Introduction

1. In its last report, submitted to the CONTRACTING PARTIES in March 1965, the Committee briefly outlined the main problems falling within its competence and the procedures it proposed to adopt for dealing with them. The Committee’s programme of work included the outstanding items which had been handed down by its predecessor bodies as well as the examination of new matters relating to the provisions of Part IV of the General Agreement and the terms of reference given to the Committee by the CONTRACTING PARTIES.\(^1\) As indicated in that report, the Committee appointed

\(^1\)BISD, Thirteenth Supplement, pages 77-89.
a number of specialized groups, each dealing with a specific set of problems or issues. The Committee has since held three meetings at which it has reviewed the work done in the various groups and other matters relating to the implementation of Part IV.

2. The present report, intended for consideration by the CONTRACTING PARTIES at their twenty-third session, outlines the Committee's work in relation to the implementation of Part IV of the Agreement since March 1965 and includes a brief account of the conclusions and recommendations reached by it on the basis of its examination of the different specific subjects to which it has devoted its attention.
I. Review of the implementation of Part IV

In order to ensure the effective implementation of the provisions of Part IV of the General Agreement, the Committee on Trade and Development recommended in March 1965 certain "reporting procedures" designed to elicit relevant information on action taken by contracting parties, in the context of those provisions. These procedures, which were set out in the Committee's last report (BISD, Thirteenth Supplement, pages 79-80), were approved by the CONTRACTING PARTIES at their twenty-second session.

In the course of 1965, the Committee reviewed developments in this field on two occasions, namely at its third and fourth sessions held in July and December. A comprehensive review, on the basis of information adduced on those occasions as well as new material, took place at the Committee's fifth session in March 1966. In compliance with the reporting procedures, most developed contracting parties, as well as certain less-developed contracting parties, submitted notifications concerning action taken by them in relation to Part IV. Written notifications of this kind were received from Australia, Austria, Belgium, Canada, Ceylon, Czechoslovakia, Denmark, Finland, Federal Republic of Germany, India, Japan, Malawi, the Netherlands, New Zealand, Norway, Sweden, Switzerland, the United Kingdom and the United States. The Committee also heard oral statements giving similar information from the representatives of Brazil, Chile, Italy, Pakistan, the United Arab Republic and Yugoslavia. A number of contracting parties also made statements supplementing their written submissions. All these notifications and statements are reproduced or otherwise reflected in the review document COM.TD/14 and Addenda thereto.

The information available to the Committee has shown that progress has been made by a number of developed countries in reducing or removing barriers affecting the exports of less-developed countries. Less-developed countries are generally of the view, however, that the progress falls far short of the commitments which
the developed contracting parties have accepted under Part IV and, with regard to quantitative restrictions, of the basic obligations undertaken by all contracting parties under Article XI of the Agreement.

Many developed contracting parties have stated in their communications that they intended to take appropriate action in the context of the Kennedy Round to enlarge access to their markets for the products of developing countries. Developing countries have expressed disappointment that, with only a few minor exceptions - notably the indication given by Sweden that duties on a number of tropical products would either be reduced or removed with effect from 1 July 1966 - developed contracting parties have not so far taken action to remove customs barriers on products of export interest to developing countries ahead of the conclusion of the Kennedy Round negotiations.

The Committee has been informed by Czechoslovakia of the progress made in that country in increasing significantly the level of imports from developing countries of such products as cocoa, tropical fruits and certain manufactures and semi-manufactures, due largely to measures taken by the Government to introduce structural adjustments in the economy which have permitted increased import competition from developing countries. Certain members of the Committee have stressed in this connexion the importance they attach to the possibility of increasing imports from developing countries through the use of appropriate measures of adjustment assistance.

The Committee has noted that while the standstill provisions as set out in Article XXXVII:1(b) and (c) have, on the whole, been adhered to there have been instances in which customs duties or other charges have been increased on certain items of export interest to developing countries. In a number of these cases sufficient information has not been available to permit the Committee to judge the significance of the measure for the trade of less-developed countries. The Committee expressed the hope that contracting parties will make available full and prompt information in respect of all action that may be relevant to Part IV.
While the information supplied by contracting parties has undoubtedly facilitated the Committee's task of assisting the CONTRACTING PARTIES in giving effect to the provisions of Part IV, the operation of the reporting procedures over the last year suggests that it would be desirable if governments would attempt to be more exhaustive and comprehensive in their future notifications, referring not only to measures specifically enumerated in Article XXXVII but to all steps and measures which are of interest to the CONTRACTING PARTIES in relation to the objectives of Part IV, for example special facilities relating to trade promotion, adjustment assistance measures and any action of the kind covered by paragraph 3 of Article XXXVI.
II. Implementation of the 1963 Ministerial Conclusions

The Committee, on the basis of two papers which the secretariat drew up at its request (COM.TD/16 and 18), reviewed (a) action taken by developed countries in pursuance of the 1963 Ministerial Conclusions to eliminate restrictions applying to products of interest to less-developed countries and the present position concerning such restrictions, and (b) the implementation of the Ministerial Conclusions relating to trade in tropical products.

The Committee has noted that while progress has been made in the removal of restrictions, many contracting parties have not been able to abide by the target date of 31 December 1965 for the elimination of all restrictions covered by the Action Programme. In general there is also no indication as to when the contracting parties concerned intend to remove the remaining restrictions.

The Committee noted that the 1963 Ministerial Conclusions relating to tropical products had not been implemented in all instances. It was also pointed out by less-developed countries that a number of these products continued to be subjected to import restrictions and high fiscal charges. The point was also made that the import of these products in processed or packaged form continued to be inhibited by differential tariffs. In a number of instances the tariffs had only been temporarily suspended and not finally abolished.

The Committee noted that those tariff and other barriers which had generally been accepted as falling within the purview of the current trade negotiations would be given attention in the negotiations. The hope was expressed that it would be possible, in the course of the current trade negotiations, to achieve full implementation of the 1963 Ministerial Conclusions in so far as certain contracting parties have been unable to observe the target date set in the 1963 Conclusions for elimination of restrictions applying to certain products of interest to less-developed countries. The Committee recommends that the CONTRACTING PARTIES consider the further steps that need to be taken in this matter.
III. Import restrictions affecting the exports of less-developed countries

In continuation of the work of Committee III and of the Action Committee and in the context of the provisions of Article XXXVII:1(a), the Committee, in March 1965, set up a Group on Residual Restrictions to examine the remaining import restrictions on products of export interest to developing countries and to explore the possibility of their early removal.

The Group met twice in 1965 and held discussions with twelve developed contracting parties on restrictions applied by them to products included in a list of approximately 250 items notified to Committee III as being of export interest to developing countries with a view to exploring the reasons for the continued maintenance of the restrictions and possibilities for their early removal. The Group presented its findings and the record of its discussions with individual contracting parties in its second report (COM.TD/B/3).

The Group noted the progress towards import liberalization which had been made and the indications which had been given by some countries of plans or target dates for the removal of some of the remaining restrictions. It found, however, that a considerable number of products, including some of major export interest to developing countries and covered by the 1963 Ministerial Conclusions, continued to be subject to restrictions and that information on target dates or proposals for the removal of most of these restrictions was not available. Less-developed countries expressed disappointment over the slow progress in the removal of these restrictions and emphasized the importance of developed countries relying, in place of these restrictions, on other measures that are consistent with the GATT such as adjustment assistance and urged the removal of these restrictions. They also asked that where restrictions inconsistent with the GATT were not removed, appropriate compensation should be given to developing countries for the loss of trading opportunities suffered by them. The Group suggested that restrictions on products of export interest to developing countries should be subject to periodic reviews and that the country-by-country discussions be extended to cover items notified in the context of the Kennedy Round.
At its meeting in December 1965, the Committee approved these suggestions and asked the secretariat to collect the necessary material for the next review of such restrictions.

The Committee has noted that the restrictions in question have, in many instances, been the subject of almost uninterrupted discussion over a period of years. While the current trade negotiations would give an opportunity for the elimination of many of these restrictions, a special responsibility rests on the CONTRACTING PARTIES in respect of restrictions which are inconsistent with the provisions of the GATT and are not, therefore, a matter for negotiation.

The Committee proposes that the CONTRACTING PARTIES at the twenty-third session address themselves to the question of how best to deal with the remaining restrictions. Contracting parties maintaining such restrictions should be invited to give indications of solutions which they themselves might propose for dealing with the problem. For instance, they may wish to adopt agreed liberalization programmes with specified target dates, or they may decide to have recourse to the waiver procedures.

Having regard to the fact that not all contracting parties have accepted Part IV of the General Agreement and therefore participated in the work of the Committee, the CONTRACTING PARTIES may wish to give attention also to the question of whether there is need for adjustments in the procedural and institutional arrangement for dealing with this matter so as to ensure that work in this field can be effectively undertaken with respect to the restrictions applied by all developed countries.
IV. Adjustment assistance measures

As was stated in its report to the twenty-second session, the Committee on Trade and Development established a Group of Experts to initiate work in the field of adjustment assistance. This Group has submitted a report (COM.TD/H/4) to the Committee, based on a study of material submitted by governments to industrialized countries (COM.TD/H/3) of measures applied, or proposed to be applied, by them in the field of adjustment assistance which have a bearing on possibilities for creating better trading opportunities for less-developed countries.

The Committee observed that, from the information provided, with the exception of the cotton textiles industry in the United Kingdom and the castor oil industry in the Netherlands, the policy instruments employed in the field of adjustment assistance appeared to have been conceived broadly with a view to improving the overall domestic situation, or to directing a re-allocation of resources without specific reference to competition from imports. The Committee also noted the comments of the Expert Group that on the basis of the information available it had not been possible for them to evaluate to what extent the adjustment measures in force had any effect on the trade opportunities of less-developed countries.¹

The Committee agreed that the extended application of adjustment assistance to the solution of the problem of creating greater access for the exports of developing countries was valuable though it recognized at the same time that the efficacy of adjustment assistance as a tool in commercial policy was limited. The Committee noted that there were always possibilities of employing adjustment assistance in relation to individual firms and groups of workers faced with difficulties through the normal increase in the flow of exports from developing countries. However, it was recognized that the question of long-term structural adjustment posed difficulties which might make it undesirable to place too great an emphasis on the use of adjustment assistance as a means of bringing about long-term structural changes. The Committee, nevertheless, felt that adjustment

¹ The following paragraphs represent the conclusions formulated by the Chairman for adoption by the Committee.
assistance could play a useful part inasmuch as it would help developed countries to deal with social and economic problems which make it difficult to follow liberal commercial policies.

The Committee noted that adjustment assistance had only been given limited application in solving commercial policy problems faced by developed countries vis-à-vis the developing countries. So far, adjustment assistance has been employed solely for solving the difficulties arising from domestic structural changes and, with the exception of two developed contracting parties, it has been employed only to a limited extent in dealing with problems arising from trade between developed and developing countries. It was recognized that in the application of this tool to permit greater imports from developing countries, there might be need for an expansion of the concept of adjustment assistance to cover not only difficulties arising in the production sector but also those encountered in the field of marketing.

It was generally recognized in the Committee that this was a field in which the reference in Article XXXVIII to joint action was particularly relevant and was also one in which practical measures for co-operation could prove useful in enabling individual developed countries to adapt their policies in favour of better trading opportunities for developing countries.

The Committee agreed that the conclusion that, although the rôle of adjustment assistance as a tool in commercial policy designed to improve the trading opportunities of less-developed countries had limitations, it had a valuable rôle to play, should be drawn to the attention of developed contracting parties.

It was agreed that the Group on Residual Restrictions, the machinery which is examining the exceptions list in the Kennedy Round negotiations and the Cotton Textiles Committee, should be invited to consider to what extent adjustment assistance could be employed in dealing with the issues with which these bodies were concerned.
It was also agreed that where it was thought that more detailed study of the contribution which adjustment assistance could make to the solution of particular trade problems would be helpful, the matter could be taken up by agreement in the Group of Experts.

The Committee agreed that information on the application of measures of adjustment assistance generally, should be obtained from governments and made available to contracting parties on an annual basis. In obtaining information on new developments in the application of adjustment assistance measures, or in the bringing up-to-date of information already supplied, information should be requested from governments, particularly on the following four points:

(a) what measures of adjustment assistance were available under either general or specific legislation;

(b) which of these measures could be used specifically for the purpose of providing larger opportunities for imports from developing countries;

(c) instances in which measures under (b) had been employed and the progress made in achieving the objective outlined in that sub-paragraph;

(d) indications as to programmes in hand, whether in the enactment of new legislation, or in the employment of measures already available in the field of adjustment assistance, to promote imports from developing countries.
V. Expansion of trade among less-developed countries

An Ad Hoc Group was appointed by the Committee to examine the problems involved in the expansion of trade among less-developed countries with particular reference to the rôle of preferences in this regard and to perform certain related tasks. On the basis of two specific proposals, the Group discussed various questions relating to the use of preferences among less-developed countries. In a report submitted in February 1966, the Group presented its views and conclusions on this subject. These views and conclusions were generally endorsed by the Committee and form the basis of its recommendations in this field.

The Committee supports the conclusions reached by the Group, that the establishment of preferences among less-developed countries, appropriately administered and subject to the necessary safeguards, can make an important contribution to the expansion of trade among these countries and to the attainment of the objectives of the General Agreement. The Committee noted in particular the rôle that these preferences could play in helping less-developed countries to find larger markets and achieve economies of scale.

The Committee has also given consideration to such matters as the form and scope of preferential arrangements between less-developed countries negotiating procedures for the establishment of preferences and measures to safeguard the interests of other contracting parties, as well as to the establishment of appropriate legal provisions for these arrangements. The Committee noted that the general view of less-developed countries that such preferences should be granted and applied on a non-discriminatory basis, and that less-developed countries should be in a position to exchange preferences with other less-developed countries in general and not only in the context of regional schemes of integration. The Committee considered that the establishment of such preferences should most appropriately be the subject of negotiations between developing countries, in which due account should be taken of the different stages of economic development of the negotiating partners.
The Committee approves the view of the Group that before an attempt is made to draw up specific legal provisions or formulae for the exchange of preferences, it would be helpful to see what concrete proposals or arrangements might in practice be made or negotiated by less-developed countries acting within the spirit of Part IV. Less-developed countries have stated that they propose to enter into exploratory talks in this regard at an early date. The Committee recommends that arrangements be made for the examination of any such proposals when they are received.

The Committee feels that negotiations for exchange of concessions between less-developed countries, whether on a preferential or most-favoured-nation basis, would be considerably facilitated if the interested countries could undertake to identify those products which would seem to offer the best prospects in exportation to other developing countries, and thus to constitute the most promising products for negotiation. As regards the forum for such exploratory talks or negotiations, the Committee considered that less-developed countries could take advantage of the meetings of the informal group of less-developed countries to initiate an exchange of views among themselves. The Sub-Committee on the Participation of Less-Developed Countries in the trade negotiations could, however, be asked at an appropriate stage to provide guidance for certain aspects of these negotiations. The secretariat has been requested to provide necessary technical assistance by way of suggesting procedures for the conduct of the negotiations and supplying necessary statistical data.
VI. Preferences by developed countries to less-developed countries

In March 1965, the Committee appointed a Working Group on Preferences to examine proposals for establishment of preferences by industrialized countries in favour of less-developed countries. Questions relating to the establishment of such preferences had been earlier discussed in a GATT Working Party on Preferences. In July, the Committee reviewed the work done in the Group but did not enter into detailed discussion of the various aspects of the question of preferences pending further progress in dealing with this matter in the Group. In the meantime, active attention has been given by the CONTRACTING PARTIES to a proposal by the Government of Australia for establishment of preferences in favour of less-developed countries in respect of a list of products.
VII. International commodity trade

Certain aspects of problems falling under this heading have been dealt with by the Working Group on International Commodity Problems. The Group, in a meeting held in November 1965, addressed itself to problems affecting international trade in cocoa, cotton and tropical timber, on the basis of proposals put forward by certain less-developed countries.

A number of specific suggestions and recommendations regarding further work to be undertaken by the Group in the field of commodity trade have been put forward (see COM.TD/C/2). With respect to cocoa, the Committee has brought to the urgent attention of the Special Group on Trade in Tropical Products the need to explore the possibilities of speedy progress in the removal of barriers affecting trade and consumption in that commodity. As regards cotton, the Committee agreed that discussions in the Group in relation to developments affecting international trade in cotton should be brought to the attention of the International Cotton Advisory Committee. In relation to developments affecting trade in tropical products, including tropical timber, the Committee has examined a secretariat paper on action taken by governments in pursuance of the 1963 Ministerial Conclusions relating to tropical products and its views are noted in Section II above.
VIII. Examination of products of export interest to less-developed countries

The Working Group established to deal with this matter met on three occasions in 1965 and submitted its report (COM.TD/A/2) to the Committee in July. As will be seen from that report, the Group carried out a detailed examination of trade flows and trade measures in relation to approximately eighty tariff items which had earlier been selected by less-developed countries for priority study. For this examination the Group based itself on a comprehensive survey paper (COM.TD/A/W/3) drawn up by the secretariat in accordance with the instructions of the Group.

On the basis of the Group's report the Committee agreed at its July meeting that, since the Group had essentially completed its task in relation to the items notified for priority study, further meetings need not be scheduled for the time being. The Committee has indicated, however, that it will be open to contracting parties desiring information on the lines of the existing survey (COM.TD/A/W/3) for other products of interest to less-developed countries to notify the secretariat so that the necessary work may be undertaken.
IX. Legal amendments to the General Agreement

On the instructions of the CONTRACTING PARTIES, the Committee has dealt with outstanding issues relating to the amendment of the General Agreement to meet the special trade and development needs of less-developed countries which were not finished by the former Committee on Legal and Institutional Framework. The Ad Hoc Group on Legal Amendments, established by the Committee in 1965 to deal with these matters has submitted an interim report (COM.TD/F/4). The Committee has further discussed the various proposals in the light of the findings of the Group and wishes to report on the two subjects of:

(a) amendment of Article XXIII to take account of difficulties experienced by less-developed countries in using that Article, and

(b) amendment of Article XVIII to authorize the use of surcharges by less-developed countries for balance-of-payments reasons.

Article XXIII

The work on this subject has been based on a proposal introduced by the Brazilian and Uruguayan delegations for amending Article XXIII. Their proposal had four elements: (i) the present arrangement for action under paragraph 2 of Article XXIII should be elaborated in a way which would give less-developed countries invoking the Article the option of employing certain additional measures; (ii) where it has been established that measures complained of have adversely affected the trade and economic prospects of less-developed countries and it has not been possible to eliminate the measure or obtain adequate commercial remedy, compensation in the form of an indemnity of a financial character would be in order; (iii) in cases where the import capacity of a less-developed country has been impaired by the maintenance of measures by a developed country contrary to the provisions of the GATT, the less-developed country concerned shall be automatically released from its obligations under the General Agreement towards the developed country complained of, pending examination of the matter in GATT; and (iv) in the
event that a recommendation by the CONTRACTING PARTIES to a developed country is not carried out within a given time-limit, the CONTRACTING PARTIES shall consider what collective action they could take to obtain compliance with their recommendation.

At an early stage of the discussion the Brazilian and Uruguayan delegations reformulated their proposal in the form of a draft decision, with a view to expediting its adoption since an amendment would have to go through long constitutional procedures in national legislatures.

The sponsors of the proposal explained that the intention behind the proposal was to streamline and to set out clearly the procedures so as to speed up action under that Article XXIII and to go some way towards redressing the unequal bargaining position of less-developed countries vis-à-vis developed countries in proceedings under that Article.

On the basis of the discussions in the Ad Hoc Group, the Committee has drawn up a revised draft Decision which embodied the agreement reached in the Committee on procedures for more speedy and efficient use of the provisions of Article XXIII by less-developed contracting parties. This revised text is contained in Annex I to the report.

Less-developed countries, while agreeing that the procedures embodied in the draft Decision represented a positive step forward, felt that their fundamental concerns had not really been met. The Brazilian and Uruguayan delegations in particular stated that while they would accept the compromise reached on point (iv) and reflected in paragraph 10 of the draft Decision, they could agree to the proposed draft Decision only on the understanding that further work would be done with a view to resolving the two issues mentioned in (ii) and (iii) above. The developed contracting parties, while not unmindful of the general objectives behind the suggestions relating to points (ii) and (iii), were unable to accept the proposed text in question, for various reasons which have been stated in the report of the Ad Hoc Group. They had, however, no objection to those issues being given further consideration in the Ad Hoc Group.
In agreeing that the annexed draft Decision should be presented to the CONTRACTING PARTIES for adoption, the Committee also agreed that further work with regard to the two outstanding issues dealt with in the text of the two paragraphs reproduced in Annex II of the present report should be continued in the Ad Hoc Group on Legal Amendments.

The Committee agreed that the phrase "shall consider what measures" which appears in paragraph 10 of the draft Decision, is intended to mean that the CONTRACTING PARTIES shall consider the matter with a view to finding an appropriate solution.

Amendments to Article XVIII to authorize the use of surcharges by less-developed countries for balance-of-payments reasons

The Ad Hoc Group on Legal Amendments has considered this question at some length and the Committee heard an oral report by the Chairman of the Group, in regard to the issues that have arisen in the course of these discussions. It appears that the issues which have been brought out in the deliberations have proved to be more complex than were first envisaged. It has been generally agreed that this question should remain on the agenda of the Ad Hoc Group on Legal Amendments, but that the Group will meet to deal with this question only when specific proposals for its consideration have been received and circulated in advance.
X. Trade and aid studies

The Expert Group on Trade and Aid Studies concluded its discussions of the development plans of Nigeria and Uganda at its last meeting. The findings and recommendations formulated by the Group on the basis of the studies of the plans of these countries are set out in the Group's report (COM.TD/G/6 and COM.TD/G/7).

The Committee noted that the experts had devoted their attention to specific and concrete problems relating to economic diversification and export marketing in the two countries, and that this pragmatic approach had yielded some practical results. The Committee recognized that some of the recommendations which had been made with regard to commodities of interest to these two countries were equally important to other less-developed countries. Consequently, the implementation of those recommendations relating to trade policy measures would benefit other less-developed countries also. It recognized that other recommendations which were particularly tailored to the conditions prevailing in the two countries could equally, with appropriate adaptation, be applied for the benefit of other less-developed countries. Thus the conclusions reached in these studies were of general value for a number of less-developed countries.

It was also noted that both the secretariat and the experts had found it necessary, in studying the problems pertaining to the building up of an export industry in the two countries, to deal with the totality of the problems involved. As a result, the experts had made recommendations in certain areas which fell outside the immediate competence of the CONTRACTING PARTIES. This, of course, did not mean that the GATT should extend its activities outside its normal competence. Rather the intention was for the CONTRACTING PARTIES to draw the attention of governments and competent international organizations to the recommendations of the experts in the hope that through co-operation implementation of the recommendations could be achieved.
Having examined the development plan studies of Uganda and Nigeria, the record of the discussions of these studies in the Expert Group, and the experts' final conclusions and recommendations, the Committee recommends to the CONTRACTING PARTIES that:

(a) they give urgent consideration, in their current trade negotiations, to the possibility of reducing or abolishing tariffs, as well as other trade barriers and fiscal charges, applicable to the commodities mentioned in COM.TD/G/6, paragraphs 11, 13, 16 and 18, and in COM.TD/G/7, paragraphs 7 and 9;

(b) in addition to measures to expand Nigerian and Ugandan exports generally they support by advice, assistance and active co-operation the efforts of Uganda and Nigeria to develop and intensify their regional trade;

(c) those of them who are in a position to do so grant the type of assistance recommended by the Expert Group in COM.TD/G/6, paragraphs 6, 10, 15, 21 and 26, and COM.TD/7, paragraphs 6, 10 and 15;

(d) they authorize the secretariat to forward copies of these reports to other international organizations concerned for such action as these organizations might wish to take in respect of the recommendations contained therein;

(e) they authorize the secretariat to keep in touch with delegations with a view to following up any action taken on the recommendations by individual governments;

(f) request the secretariat to report the progress achieved in this respect at the next meeting.
XI. Trade information and trade promotion

There was general satisfaction in the Committee on the good performance of the Trade Centre, to which reference was made in the report of the Group on Trade Information and Advisory Services (L/2574) transmitted to the Committee for information. Members generally pledged the continuing support of their governments for the future work and activities of the Centre. It was suggested that the Centre should venture into the field of actual trade promotion services, for example, in exploring the possibilities of obtaining concessional rates for the participation of exporters of less-developed countries in trade fairs in industrialized countries and in promotion through radio, television, commercial journals and other information media. It was also suggested that efforts should be made to ensure that additional expenditure required for the expansion of the Centre's services was not financed exclusively through the ordinary budget of GATT which would involve increased contributions by contracting parties; if possible ad hoc contributions should be sought from governments of developed countries and fund donating agencies.
XII. Invitation to the Committee from the Government of Uruguay

The Committee discussed an invitation from the Government of Uruguay for the Committee on Trade and Development to hold its next meeting in Montevideo. The Committee wished to express its thanks to the Government of Uruguay for its hospitality. Many members, however, indicated that they have received no instructions, without which they were unable to give their support to acceptance of the invitation. It was agreed that the matter be placed before the CONTRACTING PARTIES which could decide on it at the forthcoming session.
ANNEX I

Draft Decision on Article XXIII

The CONTRACTING PARTIES,

Recognizing that the prompt settlement of situations in which a contracting party considers that any benefits accruing to it directly or indirectly from the General Agreement are being impaired by measures taken by another contracting party, is essential to the effective functioning of the General Agreement and the maintenance of a proper balance between the rights and obligations of all contracting parties,

Recognizing further that the existence of such a situation can cause severe damage to the trade and economic development of the less-developed contracting parties, and

Affirming their resolve to facilitate the solution of such situations while taking fully into account the need for safeguarding both the present and potential trade of less-developed contracting parties affected by such measures,

Decide that:

1. If consultations between a less-developed contracting party and a developed contracting party in regard to any matter falling under paragraph 1 of Article XXIII do not lead to a satisfactory settlement, the less-developed contracting party complaining of the measure may refer the matter which is the subject of consultations to the Director-General so that, acting in an ex officio capacity, he may use his good offices with a view to facilitating a solution.

2. To this effect the contracting parties concerned shall, at the request of the Director-General, promptly furnish all relevant information.

3. On receipt of this information the Director-General shall consult with the contracting parties concerned and with such other contracting parties or intergovernmental organizations as he considers appropriate with a view to promoting a mutually acceptable solution.

4. After a period of two months from the commencement of the consultations referred to in paragraph 3 above, if no mutually satisfactory solution has been reached, the Director-General shall, at the request of one of the contracting parties concerned, bring the matter to the attention of the CONTRACTING PARTIES or the Council, to whom he shall submit a report on the action taken by him, together with all background information.
5. Upon receipt of the report, the CONTRACTING PARTIES or the Council shall forthwith appoint a panel of experts to examine the matter with a view to recommending appropriate solutions. The members of the panel shall act in a personal capacity and shall be appointed in consultation with, and with the approval of, the contracting parties concerned.

6. In conducting its examination and having before it all the background information, the panel shall take due account of all the circumstances and considerations relating to the application of the measures complained of, and their impact on the trade and economic development of affected contracting parties.

7. The panel shall, within a period of sixty days from the date the matter was referred to it, submit its findings and recommendations to the CONTRACTING PARTIES or to the Council, for consideration and decision. Where the matter is referred to the Council, it may, in accordance with Rule 8 of the Intersessional Procedures adopted by the CONTRACTING PARTIES at their thirteenth session, address its recommendations directly to the interested contracting parties and concurrently report to the CONTRACTING PARTIES.

8. Within a period of ninety days from the date of the decision of the CONTRACTING PARTIES or the Council, the contracting party to which a recommendation is directed shall report to the CONTRACTING PARTIES or the Council on the action taken by it in pursuance of the decision.

9. If on examination of this report it is found that a contracting party to which a recommendation has been directed has not complied in full with the relevant recommendation of the CONTRACTING PARTIES or the Council, and that any benefit accruing directly or indirectly under the General Agreement continues in consequence to be nullified or impaired, and that the circumstances are serious enough to justify such action, the CONTRACTING PARTIES may authorize the affected contracting party or parties to suspend, in regard to the contracting party causing the damage, application of any concession or any other obligation under the General Agreement whose suspension is considered warranted, taking account of the circumstances.

10. In the event that a recommendation to a developed country by the CONTRACTING PARTIES is not applied within the time-limit prescribed in paragraph 10, the CONTRACTING PARTIES shall consider what measures, further to those undertaken under paragraph 11, should be taken to resolve the matter.

11. If consultations held under paragraph 2 of Article XXXVII, relate to restrictions for which there is no authority under any provisions of the General Agreement, any of the parties to the consultations may, in the absence of a satisfactory solution request that consultations be carried out by the CONTRACTING PARTIES pursuant to paragraph 2 of Article XXIII and in accordance with the procedures set out in the present decision, it being understood that a consultation held under paragraph 2 of Article XXXVII in respect of such restrictions will be considered by the CONTRACTING PARTIES as fulfilling the conditions of paragraph 1 of Article XXIII if the parties to the consultations so agree.
ANNEX II

Other Provisions Proposed for Inclusion in the Draft Decision

The following paragraphs were included (after the present paragraph 6) in the proposed decision on Article XXIII procedures, and was considered in the Group on Legal Amendments and the Committee (see Section IX of the present report):

"In the event that the measures complained of have been applied by a developed contracting party and it is established that they are adversely affecting the trade and the economic prospects of the less-developed contracting party or parties concerned, the panel may recommend, where it is not possible to eliminate the measures complained of or to obtain an adequate commercial remedy, that the damage caused should be compensated by means of an indemnity of a financial character on mutually acceptable terms.

"In cases where the import capacity of a less-developed contracting party has been or is being impaired by the maintenance of measures by a developed contracting party or parties which are inconsistent with the provisions of the General Agreement, the Director-General shall, with or without the assistance of a panel of experts as may be considered necessary, forthwith proceed to determine in particular the following elements:

"(a) the damage incurred through the incidence of the measures complained of upon the export earnings and economic effort of the less-developed contracting party;

"(b) the compensatory or remedial measures which the contracting party whose measures are complained of would be prepared to take to make good the damage inflicted by their application;

"(c) the effects of such measures as the injured contracting party would be prepared to take in relation to the contracting party whose measures have nullified or impaired the benefits deriving from the General Agreement which the former contracting party is entitled to expect.

In such cases the less-developed contracting party shall be released from its obligations under the General Agreement, towards the developed contracting party or parties acting contrary to the provisions of the General Agreement, for the purpose of taking appropriate remedial or retaliatory measures, pending the completion of the report by the Director-General or the panel of experts, and its examination by the CONTRACTING PARTIES or the Council."
It was also proposed in the Group on Legal Amendments that the inclusion of the paragraphs above should be accompanied by the addition of the following words at the end of the second and third paragraphs respectively in the preambular part of the draft decision:

"... thereby necessitating compensation", and

"as well as adequate compensation for the damage which these contracting parties may have suffered".