GENERAL AGREEMENT ON
TARIFFS AND TRADE

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

DRAFT

PROPOSED CHAPTER ON TRADE AND DEVELOPMENT
(Revision of Article XVIII)

I. OBJECTIVES

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 those contracting parties which are in the early stages of development and whose economies can only support low standards of living (hereinafter in this chapter referred to as "less-developed contracting parties"), the contracting parties recognize 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.

B. The contracting parties recognize that international trade is a national right and that, as a means of achieving economic and social advancement in general, they should be guided by such rules and procedures as are consistent with the objectives above and should not be restricted by measures incompatible with them.

Ad Section I

Acceptance of this amended Article XVIII 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.
Accordingly, the contracting parties agree that:

(a) There is need to promote a rapid and sustained expansion of the export earnings of the less-developed contracting parties.

(b) There is need for positive efforts to enable less-developed contracting parties to secure an increasing share in international trade commensurate with the needs of their economic development.

(c) Given the continued dependence of many contracting parties on the exportation of a limited range of primary products, there is need to maximise access to markets for such products, to devise measures designed to stabilize and improve conditions of world trade including the attainment of prices which are remunerative to producers, which permit an expansion of world demand and which enable the less-developed contracting parties to increase imports needed 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 thus avoiding an excessive dependence on the export of primary products; there is, therefore, need for maximisation of access to markets under favourable conditions for processed and manufactured products of special interest to less-developed contracting parties and for collaboration with international lending agencies, with a view to assisting such diversification.
Recognizing the importance of extending the activities of GATT to embrace the financing aspect and thus bridging the gap between export proceeds and import requirements.

Noting furthermore the readiness of contracting parties to grant financial assistance to developing contracting parties.

Ad paragraph (d)

While a rational diversification programme would need to be adapted to the situation of the particular country, taking into account the world outlook for production and consumption of different commodities, it is expected that it would generally include an intensification of activities for the processing of primary products and the development of manufacturing industries.

(e) There is need for the less-developed contracting parties to have the necessary flexibility in the application of the provisions of this Agreement so as to be free to use special measures in conformity with this Agreement and the procedures provided therein 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.

(f) The adoption of measures to give effect to the foregoing principles shall be a matter of conscious and purposeful effort on the part of the contracting parties both individually and jointly.
III. COMMITMENTS

1. To give effect to the foregoing objectives [contracting parties] [developed contracting parties] shall:

Ad Section III

(If the text refers to all contracting parties:)

The provisions of this section apply to action by less-developed contracting parties, as well as to action by other contracting parties, except in those cases where such action would prevent such a less-developed contracting party from taking measures that are necessary to its programme of economic development along rational lines and that take into account the trade interests of other less-developed contracting parties.

(If the text refers only to developed contracting parties:)

The provisions of this section shall apply also to action by less-developed contracting parties, to the extent compatible with the level of development attained and their programmes for further development along rational lines. The less-developed contracting parties shall also have special regard to the trade interests of other less-developed contracting parties in considering the action they can take under this section.

Australia put forward an alternative text in paragraphs 4 and 7 of L/2165.
(a) accord [high priority] to the extent possible [to the reduction and elimination of barriers to products of particular export interest to less-developed contracting parties including tariffs and other restrictions which differentiate [unduly] between such products in their primary and in their processed forms; ¹

(b) refrain [to the extent possible] from imposing [new duties or other restrictive regulations of commerce] [new tariff or non-tariff barriers] on products 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 permissible by this Agreement. ²

(c) refrain to the extent possible from imposing or maintaining fiscal measures [refrain from imposing new fiscal measures and take steps to eliminate [rapidly] forthwith the existing fiscal measures] which may hamper growth of consumption of products of particular interest to less-developed countries and which are applied specifically to those products;

(d) make every effort, in cases where governments are empowered to act in this field, to maintain trade margins at equitable levels;

(e) consider sympathetically the adoption of [adopt] other measures designed to provide greater scope for the development of imports from less-developed contracting parties;

¹ Account would also have to be taken of the United States note ad Article XVIII-A, page 8, L/2147.
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.

(f) have special regard to the trade interests of less-developed contracting parties when considering the application of other special measures not inconsistent with the General Agreement to meet particular problems, and to exhaust the possibilities of constructive remedies before applying such measures where they would affect essential interests of those contracting parties;

(g) not expect less-developed contracting parties to provide the same type of reciprocity as that expected in negotiations among developed countries;¹ (see footnote on page 5)

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 some measure in the increased capacity to import, generated by such concessions, rather than through reciprocal concessions by the less-developed contracting parties.

Alternative mentioned in Committee: place this provision in the section on Principles.

(h) Preferences;

(i) In interpreting the provisions of Article XVII of this Agreement, 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 stage of development.

Alternative mentioned in Committee discussion: add an interpretative note to Article XVII itself.

(j) In establishing their agricultural policies for the maintenance of agricultural income, avoid restrictive measures that limit imports of raw or processed products of particular interest to less-developed contracting parties and inhibit their consumption.

(k) Adjust and moderate agricultural protective measures, in order to facilitate exports of agricultural products by less-developed contracting parties.

2. Both developed and less-developed 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 arising out of the implementation of the commitments set forth in paragraph 1 above.

IV. ARTICLE XVIII

(It was suggested that the Committee leave aside for the time being certain proposals, notably those of Australia, concerning possible amendments to present Article XVIII.)

V. JOINT ACTION IN RELATION TO ECONOMIC DEVELOPMENT

1. The contracting parties shall collaborate jointly, within the framework of this Agreement and elsewhere, to further the objectives set forth in this Chapter.

2. In particular, the CONTRACTING PARTIES shall:
(a) take action, including, when appropriate, action through international arrangements, to improve conditions of access to markets for primary products and to ensure stable and remunerative prices for exports of such products; agree that in the negotiation of international commodity arrangements the commitments undertaken by exporters, particularly less-developed contracting parties, to discipline and improve production should have as a counterpart commitments by developed importing countries to stabilize prices at remunerative levels conducive to the expansion of export earnings of less-developed contracting parties and to increase consumption;

(b) Preferences;

(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 advising on the products which have the best prospects of finding satisfactory markets and to facilitating 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;
Ad paragraph 2(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.

(d) expand the consultations provided for in paragraph 12(a) and (b) of Article XVIII-B to cover all basic elements in the trade and development problems of individual less-developed contracting parties, including consideration of structural factors which may limit the possibility of expanding the exports and maximizing the earnings of the contracting party in question. Every effort shall be made to devise and suggest remedial measures to overcome the problems identified in the course of such consultations;

Ad paragraph 2(d)

The consultations provided for in paragraph 12(a) and 12(b) of Article XVIII should be expanded to include such elements as consideration of the basic economic conditions within which the consulting country's development is taking place, consideration of development problems of such country which are relevant to its trading position, the measures which the country has adopted to promote its economic development, and action by other contracting parties which might assist the consulting country's development.

(e) collaborate in evaluating the effects of economic integration on 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:

(f) 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;

(g) 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.

VI. DEVELOPMENT OF TRADE OF LESS-DEVELOPED CONTRACTING PARTIES WITH CONTRACTING PARTIES HAVING CENTRALLY-PLANNED ECONOMIES

See Brazil's text, pp. 3-4, L/2123. 

(The Committee agreed that this was an important matter which would have to be resolved at a later date.)