

# 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

SUMMARY OF POINTS RAISED  
AT THE MEETING ON 12-17 DECEMBER 1963

Note by the Secretariat

1. The Committee met to consider further the problems related to the provision of an adequate legal and institutional framework which would enable the CONTRACTING PARTIES to discharge their responsibilities in connexion with the work of expanding the trade of less-developed countries. In accordance with the request of the Committee at its October meeting, the Executive Secretary presented a Model Chapter on Trade and Development (Spec(63)316/Rev.1) which served as a framework for the Committee's discussions.
2. It was understood, throughout the discussion summarized below, that although delegates might speak from instructions, no commitments were being sought or made at this stage concerning the content of a possible chapter on trade and development or concerning the language in which commitments might be expressed. The Executive Secretary, for his part, made it clear that the Model Chapter was put forward to enable the Committee to see whether it appeared practicable to bring together in one chapter in the Agreement all the ideas which had been or might be suggested, and to illustrate how these might be fitted into such a structure. If the Committee decided to pursue the matter on the basis of trying to develop a single chapter, it would then be necessary that specific suggestions come from governments.
3. At the close of the meeting, it was agreed that government members of the Committee would now attempt to formulate their individual proposals concerning a model chapter, drawing to whatever extent they liked on sources already at hand, including the Executive Secretary's Model, and that they would submit their proposals by the end of January. The secretariat is to collate the proposals with a view to circulating a paper to members of the Committee early in February, so that a discussion of proposals of governments may take place at the Committee's next meeting on or about 25 February 1964 at the beginning of the twenty-first session of the CONTRACTING PARTIES.
4. The remarks of the Executive Secretary in introducing the Model Chapter are annexed.
5. The following summary of discussions is keyed to the headings of the Model Chapter.

The development objective (I)

The Executive Secretary further clarified his reasoning concerning the convenience and advantage of placing a definite statement of the development objective at the head of a chapter on development rather than in Article I (See Annex). It was noted that at some stage it would be necessary to give greater precision to a definition of less-developed countries but it was agreed that this could wait until a later stage. One delegation submitted that the objective should be stated more comprehensively and that there should, in particular, be a more precise development goal, such as a reduction or elimination of the gap in standards of living between the more advanced and the less-developed countries. He felt also that a recognition of a national right to participate in international trade might be necessary.

Principles (II)

II (2). One delegate felt that there might be doubt as to what constituted an "equitable" share in the growth of international trade and that a more precise formulation might be given to this principle.

II (3). Two delegates considered "more favourable access" to be too limited an objective, as this could be provided while the relative position of a country still deteriorated. The delegate subsequently suggested "increased access in the largest possible measure". Similarly he felt that the concept of "stable and remunerative prices" might be reinforced by specifying that account should be taken of prices of manufactured goods, especially capital goods needed for development. Two speakers wished to mention the need for commodity agreements in this connexion, though it was also mentioned that the Model covered this point in section V(a) as a joint action.

II (4). One delegate mentioned that diversification might be beneficial more widely than to less-developed countries alone. Another felt that this point, concerning the value of diversification, and the succeeding one, concerning offtake of processed products of less-developed countries, would need to be read together.

II (6). One delegate suggested that any drafting ought to make it clear that there would be limits on measures which less-developed countries might use to give themselves the necessary flexibility in the application of the provisions of the Agreement; a cross-reference to Section IV might be in order.

II (7). One delegate suggested that a sense of urgency should be added to this point, and that all contracting parties should make adoption of measures to promote development a matter of conscious and purposeful effort.

Several delegates suggested adding to the principles matters which are already covered elsewhere in the Agreement; from this discussion some concluded that only material not already adequately covered elsewhere should be proposed for inclusion. Others felt that such subjects as removal of non-tariff barriers and non-discrimination ought nevertheless to be mentioned.

### Commitments (III)

In reply to a question, the Executive Secretary confirmed that this section of the Model incorporated the substance of the Action Programme, but he warned that in his judgement a text of this kind should stand on its own feet without any qualification which might have been expressed to the same ideas in a different context. It was also made clear that, except as might be specifically provided through Section V(b) (on preferences) it would be understood that nothing in this section would warrant an action specifically forbidden elsewhere in the Agreement.

There was considerable discussion on the force of the commitments which countries would undertake if a text were formulated along the lines of the various paragraphs of this section. It was stated that, in the Model, there were qualifying words of a somewhat vague character, considerably weakening the force of any commitment they might express. Some delegates thought that it would be preferable to state commitments without qualification and then either add a proviso which would permit deviation in special and compelling circumstances subject to adequate consultation or, in effect, force countries to seek waivers in the event they were unable in a particular instance to fulfil the commitments. Others favoured either the retention of qualifying phrases or even a transfer of this kind of material to the status of principles. The less-developed countries as a group rejected the last mentioned idea. There was a general feeling that the standstill in III(b) needed the least qualification or escape.

III(a) and (b). One delegate raised a series of questions as to the precise meaning of the following words or phrases which appear in sub-paragraphs (a) and (b). Did "barriers" mean all barriers or only tariff barriers? How are products "of particular interest" to be identified? Must they be on a list? It should be specified whether one only or several less-developed countries must have the particular interest. Why confine the commitment to "exports" instead of looking also to domestic disposal plans? To whom should the exports be going to bring the product within these paragraphs? What is the relation of (a) to (f) - does one refer to autonomous unilateral action by contracting parties and the other to multilateral action?

Another delegate suggested that if lists were used to identify products, there should be some means of revising lists. Another suggestion was to delete the word "particular", and so broaden the coverage. But some felt that there was merit in directing special attention to the most urgent needs of less-developed countries by retaining the more selective concept.

Two delegates felt that the interpretative note "Ad paragraphs (a) to (f)" would need revision to make it clear that even though less-developed countries could more appropriately give primary consideration to measures designed to promote their own development on rational lines, such measures should take into account the interests of other less-developed countries.

III(b). One delegate asked whether the Protocol of Provisional Application would permit a country to take action required in certain circumstances under mandatory legislation antedating the Agreement, even though such action might be contrary to the requirements of this paragraph. The Executive Secretary confirmed that the Protocol (or the instrument of accession) would cover the contracting party in that event. Views were expressed both for and against including in this section a specific statement that no new discrimination should be permitted. Some would put such a reference in an explanatory note - some delegates felt that measures taken to prevent market disruption should be mentioned specifically among the measures subject to both III(a) and (b), though the point could perhaps also be taken up in a note to III(d).

III(c). Delegates of three countries felt that no commitment on fiscal policy should be included in the chapter. One felt that the wording in the Model was so weak as to constitute no real commitment but all three appeared to feel that to the extent the language might have any force it would be objectionable. Attention was called to the fact that it would, in addition, be difficult to distinguish between the effects a sales tax of general applicability which might be permitted under the language of (c), even though different rates of taxation on different products were involved, and a tax specifically on a particular product, which might be of the kind which countries should "as far as possible" refrain from imposing. Another delegate noted that the uncertainty as to what products were "of particular interest to less-developed countries" carried into this paragraph as well. A number of less-developed countries expressed misgivings about the looseness of the language in the Model and the uncertainty as to what taxes would be the object of such a commitment.

III(d). There was general dissatisfaction with the vagueness of a commitment "to examine sympathetically" domestic measures which might help less-developed countries. Less-developed countries felt that the paragraph did not go far enough while the representative of one developed country felt that the thought would better be expressed as a principle; even so, for them, there might result a too-general right to query any internal measure which a country might take. One delegate suggested that it might be helpful to refer to "programmes" rather than to "domestic measures", especially as this would cover international measures which might be of increasing importance for the purposes envisaged. Some delegates suggested that the interpretative note might be expanded to give more meaning to the clause. In this connexion it was the view of a number of delegates that the note ought in any case to make it clear that the measures cited were illustrative only. One delegate would have liked to see a definite

link between this clause and the efforts which countries were being asked to make to expand financial aid to less-developed countries. Another wanted to make sure that contracting parties would, among other things, be committed to examine their procurement and purchasing policies and the operations of State-trading agencies with a view to seeing how purchases from less-developed countries might be augmented.

III(e) Misgiving was expressed about the inclusion of a clause as vague as that in the Model exhorting countries to use restraint in applying permitted safeguards in cases where the measures adversely affect less-developed countries' trade. It was felt that the Model relied too heavily on the interpretive note. One delegate felt that it would be a disservice to less-developed countries to remove the present disincentive to the use of export subsidies by less-developed countries by circumscribing the use of countervailing duties against such subsidies. He noted that in the long run it would help no one if less-developed countries became involved in competitive export subsidization. Some less-developed countries felt that countervailing duties are used mainly to afford domestic protection in the importing countries and that this recourse should not be left open merely for the sake of protecting less-developed countries against one another; one delegate suggested that wording might be found which would rule out protective action for domestic reasons while bringing a consultation mechanism into play in the event third-country interests were involved. A more general point was made by one delegate, who felt that the interpretative note should reflect the thought that protective measures were to be avoided in instances in which the potential harm to less-developed countries outweighed the domestic interests involved.

III(f). A close relationship between clauses (a) and (f) of the Model was noted. Some thought the two might be combined, but it was noted that in any combination care should be taken to cover both non-tariff and tariff barriers to imports from less-developed countries and to cover both autonomous and multilateral action. The question of definition of terms was raised again and the further point was made that products of future interest ought, perhaps, to be covered. The question of priority was examined, and it was noted that in a negotiation it is somewhat anomalous to ask countries to give an absolute priority to concessions which do not directly advance a country's national interest or help it to obtain concessions, although these are after all the primary objects of a negotiation. This difficulty might be handled, it was suggested, by a provision that countries should not refuse to grant concessions on account of the prospect that reciprocity might not be obtained, along the lines of the Ministers' statement on exceptions lists.

It was suggested that an interpretative note to (f) should make clear that tariff concessions were not the only kind of concession which less-developed countries seek on a non-reciprocal basis. Concerning non-reciprocity, it was also suggested that the element of degree should be worked in, to avoid the implication that less-developed countries had no obligation to offer concessions when such were consistent with or might even promote their development. The question of concessions among less-developed countries ought to be covered as well, it was suggested.

One delegate then proposed four points for inclusion in Section III. The first two comprised commitments to avoid import restrictions on agricultural imports and to adjust and moderate protection of domestic agriculture, in order to provide more scope for imports from less-developed countries. Inclusion of these points was widely supported, and one delegate suggested that these commitments be worded to include regard for interests of less-developed countries in surplus disposal programmes: he noted also that care should be taken to see that all agricultural products are included, not merely foodstuffs; another delegate wished to be sure that substitutes for less-developed country products were also covered. The two other points proposed for inclusion were a commitment to give high priority to reducing barriers which differentiate unduly between raw or semi-processed materials and finished products made from such materials and a commitment to take account of the need to reduce the gap between prices paid to less-developed countries for raw and semi-processed materials and prices charged to consumers for finished goods. One delegate noted that the objective of ensuring remunerative prices for primary products had already been covered in Section II, whereas this last proposal might appear to go beyond that objective. This delegate also expressed some difficulty with the language about priority, along the lines mentioned in the discussion of paragraph III(f).

Various other suggestions were made to add to Section III material already covered elsewhere in the Model: one delegate felt that something might be needed on commodity agreements (already covered in V), another thought perhaps something ought to be said on preferences, in the event that no multilateral arrangements on this subject proved practicable.

#### Present Article XVIII (IV)

There was a brief discussion of the question whether Article XVIII should be revised. It seemed to be the consensus that, as the Chairman suggested, the modified concept of reciprocity in renegotiation of tariff concessions under Article XVIII could be added by an interpretative note. Although the issue was raised by the Chairman, no objection was expressed to the idea of authorizing the use of temporary import surcharges as an alternative to or in conjunction with quantitative restrictions for balance-of-payments purposes. One delegate expressed a strong view that Article XVIII needed thorough revision. Another felt that the Article is somewhat restrictive and noted it had not been used extensively; one or two others expressed a willingness to go into a revision if that were wanted, but most of those who spoke to the question felt that the question whether to undertake a revision of the Article might be left to a later stage. There was appreciation for the Executive Secretary's suggestion that the safeguards of Article XVIII are a safeguard for less-developed countries at least as much as for developed countries.

This discussion led to some remarks by one delegate concerning the difficulty which less-developed countries have in making effective use of Article XXIII, as they seldom have adequate means of retaliating to enforce their rights. Another delegate thought it would be very desirable to have something in writing on this matter if it were to be considered further.

Joint action (V)

V(a). It was first agreed that the term "primary products" includes agricultural products; the principal discussion on this item then turned on whether it would be acceptable or wise to attempt to add more specificity either with respect to means which might be employed to assist primary producers or with respect to the price objectives to be sought for primary products. One delegate felt that it would be preferable to make the objective the negotiation of commodity arrangements which would stabilize prices at remunerative levels conducive to the expansion of export earnings of less-developed countries. Others felt that the kind of language in the Model Chapter would better express a general objective to which there might be general agreement, leaving the way open for any kind of action which might appear suitable, within the GATT or under other auspices.

V(b). In a very brief discussion of this paragraph, it was brought out that while the provision had been put forward primarily as a suggested way to handle preferences which may subsequently be agreed upon, it might have a somewhat broader application. It would for example permit contracting parties to take action needed to carry out a commodity agreement entered into for purposes of promoting less-developed countries' trade.

V(c). This section, on action to promote development through collaboration to make financial assistance available, appeared to express ideas that were generally acceptable. One delegate suggested that realization of export potential ought to be the objective rather than "development of export potential". Another suggested that diversification should be included in the statement of the objective. One delegate suggested that this matter should be reviewed in the light of the discussions which are to be held by the Expert Group on co-ordination of trade and financial assistance which is to meet in January.

V(d). The expanded consultations described in this paragraph were referred to at some length in the Executive Secretary's opening remarks. One delegate suggested that it would be well to specify that the remedial measures to be devised and suggested in the consultation should be such as would fall within the framework of GATT.

A discussion followed in which some additional proposals were made which have been incorporated into this summary at their appropriate places. The delegate who presented these proposals also suggested that the chapter on

development ought to contain a section on the organization of trade between less-developed countries and countries having centrally-planned economies. The development of less-developed countries' trade with such countries called, in his view, for special measures, in addition to what might be required generally, to assure development of trade between countries with differing social and economic systems. An important feature of the special arrangements for the benefit of less-developed countries would be steps to assure balanced trade at increasing levels and to ensure that any surpluses acquired by individual less-developed countries would be used for purposes of economic development.

ANNEX

STATEMENT BY THE EXECUTIVE SECRETARY  
ON 12 DECEMBER 1963

Document Spec (63)316/Rev.1 is not in any sense of the word, nor could it possibly be, a proposal made by the secretariat to the Committee. It is designed to fulfil the offer made at the end of the last meeting to provide a framework within which the Committee could consider proposals which might appropriately find their place in a chapter of the General Agreement addressing itself to the problems of trade and development.

In the main, the model chapter in Spec (63)316/Rev.1 follows the general line described in document Spec (63)266 of 14 October, where I outlined the various directions in which it seemed necessary that the General Agreement should be brought up-to-date so as to reflect the activities now being undertaken by the CONTRACTING PARTIES in the field of trade and development, to codify the progress which has so far been achieved, and to provide a basis for proceeding with this work in the future.

At the beginning of the paper there is an indication of the general structure of the chapter as we would see it. This falls into three main parts. The first is a statement of the direct relevance of economic development to the attainment of the general objectives of the Agreement, as set out in Article I (Revised), which refer to the importance of raising living standards and promoting the development of all contracting parties. This seems desirable as the special importance of this aspect of the objectives is not spelled out elsewhere in the Agreement. That could be done by amendment of the objectives in Article I. The reason we suggest developing and expanding the objectives in relation to economic development in the new chapter is partly a question of convenience; for if it were intended to amend Article I unanimity would be required and we have found in practice that the unanimity requirement can be a serious impediment to bringing amendments into force even though the great majority of contracting parties are fully agreed on the substance. Hence it would serve far better to place this statement in a new chapter which could be brought into force through acceptance by two thirds of the contracting parties. There is also an advantage of presentation in that it is possible, having defined the objectives, immediately thereafter to elaborate the principles which are inherent in the acceptance of the objectives, the commitments by governments to implement those principles, and the mechanisms and procedures for implementing the principles and the commitments which are derived from them.

In addition to these three points, I have referred, in the introduction, to the question of the flexibility which developing countries need to enjoy, in the application of their commitments under the General Agreement, when it is necessary for them to take measures of commercial policy which are directed principally to facilitating their own economic development. I have suggested in that connexion that the existing provisions of Article XVIII may contain a sufficient measure of flexibility and that it may be unnecessary, particularly having regard to the urgency of more constructive work, to waste too much time on the amendment of those provisions. This degree of flexibility is already large, bearing in mind that no contracting party is called upon to accept reductions or bindings in the tariff field except those which it feels that it is advantageous to assume and which are compensated by corresponding advantages obtained in exchange. A less-developed country, having recourse to Article XVIII, may seek to modify or withdraw concessions at any time. Where some amendment may prove necessary is in regard to negotiations for modification or withdrawal of concessions; there the reference to compensation still derives from the concept of strict reciprocity in tariff reduction, and it might be argued that the more flexible attitude which the CONTRACTING PARTIES have agreed to adopt with respect to reciprocity in tariff reductions between developed and less-developed countries might call for some amendment in the references to compensation for modification and withdrawal. However, other things being equal, this would not seem to necessitate any change in the text since it would be sufficient to record in an interpretative note the new attitude of the CONTRACTING PARTIES with respect to reciprocity and to indicate that in negotiations under Article XVIII contracting parties would be governed by this generally accepted modification of the principle of reciprocity. If though, for other reasons, it were necessary to amend the provisions of Article XVIII, this is a point which might call for further study.

Secondly, the provisions in Section B of Article XVIII afford to developing countries a very considerable degree of flexibility in the use of quantitative restrictions necessitated by balance-of-payments difficulties. The criteria for establishing the existence of financial circumstances justifying the use of Section B are certainly more flexible than those available to other contracting parties under Article XII. We suggest that the consultations envisaged in Section B, relating to restrictions maintained by developing countries for balance-of-payments reasons, might be more broadly based than consultations of this kind have been in the past and might be related to all the factors and problems which contribute to the balance-of-payments difficulties and which give rise to the need for restrictions. They would then not be concentrated so exclusively on the external effects of the restrictions and the object of the consultations would be to identify the various means by which the basic causes of the balance-of-payments difficulty could be overcome by positive remedial measures.

Generally speaking, as regards other deviations from the commitments under the General Agreement, the developing countries are already assured, by the provisions of Section C of Article XVIII, that they will not be frustrated in adopting measures which they think are necessary in order to help in the development of new industries. It is true that there are complicated procedural provisions, but I think it will be seen, when you cut through the perhaps excessive verbiage in which these are expressed, that the essential character of the procedures is that it is possible, at the price of a system of consultation which is restricted in point of time, for a developing country to adopt and proceed with measures which would otherwise be inconsistent with its obligations under the General Agreement with the full support of the international community and without the risk of reprisal. I have always regarded the procedure of consultation provided in Section C not as a hindrance or obstacle placed in the way of the developing country but rather as an opportunity, through international discussion, to proceed with needed measures with the support and cover of the international sanction resulting from the system of consultation. It is this sort of consideration which has led us to feel that the amendment of the provisions of Article XVIII is not a matter as urgent as others.

Another important consideration is referred to in the footnote to the introduction. The safeguards built into Article XVIII, defining the possibility of deviations from commitments under the General Agreement, were not inserted in the interest of one group of contracting parties, still less were they inserted for the benefit of the more highly developed countries. These safeguards are of interest to all contracting parties, and as more of the developing countries diversify their economies they will have a growing interest in safeguards important for their trade. I can remember a series of cases under Article XVIII where the trade most directly affected by the measures proposed was the trade of other less-developed countries. If consideration is given to some loosening of the provisions of Article XVIII, the developing countries would have to give considerable weight to the fact that these safeguards are a protection for their own trade.

So much for the general nature of the model chapter. The language has deliberately been left rather fluid and no attempt has been made to prepare a legal text. We have tried to leave room within the model for the insertion of specific proposals which members of the Committee have mentioned, or may mention, and there is no intention to detract from, or divert attention from, such specific proposals. It is simply a model within which such proposals could suitably be inserted at appropriate places.

The statement of what I would call the development objective derives directly from the general objectives of the Agreement in Article I (Revised). It picks up those elements of the general objectives which are particularly relevant to a new chapter and underlines the particular urgency of these elements for the contracting parties which are in the early stages of development and whose

economies can support only low standards of living. We are aware of the enormous difficulties in defining precisely what is meant by a less-developed country, and this of course becomes a matter of greater urgency when one is trying to devise particular measures which would redound to the advantage of particular countries coming within such a definition. In this paper we have not attempted a precise definition nor have we suggested a formula by which that definition could be given precision. The time when, and the circumstances in which, this would become necessary is something which no doubt this Committee will have to consider at the appropriate time. But even at this initial stage it is possible to establish the two absolutely fundamental elements in the definition of a less-developed country for the purposes of this chapter: an early stage of development and a consequential low standard of living for the people of the country.

In the objectives, in Part I of the model, we have indicated that their attainment calls for both individual and concerted action. Individual action is a matter for all contracting parties. Therefore, throughout the model, we have tried so far as possible to use language which defines obligations for all contracting parties. It is a problem for the international community as a whole and its solution is in the interest of all contracting parties and we think it important to avoid wherever possible a division between less-developed countries on the one side and highly-developed countries on the other. Nevertheless, the nature of the action which is called for by individual countries may in some cases be different according to whether they are highly developed or less-developed. This we have tried to recognize by suggesting that there might be interpretative notes which would indicate that an obligation might have a different meaning for a less-developed country than it would have for a highly-developed country. I hope this feeling will be shared by the Committee. We attach very great importance to maintaining the idea, which I think has remained alive in the GATT, that there are no opposing camps. We are called upon to deal with universal social and human problems in which all governments have equal responsibilities; though some have greater opportunities than others, all have equal responsibilities.

In Part II of the model we have tried to derive from the development objective, a series of principles which we think it important that contracting parties should agree upon, and we think it important that these should be given treaty status by incorporation in the General Agreement itself. Though these principles are not particularly novel, they do include the point that it is not sufficient to limit one's activities to trying to improve trade in primary products. There are limitations to what can be achieved by concentrating attention on questions concerning prices and stability of trade in primary products. One must go beyond that and assist the developing countries to compensate for the instability of their trade by the diversification of their economies.

In Part III we have tried to translate these principles into a number of commitments which might be appropriately incorporated in the General Agreement as commitments of contracting parties. Again I would stress that we have thought of all contracting parties without attempting, any more than is necessary, to differentiate between different categories of contracting parties. It is for this reason that we have suggested that all these commitments might be covered by an explanatory note which would make it clear that the action appropriate for a less-developed country might be different from the type of action which would be appropriate for a more highly-developed country. The commitment or the obligation would be the same, though its application might be different.

A number of these commitments are accompanied by explanatory notes. Our feeling would be, having worked rather carefully on this subject, that the proper way to draft this chapter is to have a relatively simple statement of the commitments in the text itself, and then where there are qualifications or shades of meaning to be brought out to place these in explanatory or interpretative notes so as not to burden the text. One of the gravest weaknesses of the text of the General Agreement is that it has been made extremely complicated by efforts to cover a whole range of different and complicated specific situations of concern to individual governments. I would think we should avoid this if we can, particularly where we are dealing with important political matters where clear presentation is important. Therefore, if there are special situations and problems, it seems much better to deal with these in explanatory and interpretative notes which will provide the necessary flexibility and nuances of meaning to the particular commitments or provisions.

The commitments would be followed by Part IV containing Article XVIII, amended or unamended.

Then in Part V there are provisions for joint action by the contracting parties. We have referred to joint action within the framework of the General Agreement and elsewhere, because we do not think it desirable or necessary at this stage to decide all the complex questions of jurisdiction which would necessarily be involved in a field as broad as this. We cannot know, at this stage, how far the CONTRACTING PARTIES will undertake responsibilities for joint action with respect to commodity problems. It does not seem desirable at this stage to foreclose any possibilities. Equally, however, I do not think it is desirable for the CONTRACTING PARTIES at this stage to lay down unequivocal claims to jurisdiction in particular fields. This is something which will have to be worked out but, whether or not the action be within the framework of the General Agreement, it seems desirable that individual contracting parties should commit themselves to this kind of joint action. In other words, by their participation in the General Agreement they would bind themselves to collaborate actively and positively in the relevant

spheres of activity which are covered by the principles, even though this may be done outside the framework of the General Agreement. This consideration is, of course, particularly relevant to the questions of trade in primary products which is dealt with in the first point of the statement on joint action.

Then in point (b) we come to a key provision designed, amongst other things, to provide the necessary legal cover for deviations from other provisions of the General Agreement which might be necessary to give effect to arrangements concluded in furtherance of the principles and commitments included in the development chapter. Prominent in everyone's mind will be the question of preferential arrangements. In so far as the contracting parties may agree upon recognizing certain preferential arrangements for development purposes, it seems to us that, as a matter of convenience, it would be a desirable plan to provide this flexibility in the way suggested rather than by an amendment of Article I which cannot be amended except by unanimity. Without trying to anticipate the results of the discussions now in progress, it seems to us that there are really only two alternatives which the Working Party on Preferences can envisage: the GATT could provide a set of detailed criteria subject to which preferential arrangements would be permitted or, alternatively, it could lay down procedures for negotiations, with full participation of all contracting parties interested in the trade in the products concerned, leading to preferential arrangements which would thereupon benefit from an escape clause to Article I incorporated in this development chapter.

Point (c) is addressed to the important new activities which have been put in hand by Committee III. Here again we think it would be desirable to recognize and to provide for this programme in the General Agreement as a collective responsibility of the CONTRACTING PARTIES. We also thought it would be appropriate to provide in a mandatory way for the CONTRACTING PARTIES to seek collaboration with governments and international organizations having particular responsibilities in the field of financing economic development. We feel that the co-ordination of trade and aid activities to which many contracting parties attach great importance might be considerably facilitated by the collaboration which the CONTRACTING PARTIES would be required to seek, under this provision, with other international organizations with primary responsibilities in this field. The main content of such arrangements would be of course a delimitation of responsibilities and arrangements for collaboration and co-ordination.

As for point (d), I have referred earlier to the consultations on balance-of-payments restrictions required by Section B of the existing Article XVIII. We have suggested that, as part of this whole operation, it would be desirable to give effect to the broadening of the consultations by agreeing on a plan for consultation which would reflect their modified nature, scope and purpose.

Point (e) reflects an idea which has been frequently expressed in the course of our discussions. It would require the CONTRACTING PARTIES to maintain a continuous and careful review of world trade from the particular standpoint of the growth of the trade of less-developed countries in relation to the development objective of the new chapter.