1. Attached is a draft chapter on trade and development prepared by the Drafting Group.

2. When a contracting party is specifically mentioned in a footnote in the draft, this means that the contracting party concerned was the only member of the Drafting Group to reserve its position or to propose the retention or deletion, as the case may be, of the words in question.
Committee on the Legal and Institutional Framework of GATT in Relation to Less-Developed Countries

CHAPTER ON TRADE AND DEVELOPMENT

Draft submitted by the Drafting Group

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 not only on the volume of their exports but more particularly on the prices received for these exports in relation to prices paid by the less-developed contracting parties for essential imports;

   (c) noting that there is a wide gap between standards of living of less-developed and other contracting parties; noting that there exists not only a wide and varied gap between the standards of living of less-developed contracting parties and other contracting parties but also between the less-developed contracting parties themselves.

Note: The Drafting Group proposes that the important question of the definition of the term "less-developed contracting party" and the identification of such contracting parties should be covered in the report of the Committee.
(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;

(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;

Ad paragraph 1

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.

agree as follows:

1. **PRINCIPLES AND OBJECTIVES**

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;

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1 The United States reserves its position on these words.
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 *in all appropriate cases*/*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/*having regard to the import requirements, particularly of capital goods, associated with 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 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/*exported by less-developed contracting parties or of potential export interest to them*//*exported by less-developed countries or constituting potential exports for them, and of particular interest to those countries*/;

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.

1Australia proposes that the word "less-developed" should be deleted.
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;

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 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;

not to expect less-developed contracting parties to provide full reciprocity in negotiations with developed countries; not to expect to receive reciprocity from the less-developed contracting parties;

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

As there was a difference of view as to where this paragraph should appear, it is also reproduced in paragraph 3(g) below.
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 contracting parties concerned. Ad paragraph (g)

Since the less-developed contracting parties accept a measure of discipline in their commercial policy through their participation in the General Agreement, where reciprocal tariff concessions are not given by less-developed contracting parties a return for tariff concessions granted by developed contracting parties would be found in the increased capacity to import generated by these concessions. 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.

This text was proposed by the United Kingdom.
(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].

II. COMMITMENTS

3. To give effect to the foregoing principles and objectives, the contracting parties undertake the following commitments:

A. the developed contracting parties [to the fullest extent possible] shall:

(a) accord high priority to the reduction and elimination of barriers to products [currently or potentially of particular export interest to less-developed contracting parties] [exported by less-developed countries or constituting potential exports for them, and of particular interest to those countries], including tariffs and other restrictions which differentiate unreasonably between such products in their primary and in their processed forms;

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 I and Articles 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) 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 exported by less-developed countries or constituting potential exports for them, and of particular interest to those countries;

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.

(c) refrain to the extent possible 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;

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

2 The EEC have a specific reservation on this paragraph.

3 Some delegations considered that a qualification in this paragraph, whether expressed in the words "to the extent possible" or in some other form, should only apply to the elimination of the existing fiscal measures.
(d) **make every effort, in so far as governments are empowered to act in this field, to maintain trade margins at equitable levels.**

**make every effort, in cases where a government determines the resale price of goods imported from less-developed contracting parties, to maintain trade margins at equitable levels.**

(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** promote appropriate international action to this end;

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 measures permitted under 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 full reciprocity in negotiations with developed countries;** **not expect to receive reciprocity from the less-developed contracting parties.**

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1 Japan reserves its position both on paragraph (e) and on the interpretative note.

2 If it is decided to place this paragraph here the interpretative notes at present reproduced under paragraph 2(g) of Section I would also appear here.
(h) [preferences]

(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.]

B. The less-developed contracting parties ....

[The provisions of paragraph 3A (a)-(i) 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 paragraph 3A (a)-(i) of this section.]

(A text prepared by the less-developed contracting parties in regard to commitments of less-developed contracting parties will be submitted to the Committee.)

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 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 IIA.

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

(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. The full text proposed by Australia is contained in document L/2165.)

IV. JOINT ACTION IN RELATION TO ECONOMIC DEVELOPMENT

6. 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 to ensure stable, equitable and remunerative prices for exports of such products 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;

(b) preferences;

(c) collaborate in analyzing 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 facilitating 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

1This language was proposed by the United States.
2United Kingdom reserves its position regarding the inclusion of these words.
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 (c)\(^1\)

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.

(e) 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\(^7\);

(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;

\(^1\)United Kingdom reserves its position on this interpretative note.
(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.

Note:

1. As regards the question of the 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 Drafting Group understood that the Committee had agreed that this was an important matter which would have to be resolved at a later date. The representative of Brazil expressed the view that this subject should be placed at the end of Section II - Commitments.

2. The Drafting Group suggests that the report of the Committee contain a proposal (yet to be drafted) for an interpretative note to Article XVII to meet the United Arab Republic's proposal on page 7 of document L/2147.

3. The representative of Brazil has put forward a proposal regarding Article XXIII. This proposal and a statement by the representative of Brazil have been circulated to the Committee.