

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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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 Chile

Note: In submitting the following text, the Chilean delegation has indicated that this submission is without prejudice to any action which the Chilean Government may take subsequently, either within the framework of GATT or at the United Nations Conference on Trade and Development. The Chilean delegation has based its submission on the text of the chapter as set out in Spec(63)316/Rev.1 with certain amendments which are underlined.

#### I

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 the less-developed contracting parties /which are in an early stage of development and/ whose economies can support only low standards of living, the contracting parties recognize that individual and concerted action by contracting parties to further the development of the economies of these countries is essential, development which should proceed at a rate consonant with a rapid reduction in the difference between standards of living in the industrialized countries and in the developing countries.

II

Accordingly the contracting parties agree:

(1) that there is need for a rapid and sustained expansion of the export earnings of the less-developed countries;

(2) that every effort should be made to ensure that the less-developed countries share equitably in the growth of international trade;

(3) that, given the continuing dependence of many contracting parties on the export of a limited range of primary products, there is need to provide more favourable access to markets for such products and the fullest possible access to markets both in the developed countries and in the developing countries, to devise joint measures to ensure stable and remunerative prices for such exports, and to reduce to the fullest possible extent the differences between the price paid to the under-developed countries for their primary products and semi-manufactures and the prices paid by the consumer for the same products after complete processing;

(4) that the rapid expansion of the economies of the less-developed countries will be facilitated by a diversification of the structure of their economies, including an intensification of activities for the processing of primary products and the development of manufacturing industries, thus avoiding an excessive dependence on the export of primary products;

(5) that the contracting parties must therefore help to create such a situation as to assure less-developed countries of access to external markets for semi-processed and processed products under favourable conditions;

(6) that there is need for less-developed countries to have the necessary flexibility in the application of the provisions of the Agreement so as to be free to use special measures to promote their development and to meet special difficulties arising from a shortage of foreign exchange in relation to growing imports needs associated with their progressive economic development.

(7) that the adoption of measures to give effect to the foregoing principles shall be a matter of conscious and purposeful effort on their part both individually and jointly.

III

To give effect to the foregoing principles the contracting parties might undertake commitments on the following lines: to enter into agreements comprising the following obligations:

(a) to accord high priority to the reduction and elimination of barriers to exports of particular interest to less-developed countries;

- (b) to refrain from imposing new import barriers on export products of particular interest to less-developed countries;
- (c) to refrain as far as possible from imposing or maintaining new fiscal measures which may hamper growth of consumption of products of interest to less-developed countries and which are applied specifically to those products and to take the necessary action forthwith in order to eliminate measures of this kind which are currently in force.
- (d) to examine sympathetically the adoption of domestic measures designed to provide greater scope for the development of imports from less-developed countries;
- (e) to have special regard to the trade interests of less-developed countries when considering the application of special measures permitted under the General Agreement to meet particular problems, and to refrain from applying such measures if they affect essential interests of those countries.
- (f) to give priority in trade and tariff negotiations to concessions of interest to less-developed countries and not to expect reciprocity in the form of tariff concessions.
- (g) to depart from the most-favoured-nation clause where necessary in order to grant special concessions to the developing countries in the form of the reduction or elimination of obstacles to trade in products which are of special interest to their economies; such concessions, applicable to all the under-developed countries, would not be extended to the industrialized countries.

It is proposed that the following explanatory notes should accompany the provisions outlined in Section III above:

Ad paragraphs (a) to (f)\*

The provisions (a) - (f) might be accompanied by an explanatory note which would recognize that much of the action which these provisions would require would be inappropriate for less-developed countries which could more appropriately give primary consideration to measures of commercial policy designed to promote their economic development on rational lines.

Ad paragraph (d)

A note to (d) might indicate that the domestic measures envisaged would include steps to promote structural change (for example, through adjustment assistance), efforts to promote consumption of products of interest to less-developed countries, and measures of trade assistance.

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\* The delegation of Chile considers that the text of this explanatory note is confused and requires clarification, for otherwise the provisions would be liable to divergent interpretations.

A second paragraph in the explanatory note should indicate the way in which the centrally-planned economies will participate in the commercial field in the work of assisting the development of the under-developed countries and in the application of preferential treatment to their products.

Ad paragraph (e)

A note to (e) might indicate that the highly developed countries in particular would exhaust the possibilities of constructive remedies before resorting to the use of measures such as anti-dumping and countervailing duties, escape clause action or export assistance measures, which could have adverse effects on the trade interests of the less-developed countries.

Ad paragraph (f)

An explanatory note to (f) might note that as the less-developed countries accept a measure of discipline in their commercial policies through their participation in the General Agreement, it is to be expected that reciprocity for tariff concessions would be expressed in the increased capacity to import, generated by such concessions, rather than through reciprocal tariff concessions by the less-developed countries.

IV

Article XVIII should be amended, in particular, by the inclusion of provisions permitting: (a) the application of temporary import surcharges in the event of balance-of-payments difficulties and (b) a well-defined application of the principle of non-reciprocity.<sup>7</sup>

V

In addition the contracting parties might agree to collaborate jointly within the framework of the General Agreement and elsewhere to further the objectives outlined in Section I above. In particular they might agree:

- (a) to take action to improve conditions of access to markets for primary products and to seek stable and remunerative prices for exports of such products;
- (b) that nothing in the General Agreement shall prevent effect being given to arrangements agreed upon in the furtherance of the commitments outlined in Section III above;

Work is currently in progress in a working group in an effort to develop criteria and procedures subject to which developed countries would accord preferences to products exported by less-developed countries and also to govern preferential arrangements between less-developed countries in furtherance of their economic development. If such criteria are established the provision in sub-paragraph (b) should be so worded as to cover specifically arrangements complying with the agreed criteria. On the other hand, if there were no agreed criteria and

preferential arrangements were left to be negotiated by all interested contracting parties, sub-paragraph (b) would provide a legal basis for giving effect to such negotiated arrangements even if those arrangements included deviations from other provisions of the General Agreement.

- (c) to 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/ collaborate 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;
- (d) the consultations provided for in paragraph 12(a) and (b) of Article XVIII shall be expanded 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.
- (e) to 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 to make such recommendations to contracting parties as may, in the circumstances, be deemed appropriate.

Ad paragraph (d)

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