

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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COUNCIL  
25 April-1 May 1963

## THE WORK OF THE CONTRACTING PARTIES IN THE FIELD OF ECONOMIC DEVELOPMENT

### Expansion of the Provisions of the General Agreement

(Note by the Executive Secretary)

1. During the recent meeting of Committee III it was suggested that the authority of the General Agreement in the field of activity on which the Committee has been engaged might be extended by the creation of "a stronger institutional framework" to reflect the concerns and the responsibilities of the CONTRACTING PARTIES in relation to the development of the trade of less-developed countries. It was pointed out that, while many of the activities of the CONTRACTING PARTIES are related to specific Articles of the GATT, other important activities, which are likewise designed to further the objectives set out in Article I (revised), are based on more general provisions relating to joint action. In view of their significance and the emphasis which the CONTRACTING PARTIES attach to furthering the development of the trade of the less-developed countries, it was suggested that the provisions of the GATT might be expanded to make more specific provision for this sector of the work of the CONTRACTING PARTIES and thereby to demonstrate the essential dynamism of the General Agreement. (See L/1959, paragraphs 19 and 63.)
2. Some members of Committee III thought that it would be opportune for Ministers during their meeting in May to deliberate and give guidance on this point. The Committee report containing the suggestion will be submitted to the Council, at its meeting beginning on 25 April, for consideration when finalizing the agenda for the ministerial meeting, and it may be helpful to members of the Council to have before them an indication of the way in which the suggestion, if approved, could be implemented.
3. The activities of the CONTRACTING PARTIES, to which the suggestion refers, have been one of the principal features of the programme of action directed towards the expansion of international trade, which was adopted by the CONTRACTING PARTIES in 1958. At the ministerial meeting three years later, when progress under this programme was reviewed, the Ministers adopted a Declaration recognizing the need for a rapid and sustained expansion in the export earnings of the less-developed countries and the need for all governments to make a conscious and purposeful effort through the adoption of concrete measures to this end including the reduction to a minimum of the restrictions inhibiting access to markets for the export products of

these countries. The Declaration also recognized that the less-developed countries needed to develop their export trade in other than traditional products and should be provided with increased opportunities to sell in world markets the industrial goods which they can produce economically. The Ministers requested the CONTRACTING PARTIES to take this Declaration as a basis for their future work in this field.

4. Article XVIII of the General Agreement which relates to "Governmental Assistance to Economic Development" recognizes that the attainment of the objectives of the GATT will be facilitated by the progressive development of countries whose economies can only support low standards of living and which are in the early stages of development. But the subsequent paragraphs deal only with what might be called the negative side of the problem. In these paragraphs it is recognized that it may be necessary for less-developed countries, in order to implement their development programmes and policies, to take protective measures by restricting imports. Facilities are provided for the raising of bound rates of duty and for the application of quantitative import restrictions whether for balance-of-payments purposes or in order to promote the establishment of new industries. The other, positive, side of the task upon which the CONTRACTING PARTIES have embarked in recent years - assistance to the less-developed countries in developing their economies and expanding their export trade - finds no expression in Article XVIII.

5. If the provisions of the General Agreement are to be enlarged to institutionalize and give fuller expression to the responsibilities and activities of the CONTRACTING PARTIES in relation to the development of the trade of less-developed countries, consideration might be given to the adoption of a new article which, by way of illustration, might be framed along the following lines:

The preambular section of the Article should make provision for the following points:

1. Recognize the importance and necessity of the rapid economic development of less-developed countries and its relevance for the attainment of the objectives of the General Agreement.
2. Recognize that such economic development depends in large measure upon the ability of less-developed countries to increase their export earnings in order to maintain and increase their imports from other contracting parties, and share equitably in the growth of international trade which the CONTRACTING PARTIES have as a common objective and to which this development will contribute.
3. Recognize that many less-developed countries remain dependent upon the export of primary products as a main source of export revenue and upon stable and remunerative prices for such exports.

4. Recognize, however, that a long-term solution depends upon the diversification of the economies of the less-developed countries and the existence of conditions whereby such countries are assured of access to markets for their exports on favourable terms.

The substantive Section of the Article might be along the following lines:

5. The CONTRACTING PARTIES agree that it is their intention to study sympathetically the endeavours of the less-developed countries to expand their export earnings and to assist such efforts by pursuing policies directed toward increasing access to their markets for the exportable products of such countries.

6. Accordingly, the CONTRACTING PARTIES agree:

- (a) In the implementation of the provisions of the General Agreement to accord high priority to the reduction and elimination of barriers to exports of particular interest to the less-developed countries.
- (b) In the carrying out of negotiations in relation to tariffs and other barriers to trade, under procedures specifically provided for in the General Agreement or under procedures agreed upon by the CONTRACTING PARTIES, to give particular attention to products of export interest to the less-developed countries.
- (c) So far as possible, to refrain from imposing or maintaining measures of taxation which may hamper growth of consumption of products of interest to the less-developed countries and which are applied specifically to those products.
- (d) To co-operate together and with other international organizations, in order to stabilize and improve the conditions of trade in primary products.

7. The contracting parties further agree to consult regularly regarding paragraphs 1 - 6 above and to co-operate in joint action to further the objectives in paragraphs 1 and 2, including the conclusion when appropriate of multilateral arrangements or agreements for that purpose. Where such agreements contain provisions which may involve deviations from other provisions of the General Agreement, such agreements shall be subject to the approval of the CONTRACTING PARTIES by a two-thirds majority.

8. In pursuing these aims the CONTRACTING PARTIES shall take full account of the development plans and policies of the countries concerned and shall seek co-operation with the specialized agencies and such other inter-governmental organizations as have a major rôle in assisting the economic development of such countries.