

RESTRICTED

GENERAL AGREEMENT ON TARIFFS AND TRADE

L/2757
8 March 1967

Limited Distribution

TERRITORIES WHICH ACQUIRE COMMERCIAL AUTONOMY

De Facto Application of the General Agreement

Note by the Director-General

On 18 November 1960 the CONTRACTING PARTIES adopted a Recommendation (9S/16) that contracting parties should continue for a period of two years to apply de facto the General Agreement in their relations with any territory which acquires autonomy in the conduct of its external commercial relations and of other matters provided for in the General Agreement, provided that the territory continues to apply de facto the Agreement to them. On 9 December 1961 the CONTRACTING PARTIES further recommended (10S/17) that this arrangement should be continued for a further year in respect of any territory which so requests. When reviewing the operation of the arrangement annually the CONTRACTING PARTIES have granted many requests for further prolongations and, in some cases, it has been operative for more than six years. Many of the territories to which the arrangement was applied have become contracting parties. It is at present operative in respect of the territories of the following eight countries and a number of other territories may acquire commercial autonomy in the near future:

Date on which autonomy was acquired

Algeria	3 July 1962
Botswana	30 September 1966
Congo (Democratic Republic of)	30 June 1960
Lesotho	4 October 1966
Maldives Islands	26 July 1965
Mali	20 June 1960
Singapore	9 August 1965
Zambia	24 October 1964

It is evident from experience under these Recommendations that many territories which acquire such autonomy require some considerable time to decide upon their future commercial policy and their relations with the GATT. It may be that many, particularly those whose participation in international trade is relatively small, may wish to wait for a rather lengthy period before assuming the full responsibilities which devolve upon contracting parties, but may nevertheless wish to benefit from, and to apply on a reciprocal basis, the provisions of the GATT, and, in particular, the rules for most-favoured-nation treatment. In these circumstances, the contracting parties might wish to consider an arrangement whereby the de facto application of the GATT could be continued without the necessity of addressing communications each year to the governments concerned enquiring whether they had reached a decision as to their future relations with the GATT. Provision could be made for the Director-General to submit a report after three years on the application of the arrangement.

To facilitate consideration of this proposal a draft recommendation is annexed hereto. If considered appropriate, this might be considered in the first instance by the Council of Representatives.

ANNEX

Draft Recommendation

Considering that paragraph 5(c) of Article XXVI of the General Agreement provides that if a customs territory, in respect of which a contracting party has accepted the Agreement, "acquires full autonomy in the conduct of its external commercial relations and of the other matters provided for in the Agreement", such territory may be "deemed" to be a contracting party;

Considering that the CONTRACTING PARTIES have recognized that the governments of territories which acquire such autonomy will normally require some time to consider their future commercial policy and the question of their relations with the General Agreement and that it is desirable that meanwhile the provisions of the Agreement should continue to be applied between such territories and the contracting parties, and accordingly, recommended, on 18 November 1960, that contracting parties should continue to apply de facto for a period of two years, the General Agreement in their relations with any such territory, provided that the territory continued to apply de facto the Agreement to its trade with contracting parties; and

Considering that many such territories have requested repeated prolongations of this arrangement for the de facto application of the Agreement to their trade and that the CONTRACTING PARTIES have granted all such requests;

The CONTRACTING PARTIES

Recommend that contracting parties should continue to apply de facto the General Agreement in their relations with each territory which acquires full autonomy in the conduct of its external commercial relations and in respect of which a contracting party had accepted the Agreement, provided such territory continues to apply de facto the Agreement to its trade with the contracting parties;

Decide that, on the request of any contracting party, they will review the application of this Recommendation in respect of any such territory; and

Request the Director-General to submit at the end of three years from the date of this Recommendation a report on its application