Multilateral Trade Negotiations
Group "Framework"

GROUP "FRAMEWORK"

Note by the Acting Chairman of Group

The attached texts on points 1 to 5 of the Framework Group's work programme are being circulated by the Acting Chairman on his own responsibility. They are intended to incorporate the results of informal consultations between a number of delegations, and are being presented with a view to facilitating the further work of the Group.

Several parts of these texts raise great difficulty for individual delegations. No delegation is committed by these texts and their circulation does not prejudice the right of any delegation to revert to any specific issues or to propose alternative texts.

Some delegations have made it clear that the various items in the Framework Group's work programme are interlinked and would need to be treated as part of a balanced package.
POINTS 1 AND 4
DIFFERENTIAL AND MORE FAVOURABLE TREATMENT
RECIPROCITY AND FULLER PARTICIPATION OF DEVELOPING COUNTRIES

NOTE: The text below has been drawn up without prejudice to the position of any delegation with respect to its eventual legal status. Some delegations consider that such a text should appear as a new Article or set of provisions to be incorporated in the General Agreement. Other delegations consider that it should be adopted by the CONTRACTING PARTIES as a Declaration or Decision. Some consequential amendments to the text may be necessary in the light of the decision taken on this question.

1. Notwithstanding the provisions of Article I of the General Agreement, contracting parties may accord differential and more favourable treatment to developing countries, without according such treatment to other contracting parties.

2. The provisions of paragraph 1 apply to the following:
   (a) Preferential tariff treatment accorded by developing contracting parties to products originating in developing countries in accordance with the Generalized [non-reciprocal and non-discriminatory] System of Preferences [***];
   (b) Differential and more favourable treatment with respect to the provisions of the General Agreement concerning non-tariff measures governed by the provisions of instruments multilaterally negotiated under the auspices of the GATT;

*The words "developing countries" as used in this text are to be understood to refer also to developing territories.

**It would remain open for the CONTRACTING PARTIES to consider on an ad hoc basis under the GATT provisions for joint action any proposals for differential and more favourable treatment not falling within the scope of this paragraph.

[***]As described in the Decision of the CONTRACTING PARTIES of 25 June 1971 relating to the establishment of "generalized, non-reciprocal and non-discriminatory preferences beneficial to the developing countries".

(c) Regional or global arrangements entered into amongst less-developed contracting parties for the mutual reduction or elimination of tariffs and, in accordance with criteria or conditions which may be prescribed by the CONTRACTING PARTIES, for the mutual reduction or elimination of non-tariff measures, on products imported from one another;

(d) Special treatment of the least developed among the developing countries in the context of any general or specific measures in favour of less-developed contracting parties [while taking into account the interests of other developing countries];

3. Any differential and more favourable treatment provided under this clause

(a) shall be designed to facilitate and promote the trade of developing countries and not to raise barriers to the trade of other contracting parties;

(b) shall not constitute an impediment to the reduction or elimination of tariffs and other restrictions to trade on a most-favoured-nation basis;

(c) shall, in the case of such treatment accorded by developed contracting parties to developing countries:

(i) be designed to respond positively to the development needs of developing countries [while allowing for a broad and equitable distribution of benefits among beneficiary countries];

(ii) be liable to modification in order to meet the requirements of sub-paragraph (c)(i).
4. Any contracting party taking action to introduce an arrangement pursuant to paragraphs 1, 2 and 3 above or subsequently taking action to introduce modification or withdrawal of the differential and more favourable treatment so provided shall:

(a) notify the CONTRACTING PARTIES and furnish them with all the information they may deem appropriate relating to such action;

(b) afford adequate opportunity for prompt consultations at the request of any interested contracting party with respect to any difficulty or matter that may arise. The CONTRACTING PARTIES shall, if requested to do so by such contracting party, consult with all contracting parties concerned with respect to the matter with a view to reaching solutions satisfactory to all such contracting parties.

5. The developed countries do not expect reciprocity for commitments made by them in trade negotiations to reduce or remove tariff and other barriers to the trade of developing countries, i.e., the developed countries do not expect the developing countries, in the course of trade negotiations, to make contributions which are inconsistent with their individual development, financial and trade needs. Developed contracting parties shall therefore not seek, neither shall less-developed contracting parties be required to make, concessions that are inconsistent with the latter's development, financial and trade needs.

Nothing in these provisions shall affect the rights of contracting parties under the General Agreement.

The suggestion was made that the addition of the following sentence would need to be considered in the light of solutions adopted in codes under negotiation and of the final status of the present text: "In cases where such consultations prove unsatisfactory, the matter may be brought to the CONTRACTING PARTIES in accordance with the provisions of Article XXIII".
6. [The concessions and contributions made by developed and less-developed contracting parties under the provisions of the General Agreement should promote the basic objectives of the Agreement, including those embodied in Article XXXVI. In this connexion, account shall be taken of the development, financial and trade needs of less-developed contracting parties and of changes in their capacity to make concessions and contributions, consequent upon the progressive development of their economies, and improvements in their trade situation facilitated by concessions and contributions received by them.]*

7. The CONTRACTING PARTIES will collaborate in arrangements for review of the operation of these provisions, bearing in mind the need for individual and joint efforts by contracting parties to meet the development needs of developing countries and the objectives of the General Agreement.

*Some delegations have proposed that the second sentence of this paragraph be replaced by the following: "In this connexion the less-developed contracting parties expect that their capacity to make concessions and contributions in the course of trade negotiations would improve with the progressive development of their economies and improvements in their trade situation facilitated by concessions and contributions received by them."

Some delegations have proposed that this paragraph should read as follows: "The capacity of developing countries to assume progressively greater obligations under the General Agreement, and to participate in commitments in the course of trade negotiations or otherwise, will improve with the progressive development of their economies and would thus be expected to be appropriately reflected in the concessions or contributions made by these countries with respect to tariff and non-tariff measures."

One delegation has proposed the addition of the following sentence to the text of this paragraph: "It is understood that adherence to multilaterally negotiated instruments or codes by less-developed contracting parties should be considered as contributions."
The CONTRACTING PARTIES,

Having regard to the provisions of Articles XII and XVIII:B of the General Agreement;

Recalling the procedures for consultations on balance-of-payments restrictions approved by the Council on 28 April 1970 (BISD, Eighteenth Supplement, pages 48-53) and the procedures for regular consultations on balance-of-payments restrictions with developing countries approved by the Council on 19 December 1972 (BISD, Twentieth Supplement, pages 47-49);

Convinced that restrictive trade measures are in general an inefficient means to maintain or restore balance-of-payments equilibrium;

Noting that restrictive import measures other than quantitative restrictions have been used for balance-of-payments purposes;

Reaffirming that restrictive import measures taken for balance-of-payments purposes should not be taken for the purpose of protecting a particular industry or sector;

Convinced that the contracting parties should endeavour to avoid that restrictive import measures taken for balance-of-payments purposes stimulate new investments that would not be economically viable in the absence of the measures;

Recognizing that the less-developed contracting parties must take into account their individual development, financial and trade situation when implementing restrictive import measures taken for balance-of-payments purposes;

Recognizing that the impact of trade measures taken by developed countries on the economies of developing countries can be serious;
Recognizing that developed contracting parties should avoid the imposition of restrictive trade measures for balance-of-payments purposes to the maximum extent possible.

Agree as follows:

1. The procedures for examination stipulated in Articles XII and XVIII shall apply to all restrictive import measures taken for balance-of-payments purposes. The application of restrictive import measures taken for balance-of-payments purposes shall be subject to the following conditions in addition to those provided for in Articles XII, XIII, XV and XVIII without prejudice of other provisions of the General Agreement.

   (a) In applying restrictive import measures contracting parties shall abide by the disciplines provided for in the GATT and give preference to the measure which has the least disruptive effect on trade;¹
   
   (b) the simultaneous application of more than one type of trade measure for this purpose should be avoided;
   
   (c) whenever practicable, contracting parties shall publicly announce a time schedule for the removal of the measures.

The provisions of this paragraph are not intended to modify the substantive provisions of the General Agreement.

2. If, notwithstanding the principles of this Declaration, a developed contracting party is compelled to apply restrictive import measures for balance-of-payments purposes, it shall, in determining the incidence of its measures, take into account the export interests of the less-developed contracting parties and may exempt from its measures products of export interest to those contracting parties.

¹[It is understood that the less-developed contracting parties must take into account their individual development, financial and trade situation when selecting the particular measure to be applied.]
3. Contracting parties shall promptly notify to the GATT the introduction or intensification of all restrictive import measures taken for balance-of-payments purposes. Contracting parties which have reason to believe that a restrictive import measure applied by another contracting party was taken for balance-of-payments purposes may notify the measure to the GATT or may request the GATT secretariat to seek information on the measure and make it available to all contracting parties if appropriate.

4. All restrictive import measures taken for balance-of-payments purposes shall be subject to consultation in the GATT Committee on Balance-of-Payments Restrictions (hereafter referred to as "Committee").

5. The membership of the Committee is open to all contracting parties indicating their wish to serve on it. Efforts shall be made to ensure that the composition of the Committee reflects as far as possible the characteristics of the contracting parties in general in terms of their geographical location, external financial position and stage of economic development.

6. The Committee shall follow the procedures for consultations on balance-of-payments restrictions approved by the Council on 28 April 1970 and set out in BISD, Eighteenth Supplement, pages 48-53, (hereinafter referred to as "full consultation procedures") or the procedures for regular consultations on balance-of-payments restrictions with developing countries approved by the Council on 19 December 1972 and set out in BISD, Twentieth Supplement, pages 47-49, (hereinafter referred to as "simplified consultation procedures") subject to the provisions set out below.
7. The GATT secretariat, drawing on all appropriate sources of information, including the consulting contracting party, shall with a view to facilitating the consultations in the Committee prepare a factual background paper describing the trade aspects of the measures taken, including aspects of particular interest to less-developed contracting parties. The paper shall also cover such other matters as the Committee may determine. The GATT secretariat shall give the consulting contracting party the opportunity to comment on the paper before it is submitted to the Committee.

8. In the case of consultations under Article XVIII:12(b) the Committee shall base its decision on the type of procedure on such factors as the following:

   (a) the time elapsed since the last full consultations;
   (b) the steps the consulting contracting party has taken in the light of conclusions reached on the occasion of previous consultations;
   (c) the changes in the overall level or nature of the trade measures taken for balance-of-payments purposes;
   (d) the changes in the balance-of-payments situation or prospects;
   (e) whether the balance-of-payments problems are structural or temporary in nature.

9. A less-developed contracting party may at any time request full consultations.

10. The technical assistance services of the GATT secretariat shall, at the request of a less-developed consulting contracting party, assist it in preparing the documentation for the consultations.
11. The Committee shall report on its consultations to the Council. The reports on full consultations shall indicate:

(a) the Committee's conclusions as well as the facts and reasons on which they are based;

(b) the steps the consulting contracting party has taken in the light of conclusions reached on the occasion of previous consultations; and

(c) in the case of less-developed contracting parties, the facts and reasons on which the Committee based its decision on the procedure followed;

(d) in the case of developed contracting parties, whether alternative economic policy measures are available.

12. As provided for in paragraph 3 of the full consultation procedures, a less-developed contracting party may at any time request expanded consultations in which particular attention is given to the possibilities for alleviating and correcting the balance-of-payments problem through measures that contracting parties might take to facilitate an expansion of the export earnings of the consulting contracting party.

13. If the Committee finds that a restrictive import measure taken by the consulting contracting party for balance-of-payments purposes is inconsistent with the provisions of Articles XII, XVIII:B or this Declaration, it shall, in its report to the Council, make such findings as will assist the Council in making appropriate recommendations designed to promote the implementation of Articles XII and XVIII:B and this Declaration. The Council shall keep under surveillance any matter on which it has made recommendations.
14. If the Committee finds that the consulting contracting party's measures:

(a) are in important respects related to restrictive trade measure maintained by another contracting party¹; or

(b) have a significant adverse impact on the export interests of a less-developed contracting party;

it shall so report to the Council which shall take such further action as it may consider appropriate.

¹It is noted that such a finding is more likely to be made in the case of recent measures than of measures in effect for some considerable time.
1. The CONTRACTING PARTIES recognize that the implementation by less-developed contracting parties of programmes and policies of economic development aimed at raising the standard of living of the people may involve in addition to the establishment of particular industries* the development of new or the modification or extension of existing production and marketing structures with a view to achieving [fuller and] more efficient use of resources in accordance with the priorities of their economic development [,including promotion of socially desirable patterns of consumption]. Accordingly, they agree that a less-developed contracting party may, to achieve these objectives, modify or withdraw concessions included in the appropriate schedules annexed to the General Agreement as provided for in Section A of Article XVIII or, where no measure consistent with the other provisions of the General Agreement is practicable to achieve these objectives, have recourse to [the provisions and procedures of] Section C of Article XVIII, with the additional flexibility provided for below. In taking such action the less-developed contracting party concerned shall give due regard to the objectives of the General Agreement and to the need to avoid unnecessary damage to the trade of other contracting parties.

2. The CONTRACTING PARTIES recognize further that there may be unusual circumstances where delay in the application of measures which a less-developed contracting party wishes to introduce under Section A or Section C of Article XVIII may give rise to difficulties in the application of its programmes

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*As referred to in paragraphs 2, 3, 7, 13 and 22 of Article XVIII and in the Note to these paragraphs.
and policies of economic development for the aforesaid purposes. They agree, therefore, that in such circumstances, the less-developed contracting party concerned may deviate from the provisions of Section A and paragraphs 14, 15, 17 and 18 of Section C to the extent necessary for introducing the measures contemplated on a provisional basis immediately after notification.

3. It is understood that all other requirements of the preambular part of Article XVIII and of Sections A and C of that Article, as well as the Notes and Supplementary Provisions set out in Annex I under these Sections will continue to apply to the measures to which this Decision relates.

4. Before ..., the CONTRACTING PARTIES shall review this Decision in the light of experience with its operation, with a view to determining whether it should be extended, modified or discontinued.

[II.]*

[1. The CONTRACTING PARTIES recognize that during transitional adjustment periods, less-developed contracting parties may have to resort to temporary measures to safeguard their industries while implementing programmes and policies of economic development. They accordingly agree that subject to the provisions for notification, consultation and review, provided in paragraph 3 below, such contracting parties may take for a period of five years temporary safeguard action by way of an increase in a bound rate of duty or of other special measures affecting imports as referred to in Article XVIII:C, without being required to enter into the negotiations envisaged under paragraph 7 or paragraphs 14 to 18 of that Article.

*This proposal has been put forward by one delegation and has received support in substance from some delegations. Some other delegations have raised a number of questions on it and have some serious difficulties with it. It is reproduced here to provide an opportunity for further reflection and consultation.
2. Temporary safeguard action taken in accordance with the provisions of paragraph 1 above, shall be withdrawn after the expiry of the period of five years from the date on which such action is first implemented. In cases where the less-developed contracting party considers it necessary to continue the application of the measure which has been subject to such action, it shall follow the procedures for consultation and negotiation laid down in Sections A or C of Article XVIII.

3. (a) A less-developed contracting party proposing to take temporary safeguard action in accordance with the provisions of paragraph 1 above, shall notify the CONTRACTING PARTIES in writing of its intention to implement such action as far in advance as may be practicable, but normally not less than [20] days prior to the implementation of the measure.

   (b) The notification shall contain a precise description of the products including tariff item numbers, etc., in respect of which measures are to be applied, the circumstances on which the application of the temporary action is based, the date of implementation and the expected duration of the measures.

   (c) The less-developed contracting party proposing to adopt temporary safeguard action shall, before any measure is introduced, be prepared to consult with respect to the grounds on which such temporary action is based, at the request of any contracting party or contracting parties which have a substantial interest as exporters in the products concerned or whose trade interests are likely to be adversely affected. Consultations requested shall begin as soon as possible and not later than [30] [60] days from the date of request.
(d) In exceptional circumstances, temporary safeguard action may be taken provisionally without prior consultations, on the condition that consultations provided for in sub-paragraph (c) above, shall be effected immediately after taking such action.

(e) Any contracting party having a substantial interest in the export of products affected by the measure, or whose interests are likely to be seriously affected by the measure may, if the consultations referred to in sub-paragraph (c) above do not lead to satisfactory results, bring the matter before the CONTRACTING PARTIES which shall examine the matter in the light of the justification provided for taking such temporary safeguard action, and shall make any recommendations that they deem appropriate.]
POINT 3

DRAFT UNDERSTANDING REGARDING NOTIFICATION
CONSULTATION, DISPUTE SETTLEMENT AND SURVEILLANCE

The CONTRACTING PARTIES reaffirm their adherence to the basic GATT mechanism for the management of disputes based on Articles XXII and XXIII. With a view to improving and refining the GATT mechanism, the CONTRACTING PARTIES agree as follows:

Notification

Contracting parties reaffirm their commitment to existing obligations under the General Agreement regarding publication and notification. Contracting parties moreover undertake, to the maximum extent possible, to notify the CONTRACTING PARTIES of their adoption of trade measures affecting the operation of the General Agreement, it being understood that such notification would of itself be without prejudice to views on the consistency of measures with or their relevance to rights and obligations under the General Agreement. Contracting parties should endeavour to notify such measures in advance of implementation. In other cases, where prior notification has not been possible, such measures should be notified promptly ex post facto. Contracting parties which have reason to believe that such trade measures have been adopted by another contracting party may seek information on such measures bilaterally, from the contracting party concerned.

1 It is noted that Article XXV may, as recognized by the CONTRACTING PARTIES, inter alia, when they adopted the report of the Working Party on particular difficulties connected with trade in primary products (L/930), also afford an appropriate avenue for consultation and dispute settlement in certain circumstances.

2 See secretariat note, "Notifications required from contracting parties" (MTN/FR/W/17, dated 1 August 1978).
Consultations

Contracting parties reaffirm their resolve to strengthen and improve the effectiveness of consultative procedures employed by contracting parties. In that connexion, they undertake to respond to requests for consultations promptly and to attempt to conclude consultations expeditiously, with a view to reaching mutually satisfactory conclusions. Any requests for consultations should include the reasons therefor.

During consultations, contracting parties should give special attention to the particular problems and interests of less-developed contracting parties.

Contracting parties should attempt to obtain satisfactory adjustment of the matter in accordance with the provisions of Article XXIII:1 before resorting to Article XXIII:2.

Resolution of disputes

The CONTRACTING PARTIES agree that the customary practice of the GATT in the field of dispute settlement, described in the Annex, should be continued in the future, with the improvements set out below. They recognize that the efficient functioning of the system depends on their will to abide by the present understanding. It is understood that the customary practice includes the procedures for the settlement of disputes between developed and less-developed countries adopted by the CONTRACTING PARTIES in 1966 (BISD, fourteenth supplement, page 18) and that these remain available to less-developed contracting parties wishing to use them, with the improvements set out below.
If a dispute is not resolved through consultations the contracting parties concerned may request an appropriate body or individual to use their good offices with a view to the conciliation of the outstanding differences between the parties. If the unresolved dispute is one in which a less developed contracting party has brought a complaint against a developed contracting party, the less-developed contracting party may request the good offices of the Director-General who, in carrying out his tasks, may consult with the Chairman of the CONTRACTING PARTIES or the Chairman of the Council.

It is understood that requests for conciliation and the use of the dispute settlement procedures of Article XXIII:2 should not be intended or considered as contentious acts and that, if disputes arise, all contracting parties will engage in these procedures in good faith in an effort to resolve the disputes. It is also understood that complaints and counter-complaints in regard to distinct matters should not be linked.

It is agreed that if a contracting party invoking Article XXIII:2 requests the establishment of a panel to assist the CONTRACTING PARTIES to deal with the matter, the CONTRACTING PARTIES would decide on its establishment in accordance with standing practice. It is also agreed that the CONTRACTING PARTIES would similarly decide to establish a working party if this were requested by a contracting party invokes the Article. It is further agreed that such requests would be granted only after the contracting party concerned had had an opportunity to study the complaint and respond to it before the CONTRACTING PARTIES.
When a panel is set up, the Director-General, after securing the agreement of the contracting parties concerned, should propose the composition of the panel, of three or five members depending on the case, to the CONTRACTING PARTIES for approval. The members of a panel would preferably be governmental. It is understood that citizens of countries whose governments\(^1\) are parties to the dispute would not be members of the panel concerned with that dispute. The panel should be constituted as promptly as possible and normally not later than thirty days from the decision by the CONTRACTING PARTIES.

The parties to the dispute would respond within a short period of time, i.e., seven working days, to nominations of panel members by the Director-General and would not oppose nominations except for compelling reasons.

In order to facilitate the constitution of panels, the Director-General should maintain an informal indicative list of governmental and non-governmental persons qualified in the fields of trade relations, economic development, and other matters covered by the General Agreement, and who could be available for serving on panels. For this purpose, each contracting party would be invited to indicate at the beginning of every year to the Director-General the name of one or two persons who would be available for such work.\(^2\)

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\(^1\)In the case customs unions or common markets are parties to a dispute, this provision applies to citizens of all member countries of the customs unions or common markets.

\(^2\)The coverage of travel expenses should be considered within the limits of budgetary possibilities.
Panel members would serve in their individual capacities and not as government representatives, nor as representatives of any organization. Governments would therefore not give them instructions nor seek to influence them as individuals with regard to matters before a panel. Panel members should be selected with a view to ensuring the independence of the members, a sufficiently diverse background and a wide spectrum of experience.¹

Any contracting party having a substantial interest in the matter before a panel, and having notified this to the Council, should have an opportunity to be heard by the panel. Each panel should have the right to seek information and technical advice from any individual or body which it deems appropriate. Any contracting party should respond promptly and fully to any request by a panel for such information as the panel considers necessary and appropriate. Confidential information which is provided should not be revealed without formal authorization from the contracting party providing the information.

The function of panels is to assist the CONTRACTING PARTIES in discharging their responsibilities under Article XXIII:2. Accordingly, a panel should make an objective assessment of the matter before it, including an objective assessment of the facts of the case and the applicability of and conformity with the General Agreement and, if so requested by the CONTRACTING PARTIES, make such other findings as will assist the CONTRACTING PARTIES in making the recommendations or in giving the rulings provided for in Article XXIII:2. In this connexion, panels should consult regularly with the parties to the dispute and give them adequate opportunity to develop a mutually satisfactory solution.

¹NOTE: A statement would be included in the Annex describing the current practice with respect to inclusion on panels of persons from developing countries.
Where the parties have failed to develop a mutually satisfactory solution, the panel should submit its findings in a written form. The report of a panel should normally set out the rationale behind any findings and recommendations that it makes. Where a bilateral settlement of the matter has been found, the report of the panel may be confined to a brief description of the case and to reporting that a solution has been reached.

To encourage development of mutually satisfactory solutions between the parties and with a view to obtaining their comments, each panel should first submit the descriptive part of its report to the parties concerned, and should subsequently submit to the parties to the dispute its conclusions, or an outline thereof, a reasonable period of time before they are circulated to the CONTRACTING PARTIES.

If a mutually satisfactory solution is developed by the parties to a dispute before a panel, any contracting party with an interest in the matter has a right to enquire about and be given appropriate information about that solution in so far as it relates to trade matters.

The time required by panels will vary with the particular case.\(^1\) However, panels should aim to deliver their findings without undue delay, taking into account the obligation of the CONTRACTING PARTIES to ensure prompt settlement. In cases of urgency the panel would be called upon to deliver its findings within a period normally of three months from the time the panel was established.

\(^1\)NOTE: An explanation is included in the Annex that "in most cases the proceedings of the panels have been completed within a reasonable period of time, extending from three to nine months."
Reports of panels and working parties should be given prompt consideration by the CONTRACTING PARTIES. The CONTRACTING PARTIES should take appropriate action on reports of panels and working parties within a reasonable period of time. If the case is one brought by a less-developed contracting party, such action should be taken in a specially convened meeting, if necessary. In such cases, in considering what appropriate action might be taken the CONTRACTING PARTIES shall take into account not only the trade coverage of measures complained of, but also their impact on the economy of less-developed contracting parties concerned.

The CONTRACTING PARTIES shall keep under surveillance any matter on which they have made recommendations or given rulings. If the CONTRACTING PARTIES' recommendations are not implemented within a reasonable period of time, the CONTRACTING PARTIES shall consider what measures should be taken with a view to finding an appropriate solution.

Surveillance

The CONTRACTING PARTIES agree to conduct a regular and systematic review of developments in the trading system. Particular attention would be paid to developments which affect rights and obligations under the GATT, to matters affecting the interests of less-developed contracting parties, to trade measures notified in accordance with this understanding and to measures which have been subject to consultation, conciliation or dispute settlement procedures laid down in this understanding.

Technical assistance

The technical assistance services of the GATT secretariat shall, at the request of a less-developed contracting party, assist it in connexion with matters dealt with in this understanding.
ANNEX

Agreed Description of the Customary Practice of the GATT in the Field of Dispute Settlement (Article XXIII:2)

Paragraph 1

Any dispute which has not been settled bilaterally under the relevant provisions of the General Agreement may be referred to the CONTRACTING PARTIES which are obliged, pursuant to Article XXIII:2, to investigate matters submitted to them and make appropriate recommendations or give a ruling on the matter as appropriate. Article XXIII:2 does not indicate whether disputes should be handled by a working party or by a panel.  

Paragraph 2

The CONTRACTING PARTIES adopted in 1966 a decision establishing the procedure to be followed for Article XXIII consultations between developed and less-developed contracting parties (BISD, 14 Supplement, page 18). This procedure provides, inter alia, for the Director-General to employ his good offices with a view to facilitating a solution, for setting up a panel with the task of examining the problem in order to recommend appropriate solutions, and for time-limits for the execution of the different parts of this procedure.

1 The Council is empowered to act for the CONTRACTING PARTIES, in accordance with normal GATT practice.

2 At the Review Session (1955) the proposal to institutionalize the procedures of panels was not adopted by CONTRACTING PARTIES mainly because they preferred to preserve the existing situation and not to establish judicial procedures which might put excessive strain on the GATT.
Paragraph 3

The function of a panel has normally been to review the facts of a case and the applicability of GATT provisions and to arrive at an objective assessment of these matters. In this connexion, panels have consulted regularly with the parties to the dispute and have given them adequate opportunity to develop a mutually satisfactory solution. Panels have taken appropriate account of the particular interests of developing countries. In cases of failure of the parties to reach a mutually satisfactory settlement, panels have normally given assistance to the CONTRACTING PARTIES in making recommendations or in giving rulings as envisaged in Article XXIII:2.

Paragraph 4

Before bringing a case, contracting parties have exercised their judgment as to whether action under Article XXIII:2 would be fruitful. Those cases which have come before the CONTRACTING PARTIES under this provision have, with few exceptions, been brought to a satisfactory conclusion. The aim of the CONTRACTING PARTIES has always been to secure a positive solution to a dispute. A solution mutually acceptable to the parties to a dispute is clearly to be preferred. In the absence of a mutually agreed solution, the first objective of the CONTRACTING PARTIES is usually to secure the withdrawal of the measures concerned if these are found to be inconsistent with the General Agreement. The provision of compensation should be resorted to only if the immediate withdrawal of the measure is impracticable and as a temporary measure pending the withdrawal of the measures which are inconsistent with the General Agreement. The last
resort which Article XXIII provides to the country invoking this procedure is the possibility of suspending the application of concessions or other obligations on a discriminatory basis vis-à-vis the other contracting party, subject to authorization by the CONTRACTING PARTIES of such measures. Such action has only rarely been contemplated and cases taken under Article XXIII:2 have led to such action in only one case.

Paragraph 5

In practice, contracting parties have had recourse to Article XXIII only when in their view a benefit accruing to them under the General Agreement was being nullified or impaired. In cases where there is an infringement of the obligations assumed under the General Agreement, the action is considered prima facie to constitute a case of nullification or impairment. A prima facie case of nullification or impairment would ipso facto require consideration of whether the circumstances are serious enough to justify the authorization of suspension of concessions or obligations, if the contracting party bringing the complaint so requests. This means that there is normally a presumption that a breach of the rules has an adverse impact on other contracting parties, and in such cases, it is up to the other contracting parties to rebut the charge. Paragraph 1(b) permits recourse to Article XXIII if nullification or impairment results from measures taken by other contracting parties whether or not these conflict with the provisions of the General Agreement, and paragraph 1(c) if any other situation exists. If a contracting party bringing an Article XXIII case claims that measures which do not conflict with the provisions of the General Agreement have nullified or impaired benefits accruing to it under the General Agreement, it would be called upon to provide a detailed justification.
Paragraph 6

Concerning the customary elements of working parties and panels procedures, the following elements have to be noted:

(i) working parties are instituted by the Council upon the request of one or several contracting parties. The terms of reference of working parties are generally "to examine the matter in the light of the relevant provisions of the General Agreement and to report to the Council". Working parties set up their own working procedures. The practice for working parties has been to hold one or two meetings to examine the matter and a final meeting to discuss conclusions. Working parties are open to participation of any contracting party which has an interest in the matter. Generally working parties consist of a number of delegations varying from about five to twenty according to the importance of the question and the interests involved. The countries who are parties to the dispute are always members of the Working Party and have the same status as other delegations. The report of the Working Party represents the views of all its members and therefore records different views if necessary. Since the tendency is to strive for consensus, there is generally some measure of negotiation and compromise in the formulation of for Working Party's report. The Council adopts the report. The reports of working parties are advisory opinions on the basis of which the CONTRACTING PARTIES may take a final decision.
(ii) In the case of disputes, the CONTRACTING PARTIES have established panels (which have been called by different names) or working parties in order to assist them in examining questions raised under Article XXIII:2. Since 1952, panels have become the usual procedure. However, the Council has taken such decisions only after the party concerned has had an occasion to study the complaint and prepare its response before the Council. The terms of reference are discussed and approved by the Council. Normally, these terms of reference are "to examine the matter and to make such findings as will assist the CONTRACTING PARTIES in making the recommendations or rulings provided for in paragraph 2 of Article XXIII". When a contracting party having recourse to Article XXIII:2 raised questions relating to the suspension of concessions or other obligations, the terms of reference were to examine the matter in accordance with the provisions of Article XXIII:2. Members of the panel are usually selected from permanent delegations or, less frequently, from the national administrations in the capitals amongst delegates who participate in GATT activities on a regular basis. The practice has been to appoint a member or members from developing countries when a dispute is between a developing and a developed country.

(iii) Members of panels are expected to act impartially without instructions from their governments. In a few cases, in view of the nature and complexity of the matter, the parties concerned have agreed to designate non-government experts. Nominations are proposed to the parties
concerned by the GATT secretariat. The composition of panels (three or five members depending on the case) has been agreed upon by the parties concerned and approved by the GATT Council. It is recognized that a broad spectrum of opinion has been beneficial in difficult cases, but that the number of panel members has sometimes delayed the composition of panels, and therefore the process of dispute settlement.

(iv) Panels set up their own working procedures. The practice for the panels has been to hold two or three formal meetings with the parties concerned. The panel invited the parties to present their views either in writing and/or orally in the presence of each other. The panel can question both parties on any matter which it considers relevant to the dispute. Panels have also heard the views of any contracting party having a substantial interest in the matter, which is not directly party to the dispute, but which has expressed in the Council a desire to present its views. Written memoranda submitted to the panel have been considered confidential, but are made available to the parties to the dispute. Panels often consult with and seek information from any relevant source they deem appropriate and they sometimes consult experts to obtain their technical opinion on certain aspects of the matter. Panels may seek advice or assistance from the secretariat in its capacity as guardian of the General Agreement, especially on historical or procedural aspects. The secretariat provides the secretary and technical services for panels.
(v) Where the parties have failed to develop a mutually satisfactory solution, the panel has submitted its findings in a written form. Panel reports have normally set out findings of fact, the applicability of relevant provisions, and the basic rationale behind any findings and recommendations that it has made. Where a bilateral settlement of the matter has been found, the report of the panel has been confined to a brief description of the case and to reporting that a solution has been reached.

(vi) The reports of panels have been drafted in the absence of the parties in the light of the information and the statements made.

(vii) To encourage development of mutually satisfactory solutions between the parties and with a view to obtaining their comments, each panel has normally first submitted the descriptive part of its report to the parties concerned, and also their conclusions, or an outline thereof, a reasonable period of time before they have been circulated to the CONTRACTING PARTIES.

(viii) In accordance with their terms of reference established by the CONTRACTING PARTIES panels have expressed their views on whether an infringement of certain rules of the General Agreement arises out of the measure examined. Panels have also, if so requested by the CONTRACTING PARTIES, formulated draft recommendations addressed to the parties. In yet other cases panels were invited to give a technical opinion on some precise aspect of the matter (e.g. on the modalities of a withdrawal or suspension in regard to the volume of trade involved). The opinions expressed by the panel members on the matter are anonymous and the panel deliberations are secret.
(ix) Although the CONTRACTING PARTIES have never established precise deadlines for the different phases of the procedure, probably because the matters submitted to panels differ as to their complexity and their urgency, in most cases the proceedings of the panels have been completed within a reasonable period of time, extending from three to nine months.

The 1966 decision by the CONTRACTING PARTIES referred to in paragraph 2 above lays down in its paragraph 7 that the Panel shall report within a period of sixty days from the date the matter was referred to it.
POINT 5

UNDERSTANDING REGARDING EXPORT CONTROL MEASURES*

The CONTRACTING PARTIES recognize that trade measures to control exports, notwithstanding their necessity or legitimacy to meet valid domestic needs as provided under the General Agreement, can create impediments to international trade. They further acknowledge that the absence of agreement regarding the interpretation of certain of the GATT provisions

*This proposal has been put forward by one delegation and has received support in substance from some delegations. Some other delegations have raised a number of questions on it and have some serious difficulties with it. It is reproduced here to provide an opportunity for further reflection and consultation. The delegations having serious difficulties with the proposal made the following statement with regard to the reference in paragraph 8 of the text concerning the 1950 Working Party: "Certain provisions relating to use of export restrictions were examined in 1950 by a working party. The views of the working party have never been applied to or tested in a single case, and have remained a dead-letter. Since then GATT has undergone a vast change. Part IV has been added, many provisions of which cover directly the aspects considered by the working party. It requires also that "international trade should be governed by such rules and procedures - and measures in conformity with such rules and procedures - as are consistent with the objectives set forth in this Article" (Article XXXVI). The Charter of Economic Rights and Duties has been adopted by the UN General Assembly which recognizes the sovereign rights of States over their natural resources. The views of the Working Party are therefore not valid today nor the acceptance of those views by C.P.s in 1950 an operative decision today. No reference to those should therefore be made."
relating to export restrictions and charges, and of a common recognition regarding guidelines and procedures to be followed when such actions are taken, have at times contributed to instability and uncertainty in international trading conditions and could do so in the future.

The CONTRACTING PARTIES therefore reaffirm their adherence to the basic GATT mechanism for the management of disputes based on Articles XXII and XXIII\(^1\) as it relates to export control measures, and agree that the following undertakings will be to their common benefit and mutual advantage:

1. Contracting parties reaffirm their commitment to existing obligations under the General Agreement regarding publication and notification as they relate to export control measures (whether made effective by restrictions on quantity or value of exports, licence requirements, duties, taxes, or other charges; State-trading regulations; or other methods).

\(^1\)It is noted that Article XXV may, as recognized by the CONTRACTING PARTIES, _inter alia_, when they adopted the report of the Working Party on particular difficulties connected with trade in primary products (L/930), also afford an appropriate avenue for consultation and dispute settlement in certain circumstances.
2. Contracting parties moreover undertake, to the maximum extent possible, to notify the CONTRACTING PARTIES of their adoption of export control measures affecting the operation of the General Agreement, it being understood that such notification would of itself be without prejudice to views on the consistency of measures with or their relevance to rights and obligations under the General Agreement. Contracting parties should endeavour to notify such measures in advance of implementation. In other cases, where prior notification has not been possible, such measures should be notified promptly ex post facto. Contracting parties which have reason to believe that such export control measures have been adopted by another contracting party may seek information on such measures bilaterally from the contracting party concerned.

3. Contracting parties reaffirm their resolve to strengthen and improve the effectiveness of consultative procedures employed by contracting parties. In that connexion, they undertake to respond to requests for consultations with regard to export control measures promptly and to attempt to conclude consultations expeditiously, with a view to reaching mutually satisfactory conclusions. Any requests for consultations should include the reasons therefor.

4. During consultations, contracting parties should give special attention to the particular problems and interests of less-developed contracting parties.
5. Contracting parties should attempt to obtain satisfactory adjustment of any matter in accordance with the provisions of Article XXIII:1 before resorting to Article XXIII:2.

6. If a dispute relating to export control measures is not resolved through consultations, the contracting parties concerned would have recourse to the dispute resolution provisions of the basic GATT mechanism for management of disputes, as set out in the Agreement by the CONTRACTING PARTIES of ...

7. The CONTRACTING PARTIES agree that, in the context of their regular and systematic review of developments in the trading system, there should be adequate attention to the matters covered by this Understanding. Particular attention would be paid to developments which affect rights and obligations under the GATT, to matters affecting the interests of less-developed contracting parties, to export control measures notified in accordance with this Understanding and to measures which have been subject to consultation, conciliation or dispute settlement procedures laid down in this Understanding.

8. With respect to the use of quantitative export restrictions, whether implemented by licence requirements, State-trade regulations, or other methods, the substance, conclusions and recommendations of the Report of the CONTRACTING PARTIES unanimously adopted on 3 April 1950 ("The Use of Quantitative Restrictions for Protective and Other Commercial Purposes") have been considered by many contracting parties to warrant reconsideration in the light of subsequent developments in the trading system, in particular the subsequent adoption of Part IV of the General Agreement. The CONTRACTING PARTIES agree, therefore, to review this report at an early date.

UNDERSTANDING ON EXPORT MEASURES

The CONTRACTING PARTIES recognize that export measures may be legitimately used by governments to further economic and social objectives. The CONTRACTING PARTIES further recognize that developing contracting parties are permitted to adopt export measures in order to promote the development and diversification of their trade and industry and to raise the standard of living of their people in furtherance of the objectives of this Agreement - more particularly the objectives set out in Part IV particularly in Article XXXVI - especially measures relating to the adequate supplies for their existing industrial plant and for the establishment of new processing facilities in the context of their development and employment policies.

The statement attached in Annex A gives a description of the GATT provisions relating to export restrictions and other charges. The signatories consider that this would facilitate the appreciation of these provisions and lead to a better enforcement of their rights and obligations in this area, while enabling them to take into account the development, trade and financial needs of the less-developed contracting parties. It is understood that such rights and obligations are not affected in any way by this Understanding.

This proposal has been put forward by some delegations. Some other delegations have raised a number of questions on it and have some serious difficulties with it. It is reproduced here to provide an opportunity for further reflection and consultation.
ANNEX A

STATEMENT OF EXISTING GATT PROVISIONS
RELATING TO EXPORT RESTRICTIONS AND CHARGES

Introductory observations

1. This statement covers only those GATT provisions that are of particular relevance to export restrictions and charges. The omission of any provision from this statement does not mean that it is not applicable to such restrictions and charges.

2. The subsequent paragraphs are organized as follows:

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I. Export restrictions

3. Article XI is entitled "General Elimination of Quantitative Restrictions". Paragraph 1 of Article XI reads with the wording relating to imports omitted:

"No prohibitions or restrictions other than duties, taxes or other charges, whether made effective through quotas, ... export licences or other measures, shall be instituted or maintained by any contracting party ... on the exportation or sale for export of any product destined for the territory of any other contracting party."¹

¹A note to Articles XI, XII, XIII, XIV and XVIII provides:

"Throughout Articles XI, XII, XIII, XIV and XVIII, the terms 'import restrictions' or 'export restrictions' includes restrictions made effective through state-trading operations".
According to paragraphs 2(a) and (b) of Article XI the above provision does not extend to:

(a) "Export prohibitions or restrictions temporarily applied to prevent or relieve critical shortages of foodstuffs or other products essential to the exporting contracting party", and

(b) "... export prohibitions or restrictions necessary to the application of standards or regulations for the classification, grading or marketing of commodities in international trade".

For other exceptions to paragraph 1 of Article XI and modalities of application see below paragraphs 6-11.

4. Article XIII is entitled "Non-discriminatory Administration of Quantitative Restrictions". Paragraph 1 of this Article reads with the wording relating to imports omitted: "No prohibition or restriction shall be applied by any contracting party on ... the exportation of any product destined for the territory of any other contracting party, unless ... the exportation of the like product to all third countries is similarly prohibited or restricted." Paragraphs 2 to 4 of Article XIII regulate the:

1Article XVII is entitled "State Trading Enterprises". Paragraphs 1(a) and (b) of this Article read with the wording relating to imports omitted:

"(a) Each contracting party undertakes that if it establishes or maintains a State enterprise, wherever located, or grants to any enterprise, formally or in effect, exclusive or special privileges, such enterprise shall, in its ... sales involving ... exports, act in a manner consistent with the general principles of non-discriminatory treatment prescribed in this Agreement for governmental measures affecting ... exports by private traders.

(b) The provisions of sub-paragraph (a) of this paragraph shall be understood to require that such enterprises shall, having due regard to the other provisions of this Agreement, make any such ... sales solely in accordance with commercial considerations, including price, quality, availability, marketability, transportation and other conditions of sale, and shall afford the enterprises of the other contracting parties adequate opportunity, in accordance with customary business practice, to compete for participation in such ... sales."
non-discriminatory administration of quantitative import restrictions.

Paragraph 5 of Article XIII provides inter alia: "In so far as applicable, the principles of this Article shall also extend to export restrictions."

Article XIV is entitled: "Exceptions to the Rule of Non-discrimination".

Paragraph 4 of this Article reads:

"A contracting party applying import restrictions under Article XII or under Section B of Article XVIII shall not be precluded by Articles XI to XV or Section B of Article XVIII of this Agreement from applying measures to direct its exports in such a manner as to increase its earnings of currencies which it can use without deviation from the provisions of Article XIII."
II. Export charges

5. The following provisions have a bearing on export duties, taxes and other charges:

(a) Paragraph 1 of Article XI, which reads with the wording relating to imports omitted:

"No prohibitions or restrictions other than duties, taxes or other charges, whether made effective through quotas, ... export licences or other measures, shall be instituted or maintained by any contracting party ... on the exportation or sale for export of any product destined for the territory of any other contracting party."

(b) Paragraph 1 of Article I, which reads with the wording relating to imports omitted:

"With respect to customs duties and charges of any kind imposed on or in connection with ... exportation or imposed on the international transfer of payments for ... exports, and with respect to the method of levying such duties and charges, and with respect to all rules and formalities in connection with ... exportation, and with respect to all matters referred to in paragraphs 2 and 4 of Article III, any advantage, favour, privilege or immunity granted by any contracting party to any product ... destined for any other country shall be accorded immediately and unconditionally to the like product ... destined for the territories of all other contracting parties."

Paragraphs 1(a) and (b) of Article XVII read with the wording relating to imports omitted:

"(a) Each contracting party undertakes that if it establishes or maintains a State enterprise, wherever located, or grants to any enterprise, formally or in effect, exclusive or special privileges, such enterprise shall, in its ... sales involving ... exports, act in a manner consistent with the general principles of non-discriminatory treatment prescribed in this Agreement for governmental measures affecting ... exports by private traders.

(b) The provisions of sub-paragraph (a) of this paragraph shall be understood to require that such enterprises shall, having due regard to the other provisions of this Agreement, make any such ... sales solely in accordance with commercial considerations, including price, quality, availability, marketability, transportation and other conditions of ... sale, and shall afford the enterprises of the other contracting parties adequate opportunity, in accordance with customary business practice, to compete for participation in such ... sales."

A note to paragraph 1 of Article XVII provides inter alia:

"The charging by a State enterprise of different prices for its sales of a product in different markets is not precluded by the provisions of this Article, provided that such different prices are charged for commercial reasons, to meet conditions of supply and demand in export markets."
(c) Paragraph 1 of Article XXVIII bis, which reads with the wording relating to imports omitted:

"The contracting parties recognize that customs duties often constitute serious obstacles to trade; thus negotiations on a reciprocal and mutually advantageous basis, directed to the substantial reduction of the general level of tariffs and other charges on ... exports ..., and conducted with due regard to the objectives of this Agreement and the varying needs of individual contracting parties, are of great importance to the expansion of international trade. The CONTRACTING PARTIES may therefore sponsor such negotiations from time to time."

(d) Paragraph 8 of Article XXXVI, which reads:

"The developed contracting parties do not expect reciprocity for commitments made by them in trade negotiations to reduce or remove tariffs and other barriers to the trade of less-developed contracting parties."

A note to this provision states _inter alia:_

"It is understood that the phrase 'do not expect reciprocity' means, in accordance with the objectives set forth in this Article, that the less-developed contracting parties should not be expected, in the course of trade negotiations, to make contributions which are inconsistent with their individual development, financial and trade needs, taking into consideration past trade developments."

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1Article XVII is entitled "State Trading Enterprises". Paragraph 3 of this Article reads:

"The contracting parties recognize that enterprises of the kind described in paragraph 1(a) of this Article might be operated so as to create serious obstacles to trade; thus negotiations on a reciprocal and mutually advantageous basis designed to limit or reduce such obstacles are of importance to the expansion of international trade."

A note to this provision reads with the wording relating to imports omitted:

"Negotiations which contracting parties agree to conduct under this paragraph may be directed towards the reduction of duties and other charges on ... exports or towards the conclusion of any other mutually satisfactory arrangement consistent with the provisions of this Agreement."
(e) Paragraph 1(a) of Article II, which reads:

"Each contracting party shall accord to the commerce of the other contracting parties treatment no less favourable than that provided for in the appropriate Part of the appropriate Schedule annexed to this Agreement."

The schedules annexed to the General Agreement contain only two export duty bindings.¹

(f) Paragraph 1 of Article VII, which reads with the wording relating to imports omitted:

"The contracting parties recognize the validity of the general principles of valuation set forth in the following paragraphs of this Article, and they undertake to give effect to such principles, in respect of all products subject to duties or other charges or restrictions on ... exportation based upon or regulated in any manner by value. Moreover, they shall, upon a request by another contracting party review the operation of any of their laws or regulations relating to value for customs purposes in the light of these principles. The CONTRACTING PARTIES may request from contracting parties reports on steps taken by them in pursuance of the provisions of this Article."

(g) Paragraph 1 of Article VIII, which reads with the wording relating to imports omitted:

"(a) All fees and charges of whatever character (other than ... export duties and other than taxes within the purview of Article III) imposed by contracting parties on or in connexion with ... exportation shall be limited in amount to the approximate cost of services rendered and shall not represent an indirect protection to domestic products or a taxation of ... exports for fiscal purposes.

"(b) The contracting parties recognize the need for reducing the number and diversity of fees and charges referred to in sub-paragraph (a).

"(c) The contracting parties also recognize the need for minimizing the incidence and complexity of ... export formalities and for decreasing and simplifying ... export documentation requirements."

For exceptions to the above provisions and modalities of application see paragraphs 6 to 11 below.

III. General exceptions

6. According to paragraph 9(b) of Article XV nothing in the General Agreement shall preclude:

"the use by a contracting party of restrictions or controls on ... exports, the sole effect of which, additional to the effects permitted under Articles XI, XII, XIII and XIV, is to make effective such exchange controls or exchange restrictions."

7. Article XX entitled "General Exceptions" reads as follows:

"Subject to the requirement that such measures are not applied in a manner which would constitute a means of arbitrary or unjustifiable discrimination between countries where the same conditions prevail, or a disguised restriction on international trade, nothing in this Agreement shall be construed to prevent the adoption or enforcement by any contracting party of measures:

(a) necessary to protect public morals;
(b) necessary to protect human, animal or plant life or health;
(c) relating to the importation or exportation of gold or silver;
(d) necessary to secure compliance with laws or regulations which are not inconsistent with the provisions of this Agreement, including those relating to customs enforcement, the enforcement of monopolies operated under paragraph 4 of Article II and Article XVII, the protection of patents, trade marks and copyrights, and the prevention of deceptive practices;
(e) relating to the products of prison labour;
(f) imposed for the protection of national treasures of artistic, historic or archaeological value;
(g) relating to the conservation of exhaustible natural resources if such measures are made effective in conjunction with restrictions on domestic production or consumption;
(h) undertaken in pursuance of obligations under any intergovernmental commodity agreement which conforms to criteria submitted to the CONTRACTING PARTIES and not disapproved by them or which is itself so submitted and not so disapproved;
(i) involving restrictions on exports of domestic materials necessary to ensure essential quantities of such materials to a domestic processing industry during periods when the domestic price of such materials is held below the world price as part of a governmental stabilization plan; Provided that such restrictions shall not operate to increase the exports of or the protection afforded to such domestic industry, and shall not depart from the provisions of this Agreement relating to non-discrimination;

(j) essential to the acquisition or distribution of products in general or local short supply; Provided that any such measures shall be consistent with the principle that all contracting parties are entitled to an equitable share of the international supply of such products, and that any such measures, which are inconsistent with the other provisions of this Agreement shall be discontinued as soon as the conditions giving rise to them have ceased to exist. The CONTRACTING PARTIES shall review the need for this sub-paragraph not later than 30 June 1960.

8. According to Article XXI entitled "Security Exceptions" nothing in the General Agreement shall be construed:

"(a) to require any contracting party to furnish any information the disclosure of which it considers contrary to its essential security interests; or

(b) to prevent any contracting party from taking any action which it considers necessary for the protection of its essential security interests

(i) relating to fissionable materials or the materials from which they are derived;

(ii) relating to the traffic in arms, ammunition and implements of war and to such traffic in other goods and materials as is carried on directly or indirectly for the purpose of supplying a military establishment;

(iii) taken in time of war or other emergency in international relations; or

(c) to prevent any contracting party from taking any action in pursuance of its obligations under the United Nations Charter for the maintenance of international peace and security."
IV. Modalities of application

9. Article XIX entitled "Emergency Action on Imports of Particular Products" reads as follows:

"1. (a) If, as a result of unforeseen developments and of the effect of the obligations incurred by a contracting party under this Agreement, including tariff concessions, any product is being imported into the territory of that contracting party in such increased quantities and under such conditions as to cause or threaten serious injury to domestic producers in that territory of like or directly competitive products, the contracting party shall be free, in respect of such product, and to the extent and for such time as may be necessary to prevent or remedy such injury, to suspend the obligation in whole or in part or to withdraw or modify the concession.

(b) If any product, which is the subject of a concession with respect to a preference, is being imported into the territory of a contracting party in the circumstances set forth in sub­paragraph (a) of this paragraph, so as to cause or threaten serious injury to domestic producers of like or directly competitive products in the territory of a contracting party which receives or received such preference, the importing contracting party shall be free, if that other contracting party so requests, to suspend the relevant obligation in whole or in part or to withdraw or modify the concession in respect of the product, to the extent and for such time as may be necessary to prevent or remedy such injury.

2. Before any contracting party shall take action pursuant to the provisions of paragraph 1 of this Article, it shall give notice in writing to the CONTRACTING PARTIES as far in advance as may be practicable and shall afford the CONTRACTING PARTIES and those contracting parties having a substantial interest as exporters of the product concerned an opportunity to consult with it in respect of the proposed action. When such notice is given in relation to a concession with respect to a preference, the notice shall name the contracting party which has requested the action. In critical circumstances, where delay would cause damage which it would be difficult to repair, action under paragraph 1 of this Article may be taken provisionally without prior consultation, on the condition that consultation shall be effected immediately after taking such action.

3. (a) If agreement among the interested contracting parties with respect to the action is not reached, the contracting party which proposes to take or continue the action shall, nevertheless, be free to do so, and if such action is taken or continued, the affected contracting parties shall then be free, not later than ninety days
after such action is taken, to suspend, upon the expiration of thirty
days from the day on which written notice of such suspension is
received by the CONTRACTING PARTIES, the application to the trade of
the contracting party taking such action, or, in the case envisaged
in paragraph 1(b) of this Article, to the trade of the contracting
party requesting such action, of such substantially equivalent
concessions or other obligations under this Agreement the suspension
of which the CONTRACTING PARTIES do not disapprove.

(b) Notwithstanding the provisions of sub-paragraph (a) of
this paragraph, where action is taken under paragraph 2 of this Article
without prior consultation and causes or threatens serious injury in
the territory of a contracting party to the domestic producers of
products affected by the action, that contracting party shall, where
delay would cause damage difficult to repair, be free to suspend,
upon the taking of the action and throughout the period of consultation,
such concessions or other obligations as may be necessary to prevent
or remedy the injury.

10. Article XXIII entitled "Nullification or Impairment" reads as follows:

"1. If any contracting party should consider that any benefit
accruing to it directly or indirectly under this Agreement is being
nullified or impaired or that the attainment of any objective of the
Agreement is being impeded as the result of:

(a) the failure of another contracting party to carry out its
obligations under this Agreement, or

(b) the application by another contracting party of any measure,
whether or not it conflicts with the provisions of this Agreement,
or

(c) the existence of any other situation,

the contracting party may, with a view to the satisfactory adjustment of
the matter, make written representations or proposals to the other
contracting party or parties which it considers to be concerned. Any
contracting party thus approached shall give sympathetic consideration
to the representations or proposals made to it.

2. If no satisfactory adjustment is effected between the contracting
parties concerned within a reasonable time, or if the difficulty is of the
type described in paragraph 1(c) of this Article, the matter may be referred
to the CONTRACTING PARTIES. The CONTRACTING PARTIES shall promptly
investigate any matter so referred to them and shall make appropriate
recommendations to the contracting parties which they consider to be
concerned, or give a ruling on the matter, as appropriate. The
CONTRACTING PARTIES may consult with contracting parties, with the
Economic and Social Council of the United Nations and with any appropriate
inter-governmental organizations in cases where they consider such
consultation necessary. If the CONTRACTING PARTIES consider that the
circumstances are serious enough to justify such action, they may
authorize a contracting party or parties to suspend the application
to any other contracting party or parties of such concessions or other
obligations under this Agreement as they determine to be appropriate in the circumstances. If the application to any contracting party of any concession or other obligation is in fact suspended, that contracting party shall then be free, not later than sixty days after such action is taken, to give written notice to the Executive Secretary to the CONTRACTING PARTIES of its intention to withdraw from this Agreement and such withdrawal shall take effect upon the sixtieth day following the day on which such notice is received by him."

11. These provisions have never been used for the suspension of concessions or other obligations relating to export restrictions or charges.
V. Other provisions relating to export restrictions and charges

12. In the context of the objectives of paragraph 1 of Article XXXVI, including sub-paragraph (f) of the Article, the following provisions have a bearing on export restrictions and charges:

(a) Paragraph 4 of Article XXXVI:

"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 and acceptable conditions of access to world 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 measures designed to attain stable, equitable and remunerative prices, thus permitting an expansion of world trade and demand and a dynamic and steady growth of the real export earnings of these countries so as to provide them with expanding resources for their economic development."

(b) Paragraph 5 of Article XXXVI:

"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."

(c) Paragraph 9 of Article XXXVI:

"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."

(d) Paragraph 2(a) of Article XXXVIII:

"In particular, the CONTRACTING PARTIES shall:

where appropriate, take action, including action through international arrangements, to provide improved and acceptable conditions of access to world markets for primary products of particular interest to less-developed contracting parties and to devise measures designed to stabilize and improve conditions of world markets in these products including measures designed to attain stable, equitable and remunerative prices for exports of such products."
VI. Publication and notification

13. Article X is entitled "Publication and Administration of Trade Regulations". Paragraph 1 of this Article reads:

"Laws, regulations, judicial decisions and administrative rulings of general application, made effective by any contracting party, pertaining to the classification or the valuation of products for customs purposes, or to rates of duty, taxes or other charges, or to requirements, restrictions or prohibitions on imports or exports or on the transfer of payments therefor, or affecting their sale, distribution, transportation, insurance, warehousing, inspection, exhibition, processing, mixing or other use, shall be published promptly in such a manner as to enable governments and traders to become acquainted with them. Agreements affecting international trade policy which are in force between the government or a governmental agency of any contracting party and the government or governmental agency of any other contracting party shall also be published. The provisions of this paragraph shall not require any contracting party to disclose confidential information which would impede law enforcement or otherwise be contrary to the public interest or would prejudice the legitimate commercial interests of particular enterprises, public or private."

Paragraph 3 of this Article reads:

"(a) Each contracting party shall administer in a uniform, impartial and reasonable manner all its laws, regulations, decisions and rulings of the kind described in paragraph 1 of this Article.

(b) Each contracting party shall maintain, or institute as soon as practicable, judicial, arbitral or administrative tribunals or procedures for the purpose, inter alia, of the prompt review and correction of administrative action relating to customs matters. Such tribunals or procedures shall be independent of the agencies entrusted with administrative enforcement and their decisions shall be implemented by, and shall govern the practice of, such agencies unless an appeal is lodged with a court or tribunal of superior jurisdiction within the time prescribed for appeals to be lodged by importers; Provided that the central administration of such agency may take steps to obtain a review of the matter in another proceeding if there is good cause to believe that the decision is inconsistent with established principles of law or the actual facts."
14. Paragraph 4(a) of Article XVII, entitled "State Trading Enterprises", reads with the wording relating to imports omitted:

"Contracting parties shall notify the CONTRACTING PARTIES of the products which are ........ exported from their territories by enterprises of the kind described in paragraph 1(a) of this Article."
ANNEX B

[Possible Future Negotiations]

The negotiation of additional rights and obligations could be contemplated, which would address, for example, provisions regarding the way in which, and the purposes for which, export control measures could be used. Negotiations on such additional rights and obligations could be undertaken only if all major countries which would principally benefit from these new rules had undertaken relevant obligations which were considered to provide adequate reciprocity by those countries on which these new obligations would bear.

More precisely such negotiations on export control measures could address:

(a) recognition that developing contracting parties are permitted to adopt export restrictions and charges in order to promote the development and diversification of their trade and industry and to raise the standard of living of their people in furtherance of the objectives of this Agreement - more particularly the objectives set out in Part IV particularly in Article XXXVI - especially measures relating to the adequate supplies for their existing industrial plant and for the establishment of new processing facilities in the context of their development and employment policies;

*This proposal has been put forward by one delegation and has received support in substance from some delegations. Some other delegations have raised a number of questions on it and have some serious difficulties with it. It is reproduced here to provide an opportunity for further reflection and consultation.
(b) the more precise definition of the GATT exceptions which permit the use of quantitative export restrictions, for example, the question of determining an equitable share of the international supply of products subject to restriction;
(c) re-writing the provisions in the preamble of Article XX to reduce or eliminate the possibility of discriminatory action under it;
(d) the duration of "temporary" export restrictions being applied in the circumstances provided for in the GATT;
(e) the base period used and the progressive liberalization of such export restrictions over the period of their application;
(f) export embargoes, and whether their use should be subject to rules separate from the rules on export restrictions generally;
(g) the rules which could apply in negotiations regarding the binding of export taxes in the relevant Schedules to the GATT, including provisions relating to emergency action and renegotiation;
(h) the negotiation of the binding of export taxes on specific products, and their inclusion in the GATT Schedules;
(i) appropriate consideration of the interests of developing countries.]