NOTE SUBMITTED BY THE DELEGATION OF YUGOSLAVIA

I. Appreciating the importance of the General Agreement on Tariffs and Trade as an instrument of international trade co-operation, and desiring to strengthen through this Organization its ties with the CONTRACTING PARTIES to the General Agreement, the Federal People's Republic of Yugoslavia formally submitted to the thirteenth session held in October 1959 the request to associate itself closer to the GATT.

In submitting this request the Federal People's Republic of Yugoslavia set forth at the same time, through its delegation at the thirteenth session, the reasons explaining such an approach to GATT, the main point being that the present situation does not make it technically and materially feasible for the Federal People's Republic of Yugoslavia to assume all provisions of the GATT, but that the evolution is moving in the direction of a further rapprochement with GATT which could and should eventually lead to full membership.

The afore-mentioned reasons have also conditioned the attitude of the Yugoslav delegation at the session of the Working Party on Relations with the Federal People's Republic of Yugoslavia, which was held from 16 - 20 March 1959, with a view to recommend an instrument of closer association between the Federal People's Republic of Yugoslavia and GATT.

II. The finding of a satisfactory solution in this concrete case is important not only for the Federal People's Republic of Yugoslavia but also for GATT as a whole, as it broadens the latter's framework in the direction of universality. Therefore, the unanimity which found expression at the thirteenth session of GATT with regard to the need of finding a solution for the question of closer association between the Federal People's Republic of Yugoslavia and GATT - and which was confirmed by the work of the Working Party - points to the necessity of taking once more into consideration Yugoslavia's requests and stands before the final decision is taken.

The purpose of this note is to provide an additional explanation of Yugoslavia's position and to contribute to the finding of the most satisfactory solution.

III. The draft prepared by the secretariat of GATT, annexed to the report of the Working Party of 29 March 1959 (document L/965/Add.1) is, on the whole, acceptable as a basis for the regulation of relations between GATT and the Federal People's Republic of Yugoslavia, but with the following exceptions:

1. It is considered that paragraph 1 (b) of Part I, referring to "effecting reciprocity of trading conditions and opportunities", should be deleted from the draft in its entirety.
Explanation: The wording of this paragraph is such that it would be easy to assert and difficult to contest that the meaning could be construed as to imply an interpretation of reciprocity which goes beyond and outside the reciprocity which is both: formulated in the Preamble ("on a reciprocal and mutually advantageous basis") and implemented in practice by the CONTRAHTING PARTIES. There is, for example, no mention at all of "effective reciprocity of trading conditions and opportunities" either in the Preamble of the General Agreement or anywhere else in its text. This wording might further confuse instead of clarifying and to deteriorate instead of improving the trade relations between the Federal People's Republic of Yugoslavia and the CONTRAHTING PARTIES. Finally, it may impair the position of the Federal People's Republic of Yugoslavia and would probably preclude the efforts to achieve settlement in case the Federal People's Republic of Yugoslavia is in a position to avail itself of the provisions of the General Agreement.

Therefore, it is felt - if the reciprocity must be mentioned in the instruments defining closer association between GATT and the Federal People's Republic of Yugoslavia - that it should be sufficient to retain it in the Preamble, in the form in which it is worded in the last paragraph of the Preamble of document L/965/Add.1. Furthermore, the idea of reciprocity is also stressed in paragraph 1 (b) of Part II, where small alterations, which are suggested, would increase the clarity of its meaning and include it better into the philosophy of GATT. It meets in that way the statement contained in the report of the Working Party which says: "there was common agreement that the association should be based on reciprocity and mutual advantage".

2. For the afore-mentioned reasons it is also felt that the word "effectively", between the words "above" and "accords", should be deleted from paragraph 1 (b) of Part II as superfluous and that the word "equivalent" should be replaced by the word "corresponding". With these adjustments, this paragraph would be clarified. Notwithstanding all this, there is some concern whether the meaning which determines the position of the Federal People's Republic of Yugoslavia in Part I, paragraph 1 (a) is adequately embodied in Part II, paragraph 1 (b) which concerns the CONTRAHTING PARTIES.

3. It is felt that the meaning of paragraph 3 of Part I will not be altered but only clarified if the words "full obligations" are replaced by the word "provisions". The purpose of this amendment is to underline that Yugoslavia's intended adherence to GATT does not simply amount to the assuming of full obligations only, but also to the availing itself of rights deriving from GATT.

4. It is further suggested that the last two lines of paragraph 3 of Part I (beginning with the words: "and will be prepared ..." to the end of the sentence), as well as paragraph 3 (d) of Part II, should be deleted and replaced by a new Part III which would read to the effect that:

"The CONTRAHTING PARTIES signatories of this Declaration and the Federal People's Republic of Yugoslavia agree to review each year the development of mutual relations on the basis of this Declaration as well as the possibilities of further movement towards the full application of the provisions of the General Agreement".
As a result of this, the present Part III would become Part IV, Part IV would become Part V, etc. Corresponding changes should also be inserted in the last sentence of new Part IV, i.e. into the present Part III.

**Explanation:** Proceeding from the fact that the instrument of closer association between the Federal People's Republic of Yugoslavia and GATT constitutes a bilateral act, i.e. between the CONTRACTING PARTIES and the Federal People's Republic of Yugoslavia, it is believed that the annual review should reflect this character. That means that it should not amount merely to the examination of the process of Yugoslavia's progressive movement towards a position in which it could assume the full obligations of the General Agreement, it should also mean the mutual examination of the process of the implementation of this Declaration. The idea of gradualness is clearly emphasized in paragraph 3 of Part I, as well as in paragraph 1(b) of Part II - i.e. bilaterally - and therefore it is felt that the bilateral annual review constitutes the most appropriate form and procedure for defining not only Yugoslavia's new obligations but also the new rights accruing to the Federal People's Republic of Yugoslavia in exchange for them. Actually, it is only by means of a bilateral review that it is possible to establish whether an equitable balance of rights and obligations has been or should be achieved. For these reasons it is felt that the idea of annual review should be embodied in a separate Part, in order to point more clearly its bilateral character.

IV. When elaborating the amendments to the draft contained in document L/965/Add.1, the realistic character of the Decisions made so far by GATT was taken into account. It is hoped that this realism will prevail in this case also. For Yugoslavia's gradual approach to GATT is a process which will take some time. This process did not begin with the submission of the request for associate membership at the thirteenth session, but much earlier. In endeavouring to incorporate this process into the legal construction of GATT, full attention was paid both to the requirements of GATT and to Yugoslavia's present conditions.

In its desire to make the greatest possible contribution to the reaching of mutually acceptable solutions, the Federal People's Republic of Yugoslavia has exerted great efforts in order to harmonize its stand with those set forth in document L/965/Add.1. This has been done in order to clarify Yugoslavia's intentions and aims and to rule out any impressions that the Federal People's Republic of Yugoslavia is endeavouring to avail itself of the advantages extended by GATT without making corresponding concessions on its part. On the contrary, it is stressed that the amendments proposed by the Federal People's Republic of Yugoslavia to the afore-mentioned document L/965/Add.1 - while adhering to the idea of equitable balance of rights and obligations - are aimed at the elimination of everything that could create the impression that the balance will be altered to the detriment of either side.