

THE GENERAL AGREEMENT ON TARIFFS AND TRADE

INTERNATIONAL ORGANIZATIONS

VERSUS

DEVELOPING NATIONS:

THE CASE OF

THE GENERAL AGREEMENT ON

TARIFFS AND TRADE (GATT)

by

HERBERT CHRISTIAN ADDO, B.A. (Hons.)

A Thesis

Submitted to the Faculty of Graduate
Studies in Partial Fulfilment of the
Requirements for the Degree of
Master of Arts

McMaster University
October 1968

MASTER OF ARTS (1968)
(Political Science)

McMASTER UNIVERSITY
Hamilton, Ontario

TITLE: International Organizations versus Developing Nations: The
Case of the General Agreement on Tariffs and Trade (GATT)

AUTHOR: Herbert Christian Addo, B.A. (Hons.) (University of Reading)

SUPERVISOR: Dr. Gilbert R. Winham

NUMBER OF PAGES: vii, 109

SCOPE AND CONTENTS; This thesis examines the policy evolution of the General Agreement on Tariffs and trade (GATT) with the aim of finding out what policy changes the GATT has effected during 1948-67 to enable the GATT to contribute more towards economic development in the developing nations.

The thesis attempts to evaluate the contribution of the GATT to ascertain GATT's effectiveness in aiding economic development.

It also discusses the motivations that lead developed nations to give aid through the GATT to the developing nations.

A C K N O W L E D G E M E N T S

My sincere thanks go to Dr. G. R. Winham, whose consistent and constructive advice guided me all through this work.

I also wish to thank Mr. G. Breckenridge and Mr. H. J. Jacek, whose comments and advice I found most useful in all stages of this work.

I would also like to thank Miss Stone of the Reference Branch of the Mills Memorial Library, McMaster University and Mrs. Marler of the Department of Commerce Library in Ottawa.

And finally, may I thank Richard R. Ford of the GATT Secretariat for his prompt response to my request for relevant material.

TABLE OF CONTENTS

	PAGE
Preface	vi
Chapter I	1
Introduction	1
Sectorial Division and Characteristics	3
The Role of Trade and the Goal of Economic Development	5
The Factor of Terms of Trade	8
The Factor of Commodity Export	9
The World Trade Factor	11
Summary of the Problems and their Solutions	16
GATT's Position	19
Chapter II	
Origin and Background of GATT	22
The Original Agreement	27
Original Text and Economic Development	29
Article XVIII and Reasons for Its Rigidity	32
Chapter III	
Preliminary Remarks	38
The First Major Change	38
The Main Features of New Article XVIII	39
Haberer Report	43
Programme for the Expansion of Trade	45
Programme for Action	48
Action on the Action Committee	49
Kennedy Round	52
The New Part IV	56
Chapter IV	60
Evaluation of GATT Contribution	62
Judgement on GATT's Evaluation	
Conclusion	71
The Reality about International Organization	71
Why the Developed Nations Aid the Developing Nations	74
What National Interest Could mean	80

	PAGE
Appendix I	87
Appendix II	93
Appendix III	95
 Bibliography	 100
Books	100
GATT Publications	103
Periodicals	105
Public Document	107
Unpublished Dissertations	109

P R E F A C E

Economic development in the developing nations, at the rate and extent in which it is undertaken to-day, is clearly a post-war phenomenon. It is also a post-war phenomenon that international economic and political organizations do express their desire and willingness to assist economic development in the developing nations.

The purpose of this study is to find out to what extent the General Agreement on Tariffs and Trade, on international organization, has contributed towards economic development of the developing nations since its creation. We do this by following the policy changes that have occurred in the GATT between 1948-67; and then we attempt to evaluate the effects of these policy changes, on the developing nations' economic advancement.

In chapter I we attempt to give what the developing nations' view are on some of the problems in international trade relating to the economic relationship between the developed and the developing nations.

We examine the original text of the general Agreement in Chapter II to see what the Agreement had to offer in 1948 to encourage economic development. In Chapter III we follow the changes in GATT's policy during the period 1948-67. We attempt to evaluate GATT's contribution in Chapter IV.

In the conclusion we endeavour to discuss the reasons why developed nations, especially the United States, do aid developing nations through international organizations. The emphasis in this conclusion is on U.S. help to the developing nations through the GATT. This emphasis is an obvious recognition of U.S. position and power in the world today.

In many parts of this thesis we have had to discipline ourselves to keep close to our objectives. This is because this study is only a small part of a wider and complex study and the danger of talking about matters which are not directly pertinent to our objectives was very great.

CHAPTER I

Introduction:

In this chapter we shall attempt to discuss the economic problems of the developing nations in international trade, as the developing nations see them. Our main concern here would be to attempt to discuss the problems of international trade caused by the interaction between the developed and the developing economies of the world economy. We shall do this in such a way as would enable us to present the trading policies of the developing nations. This bias is a necessary step because we shall, in the subsequent chapters, endeavour to see how far the General Agreement on Tariffs and Trade (GATT), as an international organization, has helped the developing nations in making these policies effective.

We shall dwell at length on the proceedings of the United Nations Conference on Trade and Development of March-June 1964 (UNCTADI) because it was the first international conference, since the completion of the Havana Charter, that the United Nations convened purposely to deal with the problems of international trade as they relate to economic development.

The UNCTADI was attended by one hundred and twenty-two countries¹ of which about ninety were developing countries. The countries, that attended, did so in their political capacities; but a large part of the materials studied were supplied by experts in the various fields of international trade and finance. The basic document for the UNCTADI

1. Some of the countries who attended the UNCTADI were not members of the United Nations. e.g. West Germany

was prepared by the Secretary-General of the UNCTADI, Raul Prebisch, under the title "Towards a New Trade Policy for Development". The UNCTADI was not intended to be a confrontation between the developed and the developing nations; but it turned out to be so. The different views of the developed and the developing nations as to what were the best ways to help solve the problems of economic development was apparent all the way through the proceedings. The developing nations were on the offensive pushing the unorthodox views on issues while the developed nations appeared to be defending the established and existing rules in matters of trade.

The immediate relevance of the UNCTADI to our present work is that it provides us with what could be called the views of the developing nations on the problems relating trade and economic development. It was at UNCTADI that the views of the developing nations, for the first time, took on an identifiable and articulate form.

At this point, the warning is in order that the various provisions, principle and resolutions, adopted by the UNCTADI by majority voting should not be considered as binding on the nations that attended this conference. The provisions, principles and the resolutions were meant to guide the nations who attended the conference in their trading policies. It is noteworthy that the United States and many of the developed nations voted against some of the most important matters discussed at the conference. The disappointment which surrounded the conference sprang from the fact that many of the nations that had the ability to make the deliberations of conference profitable dissented or abstained on many of the key issues.²

2. The United States, for example, voted against, nine of the fifteen general principles, abstained in two and voted for four.

It is necessary that, before we plunge into the detailed discussion of the problems we examine the basic distinction between the developed and the developing economics.

Sectorial Division and Characteristics:

The non-socialist economies in the world today are commonly referred to as the 'world economy'; and this 'world economy' has been divided into two broad sectors, namely the developed and the developing economies. The usual definitions of these sectors are based upon the income per capita levels. The countries which have Gross National Product per capita of one thousand dollars more per annum³ are considered developed or well on the way to the developed status and those which have less than this amount per annum are considered developing countries. By this measure of the one hundred and forty-five non-socialist countries listed in the "World Bank Atlas",⁴ only twenty-three countries are developed and the other one hundred and twenty-two countries are developing countries.

This way of dividing the world economy into two distinct units is arbitrary; at times, it is inadequate and in some cases even misleading. For example, Kuwait which is listed as having the highest GNP per capita of three thousand, two hundred and seventy dollars, per annum, is not comparable to the United States when we come to consider the structure of their respective economies, the products the two countries produce for exports and those they import, and the levels of technology generally used

3. See Dowd, Douglas (ed.), America's Role in the World Economy, Boston: D.C. Heath and Company, 1966, p. 109.

4. World Bank, "Gross National Product Per Capita (U.S. Dollars)", World Bank Atlas, 1967 edition.

in both countries. However, the distinction between the two sectors becomes useful when we consider other characteristics of the sectors. The developing nations produce predominantly primary materials for export to the developed countries, and import largely manufactured and semi-manufactured goods, from the developed countries. While the developed economies are very diversified, the developing economies tend to be monocultural, that is, the developing economies tend to rely on one crop to produce between fifty and ninety per cent of their national income.

With the notable exception of a few such as India, Indonesia and Brazil, most of the developing nations have small populations. According to the figures in the World Bank publication, cited above,⁵ about more than half of the developing nations have populations of less than five million and about a quarter of them have populations of less than a million.

The term 'developing' projects the efforts of these countries to lift themselves from traditional societies, described by W.W. Rostow as a society "whose structure is developed within limited production function, based on pre-Newtonian science and technology and on pre-Newtonian attitudes towards the physical world"⁶ into what he calls the take-off stage. Rostow describes the latter stage as the interval when the old blocks and assistances to study growth are overcome and forces making for economic

5. World Bank, op. cit.

6. Rostow, W.W. The Stages of Economic Growth, (New York: Cambridge University Press, 1960), p. 4.

progress set in and compound interest becomes built into the institutional structure of the society.

By Rowstow's analysis of economic development, one can say that most of the developing nations are in the stage which he calls the second stage of growth. He describes this stage as the period of transition during which the pre-conditions are developed.⁷

This categorical term 'developing countries' is rather too broad; since it covers countries in different stages of the developmental scale. For example, Argentina Brazil, India and the United Arab Republic are well on their ways to the take-off stage; while others like New Guinea and Malawi are far away from this stage. It seems the only justification for the use of this term is that the broad group of countries it covers in Latin America, Africa and Asia have some problem common to them all.

The Role of Trade and the Goal of Economic Development:

The economic development of the developing countries is a problem which it is widely agreed today, needs a two pronged attack, namely attacks on the domestic and international fronts. On the international front, which is our main concern in this thesis, a key role is being more and more attributed to trade in the development process. Whether, in fact, an increase in trade - especially an increase in exports of the developing countries - does contribute to the achievement of the goals of development, is not our concern here. The arguments dealing with this matter have been pursued elsewhere by people⁸ better qualified to deal with them. It is not

7. Ibid., p. 6.

8. This matter has been well treated by international economists such as G. Habeler, H.W. Singer, Gunnar Myrdal, Raul Prebisch, R. Nurkse and J. Viner.

for us, here, to question the logic underlying the policies which the developing nation have come to hold collectively in persuing their trade relations with the developed nations; even though perhaps a lot is there to argue with.

Every policy has a goal, which the policy is only a means to its achievement. The goal of the developing nations is simply to develop; and by develop they mean, in the shortest possible time, to raise their present Gross National Product per capita levels, which they consider low, to higher levels through economic growth. The goal of economic development in the developing nations, therefore, is rapid economic development. The developing nations' preoccupation with policies to expand trade is only important in so far as, they believe, it is conducive to that goal.

Since the World War II, the developing nations have been trying to get the developed nations to recognize that the problems of economic development were special problems, which in the context of the twentieth century pattern of trade, needed attention and measures other than those universally prescribed to regulate international trade. Their complaints were voiced in the United Nations, its specialized agencies and in the GATT.

A response to this persistent pressure led in 1962 to the United Nations and its specialized agencies pledging themselves to mobilize their experiences and to co-ordinate their efforts in a sustained attack upon disease, hunger, ignorance and poverty and to lay the foundations in all developing countries for a more modern and productive economy. This effort is what is known as the "United Nations Development Decade", whose

target was raising the developing nations' average rate of economic growth from its 1950's 4.5%⁹ p.a. to a minimum rate of 5% p.a. by 1970. Even though this target of 5% has already come to be regarded by the developing nations as too low, it has come to be considered in growth terms as the goal of economic development in the developing nations.

According to the basic document¹⁰ for the UNCTADI written for the conference by its Secretary-General, Raul Prebisch, the implication of the 5% minimum growth target is that first, if incomes for the developing nations are to increase at this rate, their imports must increase at a rate much more than 6%. This is because "any acceleration in the rate of growth requires additional investment; and the import content of this investment is normally higher than that of income as a whole".¹¹ Another implication of the 5% growth target is that exports of the developing countries would also have to rise at the rate of 6% per annum, in order to maintain balance-of-payment equilibrium. This document estimates that at existing rates of growth there is a widening gap in the balance-of-payments of the developing countries and that at higher growth rate consistent with the objectives of rapid development, the gap would be even greater.

From the standpoint of the developing nations, the most distinctive phenomenon of economic development is the phenomenon of the persistent tendency towards external imbalance associated with the development process.

9. United Nations, U.N. Yearbook of National Statistics, 1965, Table 8B, p. 488.

10. Prebisch, Raul, "Towards a New Trade Policy for Development", United Nation Conference on Trade and Development, Vol II, (New York: U.N., 1964), pp. 5-64.

11. Ibid., p. 5.

The developing nations, therefore, are most concerned with factors in their trade relations with the developed nations which go to influence this phenomenon. We shall now take the major factors which have influence on this phenomenon and attempt to give the developing nations' view on them.

The Factor of Terms of Trade:

The developing nations hold that the trend in the terms of trade has been against them for a long time because the relative changes in primary and manufactured commodity prices are against primary commodities. Despite strong representation¹² to the effect that the deterioration in terms of trade is not as bad as the developing countries think, they insist that the "The foreign earnings of the developing countries have suffered severely from the deterioration in terms of trade".¹³ The developing countries believe that unless these countries succeed in obtaining additional resources, they will be unable to achieve the reasonable rates of growth set as a target in their plans. The developing nations also hold very strongly that "From a pragmatic point of view, this means recognizing that countries experiencing a deterioration in the terms of trade have a prima facie claim upon additional international resources - resources over and above those which they would have received in the normal course of events".¹⁴

12. "To convey an idea of the absolute magnitude of the 'burden or loss' involved, let me mention that the U.N. report (United Nations, World Economic Survey, 1962, Part I, Developing Countries in World Trade), computes that "had the terms of trade of the less developed countries been stabilized at their 1950 level, the aggregate purchasing power of their exports in terms of imports in 1960 would have been greater to the extent of \$2.3 billion". This is not a negligible sum, but compared with the national income of the less developed areas of the world or its annual increase, it is quite small".

G. Habeler, "Integration and Growth of World Economy in Historical Perspective", The American Economic Review, Vol. LIV, March 1964, pp. 17-18.

13. Prebisch, Raul, op. cit., p. 12.

14. Ibid.

According to a computation based on figures supplied by the United Nations Statistical Office, between 1950-61, the terms of trade of primary commodities fell by 26% in relation to those of manufactures, mainly owing to the rise in the price of the latter. It should be noted, however, that the magnitude of the deterioration was less for some developing countries than this figure indicates, because those countries also import primary commodities and export manufactures, even if on a small scale in the latter case. From the overall standpoint, even if these circumstances are taken into account, the deterioration in the terms of trade between developing and developed countries over the period in question was 17%.

In order to illustrate the significance of this factor, the developing countries compare the effects of the movement in the terms of trade with the net allocation of international finance to the developing countries. According to U.N. statistics used by Paul Prebisch in his document, net flow of all types of finance, including loans, investment and grants-in-aid from 1950 to 1961 "amounted to \$47, 400 million. This figure drops to \$26,500 million, if remittances of interest and profit for the same period are deducted. The fall in the purchasing power of total exports for the developing countries due to the deterioration in the terms of trade has been estimated at almost \$13,100 million, which means that after the cost of servicing is deducted, approximately half of the benefit of this flow was nullified by adverse effect of the deterioration in terms of trade.

The Factor of Commodity Export:

The developing countries believe that while primary commodity

exports are, with a few exceptions (petroleum), expanding relatively slowly, demand for imports of manufactured goods is tending to grow rapidly at a pace that increases with the rate of development. They believe strongly that the resulting imbalance creates a serious external bottleneck which makes development difficult. They assert that the imbalance must be rectified if development is to be accelerated in conditions of dynamic equilibrium; since the accelerated economic development of developing countries depend largely on substantial increases in their share in world trade.¹⁵

TABLE 1

World Production and Exports of Primary Commodity and Manufactures, 1960.

	<u>Volume Index</u> <u>(1928 = 100)</u>	<u>Average Annual</u> <u>Percentage</u> <u>Increase</u>
<u>Production</u>		
Total	236	2.7
Manufacturing	293	3.4
Primary	170	1.7
Primary, excluding Petroleum	159	1.4
<u>Export</u>		
Total	190	2.0
Manufactures	260	3.1
Primary Commodity	158	1.4
Primary Commodity, excluding Petroleum	137	1.0

Source

Bureau of General Economic Research and Policies of the U.N. Secretariat.
(Taken from UNCTADI, Vol. II, page 12).

As the above table illustrates, between 1928 and 1960 production of manufactures grew at 3.4% per annum, while that of primary products

15. United Nations, "Final Act and Report", United Nations Conference on Trade and Development, 1964, Vol. I, Section I, paragraph 3, p. 3.

including petroleum grew only 1.7%, and without petroleum grew at 1.4% per annum. On the export side manufactures increased by 3.1% per annum, on the average in the stated period, while primary products increased by 1.4% and excluding petroleum by only 1.0%. This decline in the exports of primary commodities is attributed to two types of factors. "First there were spontaneous economic factors which led to a slackening in relative demands for primary commodities and secondly, there were factors deriving from protectionist policies of the industrial centre".¹⁶

The World Trade Share Factor:

TABLE 2

World Export: 1955-1965. (Value in Million U.S. Dollars).

	1955	1957	1959	1961	1963	1965
Total World Exports	81,610	97,080	97,130	112,570	129,860	132,040
Developed Nations' Exports	58,750	72,710	72,630	86,700	99,540	98,240
Developing Nations' Exports	22,860	24,370	24,500	25,870	30,320	33,800

Source

United Nations, Yearbook of International Trade Statistics, 1965).

World trade has expanded substantially in recent years. Since 1955 the value of world exports has nearly doubled. However, the countries did not share proportionately in this expansion of international trade. While exports of developing nations, as Table 2 shows, rose from \$22,860

16. Raul Prebisch, op. cit., p. 12.

million in 1955 to \$33,800 million in 1965. This was a rise of about 48%. However, the expansion of exports from these countries proceeded at an appreciably lower rate compared to the rate of expansion of the developed nations'. The developed nations' expansion, as Table II shows, was from \$58,750 million in 1955 to \$98,240 million in 1965. This gives the developed nation an increase of nearly 70% within the same period compared to the 48% increase of the developing nations.

As a result of this slow rate of expansion in the developing nations' exports, the developing nations share of world export declined steadily from about one-third in 1955 to about one-fifth in 1965.

Between 1950-1962 the total exports of the developed countries to the developing countries increased by 98%, rising from \$10,650 million to \$21,600 million. This contrasts with the exports of the developing countries to the developed countries, which increased only by about 56%, rising from \$13,220 million to \$20,660 million.

The relative good showing of the world primary commodity exports during 1950-61 where they grew at 4.6% per annum is explained by this basic document on Page 13 that "the large industrial countries - usually on the basis of subsidies - and the few petroleum-exporting countries - accounted for the marked increase in primary exports."¹⁷ This document shows that the industrial countries enlarged their share of the world exports of primary commodities from 47% in 1950 to 55% in 1961; while over the same period the share of the developing countries fell from 41% to 29%, (excluding petroleum). It also shows that while the world export

17. United Nations, op. cit., paragraphs 16-17, p.21.

of primary commodities grew at the rate of 4.6% per annum, the exports of the developing countries expanded at the rate of 1.9%.

The Factor of Protectionist Barriers:

One of the reasons for the decline in the rate of expansion of the developing nations' share of World Trade in the 1950's and the early 1960's was the inability of the developing nations to attain a higher rate of export expansion to the industrialized markets; because the developed nations erected barriers against the developing nations' exports.

Among the foremost of such barriers, special mention was made at UNCTADI of the preferential tariffs. These tariffs seriously hamper the processing of raw materials in the developing countries because, as a rule, they rise in proportion to the degree of processing.¹⁸

Indeed, Bela Balassa in an article¹⁹ based on a paper he presented to the UNCTADI, found that the findings of his article provide empirical support for the proposition that the structure of protections in the industrial countries is biased against the imports of manufactured goods from the developing countries. Balassa found also that, while tariffs tend to rise with the degree of fabrication - i.e. preferential tariffs -

18. Johnson, Harry G., in his book, The World Economy at the Cross-roads, (New York: O.U.P., 1965) says on pp. 84-85, "The barriers to industrial exports from the less-developed countries imposed by protectionist policies in the developed countries, however, are real and incontrovertible; and in the author's judgement, they are more severe than the developing countries themselves have yet fully realized. . . . (on preferential tariffs) it is simply that protective effect of a tariff schedule in promoting industrial production is measured not by rates of duties levied on the commodities, but by effective rate of protection of value added in manufacturing process."

19. Belass, Bela, "The Impact of the Industrial Countries' Tariff Structure and Their Imports of Manufactures from Less Developed Areas", Economica, New Series, Vol. 34, No. 136, November 1967, pp. 372-383.

the tariffs on the manufactured goods of interest to the developing nations bear higher duties - nominal as well as effective - than the technologically sophisticated products traded among the industrial nations. Table 2 shows that, while nominal tariff on the total imports of manufacture averages at 11.4% and effective tariff averages at 19.1% (i.e. effective as percentage of nominal being 168%), the nominal averages for manufactures from developing countries at 16.3% and the effective tariff averages at 32.8%, giving the effective as percentage of nominal as 201%.

Table 3

AVERAGES OF NOMINAL AND EFFECTIVE TARIFFS ON MANUFACTURES
IMPORTED BY THE INDUSTRIAL COUNTRIES

Country	Tariff averages on the total imports of manufactures			Tariff averages on the imports of manufactures from developing countries.		
	Nominal	Effective	Effective as a percentage of nominal	Nominal	Effective	Effective as a percentage of nominal
United States	11.6	20.0	172	17.9	35.4	198
United Kingdom	15.5	27.8	179	19.5	37.3	191
European Common Market	11.9	18.6	156	14.3	27.7	194
Sweden	6.8	12.5	184	9.8	21.2	216
Japan	16.2	29.5	182	18.0	36.7	207
Industrial Countries	11.4	19.1	168	16.3	32.8	201

Source: Bela Balassa, "Tariff Protection in Industrial Countries: An Evaluation", Journal of Political Economy, December 1965, p. 591, and United Nations, Commodity Trade Statistics, 1964. (Reprinted in Economica, Vol. 34, No. 136, p. 374).

Note: In averaging tariffs, 1964 data on the individual countries' non-preferential imports from all sources of supply and from developing countries respectively, have been used as weights. Tariff averages for the industrial country group have been calculated by assuming that Canadian duties are equal to those of the United States and that Sweden's tariffs pertain to the Continental member countries of the European Free Trade Area.

Table 4

THE COMMODITY COMPOSITION OF EXPORTS OF MANUFACTURED GOODS
FROM DEVELOPING COUNTRIES TO INDUSTRIAL ECONOMIES, 1964

	Inter- mediate Products I	Inter- mediate Products II	Con- sumer Goods	Invest- ment Goods	Total
(\$ thousand)					
Latin America					
Non-preferential	246,722	60,006	16,265	2,201	325,194
Preferential	13,017	1,854	3,357	-	18,228
Total	259,739	61,860	19,622	2,201	343,422
Africa					
Non-preferential	34,671	19,129	4,980	-	58,780
Preferential	5,025	4,633	788	-	10,446
Total	39,696	23,762	5,768	-	69,226
Middle East					
Non-preferential	39,079	85,828	11,145	-	136,052
Preferential	-	-	-	-	-
Total	39,079	85,828	11,145	-	136,052
Asia					
Non-preferential	105,222	309,711	336,288	19,327	770,548
Preferential	56,093	113,622	165,763	11,951	347,429
Total	161,315	423,333	502,051	31,278	1,117,977
Developing Countries					
Non-preferential	425,694	474,674	368,678	21,528	1,290,574
Preferential	74,135	120,109	169,908	11,951	376,103
Total	499,829	594,783	538,586	33,479	1,666,677

Source: United Nations, Commodity Trade Statistics, 1964, New York, 1966.

Note: Preferential imports include British trade with the Commonwealth. On the system of classification, see text. (Reprinted in Economica, Vol. 34, No. 136, p. 377.).

Table 4, also taken from Balassa's work, shows that if all tariff restriction against manufactured goods from developing countries were removed, the gain for the four exporting areas - with data inclusive of exports to Britain under the Commonwealth preference system in parentheses - would be: Latin America \$325.2 (343.4) million; Africa \$58.8 (69.2) million; Middle East \$136.1 (136.1) million; and Asia \$770.5 (1,118.0) million; adding up to a total of \$1,290.6 (1,666.7) million.

Summary of the Problems and their Solutions:

The developing countries, therefore, see three major problems relating to international trade in primary commodities. ^① First, the question of prices; ^② second, access to the markets of the industrial countries; and agricultural surplus and their utilization in development policy. And in manufactures the major problem is the degree of protection against such products from the developing countries. These four major problems appear in the international accounts of the developing countries as shortage of foreign exchange or, as it is commonly referred to, balance-of-payment problems.

According to the workings of the international economic system, these problems could be solved in many ways, each of which could be considered as alternative to the others. The foreign exchange of these countries could be increased through increase in export of primary products or through increase in foreign aid or through increase in exports of manufactures. But what the developing countries really want is a little bit of each. Indeed, the basic document written for UNCTADI, by Raul Prebisch, in prescribing what could be done to solve these problems says: "A combination of interdependent

elements is involved; and it is an essential condition for success that the various measures adopted, should be integrated with an overall policy for achieving the desired result".²⁰

The way the developing countries want their problems solved by the international trading community as it turned out at the UNCTADI, was by means of special arrangements which deviate from the standards and accepted practices which had governed the trading relations of the Western World since the Second World War. Unlike previous years, it became clear at the UNCTADI that the emphasis had shifted from direct aid from the developed to the developing countries to special trading arrangements between the two trading sectors: hence, the slogan "Trade not Aid".

On the most-favoured-nation principle,²¹ which is the back-bone principle to post World War II international trading arrangements, the conference agreed that international trade should be conducted to mutual advantage on the basis of the most-favoured-nation treatment, and should be free from measures detrimental to the trading interests of other countries. However, developed countries should grant concessions to all developing countries and extend to developing countries all concessions they grant to one another and should not, in granting these or other concessions, require any concessions in return from developing countries.

20. Prebisch, Raul, p. 6.

21. The most-favoured-nation principle is the fundamental principle governing the trade relations in the World, especially those nations who are members of the GATT. This principle means that any trading concession granted by one nation to another is automatically extended to all third nations. For a legal meaning of this principle, see the preamble of the text of the GATT.

New preferential concessions, both tariff and non-tariff, should be made to developing countries as a whole and such preferences should not be extended to developed countries.²²

This clause has prompted Harry G. Johnson to say,

" . . . the international economic philosophy of the developing countries starts from the recognition that the developed countries discriminate against them; but rather than seeking to replace that discrimination by principles of equitable and efficient international competition, the developing countries seek to have such discrimination preserved, but invented in their favour . . ."²³

The UNCTADI made provisions for international commodity arrangement,

"with the basic objection of stimulating a dynamic and steady growth and ensuring reasonable predictability in the real export earnings of the developing countries . . . while taking into account the interest of consumers in importing countries, through remunerative, equitable and stable prices for primary commodities, having due regard to their purchasing power, assured satisfactory access and increased imports and consumption, as well as co-ordination of production and marketing policies."²⁴

This clause has prompted Harry G. Johnson again to say: "Concretely, what the developing countries want is first, international price supports for their primary products, comparable to the price support provided for domestic agriculture by the United States and the Common Market, and

22. United Nations, UNCTAD I, 1964, Final Act and Report, Vol. 1, Second Part, Section I, General Principle 8, p. 10.

23. Johnson, Harry G., pp. 94-95.

24. United Nations, op. cit., Section II, paragraph 58, Sub-section 9, p. 12. (See also Annexes A.II.1 and A.II.2).

justified by essentially the same logic, to be implemented by international commodity arrangements."²⁵

On the vital question of access to the industrial markets for the manufactured and semi-manufactured goods produced by the developing countries, the conference recommended to the participating Governments, the adoption of certain guidelines in their foreign trade and assistance policies and programmes providing for increased access, in the largest possible measure, to market for manufactured and semi-manufactured products of interest to developing countries, so as to enable the countries to increase and diversify their exports of these products on a stable and lasting basis ²⁶.

Perhaps the most novel measure taken at this conference was the recommendation that "each economically advanced country should endeavour to supply, in the light of principles set forth in Annex A.IV.1, financial resources to the developing countries of a minimum net amount approaching as nearly as possible to 1% of its national income having regard, however, to the special position of certain countries which are not importers of capital".²⁷

GATT's Position:

GATT, with its limited powers, came to be the international organization which is responsible for ordering and regulating the trade relations

25. Johnson, Harry G., op. cit., p. 95.

26. United Nations, op. cit., Section III, paragraph 64, p. 13. (See also Annexes A.III.4 and A.iii.6).

27. Ibid., Section IV, paragraph 70, p. 14.

between the non-socialist countries of the world after the collapse of the International Trade Organization, whose much more comprehensive charter intended it to be the organ responsible for the detailed trade arrangements between the developed and the developing countries. GATT's inability to deal with the broad problems relating to trade and development has been well-aided by the developing countries. They have called the GATT "the rich man's club";²⁸ due to what they consider to be the GATT's preoccupation with the problems and interests of the developed countries and the GATT's inability or reluctance to face the broad problems relating to trade and development.

The convening, and the institutionalization, of the UNCTAD into one of the specialized agencies of the U.N., has been regarded by some²⁹ as a proof of GATT's failure to attend to the trade and development problems. Others see the functions of GATT and UNCTAD, not as rivaling each other, but as complementary.³⁰

There is some evidence, though, that the GATT, since it was signed, has tried to adapt itself to meet these problems. We shall endeavour, in the next two chapters, to examine how far the GATT has adapted its policies to accommodate the interests of the developing nations. We shall, in

28. See Gardner, Richard, "GATT and the UNCTAD", International Organization, Volume 18, Autumn 1964, p. 696.

29. This view is held by James C. Ingram, International Economic Problems, New York: John Wiley, 1966, pp. 96-97.

30. White, Eric Wyndham, the Director-General of the GATT till 1967, says in "Whither GATT?", (Geneva: GATT/1006, October 1966), p. 5, "It appears to be fashionable to picture the GATT and the UNCTAD as locked in a vicious jurisdictional struggle. Nothing to my mind could be more erroneous or more irresponsible . . . the functions of the two organizations are demonstrably complementary."

Chapter II, present what the original Agreement had in the way of encouraging economic development in the developing nations, so that we can, in Chapter III, follow GATT's policy evolution towards a more positive encouragement to economic development.

CHAPTER II

Origin and Background of GATT:

Looking back for the twenty-three years after the second World War, it is impossible to escape noticing two of the fundamental assumptions that have guided American foreign policy during this period. The first has been that the creation of a peaceful and orderly World requires economic co-operation among nations, both big and small, and the removal of economic causes of friction. And the second is that this can be achieved best by expanding a stable world economy that provides for all nations non-discriminatory access to supplies and market.

The chaos into which the world economy had worked itself during the interwar years resulted in the unpleasant events of the 1930's when the world suffered from an intense economic depression, and many governments attempted to seek shelter behind various kinds of protective trade barriers such as high tariff protection, quota protections on imports and exchange controls. As the GATT publication puts it, "It became evident during the Second World War that these restrictions might become permanently fastened upon the world unless resolute attempts were made to dismantle and outlaw them."¹ We can, therefore, quite rightly, say that the true origins of the elaborate and institutionalized international economic system set up after the war, under American leadership, are to be found directly in the unpleasant experience of the interwar period.

1. GATT, General Agreement of Tariffs and Trade Publication, Geneva, 1966, p. 5.

The starting point for these international economic institutions, however, are to be found in the war years, in that the ideas which gave birth to these institutions were germinated during this period and they lie in the Atlantic Charter of August 1941 and in the Mutual Agreement of February 1942. In the Charter, as well as in the Agreement, Britain and the United States, speaking for themselves, and by inference also for their allies, committed themselves " . . . to bend their efforts to enable all nations, great or small, victorious or vanquished, to benefit under equal conditions from [the] material resources of the world which were necessary for their trade and economic prosperity."²

The original idea was the creation of a three-strand system which would regulate the entire international economic scene. The International Monetary Fund would take care of the monetary side of the system and principally help countries in balance-of-payments difficulties overcome them and also maintain a fixed exchange rate for currencies. The International Bank of Reconstruction and Development, as the name suggests, was to help with economic development and post war reconstruction. The third leg of this tripod was to be the International Trade Organization (ITO), which would take care of the broad field of trade and related fields.

The Bank commenced operation on June 25, 1946, and the Fund on March 1, 1947. In the case of the ITO, due to the complexity of its functions, its charter was not completed until March 1948, when an elaborate blueprint, for its creation entitled "The Havana Charter for an

2. Atlantic Charter of August 1941, Point 4. Also Article 7 of the Mutual Aid Agreement of February 1947.

International Trade Organization", emerged. However, while the charter of the ITO was being worked out, the governments which the Economic and Social Council of the United Nations appointed as the Preparatory Committee for the ITO charter agreed among themselves to sponsor negotiations aimed at lowering customs tariffs and reducing other trade restrictions among themselves, without waiting for the ITO itself to come into being.³

In accordance with the above agreement, the first tariff negotiation conference was held at Geneva in 1947. The resulting tariff concessions were embodied in a multilateral treaty called the General Agreement on Tariffs and Trade, usually referred to as the GATT. This agreement included a set of rules⁴ designed to prevent the tariff concessions from being frustrated by other protective devices. The Agreement was signed on October 30, 1947, by twenty-three countries and came into force on January 11, 1948.

The GATT was originally intended as a stop-gap arrangement, pending the entry into force of the Havana Charter and the creation of the ITO.⁵ Its purpose was simply to carry out the part of the charter of the ITO,

3. They agreed with the words "the task of the World Conference would be facilitated if concrete action were taken by the principal trading nations to enter into reciprocal negotiations directed to the substantial reduction of tariffs and the elimination of preferences on a mutually advantageous basis . . .". - Report of the Second Session of the Preparatory Committee of the United Nations Conference on Trade and Employment, United Nations: Geneva, 1947, p. 70.

4. See pp. 28-29 below.

5. For detailed discussion of the ITO Charter see William A. Brown, The United States and the Restoration of World Trade Institution, (Washington, D.C.: The Brookings Institution, 1950).

which dealt with trade matters in the field of tariffs and other barriers in international trade during the few years within which the Charter was expected to take to go through the slow process of ratification.⁶

It became clear that the various governmental acceptances of the Havana Charter depended on the position of the United States government; so with the indication in December 1950 that the Charter would not be submitted again to the United States Congress, the attempt to establish the International Trade Organization with its substantive provisions covering the international aspects of employment policy, economic development, investment, the whole range of commercial policy and inter-governmental commodity agreement in primary and related commodities was abandoned. Therefore, from 1951, the GATT which was not intended to take on the whole range of international trade problems, found itself alone facing the extra challenges which existed as a result of ITO's default.

The GATT was not equipped to fill the vacuum left by the ITO. It was not envisaged as an organization in the sense that the ITO was meant to be or that the U.N. is in that it did not have a permanent charter like the above two organizations, nor did it have a permanent institution through which its work could be carried out all the time. It was only an arrangement between a group of nations to reduce tariff and other trade barriers between themselves. And in order to create understanding between

6. "While the Agreement does not in a formal sense stand or fall with the Charter, it was an instrument of policy bound up with the Charter", Brown, Ibid., p. 6. See also General Clauses of the GATT, New York: U.N. 1947, Article XXIX.

the members of this group of nations on the arrangements reached, the members were to meet periodically to administer and examine the arrangements. A minimum amount of rules and procedures such as were necessary for effective administration of these arrangements were agreed upon and prefixed to the arrangements, in the nature of concessions, arrived at. Strictly the term 'Agreement', in the case of GATT, refers to this set of rules and the concessions; but the convention has come into use where the term 'Agreement' means today, only the prefix set of rules. These sets of rules "defines in precise terms the right and obligation of the contracting parties. It has provisions for impairment where there has been nullification or impairment of the rights of a contracting party".⁷ In short, these rules specify the underlying principles of tariff concessions; they specify how disputes are to be settled and they spell out penalties for breaking these rules.

Even though the GATT is only a treaty administered collectively by the CONTRACTING PARTIES⁸ and still not a formal organization, it has in fact, grown to become a continuing institution which to all intents and purposes can be regarded an organization. In the words of Eric Wyndham White, "The GATT . . . had the potentiality to become, and has, in fact, become an international 'organization' for trade co-operation between the signatory states".⁹ By this statement Wyndham White could only mean that while

7. Greenwald, J.A., "UNCTAD and GATT as Instruments for the Development of Trade Policy", Proceedings of the American Society of International Law, 61st Annual Meeting, Washington, D.C. April 27-29, 1967, p. 155. These rules are examined further on pp. 9-16 below.

8. When the words CONTRACTING PARTIES are written in capitals, it refers to all the member governments acting jointly. This is a convention used by GATT, which we shall adopt all through this work.

9. White, Wyndham Eric, "GATT as an International Trade Organization, Some Structural Problems of International Trade", (mimeograph), 1961.

the GATT is not strictly an organization in the formal sense of the word in that it has no charter and was intended to be transient, it is the nearest thing to a permanent body in matters to do with trade co-operation between nations on the international scene. The GATT fills a vacuum¹⁰ which only an organization can fill adequately so, for want of a better institution, the CONTRACTING PARTIES tacitly look upon the GATT as an organization. Despite abortive attempts¹¹ in 1954 to turn the GATT into an organization under the name Organization of Trade Co-operation, OTC, the member states have given every encouragement to informally remove the image of impermanence that surrounded the GATT and have strengthened the secretariat of the GATT to take on wider duties.¹²

The Original Agreement:

The GATT, as it was adopted in October 1947 is technically complex, because the problems of international trade are in themselves technical and complex. It is essential to observe that even though the Original Agreement has been amended on a number of occasions, the main objective of the Agreement stays the same. The preamble expresses the objectives of the

10. See Evans, John, "General Agreement on Tariffs and Trade", International Organization, Vol. XXII, No. 1, Winter, 1968.

11. The OTC did not materialize because it could not collect the necessary amount of signatures. Here again the U.S. failure to sign the Charter was the main cause of it.

12. The changing of the title of the Executive-Secretary to Director-General is a sign of the creeping change in the status of the GATT. It would not be far-fetched to suggest that this silent metamorphosis which the GATT is undergoing is a way round the strong lobbies in the U.S. Congress, who are opposed to the U.S. participation in any kind of international trade organizations. It should be remembered that the opposition of such lobbies killed both the ITO and the OTC.

Agreement in the words:

"Recognizing that their relation in the field of trade and economic endeavour should be conducted with a view of raising standards of living, ensuring full employment and a large and steady growing volume of real income and effective demand, developing the full use of the resources of the world and expanding the production and exchange of goods;

Being desirous of contributing to these objectives by entering into reciprocal and mutually advantageous arrangements directed to the substantial reduction of tariff and other barriers to trade and to the elimination of discriminatory treatment in international commerce,

Have through representatives agreed as follows: . . ."
(Preamble of the text of the GATT, General Clause of the GATT, New York: U.N., 1947).

Despite the complexity of the Agreement, the original text of the GATT contains essentially four fundamental principles around which its detailed rules have been built. The first is that trade should be conducted on the basis of non-discrimination.¹³ The second is that domestic industries should only be protected by means of customs tariffs and not through other commercial measures. The third principle, inherent in the Agreement, is the idea of consultation aimed at avoiding damage to members trading interests. Finally, the GATT provides a framework within which negotiations can be held for the reduction of tariffs and other barriers to trade.

In the structure of the Agreement,¹³ Article I deals directly with the most-favoured-nation obligation, and Article II contains the tariff concession negotiated. Article III deals with internal taxes and it is

13. For the remaining part of this chapter, we shall be discussing the text of the Original Agreement as arrived at in October 1947.

based on the principle that internal taxes shall not be applied to protect domestic industry. Articles IV to X, usually referred to as the "technical Articles", provide general rules relating to transit trade, anti-dumping duties, custom evaluation, custom formalities and marks of origin. Article XI states the general prohibition of quantitative restrictions. The conditions under which quantitative restrictions can be used to safeguard balance-of-payment are stated in Article XII. Article XIII is the article that provides that quantitative restrictions must be applied without discrimination and Article XIV states exception to Article XIII. The relations between the CONTRACTING PARTIES and the International Monetary Fund are treated in Article XV. Further articles are concerned with subsidies (XVI), state trading (XVII), emergency measures (XIX) and general security exceptions (XX and XXI). The provisions for action by the CONTRACTING PARTIES to settle differences arising out of the application of the GATT are contained in Articles XXII and XXIII.

Part III of the Agreement contains Articles XXIV to XXXV. This part includes the rules regarding the establishment of Customs Unions XXIV, the general principle of tariff negotiation Article XXVIII, and other articles dealing with the technical matters relating the operation of the Agreement. An important provision contained in Article XXV provides for joint action of the CONTRACTING PARTIES.

Original Text and Economic Development:

With regard to economic development, the only article that, in the Original Agreement of 1947, attempted to directly assist the developing nations in their efforts to develop, was Article XVIII. This article

recognized that the developing nations needed to maintain a degree of flexibility in their tariff structure for the establishment of particular industries and may need to apply quantitative restrictions for the balance of payments purposes as a result of the high level of demand for imports likely to be generated by their programmes of economic development. But not even this article was addressed exclusively to the problems of development.¹⁴

It must be noted that in 1947, when the text of this Agreement was being written, what was in the minds of major and influential powers when they came to this article was not only development, but also reconstruction. It is nothing startling to reveal that of the two problems, reconstruction was foremost in their minds. This is because it was a highly held belief at the time that the success of any post-war international economic order was contingent upon the resurrection of Europe.

Despite strong representation by the nine developing nations among the original twenty-three members, for automatic exemption from the rules and principles of the GATT when the developing nations believed their economies needed measures not consonant with the Agreement, the developed nations (notably the United States), were insistent upon universalizing any exceptions. In the end the text lay down elaborate procedures through which a country seeking exemption for developmental or reconstructional

14. Paragraph I of Article XVIII reads "The CONTRACTING PARTIES recognized that special governmental assistance may be required to establish, development or reconstruction of particular industries or particular branches of agriculture, and that in appropriate circumstances the grant of such assistance in the form of protective measures is justified . . .".

reasons had to pass. First, if a CONTRACTING PARTY, in the interest of its programme, economic development or reconstruction, considers it desirable to adopt any non-disseminatory measures, which would conflict with any obligation which it has assumed under Article II, or with any other provisions of this Agreement, such applicant contracting party was to notify the CONTRACTING PARTIES and the applicant was to transmit to the CONTRACTING PARTIES a written statement of the considerations in support of the adoption of the proposed measures.¹⁵ Then any contracting party which considers that its trade would be substantially affected by the proposed measure shall transmit its views to the CONTRACTING PARTIES within a prescribed period.

After this comes a series of negotiations aimed at reaching substantial agreement between the CONTRACTING PARTIES to release the applicant contracting party from the obligations it sought waived. However, paragraph 4c of Article XVIII grants that, if an applicant finds itself in a situation where, while waiting for the CONTRACTING PARTIES to concur upon his application, its economy is in danger of being flooded with imports, and if no effective preventive measures consistent with the Agreement could be found, the applicant contracting party may, after informing, and when practicable consulting with, the CONTRACTING PARTIES, adopt such other measures as the situation may require pending a determination by the CONTRACTING PARTIES, provided that such measures do not reduce imports below the level obtaining in the most recent representative period preceding the date in which the contracting party's original notification was made under Paragraph 2 of this Article.

15. Article XVIII, Paragraph 2a.

The above was the contents of Article XVIII, the article which aimed to provide the escape for the CONTRACTING PARTIES who needed extra measures in aid of development of particular industries. Reading the Basic Instruments and Selected Documents over the years, it appears as though in practice Article XVIII was not invoked very often. In fact, it appears as though only Ceylon and a few others invoked this article on a number of occasions. Rather, most of the developing nations who wanted escapes for one reason or another resorted to the mildly administered escape clauses in the Agreement for measures necessitated by balance-of-payments difficulties provided in Article XII. This latter article was easier for the developing nations to resort to because most of them were in balance-of-payment difficulties.

Article XVIII and Reasons for Its Rigidity:

With the hindsight of twenty years, reading this article dealing with the problems of "development and reconstruction" in its original form, it is evident, even though the difficult language of the Article, that the Agreement displayed a gross lack of detailed attention to these problems. The steps by which to gain exemption for the purposes of "development or reconstruction" were undeniably cumbersome. In the words of Eric Wyndham White, "Article XVIII in its original form was unattractive and somewhat grudging expression of a generally recognized need for flexibility in the obligation of developing countries. It was also repugnant to the latter because of its negative character as a series of exceptions to the international commercial code of conduct."¹⁶

16. White, Eric Wyndham, "The GATT and Economic Development". An address at the 5th SENZA Central Banking Course, Karachi. Geneva: GATT, 1964.

The lack of detailed attention for the problems of development evident in the original Agreement is explicable if we consider the state of the world and the pressing needs of the time the Agreement was signed. As we have already mentioned, for practical and psychological reasons, the uncertainties of the immediate post-war years centred attention on Europe. The United States policy-makers at the time shared this perception of the European problem, as represented by William L. Clayton in the words "Europe is steadily deteriorating. The political position reflects the economic. One political crisis after another merely denotes the existence of grave economic distress."¹⁷ And the United States policy-makers believed also that the only trade policy to make Europe economically strong and hence politically stable was a policy which adopted in whole the American belief in the approximations of liberal trading principles. For this belief, therefore, concessions for departure from these central principles were to be made difficult to gain. The American opposition to the British insistence on maintaining the preference system illustrates the American position at the time.

The most important reason for the lack of detailed attention to development in the Agreement of 1947 was that the GATT in its beginning was meant as a by-product of the ITO, whose Charter was more directly involved with development and pertinent fields. But apart from this, we can discern other factors which contributed to this neglect.

First, at that time the phenomenon of development had not acquired the importance and urgency it has today. Many of the countries which are today pushing hard for development, were not politically independent and,

17. Clayton, William L, "GATT: The Marshall Plan and OECD", Political Science Quarterly, Vol. 78, December 1963, pp. 493-503.

therefore, economically controlled; and only a few of those who were independent, acceded to the Agreement.

The United States' repeated reminder that the GATT was only a temporary measure and that the ITO would deal fully with problems of development coupled with the concession made by the GATT in Article XVIII towards the infant industry argument made these latter countries content for the time being.

2) Secondly, the political overtones and inherent dangers for the international community were not fully evident at the time. The political interests of the developed countries in 1947, the year of the Truman Doctrine and the start of European containment, were very much focused on Europe. The Cold War menace had not involved to any significant extent, the developing nations; therefore, the developing nations did not feature much in the foreign policies of the Western developed nations, whose creature the GATT principally was.

3) The third factor is that, in 1947, not much was known of the technical implications of economic development. In fact, the use of the phrase "development or reconstruction" in Paragraph 1, Article XVIII, is symbolic and expressive of the thinking at the time concerning the understanding of the meaning and implication of economic development. The use of this phrase shows how little or no distinction was made between the problems of development and those of reconstruction. The prevailing thinking at the time did not take into account the structural differences between the developing economies and the reconstructing of European economies. The common belief of the time was that the developing nations, if only they would follow the codes laid down according to the doctrine of

comparative advantage, principles of free-trade and the rules laid down by the then new international economic institutions, their problems would be solved.

It is safe to say that in the turmoil of the immediate post-war arrangements, as far as the GATT was concerned, the developing nations' interests were not given priority. One can even say that they were ignored or at best shelved. But in the subsequent years conditions changed to enable the GATT to pay more attention to the developing nations' interests. Least among the changed conditions was the increase in numbers of the developing nations in the GATT. In 1947, of the original twenty-three members, twelve were developing nations; and in 1955, the membership had increased to thirty-four, of which sixteen were developing nations. In 1960, the total membership was thirty-nine of which nineteen were developing nations; but by 1964, the year of UNCTAD I, out of the total seventy-six member countries of GATT, fifty-two of them were developing nations.

But despite the increase in the numbers of developing nations, and despite the fact that the GATT's rule permit "one country, one vote" and majority voting,¹⁸ the developing nations could not use their numbers and their majority to change things in their favour. This is because, they realized that decisions could be effectively carried only if the CONTRACTING PARTIES reached the decisions by consultation and negotiation rather than the wishes of the majority or the largest block forced on the minority.

Policy formulation among nations in the commercial field is a very

18. See Article XXV, Paragraphs 3 and 4.

delicate matter since nations regard this field as a vital part of their sovereignty. The few who have the ability to make changes effective tend to become extra-sensitive if a policy change is forced on them by the many who have no such ability, but are thought to seek only benefits accruing from the policy change.

The nature of the negotiations used by the CONTRACTING PARTIES of the GATT cast the developing nations in the role of "benefit seekers" very early on. Tariff negotiations under the GATT are governed by the effort of each negotiation to obtain reciprocity from his partners, or something better if he could. But since the large part of world trade takes place between the developed nations, a large part of the dealings were between these nations; besides, in the early tariff negotiations¹⁹ where agriculture was completely exempted, the developing nations had very little to offer. All the developing nations could do as the early years of the GATT went by was to press their claims that their problems could not be solved under the rigidity of the original Agreement and to seek changes to enable them to take effective part in the GATT's deliberations.

In short, in the early years of the GATT, the developing nations were cast in the role of agitated spectators, whose main preoccupation was denouncing the unfairness of the rules of the game. Their ideas of fair play, which we have examined in depth in the proceeding chapter, became known euphemistically as the "demands of the developing nations". These demands sought to change in their favour the consensus which governed commercial policies in the post-war era.

19. Before the "Kennedy Round" there had been five tariff-negotiation sessions: Geneva in 1947, Annecy (France) 1949; Torquay (England) 1950-51, Geneva in 1956 and 1961-62.

The GATT, however, started in 1954-55 to undergo some major policy changes aimed at accommodating the interest of the developing nations and harmonizing them into a workable and stable trading system. The main reasons for these changes were that by the mid-fifties, the European reconstruction was nearing completion and more had come to be known about the problems of development, and also that the international political scene has changed significantly for attention of the major powers to be turned elsewhere.

In the next chapter, we shall endeavour to give a picture of the policy changes with regard to economic development, that have occurred in the GATT since 1954; to enable us in Chapter IV to assess how beneficial the GATT has been to the developing nations, given that the goal of their economic policies is to develop.

CHAPTER III

Preliminary Remarks:

Our concern in this chapter is, given the rigidity of the original Agreement, to follow systematically the policy evolution which the organization has undergone in the recent years to identify itself more closely with the problems of economic development. We shall attempt to give a picture of how, in the context of GATT's activities, the problems of trade and economic development in the developing nations have gradually changed from being the exclusive responsibility of the developing nations and increasingly has come to be looked upon as substantially a responsibility of the international trading community.

The First Major Change:

The first major policy change in the field we are concerned with was undertaken at the eighth session of the CONTRACTING PARTIES in September-October 1953. At this session the CONTRACTING PARTIES decided to undertake a thorough review of the structure and operation of the GATT in the light of its seven years of experience.

In November 1954, at the ninth session of the CONTRACTING PARTIES (October 1954-March 1955), the CONTRACTING PARTIES met with this purpose in mind. The CONTRACTING PARTIES at this meeting re-affirmed the basic objectives and obligations of the GATT and took measure to give it a more secure and permanent basis. Some basic provisions were significantly strengthened and improved. For example, they added new provisions relating

to export subsidies and decided to consult regularly on quantitative restrictions still maintained for balance-of-payment reasons. In the latter case, the provisions required that the developed nations consult with the organization once a year, and developing nations once every two years.

For our present purpose, the most important decision at this review session was the amendment to Article XXVIII of the original Agreement, the article dealing with the problems of trade and development. The revised article aimed to give the developing nations increased flexibility in the use of tariffs and other measures for their economic advancement. At the time of the review the mood of the developing nations in the GATT was that of frustration bordering on despair and loss of faith in the GATT. This mood resulted from unfulfilled expectations. This is because, as we said earlier, the developing nations found the original Article XVIII did not give them enough freedom to take extra measures to deal with their development problems. The new Article XVIII tried to give them a better deal.

The Main Features of New Article XVIII:

The opening paragraph was amended to link progressive development of the economies of developing nations more directly to the objectives of the General Agreement on Tariffs and Trade. The opening paragraph reads:

"The CONTRACTING PARTIES recognizes that the attainment of the objectives of this Agreement will be facilitated by the progressive development of their economies, particularly those CONTRACTING PARTIES the economies of which can only support low standards of living and are in the early stages of development."¹

1. 1955 edition of the Agreement, Article XVIII, Paragraph 1.

In the case where a developing nation wishes to modify or withdraw a concession, that is, raise or withdraw a tariff, Section A of the new Article grants the developing nation the freedom to do so any time by simply notifying the CONTRACTING PARTIES and entering into negotiations with the CONTRACTING PARTIES affected by the withdrawal. If, however, agreement is not reached in sixty days, the matter is to be referred to the CONTRACTING PARTIES who will authorize the increase if they are satisfied that the applicant contracting party offered reasonable compensatory adjustment to the CONTRACTING PARTIES involved in the dispute. Even where the CONTRACTING PARTIES are not satisfied with the compensation offered by the applicant, but find that the applicant party has made very reasonable efforts to offer adequate compensation, the CONTRACTING PARTIES can authorize the modification or withdrawal of the concession. But in the latter case, CONTRACTING PARTIES adversely affected will be free to make substantially equivalent adjustment in the tariff obligation towards the applicant.²

The CONTRACTING PARTIES recognize that the developing nations tend, when they are in rapid process of development, to experience balance-of-payment difficulties arising mainly from efforts to expand their internal markets as well as from instability in their terms of trade. Therefore, in order to safeguard their external financial position and to ensure a level of reserve adequate for the implementation of their programmes

2. Ibid., Article XVIII, Section A.

Section B of Article XVIII allows that developing nations may, subject to the provisions of paragraphs X-XII of Article XXVIII, control the general level of their imports by restricting the quantity or value of imported merchandise. Due regard, however, is to be paid to the interests of the CONTRACTING PARTIES in such matters affecting the reserves of other CONTRACTING PARTIES.

In short, Section B of Article XVIII provides that the applicant developing nation, in matters which involve other non-discriminatory measures inconsistent with the Agreement affecting a bound item, must consult with other CONTRACTING PARTIES substantially interested in the matter. The article also provides that the CONTRACTING PARTIES must agree on the proposed measure if they are satisfied that a reasonable attempt has been made by the applicant party to safeguard the interest of other CONTRACTING PARTIES.³

Section C of this Article grants to a developing nation that finds that governmental assistance is required to promote the establishment of a particular industry, (i.e. in matters relating to non-discriminatory measures inconsistent with the Agreement affecting a product not subject to a tariff binding), could within thirty days of notification, if the CONTRACTING PARTIES make no request for consultation, apply the proposed measure. However, should the consultation be requested, the applicant country is allowed to proceed with the proposed measure, if the CONTRACTING PARTIES are satisfied that no measure consistent with the provisions of the Agreement will achieve the developmental objective. An agreement to let a

3. Ibid., Section B.

contracting party proceed with such a measure provides the applicant international protection against retaliatory measures by other CONTRACTING PARTIES. In this new Article XXVII, the applicant is protected against delaying tactics by the provision that if a concurrence is not obtained within ninety days of the application, the applicant country may go ahead with the proposed measure after informing the CONTRACTING PARTIES.⁴

Comparing the 1955 revised text of the Agreement to the original text, it becomes clear that by an objective reading, the revised text was more sympathetic to the needs of the developing nations in so far as it permitted to the developing nations measures which before were disallowed by the GATT. We can say that if for the first seven years of GATT's existence the Agreement kept its developing nation members in a straight-jacket, the 1955 review session attempted to loosen the seams of this jacket.

The two year period after this review session was not very remarkable in the sense of major policy changes. This period, however, had its own modest achievements. For example, in January 1956 the GATT inaugurated a training programme for government officials, mainly from developing countries. What this training entailed was that every six months a group of government officials, for the most part holding fellowships under the United Nations Development Programme, join the GATT secretariat for a period of training. By 1968 two hundred and thirty-five officials from some seventy countries had taken this course. The course comprises an intensive study of the GATT, as well as the general problems

4. Ibid., Section C.

which have to be taken into account in the formation of an efficient commercial policy in developing nations.⁵

Haberler Report:

Due to the Korean War, the prices of primary and agricultural products became artificially high in the period 1951-52. When the stock piling for the war efforts ceased, the prices began to fall. The ensuing wide fluctuations and the downward trend in prices greatly concerned the CONTRACTING PARTIES, especially the developing nations. Therefore, at the twelfth session of the CONTRACTING PARTIES, the Ministers reviewed the prospects of international trade. They considered that there were some disturbing elements, including the failure of the export trade of the developing nations to expand at a rate commensurate with their growing import needs. They decided to set up a Panel of Experts⁶ to examine the trends and prospects in international trade, including " . . . in particular the failure of the trade of less developed countries to develop as rapidly as that of industrialized countries "⁷ and to submit a report and suggestions for examination by the CONTRACTING PARTIES at their thirteenth session on 15 October, 1958.

5. General Agreement on Tariff and Trade, GATT, (Geneva: GATT, 1968), p. 14.

6. The Panel of Experts was made up of Dr. Campos, Director of the Brazilian National Bank for Economic Development and Professor of Economics at the University of Brazil; Gottfried Haberler, Chairman, Professor of Economics at Harvard University; James Meade, Professor of Political Economy, University of Cambridge; Jan Tinbergen, Professor of Development Programming at the Netherlands Institute for Advanced Economic Studies, Rotterdam.

7. Paragraph 2 of the Panel of Experts' terms of reference. See "Trends in International Trade", p. 1.

This was the origin of what is commonly known as the "Haberler Report".⁸ This report was very important in that it revealed a lot of things about international trade, the full extent of which were not fully appreciated before. In the conclusion of this report the Panel of Experts found that in their opinion there was some substance in the feeling of disquiet among primary producing countries, at that time, that rules and conventions about commercial policies were relatively unfavourable to them.⁹ They also found that to their minds further progress in international economic matters depended on the willingness of the industrial and non-industrial countries to negotiate in a wide range of their economic and financial policies.¹⁰

The findings of the Haberler Report were very important. First, this report generally supported the demands for change in the international trading system which the developing nations had been advocating. Secondly, it pointed out to the CONTRACTING PARTIES that any progress and stability in the international economic system depended on a close co-operation between the two sectors in the world economy. Thus we see that the Haberler Report confirmed the suspicion that the position of the developing nations was unfavoured by the conventions and principles underlying the post-war arrangements.

Important as they were, the Haberler Report findings did not

8. This report was published by the GATT under the title "Trends in International Trade", (Geneva: GATT, October, 1958).

9. GATT, Trends in International Trade, (Geneva: October, 1958), Paragraph 62, p. 11.

10. Ibid., Paragraph 64.

reveal anything new which the CONTRACTING PARTIES did not know or did not suspect.¹¹ The importance of this report and its relevance to our present work lies in the use to which the findings of the report was put. It was the Haberler Report which provided the initial guidelines for the work of the CONTRACTING PARTIES in tackling, in subsequent years, the trade and development problems of developing nations, as well as the trade effects of agricultural protectionism in industrial countries.

Programme for the Expansion of Trade:

The Haberler Report was the genesis of the far-reaching policy innovations initiated by the CONTRACTING PARTIES at their thirteenth session held in Geneva in October-November 1958. At this Ministerial session, the CONTRACTING PARTIES adopted the Programme for the Expansion of Trade. This programme, as the name implies, aimed at expanding world trade to the benefit of all the member nations of GATT.

The programme for the expansion of trade was simply the expression of the intent to expand world trade, believing that such an increase would mean an advance towards the aims of the GATT. What the CONTRACTING PARTIES did was simply to select three problem areas in world trade for closer study and action to remove barriers of all kinds in these problem areas, which hampered rapid world trade growth.

The three problem areas were first, in the field of tariff

11. "The GATT annual reports of International Trade 1954-56, drew attention with increasing insistence to the failure of the export trade of the non-industrial areas to expand commensurately with the expansion of trade between the industrialized countries themselves or in line with the expansion of world trade generally." White, Eric Wyndham, The GATT and Economic Development, (Geneva: GATT, January 1964), p. 6.

negotiations; second, in the field of protectionism in agricultural products, and third, in the field of problems facing the developing nations in expanding their trade with the rest of the world.

Three committees were established to implement the programme. Committee I was to deal with the question of further multilateral tariff negotiations. Committee II was to concern itself with the problems that arise in the trade of agricultural products; and the third committee - Committee III - was to tackle the problems facing the developing countries in expanding their trade with the rest of the world.

These problems of world trade, which these committees were set up to tackle are all inter-related. For example, a further reduction of tariffs, or more liberal agricultural policy, based on the most-favoured-nation clause, would benefit the economic development in the developing nations through expanded exports; and this would in turn benefit the trade of developed nations in the form of increased exports to the developing nations. Nevertheless, it is Committee III which interests us here, primarily since it is the committee which deals directly with the problems of the developing nations.

Committee III tackled the problems of development in a systematic way. First, the committee identified trade barriers on commodity-by-commodity basis on products of interest to the developing nations. They then pressed individual countries or groups of countries to remove these barriers from the products produced by the developing nations. In doing this, Committee III had the use and support of all available GATT machinery. This committee later extended this commodity-by-commodity approach into the

broad study of development plans¹² and export potentials of developing nations. Committee III also undertook other measures to expand exports through preferences, trade information and trade promotion services.

The work of Committee III often led to the establishment of machinery in the working system of GATT. For example, a Special Group on Trade in Tropical Products was set up in 1962 and in 1964 the GATT International Trade Centre¹³ was opened with the objective of helping the developing nations with market information about export opportunities. And, again, in 1962, the GATT in co-operation with the United Nations Economic Commission and with financial assistance from the United Nations Technical Assistance Authorities, initiated short courses on foreign Trade and Commercial policy in Africa. The courses are held twice a year and each time in a different African capital.

* At the nineteenth session of the CONTRACTING PARTIES held in November-December 1961, the GATT Ministers proposed the Declaration on the Promotion of the Trade of the Less Developing Countries,¹⁴ which was adopted by the CONTRACTING PARTIES on December 7, 1961. This declaration which provided further directions aimed at expanding the export earnings

12. Activities dealing with trade promotion and study of development plans began in November 1960. The object of the study was to examine the export targets embodied in the plan, to compare it with market prospects and to advise on how to convert the export potential into real exports for the developing nations. Four development plans have been studied so far:

- a) Trade of Less Developed Countries: Special Report. Development Plans: Study of Third Five-Year Plan of India, (Geneva: GATT, 1962-3), June 1962.
- b) Study of Second Five-Year Plan of Pakistan, (Geneva: GATT, 1962-7), 1962.

Similar studies have been made on Kenya and Uganda.

13. The GATT and UNCTAD joined together in January 1968 to run this centre under the shortened name of International Trade Centre. Regular publications of this centre include a quarterly magazine, International Trade Forum.

14. See a copy of the declaration in Appendix I.

of the developing countries, was based on the work done by Committee III. In this declaration, the CONTRACTING PARTIES concurred that their governments would observe the principles embodied therein to the fullest extent possible with the object of reducing, in the near future, obstacles to the export of the less developed countries.

Programme for Action¹⁵

At the twentieth session of the Ministers of the GATT in October-November 1962, it was decided to convene a ministerial meeting in 1963 to consider a programme for further liberalization of trade both in primary and secondary products. This meeting was convened in May 1963 and among other things the Ministers endorsed an Action Programme proposed by a group of developing countries. The Action Programme was aimed at, yet again, giving further impetus to the activities of CONTRACTING PARTIES in the field of economic development. The programme was an eight point affair providing for a wide range of concessions for the developing nations.

The programme called for a standstill as regards the erection of new tariff and non-tariff barriers. It requested the elimination of quantitative restrictions and duty-free entry for all tropical products entering the developed markets. The fifth point called for the reduction and elimination of tariff barriers to the export of semi-processed and processed products from developing countries. The sixth point called for the progressive reduction of internal fiscal charges and revenue duties. The seventh point provided a measure for reporting action taken by CONTRACTING PARTIES with respect to the above.

15. See Appendix II.

Point eight was an appeal to the CONTRACTING PARTIES to give urgent consideration to other appropriate measures which would facilitate the advancement of the developing nations. The Action Committee was created to supervise this programme.

Action on the Action Committee:

The Ministers of all the industrial countries with the exception of the Ministers of the member states of the European Economic Community (EEC), agreed to the Programme of Action subject to some understandings.¹⁶ The Ministers of member and associated states of the ECC endorsed, in principle, the general objectives of the programme and declared themselves ready to contribute, for their part, to the fullest extent possible, towards the advancement of the developing nations. But with respect to the most appropriate methods of achieving the objectives mentioned in the programme, the position of the EEC Ministers differed.

The Ministers of the EEC and its associated states recognized that while some points contained in the programme could be regarded as objectives to which concrete policies should be adopted, the first seven points of the programme referred only to measures for the elimination of barriers to trade. 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. Accordingly, these ministers urged that international

16. The understandings are set out in paragraphs 3 and 4 of "Conclusions and Resolutions Adopted at the Meeting of Ministers, May 1963", GATT, Role of GATT in Economic Development.

action should in particular be directed to a deliberate effort to recognize international trade in products of interest to the less developing countries. They also urged that effort should be made to ensure increasing exports at remunerative, equitable and stable prices for the less developed countries producing primary products.

These Ministers believed that with regard to processed and semi-processed products, a study should be made to determine the selective measures specially conceived to meet the needs of the developing nations, which could assure these countries the necessary market for the products in question. For these stands, the EEC Ministers suggested various relaxations¹⁷ of present rules regarding non-discrimination. Due to their different perception of the tactics to gain the end of helping the development of the developing nations, the Community's Ministers were not able to support the Action Programme, except in principle.

The EEC nations' dissent was significant in itself and its implications were even more so. This is because it was the first time that a group of developed nations had come out clearly to say that economic development could be better aided, not through the present system of arrangements, but through a totally different one. In essence, the "Brasseur Plan", from which the EEC dissent derives, advocates a totally

17. The relaxations suggested by the Ministers were based on the "Brasseur Plan", which is a plan submitted to the GATT in March 1963 by M. Brasseur, Minister for Foreign Trade and Technical Assistance of Belgium. This plan calls for a selective, temporary and decreasing tariff preferential system instead of an automatic and general preference system. See a discussion of this plan in Hoffman, Michael, "Can the GATT System Survive?", Lloyds Bank Review, Vol. , July 1964.

different system where international trade is directed to ensure increasing exports at remuneration, equitable and stable prices for developing nations.

This plan is closer to what the developing nations were asking for at the time than anything agreed to, or even offered. But this meant also that there had appeared a split in the developed nations camp as to which was the right way to aid the economic development of the developing nations. Before the division was simply between the bulk of the developing nations against the bulk of the developed nations. Prior to the enunciation of the "Brasseu Plan" the U.S.-British view was supported by all the developed nations.

The most interesting thing about the EEC dissent was that despite the fact that the EEC position was closer to their position, the developing nations did not adopt the EEC stand nor did they even throw their weight behind the EEC. Indeed, the group of developing nations who sponsored and supported the Action Programme expressed disappointment with the understanding and positions as set out by some industrialized countries and said they "found them to be unhelpful". This was a direct expression of disapproval against both the EEC and the other developed nations. Towards the other developed nations, the disapproval was against their escapist understanding of the Programme and towards the EEC it was against introducing a stand which, even though the developing nations would wish it could be implemented, had no such chance, since the other developed nations, especially the U.S., would not support it; and without U.S. support, no effective step can be taken in such matters today.

It was bad enough to have the developing nations posed against the developing nations as to what to do to aid economic development.

The EEC dissents created a third force. This means that for any effective stand concerning economic development in the developing nations to be taken, the developing nations have to appeal to two groups instead of one. It is safe to say that it is easier to convince one group about the means to an end than it is to convince two groups with different views on the means to the end.

Besides the Action Programme and the controversy within the developed nations camp, other things were discussed at the May 1963 Ministerial session. At the same time that the problems of development were being discussed, the Executive-Secretary revived a proposal which he had put forward early in 1963. The proposal was designed to bring about a greater degree of order in the substantive aspects of Committee III's work. The central proposal envisaged that for each of the developing nations in GATT a basic paper should be prepared which would contain inter alia, import/export balance sheet which would contain the export potential of the countries and their likely demands for import. GATT's role in this proposal would be to use its authority to ensure conditions in the world market which would enable such export potential when developed to express itself in terms of real exports. This proposal was welcomed unanimously by the Ministerial meeting.

Kennedy Round:

At the same eventful Ministerial meeting of May 1963, it was agreed to hold comprehensive trade negotiations, on the most-favoured-nation basis, beginning on May 4, 1964. It was agreed that the participation be the widest possible and that the negotiations would deal with both tariff and

non-tariff barriers. The tariff negotiation would be based on a place of substantial linear tariff reductions, i.e. across-the-board reduction instead of the traditional differential reductions. It was further agreed that the negotiations were to have the bare minimum of exceptions. It was also agreed that the negotiations should provide for acceptable conditions of access to the world market for agricultural products, especially those from the developing nations. A major agreement in the preparation for the May 4, 1964, trade negotiations was that the developed nations would not expect to receive reciprocity from the developing nations. This trade negotiation lasting from May 1964 to June 1967 is what has come to be known as the Kennedy Round.

The origins and novelties of the Kennedy Round are, strictly, outside the scope of this work, except in so far as they help us to understand the GATT's policy evolution in the context of economic development. However, the Trade Negotiation Committee met at the Ministerial level in May 1964 and formally opened the Kennedy Round, and in March 1965 this committee adopted procedures for the negotiations on agriculture and for the participation of developing countries in the Kennedy Round.

The Committee on Trade and Development¹⁸ met in January 1967 at Punta del Este, Uruguay, to review the progress of GATT in the trade and development field, with particular reference to the problems of concern to developing nations in the Kennedy Round. In a statement before this meeting, the Director-General of the GATT told the developing nations to

18. This committee will be explained later.

pressure the developed nations so that they would make far-reaching concessions in the Kennedy Round. In the same speech he also asked the developing nations to realize that:

"It would be churlish not to recognize that the offers by the developed countries at present on the table are more comprehensive than anything achieved before in international commercial negotiations and that, in many cases, they represent a considerable political effort by the developed countries concerned vis-a-vis their own industrial, commercial and public opinion. It is equally a fact that the developing countries stand to gain a great deal from these offers."¹⁹

Kennedy Round
From the point of view of the developed nations, there is no doubt that the Kennedy Round negotiations were very successful in so far as industrial tariffs are concerned. But from the point of view of the developing nations it was not perhaps so successful. Eric Wyndham White, summing up the gains of the developing nations at the Kennedy Round, said:

"Turning to the developing nations . . . it must be admitted that the result fell short of what could be desired. They were not, however, negligible. As regards tariff cuts, on the basis of those products which are specified by the developing countries as of current or potential future export interest, the results were, in general, as favourable as the overall result, set out."²⁰

The overall results of the Kennedy Round as it benefited the deve-

19. Statement by Director-General at the Opening Meeting of Committee on Trade and Development Session at Punta del Este, Uruguay, January 1967, GATT, COM. TD/W/44.

20. White, Eric Wyndham, The Kennedy Round of Trade Negotiations, GATT, (W-51), INT(67)192, July 1967.

loping nations has been reproduced in full as set out by GATT in Appendix III. Of the seventy-nine agricultural product headings, which include both temperate zone and tropical foodstuffs, and covers over 2,000 items in the tariff of the six major import markets,²¹ the GATT report estimates that while 11% of these items were duty-free before the Kennedy Round, the proportion rose to 19% after the Kennedy Round. And the proportion of items dutiable at more than 15% ad Valorem has declined from 49% to 38%.²² In the case of the 7,000 tariff items under the manufactured product headings, the proportion of duty-free items rose in the Kennedy Round from 5% to 7%, and the category items dutiable at less than 10% ad Valorem comprised 62% of all items as against 32% before the Kennedy Round. The category dutiable at more than 15% ad Valorem comprised 14% of all items as against 35% before the Kennedy Round.²³

If, however, we base the appraisal on the goods which the developing nations currently export in significant quantities, the results, according to Wyndham White, show that "51% will benefit from tariffs cuts, by the industrialized countries, of 50% or more, and some 25% by tariff cuts of less than 50%."²⁴

The GATT Secretariat²⁵ has estimated again that in the case of

21. The six markets are the EEC, the U.S., the U.K., Japan, Sweden and Switzerland. Appendix III, Paragraph 1.

22. See Appendix III, Paragraph 6.

23. Appendix III, Paragraph 5.

24. White, Eric Wyndham, op. cit.

25. Miles, Carol, "After the Kennedy Round", International Affairs, Vol. 44, No. 1, January 1968.

the chief participants (i.e. developed nations) taking as a base the value of their imports of industrial products in 1964 which was \$29,300 million, \$5,300 (18%) were already free of duty; \$3,900 million (13%) had no cuts made; \$12,000 million (41%) had the expected 50% cuts and \$8,000 million (28%) had cuts of less than 50%.

There is no doubt that the developed nations have cut their tariffs significantly and that this could lead to increased trade among them. But in the case of the developing nations' exports to the developed markets, despite the appreciable and significant cuts, the average tariffs against their products are still higher than competitive products from developed countries. In Chapter I, Balassa's work revealed that the average tariff on developing nations products were higher than competitive products emerging from developed markets. Therefore, we can say that despite the reductions at the Kennedy Round there is still the fact that the developing nations' exports still face higher tariffs in the developed markets than do similar products emerging from developed nations.

The New Part IV of the GATT:

The pinnacle of GATT's evolutionary development to date was reached in June 1966 when the new Part IV of the GATT* received de jure recognition. The seeds of conception of the Part IV lie again in the ministerial meeting of May 1963. The Ministers recognized "the need for an adequate legal and institutional framework to enable the CONTRACTING PARTIES to discharge their responsibilities in expanding the trade of less developed countries"²⁶ and, therefore, set up the Committee on Legal and Institutional Framework to look into the matter. A special session of the CONTRACTING PARTIES was

26. GATT, Activities of GATT, 1964-65, (Geneva: GATT, 1965), p. 7.

convened in November 1964-February 1965 to study the draft of a new Part IV of the Agreement embodying the above recognition. The new Part IV was accepted and submitted for approval by governments. In February 1965, the CONTRACTING PARTIES formally added the new articles of the Part IV to the Agreement. A declaration providing for de facto application of the new articles pending entry into force of the Protocol, was adopted at the same time. At the same special meeting the CONTRACTING PARTIES appointed the Committee on Trade and Development and gave it wide terms of reference to enable it to implement this new Part IV of the Agreement more effectively. The Committee on Trade and development succeeded Committee III of the Trade and Expansion Programme and the Action Committee of the Action Programme, and it takes over where the latter two leave off.

The New Part IV is made up of three articles which became Articles XXXVI, XXXVII and XXXVIII of the text of the General Agreement. These articles deal respectively with the principles and objectives, commitments and joint action. Article XXXVI essentially deals with general principles and objectives which will govern the policies of the CONTRACTING PARTIES in relation to the developing countries. This article accepts the need for the CONTRACTING PARTIES to help the developing nations in their efforts to develop through increasing their export trade and their external earnings. In this article the developed nations agreed not to expect reciprocity in return for concessions extended to the developing nations.

In Article XXXVII the CONTRACTING PARTIES set out certain understandings by the developed and the developing nations in furtherance of

the above objectives. Except where compelling reasons make it impossible, the developed countries agree to refrain from increasing barriers to the export of products of special interest to the developing countries and to give high priority to the reduction of existing barriers.

Article XXXVIII lists various forms of joint actions to promote the trade and development of the developing countries and covers studies and consultations in respect of trade and developments of the less developing countries. These joint actions include taking action, where appropriate, through international arrangements, to provide improved and acceptable conditions of access to world markets for primary products of particular interest to developing countries and to devise measures designed to stabilize and improve conditions of world markets in these products including measures designed to attain stable, equitable and remunerative prices for exports of such products. In this article, the CONTRACTING PARTIES also undertake to seek appropriate collaboration in matters of trade and development policy with the United Nations and its organs and agencies.²⁷ In this article they also undertake to establish such institutional arrangements as may be necessary to further the objectives set forth in Article XXXVI and to give effect to the provisions of this Part (i.e. Part IV of the Agreement).

This new Part IV gives a contractual and legal basis for commitments on both individual and joint action by CONTRACTING PARTIES to ensure that developing countries can increasingly find means to raise their standards of living through participation in international trade. The

27. GATT, New Part IV, Article XXXVIII, Paragraph 6.

importance of this new part of the Agreement is simply that it incorporates what had hitherto been only demonstrated, namely GATT's efforts to help developing nations in their economic development, into the Agreement and thus links this concern more directly with the Agreement.

Having traced the policy evolution of the GATT this far, it is appropriate to turn in Chapter IV to evaluate the extent to which GATT's efforts have contributed to the developing nations' economic advancement.

CHAPTER IV

In the first chapter we tried to present the international economic policy of the developing nations, as it was presented at the UNCTADI. We chose UNCTADI because it was the first time that the developing nations' international economic policy, shapeless for a long time, received clear definition and articulation.

We examined the original Agreement in chapter II to see what the GATT had in it for the developing nations. We came to the conclusion that it did not have much to encourage economic development in the developing nations. Some reasons were given for this point. We said that the Agreement did not appreciate the structural differences between economic reconstruction and economic development and also that, at the time the Agreement was formulated, not much was known about the problems of economic development. The United States' almost religious attachment to universalizing the principles which were to govern international trade was given as one of the major reasons for this omission. Another reason for this omission was that the GATT was thought to be only an interim measure, pending the ratification of the Charter of the ITO. The main contributing factor to the paucity of consideration for the problems of development was that the reconstruction of Europe was by far, by all political and economic reckoning, the top priority in the immediate post-war period.

We concluded in this chapter that, at that time, all the developing nations could do was to call attention to their plight and to pressure for action in their favour. It was not until the mid-1950's, when the completion of the European economic reconstruction was in sight, and more had come to be known about the problems of development, and the political situation has forced the developed nations to take a serious look at the developing nations, that the GATT turned its attention to the interests of the developing nations in international trading relations.

In the third chapter, we attempted to show that the policies of the GATT, as revealed by the changes in the texts of the Agreement, and the organization's various activities have not remained static over the years but have changed in a systematic and traceable manner to encourage economic development.

First, the Agreement was revised, in 1955, to make it more sympathetic to the peculiar needs of economic development. Committee III and the Action Committee were created in 1958 and 1963 respectively, to implement programmes aimed at increasing the external earnings of the developing nations. The work done by these creatures of the contracting parties were based on ad hoc declarations adopted by the contracting parties. It was not until the new Part IV of the Agreement came into effect, in June 1966, that the Agreement 'legally' bound the contracting parties to ensure that economic development in the developing nations was aided through international trade.

Evaluation of GATT'S Contribution

What good then has the policy progress of the GATT done to the economic interests of the developing nations? Before we can give an answer to this question, we must remind ourselves that the aim of the developing nations has been to advance their economy and this means to increase their income per capita from their present low levels to something higher. Their interest in the GATT is to use the organization to aid this economic advancement, through increased export earnings. GATT's part in the economic progress of these nations has been to create conditions in which the external trade earnings of the developing nation can increase.

*Boost
Export
Earnings*

A way to evaluate GATT's contribution could be to follow the export performance of the developing nation from 1955 to 1967. We make export performance the indicator because the largest part of GATT's efforts in assisting the developing nations has been to boost their export earnings. The years 1955 and 1967 have been chosen because the former was the year after the first major policy change occurred in GATT and the latter is the latest year for which statistics are available.

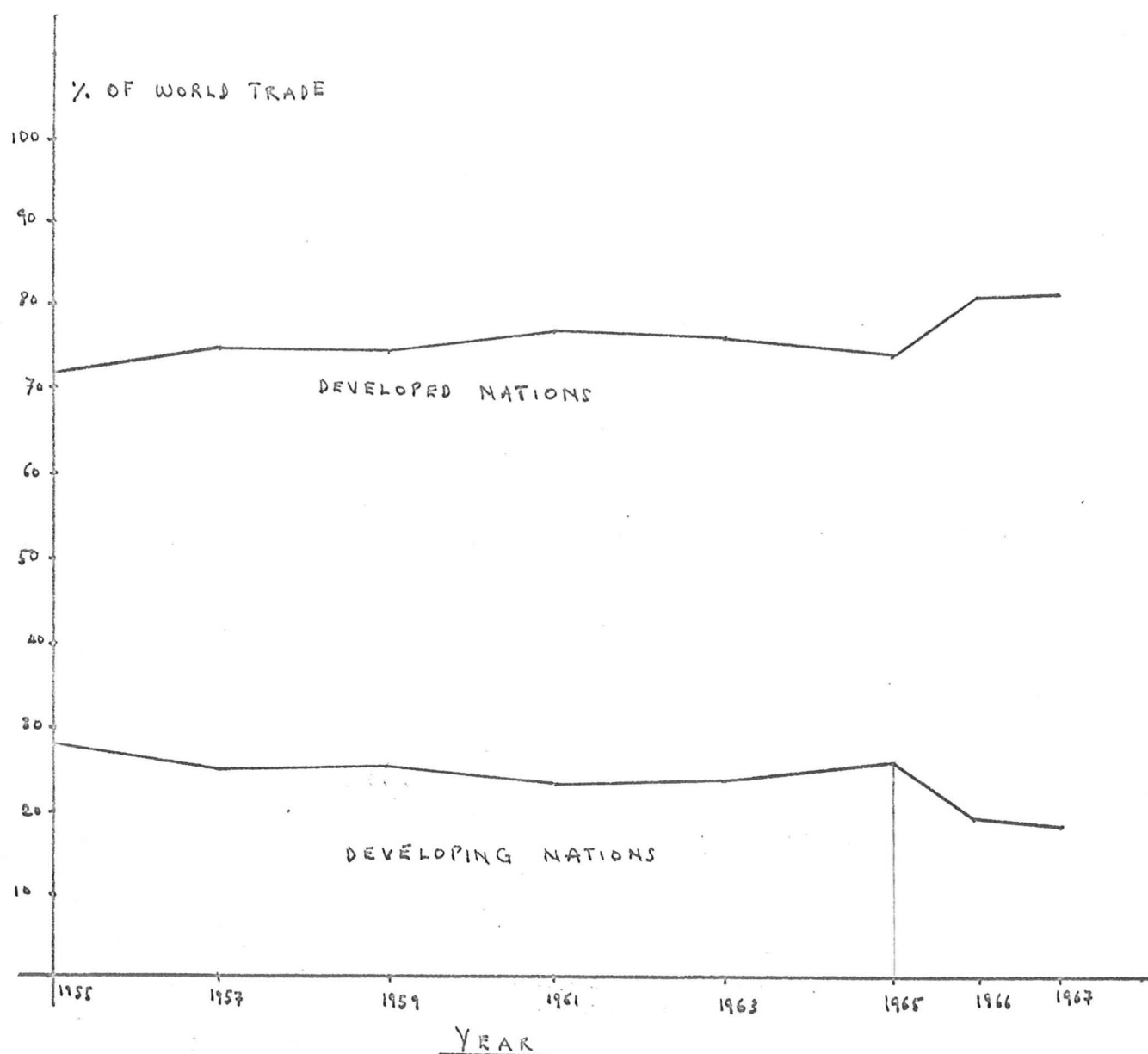


Table 2 on page 11 of chapter I gives the values of the exports of the two sectors between 1955 and 1965. The graph above has been made from the figures¹ in Table 2 and it shows us the percentage changes of export performances of both sectors. From Figure I we see that the developing nations share in world exports has consistently declined from

¹The figures for the years 1966 and 1967 were taken from International Trade in 1967: Estimates by The GATT Secretariat (GATT/1023, March 13, 1968).

28.0% in 1955 to 18.5% in 1967; but that of the developed nations have steadily climbed from 72.0% in 1955 to 81.5% in 1967.

We can see from the table that during this ten years period, the value of exports of both the developed and the developing nations have been increasing. In the case of the developing nations their export has increased in value from \$22860 mil. in 1955 to \$33800 mil in 1965. This gives the developing nations a total rise in value of 47.9. ; in this ten year period and an average rise of 4.8.% p. a. The developed nation exports on the other hand have grown in value from \$58,750 mil in 1955 to \$98,240 mil in 1965. That is, they have gained in value by 73.1% within a space of ten years and at an average yearly growth of 7.3%.

The above different rates of growths in the exports of the developed and the developing nations account for the interpretation of the above graph that the share of the developing nations in total world export has declined from 28.0% in 1955 to 18.5% in 1967 within this period.

However, when we divide this ten year period of 1955-65 into two five-year periods we see that between 1955-59 the developed nations exports grew by 23.6% while the developing nations exports grew only by 7.2%. But in the period 1961-65 the developed nations' exports grew at 13.3% while in the same period the developing nations exports grew at 30.7%.

On the imports side, the developing nations' imports increased from \$23,020 in 1955 to \$37,480 in 1965; this gives an average yearly increase of 6.3%. This means that within this period, the trade deficit incurred by the developing nations has increased from \$160 mil to

to \$3,680 mil², giving the percentage increase of 2,200% and an average increase of 22% p.a. The GATT Secretariat estimates that in 1967 the developing nations purchases increased by approximately 3% raising the trade deficit of this group of countries from \$1.9 bil in 1966 to approximately \$2.7 bil in 1967.³

If the actual trade deficit for the developing nations do not look too big, it is important to know that this modest trade deficit recorded by developing nations in the year proceeding 1967 was the result of substantial export surplus of the petroleum producing countries among the developing nations. This surplus earnings substantially off-set the combined trade deficit of the developing nations. The GATT Secretariat estimates that exports of the developing countries, which are not petroleum producers, declined by about 2% in 1967 while their imports advanced by 2%. As a result, the trade deficit of this latter group of nations, which had already reached a record level of \$7,000 mil in 1966 increased further to about \$8,000 mil. in 1967.

Judgement on GATT's evaluation

Judged by the performance of the developing nations economies in the period 1955-1967, it is tempting to say that the GATT's contribution towards economic advancement in these countries could not have amounted to much. This is because the export performance, as defined by the

²We arrived at the trade deficit by simply subtracting the year's export value from its import value.

³
Op.cit.

developing nations' share of world exports, has deteriorated during this period when the GATT, as we saw in the previous chapter, had devoted time and attention to boosting the developing nations' export earnings.

It is also tempting to say that since the performance of the developing nations' exports have not only not improved, but deteriorated, perhaps the various declarations, decisions and outward show of activity through the various programmes and committees have all been empty gestures on the part of the developing nations to keep the developing nations quiet. That is, that the ostentatious display of assistance to the developing nations' economic advancement through the GATT has not amounted to anything more than economic chicanery calculated to hoodwink the developing nations into believing that the developed nations, working through the GATT, have been endeavouring to assist in the economic development of the developing nations.

Based on these figures given above, it is easy to come to the conclusion that the GATT's efforts have failed or that they have been deceitful. Any such conclusion about the work and effort of the GATT in this field, to the present writer, will be rash and indeed unfair. This is because of two factors.

First, granted that the performance of the developing nations' export has been disappointing over the ten-year period of 1955-65 a careful look at the rate of increase of their exports in the period 1961-65 reveal a 30.0% increase as against 13.3% increase for the developed nations exports. Again the figures show that during this five-year period the developing nations exports increased from 23.0% to 25.6%.

Could this mean that the efforts of GATT have begun to pay off? This would have been a safe assumption had the developing nations share of world exports not decreased from the 1965 percentage of 25.3% to 18.5% in 1967. This decline in 1966-67 is explained by the GATT Secretariat⁴ that the level of imports by the developed nations were low, because of the slowing down of world trade expansion in this particular year. This point leads us to the second reason why it would be rash and unfair to blame the poor performance of the developing nations exports, during the period under review, on the lack of effectiveness of GATT's policies in this regard or the deceitfulness of the policies.

It is that the task of evaluating GATT's contribution towards economic development is an enormous one which cannot be properly done with the meagre information we have accumulated in this work. Before we can come to any respectable estimate of GATT's contribution, we have to consider the effects of all other factors which contribute towards or detract from the increase of the external earnings of the developing nations.

These factors include the effectiveness of the various economic policies pursued by the developing nations, the efficiency of the production in the developing nations, the level of industrial activity in the developing nations, and other factors like the contributions of the United Nations, direct foreign aid and a lot more factors. These factors are interrelated and inter-dependent and they affect the external earnings

⁴Ibid.

of the developing nations to varying degrees. For example, as we said earlier, the GATT Secretariat has estimated that the slowing of world trade expansion in 1967 had particularly severe effects on the developing nations' external earnings that year.

The developing nations' own views on GATT's contribution to their development vary from the extreme view that the GATT has done nothing to the other extreme that the GATT has done a lot. A representative view on the GATT's contribution is that expressed by the Indian Ambassador K. B. Lall in 1965 when he said:

"While over the last fifteen years tariffs on industrial products of interest to the industrial nations have gradually been brought down, those on products of interest to the developing countries have remained at a high level."⁵

It is true that there still remained high tariffs on some products of real interest to the developed nations. In chapter I the work Bela Balassa, which we quoted, gave empirical support to this assertion. We showed also in chapter III that despite the far reaching concessions made at the Kennedy Round they were not enough to remove the extra tariffs levied against some important products of interest to the developing nations.




⁵ Ambassador K. B. Lall of India at the 7th World Conference of the Society for International Development.

It is also true, we must admit, that the barrier against the developing nations exports were higher than they are now. The credit for the reduction in tariffs against developing nations products goes largely to the GATT.

An important point to note is that some of the things that GATT does to increase the external earnings of the developing nations can easily be overlooked because they are not spectacular and much advertised. For example, the International Trade Centre which the GATT has been operating since 1964 contributes a lot in the field of market research for potential exports of the developing nations. The six-monthly courses organized in Geneva for officials from developing nations to acquaint them with the formulation of efficient commercial policy and also the short courses in Africa on foreign trade and commercial policy are all modest, but positive contributions by GATT towards increasing the external earnings of the developing nations.

Whatever we may think and say about the results of GATT's efforts, there seems to be no doubt that in terms of policy change, the GATT has gone a long way in the last ten years. Should it be raised that policy changes above do not mean much unless they are backed by the political will to carry what has been decided into effect, it is necessary to remember that it take political courage, prudence and will to agree to such changes in the first place. The policies of international organizations, agreed upon by its members, do not often change as rapidly as those of the GATT have changed in the last decade.

The most striking thing that the GATT, as an international organization, has done in the field of the relation between economic development in the developing nations and international trade is that in a period of fourteen years, the member nations have come, through the instrumentality of the GATT, to make economic development, through international trade, the joint responsibility of both the developed and the developing nations.



CONCLUSION

The Reality about International Organizations:

In the final analysis, international organizations do not in their basic elements consist of anything more than a congerie of nations acting jointly, in a given place, in a matter or matters of common concern. International organizations are, in the end, not more than an extension of the diplomatic arena. In the case of all international organizations their singular usefulness is that they provide a place for diplomatic confrontation, contact and bargaining.

However, the mistake is often made of blaming international organizations for failing to do one thing or the other as though these organizations have got independent lives and wills of their own. There is, in particular, the tendency to blame GATT as an organization rather than to regard the situation as indicating primarily the reluctance of the GATT members to alter their policies or to follow them up.¹ The 'will' of GATT is the integral of the individual wills of its members and usually directed and led largely by the will of the most important members of the organization.

It is useful to remember that international organizations are created by a group of powerful nations who at a particular time in history have the upper hand in international politics. No matter what situations brought about their creation, once created, international organizations become agents which tend to institute the ideas of the most powerful of the nations that created them. That is, the powerful

1. Gardner, Richard, "The UNCTAD", International Organization, Vol. XXII, No. 1, Winter 1968, pp. 69-70.

creators of international organizations use them to help maintain a status quo.² The status quo policies which the powerful nations pursue through the international organizations admit limited or, at best, evolutionary changes only. The policies of international institutions change only if the consequences of the change are more acceptable than the consequences of no change. And, in all cases, the changes aim at ensuring that the organizations would still be under the control of the powerful among their creators.

Small powers, late comers in the power game and displaced powers, in short, the underdogs at a particular time in history, on the other hand tend to pursue revolutionary policies aimed at increasing their share of power at the expense of the big and established powers; and usually these lesser powers tend to want these changes in a short time. Herein lies one of the root causes of the instability of the international history - a clash between status quo policies and revolutionary policies.³

The history of international econo-political institutions as we know them today dates from the days of the League of Nations. The history of the disgruntled powers who wanted to increase their share of power, namely Nazi Germany, Fascist Italy, Communist Russia and Imperial Japan, support the above thesis for the period of the interwar years.

In the post-war II period, despite the step-level change⁴ in the

2. Morgenthau, Hans J., in his book Politics among Nations, (New York: Alfred A. Knopf, 1967), says: "A nation whose foreign policy tends towards keeping power and not toward changing the distribution of power in its favour pursues a policy of the status quo.", p. 36.

3. Revolutionary policies can be defined as policies which want changes in power in favour of those who pursue them.

4. Kaplan, Morton A., in his book, System and Process in International Politics, (New York: John Wiley and Sons, Inc. 1967), uses the term 'step-level' change to describe a transformation in the characteristic behaviour of the international system. Like Kaplan we agree that there was a step-level change after the First and World War.

make-up of the international scene, the above thesis still holds. The United States and Russia emerging from the war as the most powerful nations in the world, teamed together where they could, as in the case of creating the U.N., to attempt to order the world to their liking and where they could not work together, tacitly agreed to disagree.⁵

The United States being by far the most powerful in the West after the war, set about to create conditions in which her principles and ideology could function. Thus, multilateralism in trade and finance became the vogue and institutions were erected to carry this out. The GATT, being the trade wing of the United States economic triology, emphasised the priority of its chief creator. First, on the United States' international scale of importance was the reconstruction of Europe. It was not until 1955, when the European reconstruction was about finished and the dictates of international politics, at the time, had demanded a shift of emphasis, that the United States and its European allies turned attention to economic development in the developing nations.

It is true that at the negotiating conferences of both ITO and the GATT the developing nations, notwithstanding their small number and relative

5. This may sound a very benign interpretation of the early cold war period, but the way the history of this period went, it is a logical interpretation. The Moscow Foreign Ministers Conference of 1943 at which the U.S.S.R. first agreed to the formation of the United Nations and subsequent conferences which led to the formation of the U.N. were a series of conferences which led to the creation of a consensus between the U.S. and the U.S.S.R. as to how the political problems of the post-war era were to be handled; each, of course, ensuring that they had an escape through the use of the Veto. On economic matters, the two major powers could not agree, so each side went their way to create a system of their own. Thus, the U.S. championed the creation of the Fund, the Bank and the ITO; while Russia busily worked in the East to let all economic roads lead to Moscow. The biggest point in support of this interpretation, perhaps, lies in the way the two super powers have ignored Chapter VII, Articles 39-47 of the U.N. Charter dealing with "actions with respect to threats of the peace" and the establishment of the Military Staff Committee of the Security Council. Both sides know they cannot agree on a common and permanent U.N. military command, but they have kept the facade of periodic meetings till now. This, to the present writer's mind, interprets an agree to disagree.

political and economic weakness, tried their best to bring the attention of the major powers to the peculiar nature of their problems. Clair Wilcox, writing about the Geneva trade negotiations in 1949, says:

"The most violent controversy at the conference and the most protracted ones were those evoked by issues raised in the name of economic development The underdeveloped countries attacked the Geneva draft at several points. They challenged the commitment to negotiate for the reduction of tariff. They objected to provisions which enabled the parties to the GATT to determine whether this commitment has been fulfilled. They sought freedom to set up new preferential systems, impose important quotas, and employ other restrictive devices without prior approval. And they proposed that a semi-autonomous economic development committee be established within the trade organization for the purpose of facilitating these escapes."⁶

Despite the impression of tough fights by the developing nations all they got were the meagre provisions embodied in Article XXVIII of the original Agreement. Whereas in the past such a blatant neglect of a ginger group among the community of nations might have sparked some trouble for the status quo powers, then as much as perhaps today, it would have been great folly on the part of the developing nations to have started anything like a mass walk-out or open non-co-operation. They realized rightly that all they could do was to wait, and while waiting, protest for recognition of their problems. And this they did until recognition came in the mid-fifties.

Why the Developed Nations Aid the Developing Nations:

We have said earlier that economic policy is a vital part of the

6. Wilcox, Clair, A Charter for World Trade, (New York: MacMillan 1949), pp. 48-49.

foreign policies of nations of today and also that the economic concessions given by the developed to the developing nations amount in all their disguises to a kind of foreign aid; in that, in the final analysis they entail transfer of income from the developed to the developing nations.

The question has been asked and has been much debated as to why developed nations, and especially the United States,⁷ give foreign aid to the developing and other needy nations. A brief look at this problem is in order because it would give us some idea as to why the policies of GATT have evolved so progressively in the past fourteen years.

We realized also that the reasons which we have given as being the causes of GATT's policy evolution starting in the mid-fifties could not by themselves alone account for the sudden surge of enthusiasm to aid the developing nations through the GATT.

The answers to the question, why do the donor countries give aid to the needy countries usually reveal three reasons as being the main motivating factors. (1) The three reasons are political security, (2) economic benefits and humanitarian impulses of the donor countries.

Significant among the scholars who think that the humanitarian impulses of the donor countries are the dominating factors is Gunnar Myrdal. He seems to think that this process of aid-giving has been determined largely by some kind of an ideal - a living force in the minds of these nations - of achieving an ever-greater equality of opportunity for all their citizens. Myrdal thinks that this process has some kind of psychological basis, in the minds of those nations seeking for integration. He believes this psychological process in the minds of the donor countries has been taking

7. In the subsequent pages we shall emphasise the United States because it is the most important nation in aid giving.

place over the last century because of a revolution in moral ideas, a spill-over of the desire to redistribute income and equalize opportunities.⁸

On the first and most massive aid giving programme, the Marshall Plan, Myrdal says:

"It does not require any comprehensive or deep study of the American motives for this extraordinary aid to say from first-hand observation of the American people that, in the beginning, the main attitude was much more the positive one of sympathy and solidarity rather than the negative one of fear of communism."⁹

This is not the last word from Myrdal. He says, in 1960, that:

"There is a basic sentiment of generosity towards those who are less fortunate - a sympathy for, and solidarity with, the underdog. This has its roots in America's singular material and spiritual history. I believe that important elements of American behaviour in external and internal relations would be misunderstood if this trait were not recognized."¹⁰

Myrdal's stand may be true or could have a lot of truth in it. Indeed, Gilbert Winham in his Ph.D. dissertation on the Marshall Plan, for which he used the technique of content analysis, found that among the complex of motivations the main one was the way the American policy-makers perceived the "Economic Plight"¹¹ in Europe at the time.

8. Ranis, Gustav (ed.), The United States and the Developing Economies, (New York: W.W. Norton and Company Inc. 1964), pp. 15-16.

9. Ibid., p. 16.

10. Dowd, Douglas (ed.), America's Role in the World Economy, (Boston: D.C. Heath and Company, 1964), p. 115.

11. Winham, Gilbert, "An Analysis of Foreign Aid Decision-Making: The Case of the Marshall Plan" (unpublished Doctorate dissertation, Chapel Hill, University of Northern Carolina, 1967). Gilbert Winham subsumes under the term "economic plight", "economic depression" and "humanitarian suffering". He defines "economic depression" as "any statement which perceives the national economies, or components thereof, of European countries to be in a state of economic depression, crisis, severe under production; or to be suffering from war damage; or to be in need of economic assistance because of depression or war damage.", p. 165. He defines 'human suffering' as "Any statement which perceives human suffering (by individuals or groups) among the populations of the European countries, or that European countries need assistance to avoid human suffering.", p. 166.

However, when we take a look at the history of the period and America's part in it, Myrdals stand becomes rather unconvincing. In fact, the more we consider the circumstances of the time and America's reaction to these circumstances and, indeed, the assumptions upon which the American policy-makers acted and still do act, the more the words of Jacob Viner sound convincing. He says in his book The Role of the United States in the World Economy:

Viner * "The only factor which could persuade us [Americans] to undertake a really large programme of economic aid to the underdeveloped countries would be the decision that the friendship and alliance of those countries are strategically, politically and psychologically valuable to us in the cold war, that economic aid on a large scale can be relied upon to assure such friendship and alliance to us, and that the cost to us of a greatly enlarged programme of economic aid would not be an excessive price to pay for these strategic gains."¹² *strategy*

A report of Staff Papers presented to the Commission on Foreign Economic Policy in February 1954 lists the ten assumptions which guided the Administration and Congressional leaders in the review of the situation in 1947-48, which led to the passage in April 1948 of the Economic Co-operation Act (Title I of the Foreign Assistance Act of 1948). The first six of the ten underlying assumptions merit quotation in full, since they give us a deep insight into the objectives of American aid:

- "1. That the recovery of Europe as a whole was vital to world recovery and was a prerequisite for achieving the general aims of

12. Ranis, loc. cit., p. 16.

13. U.S. Government, Staff Papers, Commission on Foreign Economic Policy, (Washington, D.C.: U.S. Government Printing Office, February 1954).

the United States' commercial and financial policy.

2. That it was necessary, therefore, that Europe should be given priority in assistance.
3. That, in the interest of American security strong measures had to be taken to check the advance of communism in Europe.
4. That the communist interest in Europe was primarily internal subversion and infiltration, exploiting how standards-of-living and economic stagnation or collapse, rather than overt military aggression.
5. That the most suitable means of counteracting this type of communist threat were economic and financial.
6. That a 4 year European Recovery Programme made possible by United States assistance would serve the double purpose of making Europe independent of extraordinary foreign assistance, and of raising living standards and maintaining high levels of employment and would, therefore, serve both the economic and security interests of the United States."¹⁴

It should also be remembered that President Truman in enunciating the principle which subsequently became known as the "Truman Doctrine", attributed the predicament of Greece and Turkey - the two political trouble spots in Europe at the time - to "soviet aggression in its widest sense". Indeed, it must be remembered that the "Bevin Letter"¹⁵ of March 1947 which inspired the "Truman Doctrine" and hence the subsequent complex of activities in Europe and elsewhere, did speak in a despairing tone about communist

14. Ibid., p. 27.

15. Bevin, Ernest, the British Foreign Secretary sent a letter, subsequently referred to as the "Bevin Letter", to the United States, in March 1947, calling the U.S. attention to the situation in Europe at the time.

activity in Europe.

The origin of America's post-war II aid to other parts of the world outside Europe, on the scale as we know it today, is to be found in 1949 in President Truman's Point IV suggestion. According to the Staff Papers mentioned above, President Truman made his Point IV suggestion "partly in response to mounting pressure from underdeveloped countries, especially the Latin American countries, for large-scale aid for economic development, and partly to promote certain specific United States interests."¹⁶ All the seven underlying assumptions upon which the subsequent Act for International Development of 1950 were based are worth quoting. They are:

- "1. That friendly and co-operative relations with the underdeveloped countries could not be maintained without the satisfaction to some extent of their aspirations for rapid economic development.
2. That greater production and higher standards of living in those countries could play an important part in expanding world trade and hence, in the solution of Europe's recovery problems.
3. That, since world recovery depended in part upon a renewed flow of foreign investment, it was necessary to allay fears of colonialism and economic imperialism in connection with foreign investment.
4. That technical assistance could make a great contribution to increased production and pave the way for private investment.
5. That raising the standard of living in the underdeveloped countries would partly help to prevent them from becoming a prey to communist infiltration.
6. That technical aid could contribute significantly to increasing the availability to the United States of strategic materials.

16. U.S. Government, op. cit., p. 29.

7. That the programme would provide a practical outlet for the humanitarian instincts of the American people."¹⁷

From the above it is possible to say that America, and perhaps other developed nations, give aid to the poor and needy nations because they believe this to be in their national interest. Humanitarian consideration cannot be ruled out altogether. There is no doubt that the picture of millions dying and starving, could inspire the generosity of the donor countries. It is even possible, as Milton Friedman¹⁸ says, that the national interests of the donor countries and their humanitarian ideals are coincidental. It is hard to believe, however, that the chief motivating factor for giving aid could be any other than that the donor country finds it to be in its national interest.

What National Interest Could Mean:

If we say the developed nations, and especially the United States, give foreign aid because it is in their national interest, the first thing to clear up is what we mean by 'national interest'; and for our present purpose what makes aid as given through the GATT become part of their national interest.

It is difficult to explain what a national interest means or implies in the abstract. It is quite impossible to find general agreement on what the national interest really is, in practice, on any particular issue. Any major controversy in foreign policy centres round different

17. Supra, p. 29.

18. Ranis, loc. cit., p. 24.

ideas about what the national interest indicates. For example, the recent controversy in Britain surround British application to enter the Common Market, the current debate in the United States about her involvement in Vietnam and indeed whether a developing nation should join the GATT or not, are all debates about what the national interest indicates. The national interest of a nation is not the same for all time - it changes from time to time. Thus, the United States in both wars did not enter the war until it became clear that their national interests were involved.

The meaning and the implications of the term "national interest" hinges on the word 'interest'. If we give the word a three-way split, it becomes a bit clear. The word as applied to foreign policies could be used to mean:

- i) Immediate national interest - meaning the direct self-preservation of a state.
- ii) Distant national interest - implying the pursuit of national claims and settlements of situations which sooner or later could threaten the direct security of a state.
- iii) Milieu national interest - this means the preservation of a particular value in a part or the whole of the world to prevent unpleasant developments for the nation in future.

The foreign policy of the United States, and for that matter, the foreign policy of all the major powers, show that they pursue their national interest broadly along the three ways explained above. In the cases of the 1962 Cuban Crisis and the 1965 Dominican Republic episode, the United States seemed to have perceived the involvement of her immediate national interest. That is, the United States saw these two incidents as direct threats to her existence. The various Far East wars and conflicts

in which the U.S. has been involved since the Second World War seems to have involved her distant national interests.

The Staff Papers sums up the objectives of American foreign policy in this curt statement:

"Foreign aid has been made available since the war as one of the general means of rebuilding a world order in which 1. the values of a free democratic society can be preserved; 2. the prosperity of the American people promoted; and 3. the security of the United States assured."¹⁹

The order in which the three points above appear is interesting in the context of what we have been saying about the three meanings of national interest. It is interesting that the first concern of the United States was the preservation of the democratic values and the third concern was the security of the United States. This is because at this time, 1954, the United States was not directly threatened by anything in the world; but her distant and milieu interests could be considered threatened. As we shall see below the United States in the particular case of aiding the developing nations through the GATT did so because it was primarily in her national interest.

We have already mentioned that by the end of the war the phenomenon of economic development had become a potent force in international politics; a force which any realistic foreign policy had to take into account. This accounts to a great extent for the reasons why the developed nations, and especially America, took notice of this phenomenon in the original Agreement, even if they did so grudgingly.

19. U.S. Government, Staff Papers, loc. cit., p. 40.

The underlying reason causing the sudden surge of enthusiasm in the policy evolution in the GATT vis-a-vis economic development was that it was in the mid-fifties that the Russians decided to spread the cold war into the developing and uncommitted parts of the world. As Milton Friedman says, it was clearly in the American national interest that the developing nations choose the democratic rather than the totalitarian way of life.²⁰ In short, it was a case of aiding the developing nations in their desperate effort to develop or leave them to sink or swim, according to their efforts, and thereby risking the probability of their being saved by the communists. It must be remembered that it was in the mid-1950's that the Russians started to woo the developing nations through economic aid.²¹ It was therefore, to protect the U.S. milieu interest from communist interference in the mid-1950's that the U.S. gave her blessing to the policy evolution of the GATT during this period.

Continuity in Philosophy and Changes in Method

The underlying philosophy to aid-giving by America has remained the same, namely to forestall events unpleasant to the United States emerging from the recipient countries. The steady philosophy is apparent when we see that the "Foreign Economic Policy for the 1960's" says on Page 16: "Without prospects of growing trade opportunities with the West, . . . these countries, [the developing countries] too, would be forced to turn east for their markets."²² President Johnson, as late as 1968,

20. Ranis, loc. cit.

21. "In fact, it was in 1955 that the Soviet Union, its satellites and Communist China followed the example of the United States by extending long-term credits and grants to the newly developing countries." Fran M. Coffin's testimony before the Senate Committee on Foreign Relations, 1962. See Ranis, Supra, p. 62.

22. U.S. Congress, Joint Economic Committee, Foreign Economic Policy for the 1960's, Report of the Joint Economic Committee to the Congress of the United States with Minority and Other Views, 87th Congress, 2nd session, 1962, p. 16.

commenting on the threatened cuts in his foreign aid bill by the House of Representatives is reported, by the "Time Magazine", to have said: "It is madness to so jeopardize our [America's] own security and the orderly progression of the world."²³

However, there have been changes in the ways in which foreign aid is given. Max Millikan sees these tactical changes in three main ways:

- a. Some changes in the ways in which some of the more important of the developed nations have perceived their interest in the development process.
- b. Changes in the diagnosis and understanding of the problems of development both in developed and the developing nations.
- c. Changes in the nature of the institutional arrangements employed by the world community to carry out its development activities.²⁴

In the early days of the post-war foreign aid the top priority was the transfer of knowledge and techniques responsible for the progress of the developed countries to the developing world through programmes of technical assistance.²⁵

The early 1950's being a period of critical East-West confrontation saw the bulk of U.S. aid given in the form of military grants. But in the late 1950's and the early 1960's, when the Communist menace had subsided, the emphasis was placed on combating hunger, illiteracy and disease. It

23. "Time", Foreign Aid, July 26, 1968, p. 29. We have so far attempted to show the motivations which necessitate giving aid to the developing nations. We must remember that there are other motivations which militate against the giving of aid. For example, it has been argued that aid creates inflation in the donor countries and makes the recipient countries lazy and extravagant. We shall not go into the latter points because they are strictly outside this present work.

24. Millikan, Max, "Introductory Essay", International Organization, Vol. XXII, No. 1, Winter 1968, pp. 4-5.

25. This was the main idea behind President Truman's Part IV pronouncement.

was during the late fifties and early sixties also that the U.S. foreign aid underwent changes which brought it nearer to the kind of programme that could be multilateralized. It is very interesting to note that it was during this period that in the GATT the Trade Expansion Programme of 1958, the declaration on the Promotion of the Trade of Less Developed Countries of 1961, the Action Programme of 1963 and the convening of the UNCTAD of 1964 took place. This drive towards multilateralization, in the case of GATT, which has not been without its set-backs as exemplified by the three-way split on the Action Programme and at the UNCTAD I, culminated in the de Jure recognition of the new Part IV in June 1966.

The developing nations, whose chief economic interests is to develop, have found that their interest in world trade developments are advanced better within the organization than outside it. In the words of Max Millikan:

"National self-interest is unquestionably and appropriately the dominant element in the concern of the less developed countries with the world development and problems since each is dependent for capital, technical assistance, and trading opportunities on the policies of the developed world."²⁶

In 1954 the Economic Commission for Latin America conducted a survey²⁷ to find out why some countries joined the GATT and others did not. The seven Latin American Countries which were full members of the GATT at the time

26. Millikan, Max, loc. cit., p. 3.

27. Economic Commission for Latin America, Study of Inter-Latin American Trade, E/CN.12/369/Rev. 1, (Geneva: April 1956), pp. 6-7.

of the survey were found to have joined the GATT mainly because they found that within the GATT their trading interests are better advanced and protected.

Perhaps the most eloquent testimony to the fact that the developing nations find the GATT very useful lies in their active participation in GATT's work. Another pointer is the fact that as against the nine developing nations among the original twenty-three members in 1948, in 1968 of the seventy-six full members of the GATT forty-nine are developing nations. And nine developing nations maintain de facto recognition by the organization and two developing nations are provisionally acceded to the GATT.

CONCLUSION

In the end, it all boils down to the simple fact that it is in the national self-interest of both the developed and the developing nations to work together on their trading problems. But with regards to further policy evolution in the GATT or making the policy changes already achieved much more meaningful and useful to economic development, it will be foolhardy to hazard a guess. It depends upon so many indeterminates, it is better left undiscussed than discussed; but unquestionably the power to change things lies largely with the developed nations.

The danger to this working system between the developed and the developing nations, it seems to us, will come from a slow response, on the part of the developed nations, to the developing nations' urge to developed. This is because the urge to develop, judging by the development history of the developed nations, seems "as if increase of appetites had grown by what it fed on",²⁸ and like the urge for power, does not seem to cease save, perhaps, in death.

28. Shakespeare, Hamlet, Act I, Scene ii, Line 144.

APPENDIX I

PROMOTION OF THE TRADE
OF LESS-DEVELOPED COUNTRIES

Declaration proposed by the GATT Ministers
on 30 November 1961 and adopted by the
CONTRACTING PARTIES on 7 December 1961

1. The CONTRACTING PARTIES recognize that there is need for rapid and sustained expansion in the export earnings of the less-developed countries if their development is to proceed at a satisfactory pace. They recognize the magnitude of the task before the governments of those countries in increasing per capita incomes and raising the standard of living of their peoples. To achieve these ends, increasing amounts of foreign exchange will be required for financing the imports needed to sustain and develop the economy. Although international aid is now and will continue to be essential in covering these needs, aid can be no substitute for trade. In the final analysis, economic development will have to be paid for from the earnings of the countries concerned.
2. The export trade of the less-developed countries is not growing at a pace commensurate with the growth of their foreign exchange needs or with the growth of world trade generally. The CONTRACTING PARTIES accordingly recognize the need for a conscious and purposeful effort on the part of all governments to promote an expansion in the export earnings of less-developed countries through the adoption of concrete measures to this end. The success of the efforts of developing countries will depend to a great extent upon their ability to find the necessary markets. Accordingly, contracting parties should reduce to a minimum restrictions inhibiting

access to markets for the export products of the less-developed countries. The governments of the major industrialized areas, on whose markets the less-developed countries must necessarily largely depend, recognize a particular responsibility in this respect.

3. The CONTRACTING PARTIES agree that, if the needs of the less-developed countries for enlarged and diversified export trade are to be met, these countries must develop trade in other than traditional products. They note that some developing countries already have the investment and technological resources for the processing of raw materials and are able to produce efficiently some manufactured goods. They recognize that it is desirable that these countries and others possessing the necessary materials and skills be provided with increased opportunities to sell in world markets the industrial goods which they can economically produce, and urge that governments give special attention to ways of enlarging these opportunities.

4. The CONTRACTING PARTIES recognize that governments can contribute to the general objectives outlined above by observing the following principles and taking into account the following facts regarding tariff and non-tariff measures affecting access to markets.

(a) Quantitative restrictions. Governments should give immediate and special attention to the speedy removal of those quantitative import restrictions which affect the export trade of less-developed countries. Where it is necessary for a government to maintain such restrictions under appropriate provisions of the GATT, it should apply them in a non-discriminatory manner causing the minimum hindrance to international trade, pursue policies designed to remove the underlying conditions requiring the use of such restrictions and, pending their elimination,

give careful and sympathetic consideration to progressive increases in quotas. Contracting parties which are in process of moving out of balance-of-payments difficulties should take particular care that liberalization benefits are extended in the fullest measure to the trade of less-developed countries, having regard to the urgent need for helping these countries attain rapid, self-sustaining growth.

(b) Tariffs. Governments should give special attention to tariff reductions which would be of direct and primary benefit to less-developed countries. In this connexion, they should consider the elimination of tariffs on primary products important in the trade of less-developed countries. They should also consider reducing those tariffs which differentiate disproportionately between processed products and raw materials, bearing in mind that one of the most effective ways in which less-developed countries can expand their employment opportunities and increase their export earnings is through processing the primary products they produce for export.

(c) Revenue duties. Fiscal charges, whether imposed as tariff duties or internal taxes, may inhibit efforts directed towards increasing consumption of particular products important in the trade of less-developed countries and, even where applied equally to imports and to competing domestic products, can be a serious obstacle to the expansion of trade. The CONTRACTING PARTIES appreciate that adjustments in a fiscal system may be a complex matter, with important financial, economic and other consequences which have to be taken into account. Bearing in mind, however, the urgent development needs of less-developed countries and the current financial and economic situation in the industrialized countries mainly

concerned, they agree that the removal or considerable reduction of revenue duties and fiscal charges in industrialized countries would be a useful contribution to the foreign exchange earning capacity of less-developed exporting countries.

(d) State trading. Access to markets for products of the type studied by Committee III should not be unnecessarily impeded through the operations of State import monopolies or purchasing agencies. For many products exported by less-developed countries, the prices charged on resale by some State monopolies, whether in countries with centrally-planned economies or in others, involve an implicit heavy taxation of imports. Countries operating State import monopolies or purchasing agencies should endeavour to improve access to their markets for products of less-developed countries by decisions to import larger quantities of the products concerned and, if necessary, by reductions in the difference between import and sales prices.

(e) Preferences. Some less-developed countries benefit neither from the preferential tariff systems which were in operation when the GATT came into being nor from the preferential treatment being established in the new customs unions or free-trade areas. The CONTRACTING PARTIES appreciate the concern of these less-developed countries whose export trade in certain products may be placed at a competitive disadvantage by the preferred treatment given to certain less-developed suppliers. They note, however, that the benefits afforded participating less-developed countries may include not only tariff preferences but other forms of assurances in the marketing of the products concerned. While it is important that these various advantages should not operate to the detriment of

other less-developed countries, it is also necessary that action to deal with this problem should be on a basis that meets the marketing needs of supplying countries now enjoying preferred access to markets.

(f) Subsidies. The subsidization of either the production or export of primary products may restrict the market opportunities of less-developed countries. Where this is so, the governments concerned should seek to limit the use of the subsidies in question with a view to avoiding injury to the export earnings of less-developed countries.

(g) Disposal of commodity surpluses. Governments disposing of commodity surpluses should bear in mind that the products concerned are generally important in the export trade of one or more less-developed countries, and that this is an added reason for careful observance of the principles and guidelines regarding such disposals accepted in the GATT Resolutions of 4 March 1955¹ on the Disposal of Commodity Surpluses and on the Liquidation of Strategic Stocks and in the Principles of Surplus Disposal of the Food and Agriculture Organization of the United Nations.

5. In negotiations for reductions in barriers to the exports of less-developed countries, contracting parties should adopt a sympathetic attitude on the question of reciprocity, keeping in mind the needs of these countries for a more flexible use of tariff protection. In making arrangements to bring about a general reduction of tariffs, account should also be taken of the special needs of less-developed countries.

¹GATT Basic Instruments and Selected Documents, 3rd Supplement, pages 50-51.

6. An important contribution to the expansion of export earnings can also be made by intensified efforts to improve the production and marketing methods of the less-developed countries. The efforts of the less-developed countries along these lines would be greatly assisted if the industrial countries would give greater attention to this matter in the framework of their technical and financial assistance programmes.

7. Efforts to expand the export earnings of the less-developed countries and efforts to lessen the instability of such earnings which results from fluctuations in primary commodity markets should proceed concurrently. Progress towards reducing market instability, or towards offsetting its effects on foreign exchange receipts, is essential if the maximum benefits of the trade expansion effort are to be realized; at the same time, progress towards a diversified export trade will reduce the vulnerability of primary exporting countries to market fluctuations.

8. Finally, it is recognized that there are important possibilities for encouraging sound economic development in the less-developed countries through increased trade among themselves and that these countries should keep this in mind in formulating their tariff, commercial and economic policy measures. Less the development of this important trade potential be prevented or unduly delayed, they should strive to attain and preserve liberal access to one another's markets in the same manner as they now seek to secure improved access to the markets of the economically advanced countries.

APPENDIX II

ACTION PROGRAMME

Proposed by a group of less-developed countries

(i) Standstill provision

No new tariff or non-tariff barriers should be erected by industrialized countries against the export trade of any less-developed country in the products identified as of particular interest to the less-developed countries. In this connexion the less-developed countries would particularly mention barriers of a discriminatory nature.

(ii) Elimination of quantitative restrictions

Quantitative restrictions on imports from less-developed countries which are inconsistent with the provisions of the GATT shall be eliminated within a period of one year. Where, on consultation between the industrialized and the less-developed countries concerned, it is established that there are special problems which prevent action being taken within this period, the restriction on such items would be progressively reduced and eliminated by 31 December 1965.

(iii) Duty-free entry for tropical products

Duty-free entry into the industrialized countries shall be granted to tropical products by 31 December 1963.

(iv) Elimination of tariffs on primary products

Industrialized countries shall agree to the elimination of customs

tariffs on the primary products important in the trade of less-developed countries.

- (v) Reduction and elimination of tariff barriers to exports of semi-processed and processed products from less-developed countries

Industrialized countries should also prepare urgently a schedule for the reduction and elimination of tariff barriers to exports of semi-processed and processed products from less-developed countries, providing for a reduction of at least 50 per cent of the present duties over the next three years.

- (vi) Progressive reduction of internal fiscal charges and revenue duties

Industrialized countries shall progressively reduce internal charges and revenue duties on products wholly or mainly produced in less-developed countries with a view to their elimination by 31 December 1965.

- (vii) Reporting procedures

Industrialized countries maintaining the above-mentioned barriers shall report to the GATT secretariat in July of each year on the steps taken by them during the preceding year to implement these decisions and on the measures which they propose to take over the next twelve months to provide larger access for the products of less-developed countries.

- (viii) Other measures

Contracting parties should also give urgent consideration to the adoption of other appropriate measures which would facilitate the efforts of less-developed countries to diversify their economies, strengthen their export capacity, and increase their earnings from overseas sales.

APPENDIX III

REVIEW OF KENNEDY ROUND RESULTS FROM
THE STANDPOINT OF DEVELOPING COUNTRIES

Preliminary Summary of Results:

1. In its meeting concluded on 27 July 1967, the GATT Committee on Trade and Development discussed arrangements for reviewing the results of the Kennedy Round from the viewpoint of developing countries. For this purpose the GATT secretariat prepared a general survey of tariff reductions made by the six major industrialized participants in the negotiations - namely, the European Economic Community, the United States, the United Kingdom, Japan, Sweden and Switzerland - on selected products of particular export interest to developing countries. The six markets mentioned above account for more than 90 per cent of all imports by the industrial countries from the developing areas. The survey comprised 367 product headings of the Brussels Tariff Nomenclature (of which: agricultural products 79, non-agricultural raw materials 47, fuels 6 and manufactures 235), and close to 10,000 individual items in the six import tariffs. The product headings surveyed cover more than 95 per cent of all exports from developing to developed countries.

2. To facilitate comparisons between duty rates in force before the Kennedy Round and those which will be applicable when the results are fully implemented, the product headings comprised in the GATT secretariat survey were grouped into twenty-three commodity classes, such as tropical products, processed foodstuffs, clothing, machinery, etc. The tariff items

in each class were presented in frequency distributions according to their level both before and after the Kennedy Round and, subsequently, according to the depth of the cut (i.e. less than 50 per cent, 50 per cent, more than 50 per cent but less than 100 per cent, and complete elimination).

3. Two major qualifications have to be made before the results of the review can be discussed. The secretariat survey presents the tariff reductions in unweighted averages. It would have been of some interest to know the current trade values corresponding to each tariff item included in the survey. Such an evaluation of the Kennedy Round results could not be prepared in the short time available. It should be noted, however, that weighting by actual values of trade conducted under each tariff item, which is the only weighting system readily available, could give only a very approximate assessment of the importance of the tariff reductions negotiated. The true importance of these tariff reductions can only be measured in terms of the incremental trade which they will generate. For obvious reasons, this cannot be calculated, or reliably estimated, in advance.

4. Also, the summary does not indicate how the incidence of tariffs at different stages of the processing of the commodity has changed in each of the product classes and groups as a result of the Kennedy Round. For this purpose it would be necessary to describe changes in tariff profiles, i.e. the sequence of tariff rates applicable to a raw material and the products it leads to at the successive stages of processing. This analysis could not be performed for lack of both time and complete sufficiently detailed data.

5. The seventy-nine agricultural product headings, which include

both temperate zone and tropical foodstuffs but exclude cereals and most meat and dairy products, covered over 2,000 items in the tariffs of the six major import markets. While 11 per cent of these items were duty free before the Kennedy Round, the proportion has now risen to 19 per cent. The proportion of items dutiable at more than 15 per cent ad valorem has declined from 49 to 38 per cent.

6. The 235 manufactured product headings included slightly less than 7,000 tariff items. The proportion of duty-free items has been raised in the Kennedy Round from 5 to 7 per cent; the category of items dutiable at less than 10 per cent ad valorem now comprises 62 per cent of all items as against 32 per cent before the Kennedy Round. The categories dutiable at more than 15 per cent ad valorem now comprise 14 per cent of all items as against 35 per cent before.

7. Going into sub-divisions, duty reductions on tropical products will mean that 33 per cent of all items in this sector will be accorded duty-free entry as compared to 13 per cent prior to the Kennedy Round. In many instances, previous suspension of duties on tropical products are now consolidated in the GATT concessions. Further, about 36 per cent of the dutiable products will be subject to rates of 10 per cent ad valorem or less, as against 42 per cent at present; while the proportion of items dutiable at more than 10 per cent declines from 42 to 28 per cent.

8. In processed foodstuffs, the proportion of duty-free items rises from 6 to 12 per cent; that of items dutiable at less than 10 per cent, from 25 to 32 per cent; while the proportion dutiable at more than 10 per cent declines from 67 to 54 per cent.

9. In cotton yarns and fabrics, the great majority of reductions

have been made on items dutiable up to 10 per cent ad valorem. Tariff items subject to duties within this range now account for 63 per cent of the total as compared to 44 per cent before the Kennedy Round, and the proportion of duty-free items has risen from 2 to 4 per cent. Further, items subject to duties between 10 to 15 per cent and 15 to 20 per cent ad valorem, which accounted for 26 and 16 per cent, respectively, of all items in this group before the Kennedy Round, represent now only 18 and 14 per cent respectively. The share of tariff items dutiable in the range of 20 to 25 per cent will now be 4 per cent as compared to 10 per cent previously. Duties exceeding 25 per cent ad valorem are now negligible in this product class. According to an agreement reached in April 1967, the Long-Term Cotton Textile Arrangement was extended for a period of three years as from 1 October 1967. In respect of a number of items, duty reductions by the EEC are tied to the life of this Arrangement.

10. In clothing, there were and are no duty-free items. However, items dutiable at less than 10 per cent will represent 12 per cent of the total as against 4.5 per cent at present; and 32 per cent of all items will be dutiable in the range of 10 to 15 per cent as against only 5.5 per cent at present. Before the Kennedy Round 53.5 per cent of all items in the group were dutiable at more than 20 per cent ad valorem; this proportion will now decline to 29.5 per cent.

11. In leather and leather manufactures (excluding footwear) of interest to developing countries, tariff items in the duty range of 0 to 5 per cent, accounting for 7 per cent of all items in this product class before the Kennedy Round, now represents 32 per cent. On the other hand, the proportion of items dutiable at more than 10 per cent has been reduced

from 61 to 28 per cent of all items.

12. In footwear, the proportion of items dutiable at less than 10 per cent rises from 16 to 65 per cent.

13. In wood manufactures, including plywood and veneer, the proportion of items in the category of 0 to 10 per cent ad valorem duties rises from 28 to 72 per cent.

14. In miscellaneous manufactures of export interest to developing countries, mainly articles of cork, plaiting materials, basket work, artificial flowers, furniture, toys and sports goods, the proportion of items in the 0 to 10 per cent duty category has been increased from 25 to 66 per cent, while that of items dutiable at more than 20 per cent has been reduced from 25 to 7 per cent.

BIBLIOGRAPHY

BOOKS

Alexandrowicz, C. H., World Economic Agencies, Law and Practice, London: Steven and Son, 1962.

✓ Balassa, Bela, Trade Prospects for Developing Countries, Homewood: Richard D. Irwin, Inc., 1964.

Brown, William, The United States and the Restoration of World Trade, Washington, D. C: Brookings Institution, 1950.

Burton, Henry, Principles of Development Economic, Englewood Cliffs, N.J: Prentice-Hall, Inc., 1965.

Claude, Inis, Swords into Plowshares, The Problems and Progress of International Organizations, New York: Random House, 1964.

Committee for Economic Development, A New Trade Policy for the United States. A statement on National Policy by the Research and Policy Committee of the Committee for Economic Development, New York: Committee for Economic Development, 1962.

✓ Dowd, Douglas (ed.), America's Role in the World Economy, The Challenge to Orthodoxy, Boston: D.C. Heath and Company, 1966.

Gupta, K. R., Study of General Agreement on Tariffs and Trade, New Delhi: Chand and Co., 1967.

Haberler, Gottfried, Growth and Balance In World Trade, Cambridge: Harvard University Press, 1957.

Haviland, William, International Commodity Agreement, Quebec: Private Planning Association of Canada.

Higgins, Benjamin, United Nations and U. S. Foreign Economic Policy, Homewood, Illinois: Richard D. Irwin, inc., 1962.

Ingram, James, International Economic Problems, New York: John Wiley, 1966.

International Bank of Reconstruction and Development, World Bank Atlas 1967, Washington, D. C.: IBRO, 1967.

Jensen, F. B. & Walter Ingo, Readings in International Economic Relations, New York: Ronald Press Company, 1966.

✓ Johnson, Harry, The World Economy at the Crossroads, A Survey of Current Problems of Money, Trade, and Economic Development, New York: O.V.P. 1965.

Kaplan, Morton, System and Process in International Politics, New York: John Wiley and Sons, Inc., 1967.

Meltzev, Yale, Chemical Guide to GATT, the Kennedy Round and International Trade, Park Ridge, N. J.: Noyes Development Corporation, 1968.

Morgenthau, Hans. Politics Among Nations, The Struggle for Power and Peace, New York: Alfred A. Knopf, 1964.

Myhammad, V.A.S., The Legal Framework of World Trade, New York: Praeger, 1958.

Myrdal, Gunnar, Economic Theory and Under-Developed Regions, London: Methuen, 1963.

Nurkse, Ragnar, Problem of Capital Formation in Underdeveloped Countries and Patterns of Trade on Development, New York: O. V. P. 1967.

Organization for Economic Co-operation and Development, Development Assistance Efforts and Policies, 1961 Review, Paris: OECD, 1963.

Organization for Economic Co-operation and Development, Development Assistance Efforts and Policies, 1963 Review, Paris: OECD, 1963.

Organization for Economic Co-operation and Development, Development Assistance Efforts and Policies, 1964 Review, Paris: OECD, 1964.

Organization for Economic Co-operation and Development, Development Assistance Efforts and Policies, 1965 Review, Paris: OECD, 1965.

Organization for Economic Co-operation and Development, Development Assistance Efforts and Policies, 1966 Review, Paris: OECD No. 21,077, Sept. 1966.

Patterson, Gardner, Discrimination in International Trade The Policy Issues 1945-65, Princeton, N.J: Princeton University Press, 1966.

Palmer, Norman and Perkins, Howard, (ed.), International Relations.
Boston: The Riverside Press Cambridge, 1957.

✓ Ranis, Gustav (ed) The United States and the Developing Economies, an Introduction to a current Issues of Public Policy, New York: W. W. Norton & Company, INC. 1964.

Rockefeller Brothers Fund, Foreign Economic Policy for the Twentieth Century, The "Rockefeller Report" on V. S. International Economic Policy, New York: Doubleday, 1958.

✓ Rostow, W. W. The stages of Economic Growth, A Non-Communist Manifesto, New York: C.V.P. 1967.

Reuber, Grant, Canada's Interest in the Trade Problems Less-Developed Countries, Quebec: Private Planning Association, 1964.

Sawyer, Carole, Communist Trade with Developing Countries: 1955-65.
New York: Praeger, 1966.

Vernon, Raymond, America's Foreign Trade Policy and the GATT, Princeton, N. J.: Princeton University, Oct. 1954.

Vinev, Jacob, International Trade and Economic Development, Oxford: Clarendon Press, 1953.

Well, Sidney, Trade Policies for Britain, London: O.V.P., 1966.

Wilson, Woodrow Foundation, The Political Economy of American Foreign Policy, New York: Henry Holt and Company, 1955.

Seammel

GATT Publications

Trends in International Trade, A Report by a Panel of Experts, Geneva: GATT, October 1958.

Basic Instrument and Selected Documents, Volume III, Geneva: GATT, November 1958.

The Activities of GATT 1959/60, Geneva: GATT, May 1960.

The Activities of GATT 1960/61, Geneva: GATT, April 1961.

The Activities of GATT, 1961/62, Geneva: GATT, July 1962.

The Role of GATT in Relation to Trade Development, Geneva: GATT, March 1964.

The Activities of GATT 1964/65, Geneva: GATT, November 1965. ✓

GATT, Geneva: GATT 1965.

Lacarte, J. A., GATT and the Expansion of Trade of Less-Developed Countries, Geneva: GATT (W-45) INT(66)67 February 1966.

International Trade 1966, Geneva: GATT, 1967.

GATT, Geneva: GATT, 1966.

General Agreement on Tariffs and Trade, Committee on Trade and Development. Session at Punta del Este, Uruguay: January 1967 Statement by Director-General at the Opening Meeting, on 16 January, Geneva: GATT Com, TD/W/44 January 1967.

Review of Kennedy Round Results from the Standpoint of Developing Countries, Geneva: GATT/995 August 1967.

Review of the Work of the Contracting Parties through the Last Two Decades and conclusion of their future work Programme, Geneva: GATT/1012, Nov. 1967.

International Trade Centre, Geneva: GATT/1015, December 1967.

Review of the Twenty-fourth Session of the Contracting Parties to the General Agreement Held at Geneva 9-24 November 1967. Geneva: GATT/1013, December 1967.

Second United Nations Conference on Trade and Development, New Delhi
February-March 1968, Geneva: GATT L/2967 Feb. 1968.

International Trade in 1967: Estimates by the GATT Secretariat,
Geneva: GATT/1023, March 1968.

GATT, Geneva: GATT 1968.

A Short Chronology of Events. Geneva: GATT/100 g, 1968.

GATT in Action, Third Report on the Operation of the General Agreement on
Tariffs and Trade, Geneva: ITO, January 1952.

White, Wynham Eric, The Achievement of the GATT, Geneva: GATT March 1957.

-----, The First Ten Years of the GATT, Geneva: GATT July 1958.

-----, International Trade: Challenge and Response, Geneva,
July, 1959.

-----, Commercial Policies of the Nineteen-sixties, Geneva
GATT, August, 1960

-----, The GATT and Economic Development, Geneva: GATT,
January, 1964.

-----, Cotton Textiles in International Trade, Geneva:
GATT (W. 44) INT(65)641/Rev1 October, 1965.

-----, International Trade Policy -- The Kennedy Round,
Geneva: GATT (W-48) INT(66) 567, October 1966.

-----, The Kennedy Round of Trade Negotiations, Geneva:
GATT (W-51) INT(67)192, July 1967.

-----, Whither GATT? Geneva: GATT/1006, October 1967.

-----, Contemporary Problems of International Economic
Relations, Geneva: GATT (W-55) INT(67)274, December 1967.

Periodicals

- Balassa, Bela, "The Impact of the Industrial Countries' Tariff Structure and their Imports of Manufactures from Less-Developed Areas" Economics, New Series, 34 No. 136 (November 1967).
- Caincross, A. K. "International Trade and Developing Countries", Economica (August 1961)
- Canadian Imperial Bank of Commerce, "General Agreement on Tariffs and Trade (GATT)", Commercial Letter, April 1964, p. 1-8.
- Clayton, William. "GATT, The Marshall Plan and OECD" Political Science Quarterly, 73 (December 1963), 493-503.
- Economist, "GATT Siamese Twin" Economist, Vol. 187, May 10, 1958, p. 508.
- Economist, "Squaring trade Triangles" Economist Vol. 207, May 18, 1963, pp. 680-2.
- Economist, "Inche by Inche; the other half" Economist, Vol. 207, May 25, 1963, pp. 805-6.
- Economist, "Single Trading World" Economist, Vol. 189, October 11, 1958, pp. 118-120.
- Evans, John, "The GATT as an Instrument for Tariff Bargaining" Proceedings of the American Society of International Law, 61st Annual Meeting, Washington, April 27-29, 1967, 141-144.
- Fisher, M. H. "In GATT we trust" Banker, 114, (March, 1964), 151-155.
- Frank, Isaiah, "The Role of Trade in Economic Development", International Organization, XXII, No. 1 (Winter 1968).
- Furth, J. H. "International Development on Monetary Policy", Business Conditions, (October 1964).
- Greenwald, Joseph, "UNCTAD and GATT as Instruments for the Development of Trade Policy", The Proceedings of the American Society of International Law, 61st Annual Meeting, Washington, D.C. April 1967, 155-166.
- Haberler, Gottfried, "Integration and Growth of the World Economy in Historical Perspective", The American Economic Review, (March, 1964)

Hoffman, Michael, "Can GATT survive?", Lloyds Bank Review, (July, 1964).

Jackson, John. "GATT as an Instrument for the Settlement of trade Disputes" The Proceeding of the American Society of International Law, 61st Annual Meeting, Washington, D.C. April 1967, 27-29, 144-155.

Miles, Caroline, "After Kennedy", International Affairs, 44, No. 1 January 1968.

Millikan, Max, "An Introductory Essay" International Organization, XXII, No. 1 (Winter, 1968).

✓ Prebisch, Raul, "Commercial Policy in the Developing Countries", The America Economic Review, (May, 1959).

Subhan, Malcolm, "Developing Gain", Far Eastern Economic Review, 46, (December, 1967), 574-577.

✓ White, Wyndham Eric, "The Evolution of the GATT", Westminster Bank Review, (August, 1958).

-----, "Order in International Trade Relations", National Provincial Bank Review, No. 80, November 1967.

Public Documents

Canada Government, Department of Commerce, Kennedy Round Information Kit.

Canada Government, Department of Commerce, "The Kennedy Round: A detailed Report," Foreign Trade Vol. 128, No. 1.=

Great Britain, Board of Trade, Review of the General Agreement on Tariffs and Trade 9th Session of the Contracting Parties, 1955.

Great Britain, British Information Services, The General Agreement on Tariffs and Trade, (R. 5470/64), 1964.

Great Britain, The Board of Trade, General Agreement on Tariffs and Trade Part IV: Trade and Development Cmd. 2618, March 1965.

United Nations, General Agreement on Tariffs and Trade Volume 1, New York: U.N. (sales No.: 1947. 11. 10-vol. 1) November 1947.

United Nations Conference on Trade and Development, Trade and Development, Trade in Manufacturers, UNCTAD E/CONF 46/141, vol. IV, (New York, 1964)

United Nations Conference on Trade and Development. Trade and Development Policy Statement, UNCTAD E/CONF 46/141, Vol. 11, (New York, 1964).

United Nations Conference on Trade and Development, Trade and Development Trade Expansion, Regional Groupings Part I, UNCTAD E/CONF 46/141, Vol. VI (New York, 1964).

United Nations Conference on Trade and Development, Trade and Development, Final Act and Report, UNCTAD E/CONF 46/141, Vol. I, (New York, 1964).

United Nations Conference on Trade and Development, Trade and Development Commodity Trade, UNCTAD E/CONF 46/141, Vol. III, (New York, 1964).

United Nations Conference on Trade and Development, Trade and Development Trade Expansion, Regional Groupings Part 2, UNCTAD E/CONF 46/141, Vol. VII, (New York, 1964).

United Nations, Yearbook of International Trade Statistics 1965, (New York, U. N., 1966).

United Nations, Statistical Yearbook 1966., (New York: U.N. 1967.)

U. S. Congress, Joint Economic Committee, Foreign Economic Policies for the 1960's, 87th Congress, 2nd Sess., 1962.

U. S. Government, Department of State, Analysis of General Agreement on Tariffs and Trade, Dept. of State Publication 2983, Commercial Policy Series 109, Nov., 1947.

U. S. Government, Staff Papers Presented to the Commission on Foreign Economic Policy February 1954. Washington, D. C.: Government Printing Office, 1954.

U.S. Government, Department of State, The General Agreement on Tariffs and Trade, An Explanation of its Provisions and the Proposed Amendments Dept. of State Publication 5813, Commercial Policy Series 147, 1955.

U. S. Government, Department of State, The Trade Expansion Act of 1962, Dept. of State Publication 7467 Commercial Policy Series 196, December 1962.

U. S. Government, Department of State, Implementing the Trade Expansion Act,, Dept. of State Publication 7554. Commercial Policy Series 198, June 1963.

Unpublished Dissertations

Winham, Gilbert, "An Analysis of Foreign Aid Decision-Making: The Case of the Marshall Plan" Unpublished Doctorate dissertation, Department of Political Science, Chapel Hill, University of North Carolina, 1967.