour of all the UNCTAD recommendations quoted in this paper.
"Accordingly, all countries pledge themselves to pursue internal and external economic policies designed to accelerate economic growth throughout the world, and in particular to help promote in developing countries a rate of growth consistent with the need to bring about substantial and steady increase in average income in order to narrow the gap between the standard of living in developing countries and that in the developed countries."

Comments

The preamble was adopted without dissent. In the vote on Principle Four, the United States was the only country which voted against. Austria, Denmark, Iceland, Norway and Sweden were in favour. Other industrialized countries abstained.

GATT Text

"(e) 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 restricted by measures incompatible with them;"

Comparable UNCTAD text (General Principle Six) page 18

"International trade is one of the most important factors in economic development. It should be governed by such rules as are consistent with the attainment of economic and social progress and should not be hampered by measures incompatible therewith."

Comments

In both the GATT and the UNCTAD, the United States was the only country which could not accept the above texts.
"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:

1. PRINCIPLES AND OBJECTIVES

GATT Text

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, which permit an increase in the export earnings of less-developed contracting
parties and an expansion of world demand and which enable the less-developed contracting parties to increase imports particularly of capital goods needed for their economic development or having regard to the import requirements, particularly of capital goods, associated with their economic development;

Comparable UNCTAD text

Paragraph 35 of the Preamble, page 13

"Because of the outstanding importance of commodity trade for economic development, particularly of the developing countries and the special difficulties affecting trade in primary commodities, it is important and urgent that action be taken over a wide front and on dynamic and comprehensive lines so as to conduct a concerted attack on international commodity problems."

Paragraph 37 of the Preamble, page 13

"This comprehensive action should include international commodity arrangements as one of the means of stimulating a dynamic and steady growth of the real export earnings of the developing countries so as to provide them with expanding resources for their economic and social development and of securing overall stabilization in primary commodity markets. It is also necessary to accelerate the removal of existing obstacles and to forestall the creation of new obstacles to commodity trade."

Paragraphs 1 and 2(a) of Recommendation A.II.1, page 36

"1. A basic objective of international commodity arrangements is in general to stimulate a dynamic and steady growth and ensure reasonable predictability in the real export earnings of developing countries, so as to provide them with expanding resources for their economic and social development, while taking into account the interests of consumers in importing countries.

"2. To achieve this objective, international commodity arrangements should:

(a) Secure remunerative, equitable and stable prices for primary commodities especially those exported by developing countries, having due regard for the import purchasing power of the commodities exported;"
Both the Preamble and the Recommendation referred to above were adopted without dissent.

"(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 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."

Comments

No UNCTAD recommendation was found to be relevant to this paragraph.

GATT Text (see also L/2195/Rev.1, page 9, paragraph (g))

"(g) not to expect less-developed contracting parties to provide full reciprocity in negotiations with developed countries or not to expect to receive reciprocity from the less-developed contracting parties."

Ad paragraph (g)

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 parties concerned."

Comparable UNCTAD text

General Principle Eight, page 18

"International trade should be conducted to mutual advantage on the basis of the most-favoured-nation treatment and should be free from measures detrimental to the trading interests of other countries. However, developed countries should grant concessions to all developing countries and extend to developing countries all concessions they grant to one another and should not in granting these or other concessions, require any concessions in return from developing countries."
Recommendation A.II.1 Annex A (paragraph 14, page 46) concerning primary products

"Developed countries should grant developing countries the benefits of the above measures without requiring reciprocity."

Recommendation A.III.4 Annex A (paragraph 5, page 68) concerning manufactures

(The Conference) "Notes that there is general acceptance of the principle that developed countries should not expect reciprocity for measures taken by them in trade negotiations to reduce or remove tariffs and other barriers to the trade of developing countries."

Comments

In the vote on General Principle Eight above, Australia, Austria, Canada, Iceland, Norway, Sweden, Switzerland, South Africa, United Kingdom, United States voted against. Belgium, Brazil, Denmark, Germany, Finland, France, Italy, Japan and the Netherlands were among those countries which abstained. It is not clear that the difficulty of these countries relates to the point of reciprocity expressed in the principle. Recommendations A.II.1 and A.III.4 were adopted without dissent.

"Ad paragraph (g)

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."
(h) 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.

Comparable UNCTAD Text

**General Principle Fifteen, page 18**

"The adoption of international policies and measures for the economic development of the developing countries shall take into account the individual characteristics and different stages of development of the developing countries, special attention being paid to the less developed among them, as an effective means of ensuring sustained growth with equitable opportunity for each developing country."

The adjustment of measures maintained by some developed countries in favour of some developing countries has been dealt with in paragraph A.6 of Recommendation A.II.1 (page 44) which reads as follows:

"Transitional arrangements

Preferential arrangements between developed countries and developing countries which involve discrimination against other developing countries and which are essential for the maintenance and growth of the export earnings and for the economic advancement of the less-developed countries at present benefiting therefrom, should be abolished *per passing* with the effective application of international measures providing at least equivalent advantages for the said countries. These international measures should be introduced gradually in such a way that they become operative before the end of the United Nations Development Decade."
"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:

(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;"

Comparable UNCTAD Text

Recommendation A.III.4 Annex A (paragraph 10, page 69)

"Developed countries should accord high priority in international trade negotiations to according maximum reductions and, wherever possible, elimination of duties on manufactured and semi-manufactured products of export interest to developing countries. In these negotiations every effort should be made to secure maximum reductions and, wherever possible, the elimination of tariff differentials which differentiate unreasonably between such products in their primary and their processed forms. The benefit of the negotiations should not be limited to countries which are members of the international organization under whose aegis the negotiations take place."

Comments

The UNCTAD text which uses the qualifying phrase "wherever possible" only in relation to elimination of duties and tariff differentials was adopted without dissent.

GATT Text

"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 1 and Article 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 B, Article XIX, Article XXIV, Article XXVIII, or under any other procedure permitted by this Agreement.

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

(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;

Comparable UNCTAD texts

Recommendation A.II.1, Annex A

Paragraph 2, page 43

"No new tariff or non-tariff barriers should be created (or existing barriers increased) by developed countries against imports of primary products of particular interest to developing countries."

Paragraph 3(c), page 43

"Progressively reduce, and as soon as possible eliminate, internal charges and revenue duties specifically applied to primary products wholly or mainly produced in developing countries;"
The two texts quoted above are qualified by paragraphs A.1(b) and 1(c) of Part II of Recommendation A.II.1 (Annex A, page 42) which read as follows:

"(b) **Exceptions.** It is recognized that, pursuant to the provisions of international commodity agreements and in other exceptional circumstances, individual developed countries may find it necessary to deviate from the following recommendations in respect of specific products. In that event, the developed countries should consult the developing countries substantially affected and take their views into account, where possible before taking action, and otherwise seek to limit possible adverse effects on the developing countries;"

"(c) **Target dates.** Developed countries should seek to implement the recommendations in paragraphs 3, 4 and 5 below at the earliest possible date, bearing in mind the developing countries' desire that maximum progress be made by 31 December 1965, and that the actions contemplated should be completed to the fullest extent possible by the end of the United Nations Development Decade."


"Developed countries should not ordinarily raise existing tariff or non-tariff barriers to exports from developing countries nor establish new tariff or non-tariff barriers or any discriminatory measures, where such action would have the effect of rendering less favourable the conditions of access into their markets of manufactured and semi-manufactured products of export interest to developing countries. **If in exceptional and compelling circumstances a developed country imposes or intensifies quantitative restrictions or increases tariffs on imports of manufactured or semi-manufactured products of export interest to developing countries it should consult, upon their request the developing countries affected, bilaterally or in appropriate international institutions.**"
Comments

The EEC have a specific reservation on paragraph (c) of the GATT text above. Both Germany and Italy have recorded reservations on this point in the Final Act.

The UNCTAD texts referred to above were adopted without dissent. However, both Germany and Italy recorded reservations on the UNCTAD recommendation concerning the reduction and elimination of internal charges and revenue duties. Instead of qualifying the application of the standstill and the elimination of fiscal measures etc. by the use of the phrase "to the fullest extent possible", the UNCTAD texts provide for deviation from the general recommendation in exceptional and compelling circumstances and subject to consultation with the less-developed countries whose interests are affected. Further, in regard to the elimination of existing fiscal measures the UNCTAD text provides that action should be completed to the fullest extent possible by 1970.

GATT Text

"(d) make every effort, in cases where a government directly or indirectly determines the resale price of goods imported from less-developed contracting parties, to maintain trade margins at equitable levels."

Comments

There is no specific text in the Final Act of a comparable nature.

It might be recalled that at a certain stage during discussions in the Committee on Legal and Institutional Framework, the United States delegation had put forward a text to replace paragraph (d) above. The United States later withdrew their text after explaining that their draft had been submitted in the hope of obtaining agreement and that as this had not been possible they did not wish their proposed text to be retained in square brackets.
The United States' text reads as follows:

(make every effort, in so far as governments are empowered to act, in this field, to maintain trade margins at equitable levels)

GATT Text

"(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 to the promotion of appropriate international action to this end."

Comments

Recommendation A.II.4, Annex A (page 49), paragraphs 15-17 of Recommendation A.III.4, Annex A (pages 70-71) and Recommendation A.III.6 (pages 74/75) of the UNCTAD text deal with some matters provided for in paragraph (e) above. Having regard to the wording adopted by UNCTAD, the Committee might be prepared to agree to the GATT text if the words "to collaborate in" replace the texts appearing in square brackets.

GATT Text

"Ad 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."

Comments

In the Committee Japan reserved its position on paragraph (e) and on the above interpretative note.
"(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 exhaust/explore the possibilities of constructive remedies before applying such measures where they would affect essential interests of those contracting parties;"

Comments

There is no relevant UNCTAD text. The United Kingdom has reserved its position on the inclusion of the clause "and to... contracting parties."

GATT Text

"(g) not expect less-developed contracting parties to provide full reciprocity in negotiations with developed countries or not expect to receive reciprocity from the less-developed contracting parties;"

Comments

See pages 8 and 9 above.

GATT Text

"(h) preferences;"

Comments

As the relevant UNCTAD text may be examined in the Working Group on Preferences, the question of the appropriate formulation on preferences for the draft chapter may be taken up separately.

GATT Text

"(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."

Comparable UNCTAD Text

Recommendation A.II.1. Annex A (page 44)

"Domestic policies affecting trade in primary products

Developed countries, in formulating and implementing their domestic policies affecting trade in primary products, should not take 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."

Comments

As the UNCTAD Recommendation above was adopted without dissent, the Committee might be prepared to accept it as a basis for an acceptable GATT text.

GATT Text

B. /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/
Comment

The relevant UNCTAD recommendations (i.e. Recommendations A.II.5 Annex A (page 50) and Recommendation A.II.8 (page 56)) emphasize action by developing countries to promote trade among themselves. The GATT texts in B above relate to the contribution of developing countries to international trade as a whole.

4. 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 II A.

Comments

There were no recommendations by the UNCTAD regarding the situation covered in the paragraph above but New Zealand attached the following observation to its signature of the Final Act:

"...there should have been explicit recognition by the Conference of the fact that countries are diverse in their stages of growth and in the aims and structure of their economies. Just as there are differences in the needs of various countries for special protection and assistance." (Reference: See Annex B, page 38.)

GATT Text

5. 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, page 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 of L/2195/Rev.1.)"

"IV. Joint Action in Relation to Economic Development"

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 seek 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."

Comments

The Final Act makes reference to international commodity arrangements as an essential element of action to deal with problems in the field of commodity trade. (Please see paragraph 37 of the Preamble and the Introduction of Recommendation A.II.1).

GATT Text

(b) Preferences

Comments

See comments on (h), page 15 of this text.
GATT Text

"(c) collaborate in analysing 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 or advising on the market prospects for products which the less-developed contracting parties are seeking to export and to facilitating access to export markets for the products of the industries thus developed, and seek to estimate the impact of any such measures on the net foreign exchange position of the contracting parties concerned. 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;"

Comparable UNCTAD text
Recommendation A.III.4, Annex A, page 70, paragraph 14

"Developed countries should participate, through the appropriate international trade body, in analysing the development plans and policies of individual developing countries, at their request, 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 should seek appropriate collaboration with governments and international organizations having competence in relation to financial assistance for economic development,

1The United Kingdom reserves its position on the words in this set of square brackets.
in systematic studies of trade and aid relationships in individual developing countries aimed at obtaining a clear analysis of export potential, market prospects and any further action that may be required;"

**Comments**

The UNCTAD Recommendation set out above was adopted without dissent.

**Ad paragraph (c)**

"The collaboration under this paragraph may include the reporting of the existence of measures affecting the trade of less-developed contracting parties and the carrying out of adequate consultations in connexion with the adoption or change of such measures. Such collaboration may also include consultations in connexion with action proposed by less-developed contracting parties to promote their development and extend their export markets."

**GATT Text**

"(d) [collaborate in evaluating the effects of national and international economic integration of organizations active in production, transportation and marketing, according to the different flows of trade, on the expansion of trade and economic development of developing countries, and consider the nature and extent of possible adjustments, for long-term concerted action."

**Comments**

This suggestion which was submitted to the Committee by the Brazilian delegation has not yet been fully discussed. No proposal along these lines was considered in UNCTAD.

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1 The United Kingdom reserved its position on this interpretative note.
GATT Text

"(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."