

GENERAL AGREEMENT ON TARIFFS AND TRADE

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

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CHAPTER ON TRADE AND DEVELOPMENT

Text Proposed by the United States

Part II

Chapter 1 - General Trade Provisions

/Present Articles III through XVII/

Chapter 2 - Trade and Development

Article XVIII

Objectives

1. Recalling that the basic objectives of the General Agreement include the raising of standards of living and the progressive development of the economies of all contracting parties, and considering that the attainment of these objectives is particularly urgent for those contracting parties which are in the early stages of development and whose economies can only support low standards of living (hereinafter in this chapter sometimes referred to as "less-developed contracting parties", the contracting parties recognize that individual and joint action is essential to further the development of the economies of less-developed contracting parties.
2. More specifically the contracting parties further recognize that:
 - (a) There is need for a rapid and sustained expansion of the export earnings of the less-developed contracting parties.
 - (b) Every effort should be made to enable less-developed contracting parties to share equitably in the growth of international trade.
 - (c) Given the continued dependence of many less-developed and other contracting parties on the exportation of a limited range of primary products, there is need to provide more favourable access to markets for such products and to devise measures designed to stabilize and improve conditions of world trade, including conditions governing world prices and the expansion of world demand.

- (d) The rapid expansion of the economies of the less-developed contracting parties will be facilitated by a diversification of the structure of their economies.
- (e) The contracting parties should adopt measures to maximize the access by less-developed contracting parties generally to external markets for processed and manufactured products under favourable conditions with a view to assisting such diversification.
- (f) There is need for less-developed contracting parties to have flexibility in the application of the provisions of this Agreement to permit them to use special measures as provided in this Agreement to promote their development and to meet special difficulties arising from a shortage of foreign exchange in relation to growing import needs associated with their progressive economic development.
- (g) The adoption of measures to give effect to the foregoing principles shall be a matter of conscious and purposeful effort on the part of the contracting parties both individually and jointly.

Article XVIII-A

Measures to Assist Less-Developed Contracting Parties

To give effect to the foregoing objectives contracting parties shall:

- (1) Recognize that less-developed countries are not expected to provide the same type of reciprocity as would be expected in negotiations among developed countries.
- (2) Accord priority, to the extent possible when reducing or eliminating tariffs or other restrictive regulations of commerce, to products of particular export interest to less-developed contracting parties, including tariffs and other restrictions which differentiate unduly between such products in their primary and processed forms.
- (3) Refrain to the extent possible from imposing new duties or other restrictive regulations of commerce on export products of particular interest to less-developed contracting parties.
- (4) Refrain to the extent possible from imposing or maintaining fiscal measures which may hamper the growth of consumption of products of particular interest to less-developed contracting parties and which are applied specifically to those products.

- (5) Examine sympathetically the adoption of other measures designed to provide greater scope for the development of imports from less-developed countries.

Article XVIII-B

Duties and Other Restrictive Regulations of Trade
of Developing Countries

/Present Article XVIII/

Article XVIII-C

Import Surcharges to Safeguard the Balance of Payments

Subject to the criteria and procedures set forth in Section B of Article XVIII-F and in Article I, Article XIV, and Article XV, a less-developed contracting party may impose import surcharges in place of quantitative restrictions.

Article XVIII-D

Regional Agreements for Economic Development

1. The contracting parties recognize that the need for economic development may justify regional agreements between two or more less-developed countries in the interest of the programmes of economic development of one or more of such countries.
2. Any less-developed contracting party or contracting parties contemplating the conclusion of such an agreement shall communicate its or their intention to the CONTRACTING PARTIES, and provide them with the relevant information to enable them to examine the proposed agreement.
3. The CONTRACTING PARTIES shall examine the proposal and, by a vote under paragraph 5 of Article XXV, may grant, subject to such conditions as they may impose, a waiver from the provisions of Article I to permit the contracting party or contracting parties to implement the proposed agreement.
4. The provisions of Article 1 shall not apply to any such agreement, provided the CONTRACTING PARTIES find, in accordance with the provisions of paragraphs 3, 5 and 6, that the proposed agreement between less-developed countries fulfils the following conditions and requirements:
 - (a) the territories of the less-developed countries which are parties to the agreement are contiguous one with another, or all parties belong to the same economic region;

- (b) the agreement is necessary to ensure a sound and adequate market for a particular industry, or branch of agriculture, or group thereof, which is being, or is to be, created, substantially developed, or substantially modernized;
 - (c) the parties to the agreement undertake to grant free entry for the products of the industry, or branch of agriculture, or group thereof, of other parties to the agreement, or to apply customs duties to such products sufficiently low to ensure that the objectives set forth in sub-paragraph (b) will be achieved;
 - (d) the agreement contains provisions permitting, on terms and conditions to be determined by negotiation with the parties to the agreement, the adherence of other less-developed countries, which are able to qualify as parties to the agreement under the provisions of this paragraph, in the interest of their programmes of economic development;
- and
- (e) the agreement contains provisions for its termination within a period considered to be sufficient for the fulfilment of its purposes but, in any case, not later than at the end of ten years; any renewal shall be subject to the approval of the CONTRACTING PARTIES pursuant to the criteria and procedures of this Article, and no renewal shall be for a period longer than five years.

5. When the CONTRACTING PARTIES, upon the application of one or more contracting parties and in accordance with the provisions of paragraph 6, approve or renew an agreement as an exception to Article I in respect of the products covered by the proposed agreement, they may, as a condition of their approval or renewal, require a reduction in the most-favoured-nation rate of duty in respect of any product so covered if, in the light of the representations of any affected contracting party not a party to the Agreement, they consider that rate excessive.

- 6. (a) If so requested by the applicant contracting party or parties, the CONTRACTING PARTIES shall vote on the decision described in paragraph 3 within sixty days after such request, but not less than ninety days after receipt of the application.

- (b) If the CONTRACTING PARTIES find that the proposed agreement, while fulfilling the conditions and requirements set forth in paragraph 4, is likely to cause substantial injury to the external trade of a contracting party not a party to the agreement, they shall inform the applicant contracting party or parties of its findings and suggest that the parties to the agreement enter into negotiations with the contracting party the trade of which is likely to be injured. They may delay their action under paragraph 3 until notified of agreement in such negotiations. If, at the end of two months from the date on which the CONTRACTING PARTIES suggested such negotiations, the negotiations have not been completed and the CONTRACTING PARTIES consider that the contracting party which is likely to be injured is unreasonably preventing the conclusion of the negotiations, they may nevertheless proceed to vote on the decision described in paragraph 3 and at the same time shall fix a fair compensation to be granted by the applicant party or parties to the contracting party likely to be injured or, if this is not possible or reasonable, prescribe such modification of the agreement as will give such contracting party fair treatment.
- (c) If the CONTRACTING PARTIES find that the proposed agreement, while fulfilling the conditions and requirements set forth in paragraph 4, is likely to jeopardize the economic position of a contracting party in world trade, it shall not authorize any departure from the provisions of Article I unless the parties to the agreement have reached a mutually satisfactory understanding with that contracting party.

Article XVIII-E

Joint Action in Relation to Economic Development

1. The contracting parties shall collaborate jointly, within the framework of this Agreement and elsewhere as appropriate, to further the objectives set forth in Article XVIII. The CONTRACTING PARTIES shall keep under continuous review the development of world trade with special reference to the rate of growth of the trade of less-developed contracting parties and shall make such recommendations to contracting parties as may, in the circumstances, be deemed appropriate.
2. More specifically, the CONTRACTING PARTIES shall:
 - (a) Collaborate in analyzing the development plans and policies of individual less-developed countries and in examining trade and aid relationships with a view to devising concrete measures to promote

the development of export potential and to facilitate access to export markets for the products of the industries thus developed. In this connexion they shall seek appropriate collaboration with governments and international organizations, and in particular with organizations having competence in relation to financial assistance for economic development, in systematic studies of trade and aid relationships in individual less-developed countries aimed at obtaining a clear analysis of export potential, market prospects and any further action that may be required.

- (b) Collaborate in seeking feasible methods to expand trade for the purpose of economic development, through international harmonization and adjustment of national policies and regulations, through technical and commercial standards affecting production, transportation and marketing, and through export promotion by the establishment of facilities for the increased flow of trade information and the development of market research.
- (c) Expand the consultations provided for in paragraph 12(a) and (b) of Article XVIII-B to cover all basic elements in the trade and development problems of individual less-developed countries, including consideration of structural factors which may limit the possibility of expanding the exports and maximizing the earnings of the country in question. Every effort shall be made to devise and suggest remedial measures to overcome the problems identified in the course of such consultations.

Chapter 3 - Exceptions, Consultations, and Complaints
/Present Articles XIX to XXIII/

ANNEX I

Ad Article XVIII

In giving effect to the objectives set forth in Article XVIII, the contracting parties shall endeavour to further the development of the economies of less-developed contracting parties at a rate compatible with a reduction of the gap in standards of living between those contracting parties and other contracting parties.

Paragraph 1

Acceptance of this amended Article XVIII constitutes acceptance of the objectives set forth in amended Article I, set forth in Section A of paragraph 1 of the Protocol of 10 March 1955 Amending Part I and Articles XXIX and XXX of the General Agreement on Tariffs and Trade, even though the amendment provided for in such Section A shall not yet have become effective.

Ad Article XVIII-A

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

Paragraphs 1 and 2

This paragraph would apply in the event of action under Section A of Article XVIII-B, Article XXVIII, Article XXVIII bis (Article XXIX after the amendment set forth in Section A of paragraph 1 of the Protocol of 10 March 1955 Amending Part I and Articles XXIX and XXX of the General Agreement on Tariffs and Trade shall have become effective), Article XXXIII, or any other procedure under this Agreement.

Paragraph 3

This paragraph would apply in the event special measures permitted under Article XII, Article XVIII-B, Article XIX, Article XXVIII, or under any other procedure permissible by the Agreement.

Paragraph 5

The other measures referred to in this paragraph might include steps to promote domestic structural changes, to promote the consumption of particular products, or measures of trade assistance.

Ad Article XVIII-C

The reference to Article I shall be changed to a reference to Article II after the amendment set forth in Section B of paragraph 1 of the Protocol of 10 March 1955 Amending Part I and Articles XIX and XXX of the General Agreement on Tariffs and Trade shall become effective.

Ad Article XVIII-D

Paragraph 4(a)

In considering whether the countries party to an agreement belong to the same economic region, the contracting parties shall take into account the prospects of their integrated development under the agreement.

Paragraph 4(d)

1. The contracting parties may, as a condition to their approval of an agreement pursuant to this Article, prescribe procedures under which they would have an opportunity, prior to the adherence by a new country to the Agreement, to consider such proposed adherence in the light of the provisions of this paragraph.
2. The provisions of Article XXII may be invoked by a less-developed contracting party on the ground that it has been unjustifiably excluded, by the parties to the agreement, from participation in such agreement.

Ad Article XVIII-E

Paragraph 2(a)

The collaboration under this paragraph may include the reporting of the existence of measures affecting the trade of less-developed countries and the carrying out of adequate consultations in connexion with the adoption or change of such measures.

Paragraph 2(c)

The expanded consultations under this paragraph may include consideration of the basic economic conditions within which the consulting country's development is taking place, of development problems of such country which are relevant to its trading position, of measures which the country has adopted to promote its economic development, and of action by which other contracting parties might assist the consulting country's development.