1. The Working Party was appointed at the Thirteenth Session to consider the terms on which the Government of Yugoslavia might be brought into association with the CONTRACTING PARTIES and the advisability of further study on the possible development of such association 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 submits this Report for consideration by the CONTRACTING PARTIES at their Fourteenth Session.

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 instructed 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 to all contracting parties.

3. The Working Party based its deliberations on the unanimity of view expressed at the Thirteenth Session that the Government of Yugoslavia should be brought into association 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 association should be based on reciprocity and mutual advantage and that it should be a transitional stage until Yugoslavia was in a position to apply for accession under Article XXIII. Several representatives desired that the association should bring about a meaningful relationship based upon precise obligations, arising from the provisions of the General Agreement, which the Government of Yugoslavia might feel able to assume at the present time. Some other representatives, on the other hand, preferred a loose form of association without any specific definition of rights and obligations.

5. The Working Party examined these various points of view and felt that there was a possibility of compromise. In the limited time available, however, it was not practicable to prepare a definitive text to give effect to this compromise. The Working Party, therefore, instructed the Executive Secretary, to prepare a draft decision which would 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 might sign the declaration, to as great an extent as possible, on the basis of the provisions of the General Agreement. This draft will be distributed by the Executive Secretary to all contracting parties as an addendum to this Report and the Working Party hopes that this will provide the basis for definitive consideration of the Yugoslav Government's request at the Fourteenth Session. In connexion with this proposal the representative of Yugoslavia indicated that if the text made no reference to Article XVIII the Yugoslav Government would find it necessary as a pre-condition of its acceptance of any arrangement that the CONTRACTING PARTIES should determine Yugoslavia's eligibility to avail itself of the facilities of Sections A, B and C of Article XVIII.