Chapter 12

ACHIEVEMENTS OF GATT

Having examined the various provisions of the General Agreement in the previous chapters, we can now proceed with an evaluation of its achievements. While evaluating the overall success of the GATT, due consideration should be paid to the economic and political environments of the world in which it had to work. Its success cannot be measured simply in terms of the objectives and hopes of its founders. (1) One important way of evaluating its performance will be to judge how successfully it has met the challenge thrown to it by the world trade problems, how quickly and efficiently it has been able to adapt its policies and operations according to changing circumstances, and how much foresight it has shown in predicting emergencies.

The GATT has played an important role in the field of reduction and stabilisation of tariffs. The fifty countries which are parties to the Agreement cover about 80 per cent of world trade and the reduction and binding of tariffs affects more than fifty per cent of their trade. Stability of tariffs is very important for the restoration of free and multilateral trade. It is true that the emergence of quantitative trade and exchange restrictions

(1) The best way of judging the performance of GATT would be to evaluate its role in the expansion and diversification of world trade. The volume, composition and direction of world trade, however, is affected by a number of factors other than the activities of GATT viz., changes in the level and distribution of income, changes in costs and prices, changes in commercial policies of various countries unrelated to GATT activities, capital movements etc. When so many factors are operating simultaneously, it is not possible to determine how far the world trade has been affected by the activities of GATT and, therefore, this method of evaluating the performance of GATT is not practicable.
in recent years has considerably reduced the importance of tariffs as barriers to world trade; a large part of the effect of tariff concessions in most of the contracting parties, particularly in the early stages of GATT, has been nullified by the widespread use of quantitative restrictions. (2) Nevertheless the benefit flowing from a lowering of the general level of tariffs should not be underestimated. Firstly, the reduction of tariffs in case of countries like the United States and Canada which do not apply quantitative restrictions substantially is very important and contributes towards the liberalisation of world trade. Secondly, it creates an atmosphere which is very helpful for a reduction in quantitative controls and other barriers to world trade.

The achievement of GATT in the field of quantitative restrictions has not been very encouraging. It has failed in lowering quantitative restrictions to any significant extent. An important reason for the failure of GATT in the field of quantitative restrictions is that the actual balance of payments difficulties have been much more severe and protracted than those anticipated by the framers of GATT. The formal prohibition of restrictions in the Articles of the General Agreement, however, has an important psychological effect.

It establishes unequivocally that protective quantitative import restrictions are not respectable. It would have been an extremely dangerous thing for the world if it has come to be accepted that quantitative restrictions, which in times of exceptional and temporary economic difficulties have become all too

GATT has been approaching the problem in a realistic way. It is trying to lower quantitative restrictions through continual consultations and pressure rather than through impracticable rigid schemes. In addition to the consultations undertaken by the Contracting Parties with the individual contracting parties, bilateral consultations have been made between the contracting parties under the General Agreement. In bilateral negotiations with the contracting parties applying quantitative restrictions, the exporting countries affected by such restrictions have often succeeded in getting the restrictions conform to the GATT provisions stipulating that restrictions should be applied in a manner which avoids unnecessary damage to the trade of other contracting parties.

The performance of GATT in the field of quantitative export restrictions has been more disappointing than that in the field of import restrictions. (4) During the periods of shortage between 1948 and 1953, scarce raw materials were commonly exchanged among nations through bilateral agreements without consideration for the provisions of the GATT relating to the application of export restrictions. Wherever multilateral agreements for the international allocation of raw materials were concluded, they were through organisations other than the GATT.

The GATT has played a useful role in the settlement of disputes between different contracting parties. Article XXIII

(3) Ibid., 9.

contains a provision which enables any contracting party to lodge a complaint with the Contracting Parties that another contracting party is acting in breach of the Agreement or is acting in a way which nullifies or impairs the benefit flowing from the Agreement or impedes the attainment of its objectives. Having satisfied that the direct negotiations between the contracting parties concerned have not been successful, the contracting parties must investigate the matter promptly and make appropriate recommendations or give ruling on the matter, as appropriate. The technique of handling disputes has been considerably improved with the accumulation of experience and increase in the number of complaints handled. Until the Seventh Session in 1953, the disputes were thrashed out in the Working Parties consisting of the disputants themselves and a cross-section of disinterested neutrals. The Working Parties tried to find an agreed statement of the facts and - if possible - an agreed statement of the application of the relevant GATT provisions to those facts. This statement and the accompanying recommendations were then submitted to the Contracting Parties for approval. In addition to providing an authoritative interpretation of the relevant provisions of the Agreement, the Working Parties frequently helped in narrowing down differences. The procedure was very similar to conciliation.

The procedure presently adopted by the contracting parties is that in the first instance they appoint a panel to investigate the complaint instead of dealing with it themselves. There is neither any standing panel nor any predetermined constitution for it. It is established ad hoc for each case. Upon the nomination of the Chairman, the Contracting Parties designate, as members of
the panel, four or five individuals whose competence in the work of GATT is well recognised. The members are generally the nationals of the small countries because they can be more objective and impartial than those of the big powers whose national interests are so wide as to be affected by every event in any part of the world. The panel does not include the disputants. The panel hears the two parties to the complaint and any other party which is substantially interested in the matter and desires to be heard. Frequently, disputes are settled during the course of the panel's deliberations. Otherwise, after hearing the concerned parties, it deliberates in camera and reaches a conclusion in the form of a draft report. The concerned parties are invited to comment on the draft report. The panel may modify the report in the light of the comments or just take note of them. Finally, the report is submitted to the plenary body of the Contracting Parties for approval. This procedure differs from the judicial approach in certain important respects. (5) The disputants are permitted to see and comment on the report while in process. There is also considerable informal consultation with the disputants to find out common grounds which may be acceptable to both the parties, but the responsibility for the final report which goes to the Contracting Parties rests with the panel. Through this procedure, the Contracting Parties have been able to settle a number of disputes between different contracting parties. In addition to the disputes settled through this procedure, the mere existence of such a procedure has led to the settlement of several

disputes in bilateral discussions. (6) Previously when the disputes were settled through the diplomatic procedure, any party could intentionally drag the dispute, through an almost indefinite number of possibilities available under such procedure, till the settlement would be of little value to the aggrieved party. But, now, a contracting party cannot intentionally delay the settlement or fail to reach a settlement so easily because it knows that the aggrieved party can take the matter to the Contracting Parties for an early settlement. Further, no country, whether big or small, likes to be brought before an international organisation and charged with a breach of international obligations. The 'complaint procedure' has served as an important conciliation machinery. The GATT has succeeded in settling some of the most difficult and complicated cases. Particular mention may be made of the dispute between India and Pakistan which was settled through the good offices of the GATT. The Government of Pakistan was discriminating against India by charging a licence fee on raw jute exported to India but not on that exported to other countries. (7) Further the export duty was charged according to the type of packing which also constituted a discrimination against India. On the other hand, it was complained by Pakistan that its importers were being charged a higher price for coal as compared with the price charged to Indian consumers. In addition, its importers were experiencing difficulties in obtaining normal quantities of coal. Because of the unpleasant political relations between the two countries no third country was willing to

(6) White, n. 2, 17.

arbitrate. The two countries agreed to seek a settlement through direct negotiations. The first negotiation, however, was not successful. At a meeting of the Inter-sessional Committee in February 1953, the Chairman of the Contracting Parties discussed the matter with the disputant parties and proposed the lines for settlement. Consultations between the two parties were held again, and the dispute was settled along the proposed lines. The Government of Pakistan abolished the licence fee on exports of raw jute to India and removed the discrimination against India in the imposition of export duty. Government of India, on the other hand, reduced the price of coal to Pakistan importers to the level of price charged to Indian consumers. Thus the dispute was settled without any ruling or even findings by the Contracting Parties.

Settlement of disputes is not an easy job. It is very difficult to establish facts. Sometimes the roots of the dispute go 30 to 40 years back. The disputants in reaching the agreement have to be cautious that it satisfies the domestic groups. Often the complaints were removed simply by a change in administrative practices or an executive order. Sometimes, however, the removal of the complaints required legislative approval. To GATT's great credit, the Governments of the United Kingdom and Belgium at different times got approval of the legislature for complying with the recommendations of GATT. (8) Several times, however, the executive was not successful in getting the approval of the legislature for the necessary action. (9) The United States

(8) Vernon, n. 5, 206.

(9) Ibid., 206.
Administration, for instance, could not persuade the Congress, for a long time, to eliminate legislation requiring import restrictions on dairy products which were contrary to the provisions of GATT. Ultimately, the President succeeded in preventing the renewal of the objectionable legislation by agreeing to impose almost the same restrictions under certain other authority. Similarly, the Brazilian Executive seems powerless to persuade its Congress to abolish a number of discriminatory internal taxes which have constantly been a subject of complaint.

The GATT has not always been successful in enforcing its provisions. Violations of the Agreement have been frequent enough. By the very nature of the Agreement, the sanctions for non-compliance with the recommendations of the Contracting Parties by any party to the dispute are very weak. All that the Contracting Parties can do in such cases is to relieve the complaining party of an equivalent obligations under the Agreement towards the contracting party failing to comply with the recommendations of the contracting parties. This action, of course, differs from ordinary retaliation to the extent that the retaliation is kept under international control and regulations. (10) Often no redress was sought by the injured party and sometimes sought but could not be obtained. The cases in which redress was sought but could not be obtained are not very frequent. The cases in which no redress was sought are sufficiently large in number. The reasons for not seeking redress of the violation of the provisions of the Agreement are fairly complex. Sometimes

(10) GATT Document No. Sec./140/53, Address by Mr. W. White, delivered, 24 November 1953, at the Handels Hochschule, St. Gallen, S.
the injured contracting party did not seek redress fearing to incur the displeasure of the party complained against. (11) This fear was particularly common in the early years of the GATT. With the gradual mitigation of this fear over time, the number of disputes referred to the contracting parties has increased. Sometimes the injured party has preferred to settle the dispute through diplomatic procedure instead of going to the contracting parties. (12) Settlement through diplomatic procedure has the advantage that the things can be kept secret. Sometimes the injured contracting party preferred to threaten through diplomatic exchanges, or to retaliate, to going to the contracting parties. Sometimes the injured contracting party does not lodge a complaint because it itself is guilty of violating certain other provisions of the Agreement and is afraid of a counter complaint.

In order to avoid disputes, many contracting parties have been cultivating the habit of testing the proposed trade restrictions or other measures relating to trade against the provisions of the Agreement before putting these into effect. Whenever they conflicted with the provisions of the GATT, they have often been modified to conform to the provisions of the Agreement or completely withdrawn because of their non-conformity.

The operations of the GATT are slow. One reason for this is the nature of the approach adopted by the GATT i.e. consultation and conciliation. Another reason is that the GATT has no permanent secretariat arrangements and its main business is conducted at annual meetings of the contracting parties.

(11) Vernon, n. 4, 17.

(12) Ibid., 17.
Challenge to GATT from Underdeveloped Countries

There are at present fifty contracting parties to the General Agreement. In addition, twenty-three contracting parties, which have acceded provisionally, participate in the work of the GATT under special arrangements or maintain a de facto application of the Agreement pending final decision regarding their definite status within the Agreement. Out of these seventy-three countries, forty seven come under the category of developing countries. These countries are facing a number of problems viz. protection of agriculture and manufacturing industries in advanced countries, instability in primary markets, decline in the relative exports of non-industrialised countries, disequilibrium in the balance of payments of the developing countries. These problems are an important challenge to GATT. The success of GATT will depend to a considerable extent on how successfully it meets this challenge. If the interest of the underdeveloped countries in GATT is to be promoted, it is very essential that their problems are given due consideration.

Realising this, in recent years, the GATT has been paying increasing attention to the trade problems facing the developing countries. In 1957, the GATT appointed a Group of Experts to report on the trends in international trade with special reference to "the failure of the trade of the less developed countries to develop as rapidly as that of the industrialised countries, excessive short-term fluctuations in prices of primary products and widespread resort to agricultural protection." The experts submitted their report, generally referred to as the Haberler Report, in 1958.
This Report was a major landmark in the history of GATT in so far as it led to a reorientation of the activities of the GATT. It had significant impact on international economic thinking in regard to the trade problems of the underdeveloped countries.

The experts pointed out that, at a time when the underdeveloped countries required maximum foreign exchange earnings for executing their development plans, their export earnings were increasing very slowly and their relative share in world exports was declining. The belief that the gap between the required and available resources in underdeveloped countries could be filled through foreign assistance was an over-simplification of the problem. It was unrealistic to expect that the funds would be flowing from developed to the underdeveloped countries on a sufficiently large scale. Even if these do, the underdeveloped countries would have to repay the loans and this would be possible only if they can expand their exports. As a consequence of the Haberler report, the GATT decided, in 1958, to undertake its ambitious trade expansion programme. For this purpose, three committees were set up. One of these was to deal with the question of further multilateral tariff negotiations; a second was to concern itself with the problems arising in trade in agricultural products, and third - Committee III - was to deal with the question of achieving an expansion in the export earnings of less developed countries.

The Committee III made a detailed study of the obstacles hindering the expansion of exports of the underdeveloped countries. The study paid special attention to exports of major interest to the underdeveloped countries e.g. tea, coffee, cocoa products, vegetable oils, aluminium products, ferro-alloys and copper rollings,
manufactures of jute, of cotton and coir, sports goods, leather goods and some other manufactured consumer goods.

The Committee is studying commodities by groups. It studies the obstacles being faced by a group of commodities, makes recommendations, and then exerts pressure for the removal of these obstacles. After studying one group, it takes up another group. In this way it has studied many commodities and is gradually covering more and more. At the same time it has started widening the scope of its activities to include such questions as trade promotion and study of development plans.

On the basis of the Report of Committee III, at the Tokyo session in 1959, the Contracting Parties recommended the Governments should examine tariffs, revenue duties and internal charges, quantitative restrictions and other measures applied by them, with a view to facilitating an early expansion of the export earnings of less developed countries. At the Seventeenth Session in November 1960, a general review of the progress made by the Committee was undertaken. (13) The delegates of underdeveloped countries express disappointment at the slowness with which action was being taken by the industrial countries on the recommendations of the Committee. In view of the increase in their national income and industrial activity, there appeared no justification for the restrictions applied by them. The delegates of developed countries, on their part, assured that earnest efforts were being made to see what could be done to facilitate the expansion of trade of the underdeveloped countries. It was, however, stated that sufficient improvement in

(13) GATT, The Activities of GATT, 1960/61 (Geneva, 1961) 13-
their position was not possible from an increase in exports of the traditional commodities alone. In this connection they emphasized the value of the studies on the possibility of guiding the expansion of the existing industries and the establishment of new industries in such a way that the developing countries can become economically efficient producers. They also mentioned that the expansion of inter-regional trade can considerably stimulate investment and production in these countries. In a report towards the end of 1961, the Committee III made strong recommendations, calling for a more dynamic approach towards the trade problems of the developing countries.

The other two committees of the trade expansion programme have also been engaged in activities of considerable interest to the developing countries. The Committee dealing with agriculture has held extensive consultations with countries in regard to their national agricultural policies. The findings resulting from these consultations have formed an important basis for the activities of GATT in the field of agriculture. The other committee was entrusted with the task of arranging "Dillon" round of tariff negotiations. These negotiations have resulted in a reduction or binding of tariffs on a number of commodities of particular interest to the developing countries. The results of the negotiations, however, have failed to satisfy the developing countries. Insufficient participation in the negotiations by many of the developing countries was to some extent responsible for the dissatisfactory results.

In November 1961, at the close of Ministerial meeting, the ministers unanimously adopted a Declaration urging the advanced countries to reduce trade barriers on imports from the underdeveloped countries. At the same time, they urged the underdeveloped countries
to improve their production and marketing methods and to develop
trade in other than traditional products.

At the Ministerial meeting in May 1963, the Chairman, in
his introductory statement, said:

The traditional time-honoured instruments of
commercial policy, such as reciprocal tariff
cuts, do not lend themselves - or are not
sufficient - to alleviate substantially the
situation of the less developed countries. . . .
what is asked of the highly developed countries
is a sort of "advanced payment" through a generous
opening up of their markets to the products of
their less developed partners, a policy which is
expected to pay off high dividends in the end by
a gradual increase in the purchasing power of
the new countries, along with their increased
possibilities of exports. . . . the needs of the
less developed countries are there, they are real
and pressing and we must take a large step
forward to meet them, here and now, by concrete
decisions. (14)

The leader of the US delegation, Mr. Christian Herter, stated:

No task this meeting faces is more important than
that of finding ways to improve the export
opportunities of the less developed countries.
If we do not succeed in this task, much of the
time, effort and money that countries represented
here have put into economic and technical aid will
have been wasted, and we will have failed in our
commom purpose of enabling the less developed
countries to move forward with their economic
development. (15)

At this meeting, the Ministers adopted a specific Programme of
Action which was proposed by the twenty-one developing countries
based on the work of Committee III. It consists of seven points
viz. 1) a standstill provision with a view to preventing the
establishment of new tariffs and other barriers to the trade of

(14) The Economic Weekly (1 June 1963) 900.
(15) Ibid., 900.
developing countries; 2) the elimination of remaining quantitative restrictions by industrialised countries within a period of one year, or where special difficulties prevented this, not later than 31 December 1963; 3) duty-free entry for tropical products to be achieved by 31 December 1963; 4) elimination of customs tariffs on primary products; 5) reduction and elimination of tariff barriers to exports of semi-processed and processed products from developing countries by at least 50 per cent over a period of three years; 6) the progressive reduction of internal fiscal charges and revenue duties on products wholly or mainly produced in developing countries with a view to their elimination by 31 December 1963; 7) an annual reporting procedure for ensuring the effective implementation of this Action Programme. In addition to these seven specific points of action, in a more general eighth point, the GATT members were asked to give urgent consideration to the adoption of other appropriate measures which would help the underdeveloped countries in diversifying their economies, strengthen their export capacity and expand their foreign exchange earnings.

The Ministers of the European Economic Community and of the Associated States expressed certain reservations in regard to the programme of Action. They pointed out that, while recognizing that some of the points contained in the programme could be regarded as objectives to which, to the fullest extent possible, concrete measures should be adopted, the first seven points referred only to measures for the elimination of barriers to trade; whereas, in their view, more positive measures were required to achieve the marked and rapid increase in the export earnings of the developing countries as a whole, which was the fundamental objective.
To carry out the Action Programme, the Ministers decided to set up an Action Committee consisting of high level Government representatives. The Action Committee has set up necessary machinery in the form of three sub-committees, not only to assist in the implementation of the first seven points of the Programme but also to give consideration to other possible measures under point (VIII). The Committee acts as a watch dog and puts continuous pressure on GATT members for the implementation of the Action Programme.

The position regarding compliance with the Programme of Action, as at the beginning of 1964, may be summarised as follows: (16)

1) The standstill provision had so far been applied by all industrialised GATT countries.

2) Further progress in the removal of quantitative restrictions had been announced by all the industrialised countries still maintaining such restrictions.

3) Almost all industrialised GATT countries had indicated that they had already taken, or were seeking parliamentary authority to take, the necessary steps to implement the Ministers' decision in regard to duty free entry for tea and tropical timber.

4 & 5) Regarding the elimination or reduction of tariffs on primary products and on semi-manufactured and manufactured products, industrialised countries had already indicated that they did not envisage including in their exceptions lists for the forthcoming tariff negotiations products identified by Committee III as being of special export interest to less developed countries.

(16) GATT, The Role of GATT in Relation to Trade and Development (Geneva, 1964) 24-5.
vi) Sweden, one of six industrialised countries which had been applying fiscal charges, has removed the internal tax on coffee.

At the Ministerial meeting, it was suggested that with a view to expanding the foreign exchange earnings of the developing countries, their exports of manufactured and semi-manufactured products should be accorded preferential treatment. The Ministers agreed that this suggestion should be studied from two angles viz. 1) the granting of preferences on selected products by industrialised countries to developing countries as a whole, and 2) the granting of preferences on selected products by developing countries to all other developing countries. A working party has been appointed and is making this study.

As a result of the continuous efforts made by the GATT, trade barriers to the exports of developing countries have been reduced considerably. There has been a continuous decline in the number of industrialised countries applying quantitative restrictions against these exports. In some cases, the quantitative restrictions have been removed altogether; in others these have been reduced to one or two items. But still some hard-core quantitative restrictions, which considerably affect the exports of the developing countries, continue to be applied in some countries. It is expected that the pressure from the Action Committee would reduce the quantitative restrictions still further. Similarly, there has been a considerable reduction in the tariffs facing the underdeveloped countries and these are expected to decline still further during the forthcoming "Kennedy" round of
trade negotiations. It may be emphasized that these are "trade"
and not only "tariff" negotiations and would cover non-tariff
barriers, too.

**Tropical Products**

Exports of tropical agricultural products are of great
importance for many developing countries. The question arises as
to why the industrialized countries, who show so much sympathy for
the developing countries and give so much financial aid, cannot
remove their tariffs and internal taxes on tropical products like
coffee, cocoa, tea etc. Excepting vegetable oils, these commodities
are not produced domestically in the industrialized countries and,
therefore, there is no question of protecting domestic producers.

A proposal at the Ministerial meeting in November 1961 for the
complete removal of duties on tropical products had to face all
sorts of troubles.

The Committee III examined in detail the obstacles facing
an expansion of exports of tropical products and drew attention to
the adverse effects on such expansion resulting from high customs
tariffs and internal fiscal charges imposed by importing countries.

Following a proposal by Nigeria at the meeting of Ministers in
November 1961 that there should be a duty-free entry for tropical
products, the GATT established a Special Group on tropical products.
A number of African and Latin American countries which were not
at that time members of GATT also participated in the Group. The
terms of reference of the Special Group were as follows: "Taking
into account all factors bearing on present and future problems in
international trade in tropical products . . ., to consider ways
of overcoming difficulties confronting less developed countries
exporting these products and to make appropriate proposals. . ." (17)

The Group discussed the problems involved in their broadest aspects, so that considerations of price and access were linked with those of production, consumption, future prospects, obstacles to trade, the effects of the removal of preferential arrangements on countries at present benefiting from them, and the possibility of offsetting any adverse effects on these countries, for example, through financial aid and the encouragement of alternative lines of production for export. All these elements had been examined in detail by the GATT secretariat in studies covering individual tropical commodities, namely cocoa, coffee, bananas, vegetable oil seeds and oils, tea and tropical timber, and certain individual countries, namely Ivory Coast, Nigeria, Senegal and Somalia, which provided a basis for the discussions in the Special Group. The recommendations of Special Group reflected agreement on a number of important elements, but in the case of some recommendations there was not unanimity.

The recommendations of the Special Group were considered by the Ministers at their meeting in May 1963. The conclusions of Ministers, like the recommendations of the Special Group, reflected agreement on a number of elements including unanimous agreement that customs duties on tea and tropical timber should be eliminated at the earliest possible and, if practicable, by the end of 1963 and, inter alia, confirmation of the intention of governments to apply in an efficacious manner the International Coffee Agreement. As regards the most appropriate measures for dealing with certain of the other problems involved, however, there were divergencies

(17) Ibid., 26.
of view which led to reservations on the part of the European Economic Community and the Associated States.

Non-tropical Agricultural Products

Though most of the developing countries export tropical products, some are substantially interested in the export of non-tropical agricultural products like cereals and meat. The Ministers, at their meeting in May 1963, agreed that special arrangements may be required for some commodities. Keeping this in view, the groups on cereals and meat were appointed. The Ministers also decided that a group should be established on dairy products. It is quite possible that the work of these groups may result in some sort of multilateral arrangements which would be of great importance for the developing countries interested in these commodities.

Trade Information and Trade Promotion

Committee III has had before it a proposal that GATT should set up a centre for the provision of trade information and trade promotion services. A group of experts has recently recommended that such a centre should be established in the GATT and the Contracting Parties are likely to approve this recommendation. Such a centre would provide greater access for less developed countries to market information, commercial channels and other data which are necessary in their export trade. Such information would be of great value to the less developed countries in view of the fact that they have sometimes been unable, for technical reasons and because of administrative difficulties which they sometimes face in importing countries, to take up quotas open to them or to full advantage of open markets.
Development of Export Potential

The GATT has not so far done anything appreciable, relating directly to the development of export potential in less developed countries. In the course of its normal work programme, of course, Committee III made a useful study of the trade and payments aspects of the development plans of India and Pakistan. In 1963, it was decided that the work in this direction should be extended and enlarged. The Committee's work on individual commodities has produced positive results and is being vigorously pursued. At the same time the Contracting Parties have felt that this commodity-by-commodity approach should now be supplemented by a broader approach which would permit the trade problems of less developed countries to be examined against the wider background of their economic development and international trade policy generally.

The main purpose of such studies would be to identify those sectors where export potential exists in the countries studied and to discuss problems which arise from the development of this potential, in the light of a realistic assessment of trade possibilities. The studies would acquaint importing countries with the export potential existing in the less developed countries and would build up a better understanding of the way exports from these countries are likely to develop. These would enable the underdeveloped countries to see more clearly those sectors which offer the best opportunity for an expansion of exports.

The studies would also provide useful material for the operations of the Contracting Parties and for concrete measures to be taken by them to assist the economic development and export trade of less developed countries.
Financial Assistance

At the meeting of Ministers in May 1963, many Ministers considered that the problem of financing the gap between the export proceeds and the import requirements of less developed countries needed to be given careful consideration and, in this connection, less developed countries have suggested that the activities of the GATT should also include the financing aspect. (18) At a recent meeting of a group of experts to consider this matter, a specific proposal was put forward and given consideration. The experts of the less developed countries desired to reserve their right to revert to the discussion of the proposal at an appropriate time in the future. The meeting, however, emphasized the role of GATT in helping to bring about a closer relationship between trade and aid policies.

Legal and Institutional Framework of GATT

The activities of GATT in the field of trade and economic development of the less developed countries had considerably expanded during the last few years. While these activities were, of course, intimately related to the basic objectives of the GATT, they were not set out expressis verbis in the text of the General Agreement. In view of this, the Ministers, at their meeting in May 1963, recognised "the need for an adequate legal and institutional framework to enable the Contracting Parties to discharge their responsibilities especially in connexion with the work of expanding the trade of less developed countries." A special Committee, the Committee on Legal and Institutional

(18) Ibid., 30.
Framework, was set up to consider this question. Both the developed and less developed countries submitted a number of proposals to this Committee.

The Committee on the Legal and Institutional Framework of GATT in Relation to Less Developed Countries presented its report to the twenty-first session which gave birth to the 'New Chapter in GATT' discussed in the last chapter.