

GENERAL AGREEMENT ON TARIFFS AND TRADE

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Nineteenth Session

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SUMMARY RECORD OF THE TENTH MEETING

Held at the Palais des Nations, Geneva,
on Thursday, 7 December, at 2.30 p.m.

Chairman: Mr. BARBOSA DA SILVA (Brazil)

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1. Programme for expansion of trade (conclusions of Ministers' meeting -
L/1057 and W.19/20)

The CHAIRMAN said that the important meeting of Ministers was still fresh in the minds of contracting parties and that he need not comment upon it. He would therefore proceed forthwith to present to the CONTRACTING PARTIES formally the conclusions of the Ministers so that the CONTRACTING PARTIES could take the necessary consequential decisions and make arrangements to implement the ministerial suggestions. He had already circulated proposals on these points and he suggested therefore that the meeting should proceed to deal with them one by one. However, before doing so he thought it appropriate to express the sense of encouragement which he, and he was sure all his colleagues, derived from the ministerial discussions. A new impetus had been given to the programme for trade expansion and it was now up to the CONTRACTING PARTIES to fulfil the high hopes to which the ministerial meeting had given rise. The difficulties involved were serious and complex and would require all their efforts before they overcame them.

Finally, he hoped for one quite important psychological result from these important events. There had been evident in recent years in the work of the CONTRACTING PARTIES a certain element of bitterness, not perhaps altogether unexpected in view of the difficult times in which they lived and the important interests at stake in their work. In the Ministers' meeting there had been

evidence of a high degree of consciousness of their mutual interdependence, and a firm resolve to treat their problems in common and to find solutions and accommodations in a spirit of mutual comprehension and not of national egoism. He was confident, therefore, that as they went ahead together, it would be with a sense of harmony and common purpose which would dominate the frictions to which he had referred.

The Chairman proposed that delegations consider the Ministers' conclusions as set out in document L/1657 and the proposals for implementing these conclusions which had been distributed in document W.19/20.

(a) Procedures for tariff reduction

The CHAIRMAN said the first point to be considered was the appointment of a Working Party on Procedures for Tariff Reduction. He enquired whether the terms of reference set out in paragraph 1 of W.19/20 were acceptable to the CONTRACTING PARTIES.

Mr. CARNEIRO (Brazil) recalled that it had been said by his Minister during the meeting of Ministers, that Brazil was not at present in a position to enter into negotiations for further reductions in its tariff schedule. His Government however, wished to take part in the Working Party since it felt that it could make a definite contribution on tariff reduction from the point of view of a less-developed country which was in the course of economic development.

Mr. JOSHI (India) said that his delegation accepted the Chairman's suggestion on the Working Party and its terms of reference. The Working Party itself would work out detailed proposals. He presumed that the Council would review the progress made in this connexion with a view to ensuring that timely decisions were taken. He hoped that his delegation would take part in the Working Party, and in particular assist in the examination of the question of applying the new procedures to the less-developed countries.

Mr. AHMAD (Pakistan) said that the proposal contained in document W.19/20 was acceptable to his delegation in so far as it referred to the question of the establishment of a Working Party. It had been the experience of his delegation that the less-developed countries had obtained very little advantage from previous tariff negotiations, particularly from the last round of negotiations. He expressed the view that the Working Party, when it met, should keep this question foremost in its mind. The main problem which had been mentioned by the Minister for Pakistan and by other Ministers was that while they were willing to accept the general principle that these negotiations should offer advantages to all the participating contracting parties, and should therefore entail the granting of benefits by all, it was necessary to pay due attention to both the special development and revenue needs of the less-developed countries. The views of most of these countries on the strict application of the principal supplier rule and on non-flexibility of reciprocity were already well known. These factors made it difficult for them to hold fruitful negotiations with industrialized countries. The general view of the less-developed countries had been presented in document MIN/2. He expressed the hope that the Working Party would take

paragraphs 4 to 8 of this document into account when it started its work and that it would also have due representation of the less-developed countries.

The CHAIRMAN pointed out that the words "in the light of the discussions which took place during the meeting of Ministers" in the terms of reference and a balance in representation on the Working Party would ensure that the points of view of the less-developed countries would be duly taken into account.

Mr. MARTINS (Austria), referring to the terms of reference of the Working Party, suggested that the words "in accordance with the terms of the General Agreement" should be added. This would, he said, be in full conformity with the conclusions of the meeting of Ministers.

Mr. JOSHI (India) said that if the interpretation of the Chairman and of the Executive Secretary was that this change did not qualify the conclusions of the Ministers and the discussions, his delegation had no objections to the insertion of the words suggested by the representative of Austria.

The CHAIRMAN said that the proposal of the representative of Austria seemed to be acceptable and asked if the following terms of reference were agreed:

"In the light of the discussions which took place during the meeting of Ministers from 27-30 November 1961 and taking particular account of the conclusions (L/1657) reached by the Ministers, to examine new procedures and techniques for the further reduction of tariff barriers on a most-favoured-nation basis in accordance with the terms of the General Agreement."

The terms of reference were adopted.

The CHAIRMAN proposed the following composition for the Working Party:

Chairman: Mr. R.Y. Grey (Canada)

Members:

Austria	Japan	Switzerland
Brazil	Nigeria	South Africa
Canada	Pakistan	United Kingdom
3 members of the EEC	Peru	United States
India	Sweden	Uruguay

The Commission of the EEC would participate in the work of the Working Party.

Mr. GARCIA OLDINI (Chile) enquired whether other contracting parties would be able to participate in this Working Party and not merely follow the proceedings.

The CHAIRMAN confirmed this.

The composition of the Working Party was approved.

(b) Trade in agricultural products

The CHAIRMAN referred to document W.19/20 and enquired whether the suggestions put forward in paragraph 2 were acceptable to the CONTRACTING PARTIES.

Mr. GARCIA OLDINI (Chile) noted that the terms of reference of the Working Party on Procedures for Tariff Reductions commenced with the wording "in the light of the discussions which took place during the meeting of Ministers ..." whereas the proposals for the implementation of the conclusions with regard to trade in agricultural products contained no such wording.

The EXECUTIVE SECRETARY said that there were two reasons why there was some slight difference in drafting. The main reason was that, in view of the delicacy of this question and its importance, it was suggested to keep as closely as possible to the exact words used in the ministerial communiqué which were in fact very carefully chosen. The second reason was that, whereas in the case of the tariff discussions there was a fairly specific direction given by the Ministers, the discussions in the field of agriculture were very much more exploratory in character and indeed the whole emphasis was that the pilot group of countries, which would be taking upon themselves the responsibility of examining and making suggestions, should explore all possibilities and not only the specific suggestions which were discussed in the course of the ministerial meeting. Whilst he agreed that it was both proper and inevitable that the group would take very careful account of what was said in the ministerial meeting, there was, he thought, a slight danger that to introduce these words here might have a limiting effect.

Mr. GARCIA OLDINI (Chile) said that he understood the Executive Secretary to say that nothing was to be excluded from the discussion. He therefore accepted the text as it was.

Mr. SKAK-NIELSEN (Denmark) pointed out that he saw nowhere that the working parties were to report to the CONTRACTING PARTIES on their findings, but he took it, from what the Executive Secretary had said, that that was the intention.

The CHAIRMAN said that document W.19/20 had envisaged that the progress of the work would be supervised and co-ordinated through the GATT Council of representatives. The Chairman proposed that the suggestions put forward in document W.19/20 regarding trade in agricultural products be adopted.

This was agreed.

(c) Obstacles to the trade of less-developed countries

The CHAIRMAN proposed that the CONTRACTING PARTIES adopt formally the Declaration annexed to the Ministers' conclusions in document L/1657 as a basis for their future work in this field.

The Declaration was adopted.

Mr. EMMEL (Federal Republic of Germany), speaking on behalf of the member governments of the EEC, said that they agreed to the suggestions put forward by the Chairman for the implementation of the Ministers' conclusions. Their Ministers had already clearly put forward the point of view of the Community. Referring to the expansion of trade of the less-developed countries, he said that the future work of Committee III could be based on the conclusions of the meeting of the Ministers. He said that attention should be drawn to the need for continuing studies which had been undertaken on the disruption of markets. This task was of great importance for any reasonable study on the expansion of world trade. He believed that it could be suggested that the Executive Secretary should study the possibility of submitting a report on the subject matter to the next meeting of the Council.

Mr. SOMMERFELT (Norway) said that as there now seemed to be agreement that Committee III should be given this important task, he wondered if there was a possibility that its membership could be extended or if other countries could take a part in its meetings in the manner agreed upon in the case of the Working Party on Procedures for Tariff Reduction.

The CHAIRMAN confirmed that any interested contracting party would be able to participate in the work of Committee III.

Mr. SOMMERFELT (Norway) said that this suggestion would be acceptable. If the suggestion which had been made by the representative for the Federal Republic of Germany was taken up, his country as a member of the Committee on Market Disruption could take part, indirectly at least, in the work of Committee III.

Mr. ARKAAH (Ghana) said that the duty free entry of tropical products should be given careful consideration. Tropical products could be divided into two types: traditional products and certain simple manufactures. He asked whether internal charges on traditional products would also be subject to consideration.

The EXECUTIVE SECRETARY said that the terms of reference which had been adopted were very closely based, for reasons which would be apparent to all those who had taken part in the discussions during the ministerial meeting, upon the phraseology employed in the ministerial communiqué. The present reference was to a specific proposition formulated by Nigeria. The question to which the delegate for Ghana had referred, that of internal taxes on tropical products, was a matter which was within the current mandate of Committee III. What was given here were additional directions to Committee III, but they did not in any sense limit the existing directives or work programme of Committee III.

Mr. CARNEIRO (Brazil) asked why in paragraph 3(ii) the first meeting of Committee III which it was proposed to hold before the Council meeting, was described as "short". He also pointed out that a space of time of about one month had been allowed between the conclusion of the Council's meeting in February and a further meeting of the Committee.

The EXECUTIVE SECRETARY said that the question posed by the delegate for Brazil provided a suitable opportunity for some explanation to be given of the time-table which was suggested in paragraph 3 of document W.19/20 for the work of Committee III, in so far as it related to the implementation of the Declaration. In this rather difficult matter, it had been felt that the CONTRACTING PARTIES would have to make a judgment between what might be called "haste" on the one hand and "speed" on the other. Undue haste in dealing with this matter might be contra-productive in terms of the speed of getting constructive results. The Declaration had been generally recognized as of paramount importance and, if it was to be anything more than a reaffirmation of principles and was to form the basis for specific action and programmes, it was a matter which, quite clearly, would have to receive the most careful and active attention by governments. It had, therefore, been suggested that a certain amount of time should elapse between now and the next meeting of Committee III during which governments would be able to take full account of the implications of the Declaration in terms of national policies. When that had been done, it had been felt that it would be reasonable to expect that individual governments would have positive and specific suggestions to make to Committee III. This, on the face of it, might lead one to conclusions that the first meeting of Committee III should, as the delegate for Brazil suggested, be a rather long one, but his own feeling was that if, as indeed it must be hoped, that there were significant, important and specific suggestions put forward by governments, these would need very careful study by all the governments who were participating in Committee III and then a deliberate and careful consideration by the Committee itself. That was the reason why it had been suggested that a meeting should be contemplated at about the time of the Council meeting. That date had also been chosen because of the burden which the duplication of meetings represented for the less-developed countries.

At that meeting the aim should be to establish a carefully considered programme of work in the light of the specific suggestions which had been put forward. For the reasons given, he thought it was doubtful whether a lengthy and detailed consideration of the actual proposals would be possible as early as the date of the first meeting proposed. The Committee was more likely to have a really substantial programme which would ensure a truly significant advance, if a programme for discussion could be agreed upon in the course of February. It would then be possible to devote the amount of time which was necessary to embark upon a serious examination and, one would hope, to reach agreement on specific measures in the course of the meeting which had been suggested for the early part of the **spring**. If the programme was to be of the important and significant nature which apparently Ministers had in mind, then he thought that it would be worth while proceeding with the deliberation and thoroughness which was implied in the proposals.

Mr. JOSHI (India) welcomed the proposals put forward in paragraph 3 of document W.19/20 and the Executive Secretary's statement on the underlying reasons for these. Sufficient time should be taken because of the great importance which the less-developed countries would attach to the meeting. He recalled that India had proposed that the Ministers should meet and had emphasized the supremacy of GATT in the field of international trade.

It seemed to his delegation that Committee III could effectively function using the conclusions of the meeting of Ministers as a starting point. The work would be difficult and would require the full co-operation of the industrialized countries. The representative of the EEC had made some observations to-day; he hoped that they did not detract in any way from the conclusions of the Ministers which were now formally adopted. There was evidence of the increasing strength of the industrialized countries and especially of the EEC whereas the economies of the less-developed countries were more or less stagnant. His delegation would like to see the Committee working with the co-operation of the industrialized countries against this background. In less than three years the EEC would have lowered tariffs between themselves by 50 per cent. Would it be too much to ask for the same reductions to be made on the import trade of the EEC? With all good intentions, the factors which conspired against the growth of international trade might prove too strong. He referred to reports that specific duties might be applied to imports of simple manufactures by the EEC and expressed the hope that these reports were not correct. He concluded by expressing the hope that the work of Committee III in the next few months would see a step forward in the development of international trade.

Mr. TENNEKOON (Ceylon) said that his delegation supported the proposal of the Chairman on this matter but would like to see the word "short" eliminated from paragraph (ii). Committee III itself should be competent to decide on the length of this meeting. The terms of reference of Committee III would, he thought, have to be expanded in view of the present conclusions.

The gap between the living standards of the less-developed and the industrialized countries must be reduced. It had been said at the ministerial meeting that prosperity was indivisible. With the co-operation of all contracting parties, his delegation was sure that the aims of contracting parties would be reached and the bitterness, to which the Chairman had referred, would be removed.

Mr. GARCIA OLDINI (Chile) said that the highly industrialized countries should participate more actively in the work of Committee III. The world was split between the rich and the poor. It was the purpose of that Committee to lessen this gap through the liberalization of trade. This would, he acknowledged, entail efforts on the part of industrialized countries. The less-developed countries received financial aid from industrialized countries but were, on the other hand, hampered from receiving their share of international trade. The poor remained poor while the rich became richer and the gap, therefore, became greater. It was impossible for the less-developed countries to continue in this situation. It was, he said, up to industrialized countries to accept in whole or in part, the suggestions of the less-developed countries. It was particularly necessary, therefore, for the industrialized countries to co-operate more actively in the work of Committee III.

Mr. AHMAD (Pakistan) expressed his agreement with the statement of the Executive Secretary and said that his delegation appreciated the distinction between haste and speed. It was also necessary to take into account that what was needed was a change in commercial policy, especially in the industrialized countries. The co-operation of these countries was of paramount importance for any progress that Committee III would be able to make. He wished to underline the fact that when the Ministers had discussed these problems, there was general agreement that the problem was one of the most important which faced the GATT and one which called for speedy action. Since this kind of agreement had existed among the Ministers his delegation hoped that the co-operation necessary from highly industrialized countries would, in future, be forthcoming in Committee III.

The proposal before the meeting and the remarks of the Executive Secretary led him to believe that the Committee should embark on specific programmes. He expressed the view that while it would be a help to consider suggestions, it would not be necessary for the Committee, considering the elaborate data which it had before it, to wait for specific suggestions. Serious barriers existed to the exports of less-developed countries. On this type of problem the Committee could take some decisions and start consultations with the governments concerned. He did not want to see the work of Committee III interrupted while it waited for specific proposals.

The CHAIRMAN said that the point raised by the delegate for Pakistan seemed to be taken care of by the terms of reference of Committee III itself, and here he referred to the remarks of the Executive Secretary. He said that the concern shown by the delegate for Pakistan would, no doubt, act as an additional incentive.

Mr. EVANS (United States) expressed the hope that the Chairman's remarks had been an adequate answer to the delegate for Pakistan. In order, he said, to avoid later misunderstanding, he recalled that his Government had put forward the proposal that a declaration on this subject should be made by the Ministers and its adoption at ministerial level be approved. It was worthless if Ministers did not now attempt to find out how they could decide upon the necessary decisions. The obtaining of such decisions was not easy and quick. There was little time before the Council meeting. While it would be possible for the representative of the United States to attend a meeting of Committee III at any time, if the meeting were held too early it might frustrate the action which they were all seeking. He concluded by urging the less-developed countries not to attempt too hasty action.

Mr. ARKAAH (Ghana) said that his delegation would like to support in principle the proposals which had been put forward in document W.19/20. He asked whether the Committee was to bring forward a plan for progressive reduction and elimination of barriers to the exports of less-developed countries, or was to consult with individual industrialized countries and draw up specific time-tables for the progressive reduction of these barriers to trade, or whether the Committee was to ask the countries which applied these barriers to notify the Committee as to what plan they had for the elimination of these duties, and then decide whether or not that plan was acceptable.

Mr. FARINDE (Nigeria) said that he appreciated the point made by the delegate for the United States. His delegation wished, however, to point out that the special report of Committee III had been written because very little progress had been made and appealed to the industrialized countries to take speedy action. He expressed appreciation of the overwhelming support for duty-free entry of tropical products which had been shown at the ministerial meeting and was sure that Committee III would take this problem in its stride.

The EXECUTIVE SECRETARY said that some care had been taken in drafting the specific terms of reference in part 3 of the paper to avoid any suggestion that what was under discussion annulled, took over, or curtailed the general terms of reference of Committee III. The Committee must continue to fulfil its long-term programme. What the present paper suggested, was that, in accordance with the indications given by Ministers, urgent attention should be given to certain specific lines of action and particularly to those contained in paragraph (a) in part 3 of the paper and that Committee III, in addition to its general functions in this field, would be the appropriate body to undertake the tasks described. The Committee would take into account, he thought, specific and constructive proposals which might be made by individual governments but this, he repeated, would be without prejudice to the broad and continuing programme which had been entrusted to Committee III as part of the long-term programme of trade expansion. He felt, therefore, that it would be useful to underline the point already made, that it was not suggested that Committee III should limit its attention or to delay progress or its action until any particular or specific suggestions were made to it, but on the contrary, that early in the new year it should hold this meeting in order to make a programme on the broadest possible basis, giving in particular, however, a priority to the matters which had been referred to the CONTRACTING PARTIES by the Ministers.

The CHAIRMAN enquired whether the suggestions put forward in paragraph 3 of document W.19/20 were approved, subject to the deletion of the word "short" from sub-paragraph (ii).

The proposals were adopted.

2. Application of Article XXXV to Japan

The CHAIRMAN recalled that the report of the Working Party in document L/1545 on the review of the application of Article XXXV with respect to Japan had been presented and discussed at a meeting of the CONTRACTING PARTIES on 24 November. At the conclusion of the discussions, the representative of Japan had said that his delegation would have further discussions with other delegations, and he had requested that the CONTRACTING PARTIES should come back to this question after the ministerial meeting.

Mr. AOKI (Japan) said that his delegation had noted with thanks the understanding and sympathy which a number of Ministers had shown at the Ministers' meeting; the announcement which had been made by the Minister of Tunisia that his country was disinvoking Article XXXV vis-à-vis Japan was particularly welcomed.

In view of the fact that there had not been enough time for the CONTRACTING PARTIES to reflect on the discussions and the conclusions of the Ministers' meeting, it would not be practical or advisable to urge the CONTRACTING PARTIES to arrive at a conclusion at this session. Therefore, his delegation wished only at this stage to request the CONTRACTING PARTIES to adopt the report of the Working Party as a whole and the "general considerations" in their context as "the recommendations" of the CONTRACTING PARTIES in accordance with the provisions of paragraph 2 of Article XXXV.

In expectation of the further development of this problem, the Japanese delegation would like to suggest that the countries concerned, including Japan, be invited to submit a report on the development and the action, if any, in respect of this problem either to the CONTRACTING PARTIES in spring next year, or, if there were no spring session, to the Council. The future course of the review could then be decided.

The solution of this problem was particularly urgent now that Japan was carrying out an accelerated liberalization programme in conformity with the recommendations by the CONTRACTING PARTIES and the International Monetary Fund. He concluded by expressing the hope that the countries concerned would give most careful and serious consideration to the report of the Working Party, as well as to the conclusions of the Ministers' meeting, so that a final solution of this issue could be reached at the earliest possible time.

Mr. LATIMER (Canada) said that the position of his delegation was well-known. He supported the procedures which had been proposed by the delegate for Japan.

Mr. EVANS (United States) said that it was hardly necessary to repeat the statement which had been made by the Under Secretary of State for Economic Affairs at the Ministers' meeting. He supported the procedures which had been proposed by the representative of Japan.

Mr. JOSHI (India) said that his delegation supported the proposal of the representative of Japan. It had been evident at the ministerial meeting, he said, that there was fairly full support for disinvocation of Article XXXV, a course which his delegation had supported all along.

Mr. AHMAD (Pakistan) said that the position of his delegation was also well known and that they supported the proposal of the representative for Japan.

Mr. MARTINS (Austria) recalled that his country invoked Article XXXV. Notwithstanding this, facilities had been granted by his Government in order to admit imports from Japan to an extent which could be regarded as considerable with relation to the possibilities of his country. He added that talks were envisaged at government level in order to improve the terms of mutual trade.

Mr. FARINDE (Nigeria) said that the position of his delegation was well known. Satisfactory progress had been reached in talks with the Japanese Government. He concluded by supporting the Japanese proposal.

Mr. CORKERY (Australia) said that the representative for Japan had pointed to an important factor which was the limited amount of time that there had been since the discussion in the CONTRACTING PARTIES on the Working Party's report and since the adoption of the conclusions of the ministerial meeting.

The best way to leave the matter at the moment, he said, was to adopt the Working Party's report and to take note of the conclusion of Ministers. The implications of the Japanese proposal were not clear. If this was an invitation by the Japanese delegation for countries to report action, if any, there would be no difficulty. If however, the CONTRACTING PARTIES were being asked to set up further procedural machinery which involved some kind of obligation, this, in the opinion of his delegation, would be moving too quickly.

Mr. AOKI (Japan) said, in response to the Australian delegate, that he had invited countries to submit a report, if any. It was not the intention of his delegation to try to create new machinery.

Mr. TENNEKOON (Ceylon) supported the Japanese proposal.

The Working Party report as a whole was adopted, and it was agreed to maintain on the agenda the question of the review of ~~the~~ application of Article XXXV to Japan. The Council was instructed to follow the development of this question in the light of any reports made by countries concerned.

3. Relations with Yugoslavia

The CHAIRMAN recalled that the second annual review under Section C of the Declaration of 25 November 1959 had been conducted by the Working Party which was appointed earlier in the session. The Working Party's report had been distributed in document L/1664.

Mr. SKAK-NIELSEN (Denmark), who had acted as Chairman of the Working Party, said that discussions had been concentrated upon the important steps which had been taken by the Yugoslav Government during the past year with a view to liberalizing foreign trade and simplifying the exchange system. A new but provisional tariff had been introduced and was now applicable to all commercial imports. The system of import and export controls had been simplified and liberalized, and the previous multiple exchange rates together with the system of import and export coefficients had been abolished. To take care of transitional difficulties arising from the abolition of the multiple exchange rates and the export coefficients certain measures of export subsidization had been retained. The Yugoslav delegation had stated, however, that these measures would be gradually eliminated. The Working Party had welcomed the important steps taken by the Yugoslav Government with a view to liberalizing foreign trade and simplifying the exchange system, although it had agreed with the Yugoslav delegation that a full evaluation of the impact of these steps could not be made before a later date.

The Working Party had also expressed the hope that the process thus initiated would be continued and that further steps in the same direction would be taken, thereby bringing the Yugoslav trading system into closer conformity with the GATT.

The Working Party had noted that, in accordance with the provisions of paragraph 3 of Part D of the Declaration of 25 May 1959, the CONTRACTING PARTIES would be required, in the course of the third annual review, to consider whether the present arrangement on relations between contracting parties and Yugoslavia could be terminated, modified or continued. The Working Party had considered, therefore, that it would be necessary for the third review to be more detailed than the previous ones. During that review a detailed examination of the extent to which contracting parties applied the General Agreement to Yugoslavia as well as the organization of the Yugoslav trading system, would also be called for. The Working Party had, therefore, felt that more time should be allowed for that review so that the important question of the future position of Yugoslavia in relation to the GATT could be adequately examined. With this in view, the Working Party suggested to the CONTRACTING PARTIES that the Council be instructed to take up this matter well in advance of the 1962 autumn session of the CONTRACTING PARTIES, at which the third review would presumably be concluded.

In conclusion, Mr. Skak-Nielsen thanked all those connected with the presentation of the report, especially the representatives of Yugoslavia.

Mr. L'ITIMPE (Canada) expressed his appreciation to the Yugoslav delegation for the way in which they had responded to the many questions posed by the Canadian delegation.

Mr. MARTINS (Austria) said that his delegation had followed closely the work of the Working Party. His Government would take full note of the report. They were highly desirous of developing trade with Yugoslavia.

Mr. MALHUR (India) said that he was glad to note from the Working Party's report the very substantial progress which had been made by the Government of Yugoslavia in simplifying its exchange structure and its trade controls. It seemed to his delegation that as a result of these changes the trading system of Yugoslavia had become much more closely adapted to the full application of the GATT rules and principles between Yugoslavia and other contracting parties. He agreed with the suggestion that necessary arrangements should be made by the Council with a view to ensuring a definitive review between the relations of Yugoslavia and other contracting parties at the next session. He was confident that as a result of this view the CONTRACTING PARTIES would be able to agree to a much closer relationship with Yugoslavia, including the latter's full accession to the General Agreement.

Mr. PARBONI (Italy) said that in the view of his delegation the measures thus far adopted by the Government of Yugoslavia in the field of international trade regulations represented a great step forward. He was convinced that later improvements towards reforming its own legislation would make it possible to improve substantially the provisional arrangements which governed the relationship between Yugoslavia and the CONTRACTING PARTIES.

Mr. KRUNIC (Yugoslavia) said that the improvements which had been made by his country towards fulfilling its obligations under the Declaration of 25 May 1959, had been made feasible by social and economic evolution in his country. These factors made it possible to liberalize external trade, and in view of the firm determination of his Government to proceed in this field, he was quite optimistic on the outcome of the third review. Future improvement would depend not only on what was done by his Government, but also on the action of Yugoslavia's trade partners. He concluded by expressing the hope that the third review would make it possible for them to see their way more clearly, not only to a closer relationship between Yugoslavia and the CONTRACTING PARTIES, but also towards better trade relations between Yugoslavia and the signatory countries of the Declaration of 5 May 1959.

The CHAIRMAN pointed out that the Working Party had noted in paragraph 20 of its report that the third review, to be conducted next year, would include consideration of the question whether the present arrangement should be "terminated, modified or continued". The Working Party had recommended that the Council should undertake preparations for this review, which would be conducted at the autumn session next year.

The Working Party's report was adopted.

The meeting adjourned at 4.30 p.m.