

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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CONTRACTING PARTIES
Fourteenth Session

RELATIONS WITH YUGOSLAVIA

Draft Report of the Working Party

1. The working party was appointed at the thirteenth session to consider the terms on which the Government of Yugoslavia might be brought into closer association with the CONTRACTING PARTIES and the advisability of further study on the possible development of such an arrangement into full participation in the General Agreement. The terms of reference and composition of the Working Party are set out in L/926. The working party met during the week commencing 16 March and again during the fourteenth session and submits this report for consideration by the CONTRACTING PARTIES.
2. In its deliberations, the working party took into account the information contained in memoranda submitted by the Government of Yugoslavia on the Status of Yugoslav Economic Organizations (L/961) and on the Foreign Trade and Exchange Systems in Yugoslavia (L/962). As provided in its terms of reference, the working party consulted with representatives of the Yugoslav Government; a number of questions concerning Yugoslavia's economic structure and foreign trade were put to the representatives of Yugoslavia and helpful answers were received. These questions and answers will be distributed as an addendum to this report.
3. The working party based its deliberations on the unanimity of views expressed at the thirteenth session that the Government of Yugoslavia should be brought into closer relationship with the CONTRACTING PARTIES. Further, the deliberations were based on the statement by the representative of Yugoslavia that his Government was not at present in a position to assume all the obligations involved in accession, but hoped to develop its existing policies in order that it would eventually be able to assume full GATT obligations and thus to apply for accession under Article XXXIII.
4. Among the members of the working party there was common agreement that the arrangement should be based on reciprocity and mutual advantage with a view to achieving an equitable balance of rights and obligations as envisaged in the provisions of the General Agreement, and that it should be a transitional stage until Yugoslavia was in a position to apply for accession under Article XXXIII.
5. In endorsing the recommendations in this report, the working party would point out that the ability of the provisions of the GATT to ensure between contracting parties, with due allowance for the needs of countries in balance-of-payments difficulties and in course of development, an equitable balance of rights and obligations depends on the existence of conditions for meaningful application of the GATT provisions. The basis for this is that, in the absence of specific

justification for quantitative restrictions under the provisions of the General Agreement, manufacturers and traders of any contracting party should be able to compete with local producers in the markets of other contracting parties with local producers as well as with outside suppliers, over the whole range of goods they might wish to try to sell, without quantitative limitation in any form and subject only to the levy of a tariff or other charge applied consistently with GATT provisions. The working party has made its recommendations in the belief that these considerations are appreciated by the Government of Yugoslavia.

6. In view of the provisions of paragraph 3(b) of Part II of the draft declaration, it is expected that the Government of Yugoslavia will submit to the CONTRACTING PARTIES such reports and notifications as contracting parties are required to submit under the provisions of the General Agreement and that these will be taken into account in the annual reviews provided for in Part III of the draft declaration.

7. A draft decision and declaration are annexed to this report. These drafts provide for the participation of Yugoslavia in the work of the CONTRACTING PARTIES and for the establishment of commercial relations between Yugoslavia and those contracting parties which sign the declaration, to as great an extent as possible on the basis of the provisions of the General Agreement. The working party proposes that the declaration be opened for acceptance by contracting parties and also by Cambodia and by Switzerland and any other governments which accede provisionally to the General Agreement. The draft decision and declaration, as well as the questions and answers referred to above, are to be considered as integral parts of this report.

ANNEX

Draft Decision on Relations with Yugoslavia

The CONTRACTING PARTIES

CONSIDERING that the Government of Yugoslavia has stated that it desires to enjoy the benefits and advantages of the General Agreement on Tariffs and Trade and with this in view to undertake as soon as possible the obligations under the General Agreement and to seek accession pursuant to Article XXXIII;

CONSIDERING that the Government of Yugoslavia, however, is not at present in a position to assume all the obligations involved in accession to the General Agreement;

NOTING the desire of the Government of Yugoslavia to develop its existing policies so as to enable it increasingly to assume the full obligations of the General Agreement and thus to create a basis for the consideration of an application for accession under Article XXXIII, and

DESIRING meanwhile to establish closer trading relations with Yugoslavia on a reciprocal and mutually advantageous basis:

DECIDE

A. To open the following Declaration for acceptance by Yugoslavia and by contracting parties to the General Agreement:

DECLARATION ON RELATIONS BETWEEN CONTRACTING PARTIES TO
THE GENERAL AGREEMENT ON TARIFFS AND TRADE
AND THE GOVERNMENT OF YUGOSLAVIA

I.

THE GOVERNMENT OF YUGOSLAVIA HEREBY DECLARES

1. (a) that it will take as a basis for its commercial relations with the other parties to this Declaration the objectives of the General Agreement and to the extent compatible with its current economic system will apply the provisions of the General Agreement;

- (b) that it recognizes that the development of mutually advantageous trading relationships depends upon the achievement of an equitable balance of rights and obligations as envisaged in the provisions of the General Agreement;
- 2.
- (a) that it will give sympathetic consideration to any representations which may be addressed to it by any other party to this Declaration concerning the implementation of the undertaking contained in paragraph 1 above and will be prepared to enter into consultations concerning such representations;
 - (b) that, if such consultations do not result in a settlement satisfactory to such party, it agrees to the matter being referred to the CONTRACTING PARTIES for their opinion and advice;
 - (c) that it will take part in any discussions which the CONTRACTING PARTIES might initiate when they are called upon by another party to give an opinion or advice on the grounds that bilateral consultations undertaken at the request of the said party had not resulted in a satisfactory settlement being reached;
3. that it will endeavour, in the development of arrangements affecting its commercial policies, to move progressively toward a position in which it can give full effect to the provisions of the General Agreement.

II.

THE PARTIES TO THE PRESENT DECLARATION OTHER THAN YUGOSLAVIA, HEREBY DECLARE

- 1.
- (a) that they will take as a basis for their commercial relations with Yugoslavia the objectives of the General Agreement;
 - (b) that, to the extent that Yugoslavia, pursuant to paragraph 1 of Part I, accords the treatment provided for in the General Agreement, they will accord to Yugoslavia such treatment as will achieve an equitable balance of rights and obligations as envisaged in the General Agreement;
- 2.
- (a) that they will give sympathetic consideration to any representations which may be addressed to them by the Government of Yugoslavia concerning the implementation of the undertaking contained in paragraph 1 above and will be prepared to enter into consultations concerning such representations;
 - (b) that, if such consultations do not result in a settlement satisfactory to Yugoslavia, they agree to the matter being referred to the CONTRACTING PARTIES for their opinion and advice;

- (c) that they will take part in any discussions which the CONTRACTING PARTIES might initiate when called upon by Yugoslavia to give an opinion or advice on the grounds that bilateral consultations undertaken at the request of Yugoslavia had not resulted in a satisfactory settlement being reached;
3. that they will request the CONTRACTING PARTIES
- (a) to take note of this Declaration;
 - (b) to invite the Government of Yugoslavia to take part in the work of the CONTRACTING PARTIES; and
 - (c) to undertake the functions set out in paragraphs 2(b) and (c) of Part I and in paragraphs 2(b) and (c) above.

III.

The parties to this Declaration agree to request the CONTRACTING PARTIES to review each year the development of their mutual relations on the basis of this Declaration as well as the possibilities of further progress towards the full application of the provisions of the General Agreement.

IV.

When this Declaration has been approved by the CONTRACTING PARTIES by a two-thirds majority it shall be opened for acceptance, by signature or otherwise, by Yugoslavia, by contracting parties to the General Agreement, by Cambodia and by Switzerland and any other governments which accede provisionally to the General Agreement. This Declaration shall enter into force when it has been accepted by Yugoslavia and by a number of contracting parties representing no less than two-thirds of the governments which are then parties to the General Agreement and the territories of which account for $\left[\quad \right]$ per cent of the total external trade of the territories of the contracting parties. In the course of the third annual review, pursuant to Part III, the CONTRACTING PARTIES shall consider whether the arrangement shall be terminated, modified or continued.

V.

The Government of Yugoslavia or any other party to this Declaration shall be free to withdraw from this arrangement subject to sixty days written notice being given to the Executive Secretary of the CONTRACTING PARTIES to the General Agreement. If Yugoslavia should withdraw from this arrangement, the Declaration shall lapse and any arrangements made by the CONTRACTING

PARTIES shall cease to be valid. If a party to this present Declaration other than Yugoslavia should withdraw from this arrangement, the sole effect of such withdrawal shall be to terminate the undertakings entered into by such party in respect of Yugoslavia and to terminate the undertakings entered into by Yugoslavia in respect of such party under this Declaration.

VI.

This Declaration shall be deposited with the Executive Secretary of the CONTRACTING PARTIES to the General Agreement.

The Executive Secretary of the CONTRACTING PARTIES to the General Agreement shall promptly furnish a certified copy of this Declaration, and a notification of each acceptance thereof, to each government to which this Declaration is open for acceptance.

Done at Geneva, this day of , one thousand nine hundred and , in a single copy, in the English and French languages, both texts authentic.

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B. From the date of entry into force of the Declaration, to invite the Government of Yugoslavia to participate in sessions of the CONTRACTING PARTIES and of subsidiary bodies established by the CONTRACTING PARTIES.

C. To accept such functions as are necessary for the operation of the Declaration after it has entered into force.

This Decision shall take effect when approved by no less than two-thirds of the contracting parties and shall continue in effect subject to the provisions of Parts IV and V of the Declaration.