

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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CONTRACTING PARTIES  
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## PROGRAMME FOR EXPANSION OF INTERNATIONAL TRADE

### Consultations Relating to Trade Problems

#### Note by the Director-General

(Reference: Item 3(c) of Provisional Agenda (L/2854/Rev.1))

1. Under the balance-of-payments provisions of the GATT, the CONTRACTING PARTIES have been consulting once every two years with developing countries on the restrictions applied by them for reasons of balance of payments. As indicated in Article XVIII, these consultations are intended to provide a review of the nature of the balance-of-payments difficulties of the consulting contracting party, alternative corrective measures that may be available and the possible effect of the restrictions on the economies of other contracting parties. At the present time, fourteen less-developed contracting parties consult under these provisions.
2. The periodic consultations under Article XVIII have afforded an opportunity to touch on some positive aspects of development planning and programming as related to trade but only as an incident to an older and more negative effort to obtain removal of quantitative restrictions, with inadequate recognition that such restrictions are symptoms of deeper problems related to a particular country's trade and development situation. Further, this framework is clearly inappropriate for some developing countries which have no balance-of-payments problems in the traditional meaning of the term. Thus, the present Article XVIII:B consultations are inadequate both as to focus and country coverage.
3. Very intensive development plan studies have been carried out by GATT on special request of four countries and a more rapid survey was made as a strictly ad hoc operation at the request of one country. Two of these studies were carried out in 1960, soon after the adoption of the GATT Programme for Trade Expansion and the remaining two in the light of the provisions and objectives of Part IV, in terms of which the CONTRACTING PARTIES have agreed to collaborate in analyzing the development plans and policies of individual less-developed countries with a view to devising concrete measures to promote their development and export potential and the expansion of their export earnings.

4. While the reviews mentioned in paragraph 3 have been valuable, they have reached only a few developing contracting parties. Moreover, apart from the time-consuming and detailed studies which underlay these examinations, the very nature of this procedure limits its potential for the obvious reason that a special initiative is required from the country concerned.
5. It is suggested that the common aim of overcoming obstacles to the expansion of trade of developing contracting parties could be better promoted if the present activities under the two heads mentioned above were merged and expanded into a series of country consultations and reviews on the problems of individual developing contracting parties. In the consultations, analysis would be followed by a search for practical solutions. This new procedure could be an important contribution to the objectives of the Programme for Expansion of International Trade and also towards the implementation of the provisions of Part IV.
6. The consultation could take the form of a discussion in a Committee set up by the CONTRACTING PARTIES of the trade situation and problems of individual developing countries so that both measures taken by the country consulted and the support provided by the international community for its efforts at trade expansion would become the subject of a constructive exchange of views between the country and its trading partners. To this end, the secretariat would prepare substantive papers that would contribute insight on such long-term factors as the trade objectives of development programmes, the country's import and investment needs, its export capacity and the inflow of external resources. Problems of access to markets would also be included. Field work might be required in some cases, but maximum use would be made of surveys made for other purposes, both by other international organizations and, where available, by individual governments or private agencies. Obviously, such an effort would be justified only if the developing and developed countries co-operated to the maximum. The country consulted would take an active part in preparations, and in the subsequent discussions, especially by identifying problems where the remedy appeared to lie within the control of another country or countries. Developed countries would be expected to co-operate by contributing any available special documentation, and to participate with representatives prepared to take an active part in the discussion, including the examination of identified problems arising from their own policies. It would not be excluded that problems brought to light through these discussions might become the subject of special studies on an ad hoc basis. Some problems discussed would also be directly relevant to the work of other GATT bodies such as the Group on Residual Restrictions, which is concerned with removal of restrictions on products of export interest to developing countries.
7. The consultation would include fulfilment of the requirements of Article XVIII:B for those countries which invoke its provisions. Similarly, reviews of releases held by the country and of any reports due under waivers

could be taken care of. The main purpose would, however, be shifted to a deeper exploration of ways in which the policies of the country consulted, and of other countries, might more effectively contribute to a sustained and rapid growth of export earnings of the reviewed country, and to related objectives. It would thus be geared to meet the needs of all developing contracting parties. All such contracting parties would be invited to participate in this review and might be expected to respond, so that consultations could proceed in accordance with a schedule to be established in consultation with them by the secretariat. On this basis, the secretariat might need to prepare for about twenty such consultations each year.

8. If this proposal appeals to the CONTRACTING PARTIES, the secretariat could be asked to submit an outline on which consultations might proceed and to make suggestions regarding appropriate procedural arrangements.