In the report submitted by Committee III to the meeting of Ministers in May 1963 attention was drawn to the question whether the activities of GATT in the field of trade and development might not be extended by the creation of a stronger institutional framework which would more adequately reflect the concerns and responsibilities of the CONTRACTING PARTIES in this field. Committee III had pointed out that, while many of the activities of the CONTRACTING PARTIES have their roots in specific articles of the General Agreement, certain important activities, which are likewise designed to further the objectives of the Agreement as set out in Article I (revised), are based on more general provisions relating to joint action. In view of the importance the CONTRACTING PARTIES attach to furthering the development of the trade of less-developed countries it was felt that it would be opportune for the Ministers to give guidance to the CONTRACTING PARTIES as to whether more specific provision should be made for this important sector of their work. The Ministers recognized that an adequate legal and institutional framework to enable the CONTRACTING PARTIES to carry out the work of expanding the trade of the less-developed countries was needed and agreed that a committee of the CONTRACTING PARTIES should be established with instructions to examine all aspects of matters relating to the trade and development of less-developed countries (MIN(63)8). In accordance with the ministerial directives, the CONTRACTING PARTIES established the Legal and Institutional Framework Committee with the following terms of reference:

"Taking full account of the views expressed by Ministers at the meeting held on 16-21 May, to examine all aspects of the problems related to the provision of an adequate legal and institutional framework which would enable
the CONTRACTING PARTIES to discharge their responsibilities in connexion with the work of expanding the trade of less-developed countries, and to report with appropriate recommendations to the twenty-first session."

The Committee held a series of meetings between 14 October 1963 and October 1964. At the outset of its work the Committee concluded that the provisions which might be agreed on to cover the activities of contracting parties in relation to the trade and development of less-developed countries could most appropriately be drawn up in the form of a Chapter on Trade and Development for incorporation in the General Agreement.

In submitting the draft Chapter, the text of which is contained in Annex I, the Committee wishes to stress the significance of the Chapter to the work of the CONTRACTING PARTIES and the contribution which it could make to the expansion of international trade and to closer co-operation in the field of economic development.

The Committee wishes to draw attention to the following points.

Paragraph 3

The Committee recognized that the phrase "to the fullest extent possible" could have the effect of leaving the applicability of the provisions of subparagraphs (a), (b) and (c) of paragraph A exclusively to the judgment of each contracting party subject to them. Some less-developed contracting parties expressed concern that this phrase might be used in a way that would considerably detract from the effectiveness of the paragraph. For this reason, it was agreed to incorporate in the commitment an interpretation of the phrase "to the fullest extent possible" and to make provision for consultations.
Paragraph 4

Section III

The Committee recommends that the present Article XVIII should be included in the Chapter as Section III, with an amendment permitting a less-developed contracting party to impose import surcharges in place of quantitative restrictions subject to appropriate criteria and procedures. A draft amendment of Article XVIII is attached as Annex II to this report.

The Committee noted that at a later date proposals might be submitted by delegations for further amendments to Article XVIII but it was agreed that these would not be pursued in the context of the Committee's present work.

Article XVII

At its meeting in March the Committee considered a proposal submitted by the delegation of the United Arab Republic (L/2165, page 7) which was designed to ensure that "in interpreting the provisions contained in Article XVII of the General Agreement, contracting parties should give sympathetic consideration to the need of developing contracting parties to make use of State-trading enterprises as one means of overcoming their difficulties in their early stages of development".
On that occasion the Committee agreed that consideration should be given at a later date to a note to Article XVII which would make clear that nothing in the Agreement prevented a contracting party from establishing or maintaining State-trading enterprises.

The Committee again reviewed this matter in the light both of the original proposal and a note by the Executive Secretary (LEGAL/W/3). The Committee recognized that there was nothing in Article XVII which prevents a contracting party from establishing or maintaining State-trading enterprises, nor does the General Agreement sanction discrimination against State-trading enterprises which are, in this regard, placed on the same basis as any other enterprise.

**Article XXIII**

The Committee considered a proposal for amending Article XXIII submitted by the delegations of Brazil and Uruguay (L/2195/Rev.1, Annex 4). The Committee recommends that the Council consider the establishment of a working party to consider whether, in the light of experience, Article XXIII should be amended, taking into consideration the proposal by Brazil and Uruguay and any further proposals that may be put forward by contracting parties and report to the Council or to the CONTRACTING PARTIES, as appropriate.

**Collaboration with United Nations on Trade and Development Problems**
Institutional Arrangements

A proposal was submitted to the Committee by the Executive Secretary suggesting the setting up of a committee on trade and development with the principal task of keeping under continuous review the application of the provisions of the Chapter on Trade and Development and to conduct or make arrangements for the conduct of the consultations required for the effective application of the provisions of the Chapter. The Committee agreed that as the new Chapter would provide the legal framework for a continuous and a broader effort to facilitate the trade of less-developed contracting parties in furtherance of the overall economic development of these countries, it was appropriate that adequate permanent institutional machinery should be established to exercise effective supervision of the provisions of the Chapter, and as part of this responsibility to take over the functions of Committee III, and the Action Committee and its subsidiary bodies. The Committee therefore recommends that a Committee on Trade and Development be established with the following terms of reference:

1. to keep under continuous review the application of the provisions of the Chapter on Trade and Development;
2. to carry out, or arrange for, any consultations which may be required in the application of the provisions of the Chapter;
3. to formulate proposals for consideration by the CONTRACTING PARTIES in connexion with any joint action specifically provided for in the Chapter;
4. to consider any questions which may arise as to the eligibility of a contracting party to be considered as a less-developed contracting party in the sense of this Chapter;
5. to carry out such additional functions as may be assigned to the Committee by the CONTRACTING PARTIES.