GENERAL AGREEMENT ON
TARIFFS AND TRADE

PROVISIONAL EDITION

GATT

- WHAT IT IS ...
- WHAT IT DOES ...
- HOW IT WORKS ...

GENEVA
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# THE GENERAL AGREEMENT ON TARIFFS AND TRADE

## WHAT GATT IS AND WHAT GATT HAS DONE

### CONTENTS

<table>
<thead>
<tr>
<th>Topic</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ten Short Points about GATT</td>
<td>4</td>
</tr>
<tr>
<td>Origin and Background</td>
<td>5</td>
</tr>
<tr>
<td>Main Principles of the Agreement and its Structure</td>
<td>7</td>
</tr>
<tr>
<td>Removal of Quantitative Restrictions on Imports</td>
<td>9</td>
</tr>
<tr>
<td>Reduction of Tariffs</td>
<td>10</td>
</tr>
<tr>
<td>The &quot;Assured Life&quot; of the Tariff Concessions</td>
<td>10</td>
</tr>
<tr>
<td>Settlement of Differences</td>
<td>10</td>
</tr>
<tr>
<td>Expansion of International Trade</td>
<td>12</td>
</tr>
<tr>
<td>Regional Arrangements</td>
<td>15</td>
</tr>
<tr>
<td>Subsidies</td>
<td>16</td>
</tr>
<tr>
<td>Commodity Trade</td>
<td>17</td>
</tr>
<tr>
<td>Trade in Cotton Textiles</td>
<td>17</td>
</tr>
<tr>
<td>Disposal of Agricultural Surpluses</td>
<td>18</td>
</tr>
<tr>
<td>Reduction of Administrative Barriers to Trade</td>
<td>18</td>
</tr>
<tr>
<td>Accession to the Agreement</td>
<td>19</td>
</tr>
<tr>
<td>Sessions of the CONTRACTING PARTIES and the Council</td>
<td>20</td>
</tr>
<tr>
<td>Training Programme for Government Officials</td>
<td>20</td>
</tr>
<tr>
<td>Publications</td>
<td>20</td>
</tr>
<tr>
<td>Membership: July 1963</td>
<td>20</td>
</tr>
<tr>
<td>Officers of the CONTRACTING PARTIES and the secretariat</td>
<td>22</td>
</tr>
</tbody>
</table>
TEN SHORT POINTS ABOUT GATT

1. The essential element of the GATT story is the fact that since the Second World War, for the first time in history, countries have accepted a code of practical rules for fair trading in international commerce and have co-operated in lowering trade barriers. This co-operation has been on a global, not a regional basis.

2. The General Agreement on Tariffs and Trade is an international multilateral contract whose stated objectives are:

   (a) to help raise standards of living;
   (b) to ensure full employment;
   (c) to develop the full use of the world's resources;
   (d) to expand the production and exchange of goods;
   (e) to promote economic development.

   These objectives were formulated when the Agreement was drafted in 1947. In recent years the emphasis has been more especially upon the expansion of trade, the removal of barriers to trade, wider access to world markets and the trade problems of less-developed countries.

3. Through belonging to the GATT the Member countries are pledged to work towards the above common objectives. The Member countries, to which the GATT code of rules apply, account for about 80 per cent of world trade. Thus the GATT code of rules is applicable to four fifths of world trade.

4. In order to achieve the above objectives the Member countries of GATT have bent their efforts towards reducing existing barriers to trade. In particular they have attacked tariff barriers. As a result of five tariff bargaining conferences which have been held between 1947 and 1962 customs duties on tens of thousands of products, traded across the frontiers, have been reduced. It is estimated that, under GATT, tariffs have been reduced or stabilized on products accounting for approximately half of world trade. GATT Member countries have also "frozen" customs duties over a wide area of trade so as to prevent them being increased suddenly; this has given the business world encouragement for expanding trade and developing markets.

5. The GATT has helped to break down the network of governmental restrictions and prohibitions, which impede the natural flow of imports and exports. Under GATT rules, countries that have no foreign exchange shortages or other legitimate justifications must get rid of their quantitative restrictions on imports. In particular GATT has helped to break down restrictions on trade that discriminate against a particular country or group of countries or against a currency area.
6. GATT provides that each Member country should give the other Members fair and equal treatment in trade and not discriminate against any of them. This provision removes one of the major sources of discord among nations.

7. The GATT Members have agreed, as a major responsibility, to promote the expansion of the trade of less-developed countries as a means of furthering their economic development. GATT is attacking the barriers which prevent the less-developed countries from expanding their export trade and thus from increasing their export earnings, which are urgently needed to promote their economic development and to help raise their standards of living.

8. The GATT countries, when they meet, provide a forum where governments can discuss their trade problems and submit complaints arising from alleged breaches of the GATT rules. If a Member country infringes the code the party claiming injury can ask for a hearing and the other GATT countries will examine the complaint in a round-table forum and recommend a solution. This is a new development in international trade relations and in the fifteen years of GATT's experience many complaints have been settled in this way which in earlier days would have ended in more restrictions on trade or other forms of economic warfare.

9. GATT has helped traders by reducing the "paper barriers" to trade. Rules have been drawn up to reduce the unnecessary filling of forms and other tiresome and expensive customs formalities which some governments insist on when goods are exported or imported. A Convention sponsored by GATT has made it simpler for merchants to send samples from one country to another. The GATT has also adopted a series of principles regarding the use of marks of origin.

10. GATT is a logical development of post-war planning in the economic sphere through the United Nations and its Specialized Agencies and through other intergovernmental organizations. Today GATT is the only instrument which provides a set of rules for international trade, applicable on a global basis, together with the machinery required for ensuring that these rules are not frustrated.

ORIGIN AND BACKGROUND

In the nineteen-thirties, when the world was suffering from an intense economic depression, many governments attempted to shelter behind various kinds of protective trade barriers: high tariff protection, quota restrictions on imports, exchange controls, and so on. It became evident during the Second World War that these restrictions might become permanently fastened upon the world unless a resolute attempt was made to re-establish as soon as possible the pre-depression pattern of multilateral trading between nations. The General Agreement on Tariffs and Trade is today the major result of the efforts which were made in this direction.
The starting point of the story is in the Atlantic Charter and in the Lend-Lease Agreements in which the wartime allies bound themselves to seek together a world trading system based on non-discrimination and aimed at higher standards of living to be achieved through fair, full and free exchange of goods and services. In pursuit of this aim, long before the end of the war the United States, the United Kingdom and other important trading countries discussed the establishment of international organizations to tackle the post-war problems of currency, investment and trade. The International Monetary Fund and the International Bank for Reconstruction and Development were established at the Bretton Woods Conference before the end of the war. But for various reasons, including its wide range and its complexity, the Charter for the International Trade Organization (ITO), which was intended to be the third agency to operate in a specialized field of economic affairs, was not completed until March 1948.

While the Charter for the ITO was being worked out, the governments that formed the Preparatory Committee (appointed by the Economic and Social Council of the United Nations to draft the Charter) agreed to sponsor negotiations aimed at lowering customs tariffs and reducing other trade restrictions among themselves, without waiting for the International Trade Organization itself to come into being.

This was evidence of the sincerity of the countries engaged in drafting the ITO Charter and a constructive step towards carrying out one of its main purposes. Thus the first tariff negotiating conference was held at Geneva in 1947, side by side with the labours of the Committee which was preparing the ITO Charter. The tariff concessions resulting from these negotiations were embodied in a multilateral contract called the General Agreement on Tariffs and Trade, or GATT, which included a set of rules designed to prevent the tariff concessions from being frustrated by other protective devices. It was signed on 30 October 1947 at Geneva and came into force on 1 January 1948. Originally the GATT was accepted by twenty-three countries.¹

It soon became evident that no acceptances of the Charter for the ITO — the Havana Charter — could be expected until the position of the United States towards the establishment of the ITO was made clear. With the indication in December 1950 that the Charter would not be submitted again to the United States Congress, the attempt to establish the International Trade Organization was abandoned.

¹See page 21 for list of contracting parties and countries with various forms of association.
The GATT was originally intended as a stop-gap arrangement pending the entry into force of the Havana Charter and the creation of the International Trade Organization, which would have been a Specialized Agency of the United Nations. But, as events have worked out, GATT has stood alone since 1948 as the only international instrument which lays down rules of conduct for trade, and which has been accepted by a high proportion of the leading trading nations.

The GATT is administered by a secretariat under an Executive Secretary, Mr. Eric Wyndham White. This secretariat was originally established in 1948, after the Havana Conference, to prepare for the International Trade Organization, but for the past twelve years it has been wholly engaged on work for the CONTRACTING PARTIES to the General Agreement.

MAIN PRINCIPLES OF THE AGREEMENT AND ITS STRUCTURE

The General Agreement is essentially a multilateral trade agreement embodying reciprocal rights and obligations. Although the text is admittedly complicated it contains, in essence, three fundamental principles.

The first principle is that trade should be conducted on the basis of non-discrimination. Accordingly, all contracting parties are bound by the most-favoured-nation clause in the application of import and export duties and charges and in their administration.

The second principle is that protection shall be afforded to domestic industries exclusively through the customs tariff and not through other commercial measures. Thus the use of import quotas as a means of protection is explicitly prohibited. The use of import quotas for other purposes - notably to safeguard the balance of payments - is governed by a series of criteria and conditions, coupled with procedures for consultations.

The third principle, inherent throughout the Agreement, is the concept of consultation aimed at avoiding damage to the trading interests of contracting parties.

These in broad outline are the fundamental elements of the General Agreement. The sum total of the detailed rules which are built around this basic framework constitutes a code which is voluntarily accepted by GATT contracting parties to govern their trading relationships. The importance

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1 The term "CONTRACTING PARTIES" in capital letters stands for the governments which have fully acceded to the GATT acting collectively.
this code can be measured by the fact that it is accepted and applied by countries whose foreign trade represents 80 per cent of the total volume of world trade - countries which are drawn from all parts of the world, having interests as diverse as their geographical location, but which are united in the conviction of the beneficial effects of expanding world trade on an orderly basis.

Turning to the structure of the Agreement there are, first of all, the Articles dealing directly with tariffs - Article I with the most-favoured-nation obligation, and Article II, the basic tariff Article incorporating the concessions (i.e. mainly reductions or bindings of import duties) set forth in the schedules annexed to the Agreement. Article III provides agreed rules regarding the application of internal taxes, guaranteeing that foreign goods will be given equal treatment with domestic products. Articles IV to X - known as the technical Articles - provide general rules and principles relating to transit trade, to anti-dumping duties, to customs valuation, customs formalities, and marks of origin. Articles XI to XV deal with quantitative restrictions on imports and exports: Article XI formally outlaws quantitative restrictions; the remainder of these Articles are qualifications to this general rule where balance-of-payments difficulties make necessary such departures. There are further Articles dealing with State trading, subsidies and economic development and, finally, there are provisions for joint discussion and settlement of differences arising out of the application of the GATT.

The only administrative provision is that which provides for joint action necessary for the application of the Agreement, such as, for example, consultations on specific matters provided for in the Agreement, settlement of differences, granting of waivers in exceptional circumstances, etc. This provision (Article XXV), however, ends with the words "and generally with a view to facilitating the operation and furthering the objectives of this Agreement". These objectives are very broad since the Preamble provides that the CONTRACTING PARTIES recognize "that their relations in the field of trade and economic endeavour should be conducted with a view to raising standards of living, ensuring full employment and a large and steadily growing volume of real income and effective demand, developing the full use of the resources of the world and expanding the production and exchange of goods...".

This phrase is therefore the essential basis for the very broad rôle which the CONTRACTING PARTIES to GATT have come to play as the most important world-wide forum for discussion of trade problems and the mechanism for international co-operation in this field. The rôle of GATT has been built up empirically over the years as the need for an effective international instrument for trade co-operation has made itself increasingly felt.

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1 The text of the General Agreement is published in Basic Instruments and Selected Documents, Volume III. Price: $1.00 or Swiss Frs.4.00.
REMOVAL OF QUANTITATIVE RESTRICTIONS ON IMPORTS

The general prohibition on the use of quantitative restrictions on imports, together with the rule of non-discrimination, is one of the basic principles of the General Agreement. The main exception allows a contracting party to apply import restrictions for the purpose of safeguarding its balance of payments and monetary reserves and, in certain circumstances, to use such restrictions in a discriminatory way. Such restrictions must not be applied beyond the extent necessary for the purpose envisaged and must be progressively reduced and eliminated as soon as they are no longer required. Countries applying import restrictions on balance-of-payments grounds are required to consult with the organization at regular intervals (once a year for an industrialized country and once every two years for a "less-developed" country); countries introducing new restrictions or substantially intensifying existing restrictions are required to consult; and any country which considers that another country is applying restrictions inconsistently with the provisions of the Agreement and that its trade is adversely affected is permitted to bring the matter up for discussion and to ask for redress. The general purpose of such consultation is to afford an opportunity for the exchange of views on the problems facing the countries resorting to restrictions as well as the difficulties which are created for exporting countries. On any financial questions arising in any consultation of this nature the CONTRACTING PARTIES consult fully with the International Monetary Fund, which is the competent international organization in this field.

During the past twelve years a considerable number of consultations have been held, and it can be stated that the consultation procedures of GATT have been responsible to a considerable extent for the fact that restrictions introduced by governments to redress serious balance-of-payments difficulties have invariably been relaxed, and discrimination reduced, whenever an improved situation permitted.

The year 1959 marked the end of the exceptional post-war conditions which led to the widespread use of quantitative restrictions applied under Article XII for balance-of-payments reasons and of the discriminatory application of these restrictions under Article XIV. Following the moves towards convertibility of certain important currencies early in 1959, the governments declared firmly their intention - at the Tokyo session in November 1959 - of proceeding to the dismantling of the remaining import restrictions, and significant progress has been made towards this objective. In recent years several contracting parties which had for a long time been applying import restrictions announced that they no longer had balance-of-payments difficulties and would therefore no longer make use of these provisions in the GATT. However, it has been recognized that some countries which no longer are justified in maintaining such restrictions may need temporary accommodation in dismantling the "hard core" of their import restrictions, and special formulae have been devised to meet this problem.
REDUCTION OF TARIFFS

The reduction of tariffs is laid down in the General Agreement as one of the principal means of attaining its broad objectives. There have been five main tariff negotiating conferences: in 1947 (Geneva), 1949 (Annecy, France), 1951 (Torquay, England), 1956 (Geneva) and 1960-61 (Geneva). In addition there have been smaller-scale negotiations preceding the accession of individual countries such as Japan and Switzerland. (Preparations are under way for a further negotiation along a wide front, in 1964, for the reduction and removal of tariffs and other barriers to trade.) As a result of these conferences the tariff rates for tens of thousands of items entering into world commerce have been reduced or bound against increase. The reduction and binding of tariff levels under the GATT affects a high proportion of the trade of the contracting parties and, indirectly, the trade of many other countries. The GATT is, in effect, the most comprehensive undertaking for reducing and stabilizing rates of customs duties ever brought into operation. There can be no doubt that this widespread and unprecedented stability in tariff levels has been an essential condition for the movement towards a system of free multilateral trading and has provided a stimulus for the expansion of international trade.

The "assured life" of the tariff concessions

The tariff concessions resulting from the 1947 negotiations at Geneva entered into force in 1948 with an "assured life" of three years, until the end of 1950. After that time a contracting party could modify or withdraw any concession by negotiation and agreement with the government with which it had been negotiated. Thus, there was the possibility that after the period of firm validity, extensive renegotiation and possibly withdrawal of items might ensue, with the danger of a gradual or even speedy unravelling of the network of concessions. To prevent this eventuality the "assured life" of the schedules of concessions has been extended from time to time. In the course of the review of the GATT, in 1955, a new principle was introduced envisaging the automatic extension of the "assured life" for successive periods of three years with suitable opportunities for individual adjustments of tariff rates, made necessary by unforeseen developments.

SETTLEMENT OF DIFFERENCES

Among the matters which are referred to the sessions of the CONTRACTING PARTIES are the trade disputes which have been brought up under the procedures of Article XXII or Article XXIII, which enable complaints to be made that benefits under the Agreement are being nullified or impaired. (A contracting party which considers that a benefit which should accrue to it is being nullified or impaired or that the attainment of any objective of the Agreement is being impeded may seek consultations with the parties concerned. If, after consultations, no satisfactory adjustment is reached a complaint may be lodged and

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1See Ministerial Meeting 1963, page 10.
the CONTRACTING PARTIES are then required to carry out prompt investigations, to make recommendations or to give rulings.) In recent years, the practice has grown of submitting such differences - if not settled at the stage of consultations - to a group of experts chosen from countries which have no direct interest in the matter. These Panels of Conciliation, as they are called, have had a marked success in assisting the disputants to reach agreement.

Great and small countries have been involved in these applications, both as complainants and as defendants. For example, in 1950 a complaint was made that the British system of purchase tax so operated as to discriminate in favour of domestic products and against similar imported goods. The United Kingdom admitted that the tax did have this discriminatory effect, though unintentionally. They agreed to amend the system so as to eliminate the element of discrimination and thus bring the operation of the tax into conformity with the obligations of the United Kingdom under the Agreement. In 1952 this pledge was fulfilled.

Complaints by Chile against Australia, by Norway against Germany, by the United Kingdom and France against Greece have been successfully dealt with. In 1952 India brought before the CONTRACTING PARTIES a complaint against Pakistan about the levying of discriminatory taxes on exports of jute to India. The CONTRACTING PARTIES felt that this question might be more easily resolved if it were considered together with other trading difficulties between the two Governments, including the conditions under which coal was supplied by India to Pakistan. Therefore they invited the two Governments to consult together with a view to finding a solution along these lines. These consultations were concluded successfully when the two Governments signed a long-term trade pact and agreed to drop the discriminatory levies in question. A French tax on imports and exports, which was intended to provide a social assurance fund for agricultural workers, was the subject of complaint as an infringement of the GATT. France undertook to remove the tax and this was done at the end of 1954.

Other complaints successfully dealt with have included the suppression of a discriminatory tax levied on imports by the Belgian authorities and the lessening of restrictions on American coal imported into Germany. In another type of case, Sweden undertook to remove the cause of a complaint by Italy that Swedish anti-dumping duties on Italian nylon stockings were being administered unfairly. In another, following a complaint by Czechoslovakia, trade between that country and Peru, which was previously stopped by the Peruvian Government was restored. In 1957 Brazil took steps to settle a longstanding complaint regarding the discrimination in internal taxation between certain domestic and foreign products.

In recent years the number of complaints brought before the CONTRACTING PARTIES has declined - a fact which suggests that governments are finding it possible to reach a settlement "out of court" without submitting the matter to the GATT forum.
The expansion of international trade and the reduction and removal of obstacles to trade expansion has always been a basic objective of the General Agreement. In the early part of GATT's life the emphasis was largely upon the reduction and stabilization of customs tariffs; but as soon as the financial position of important trading countries had improved sufficiently, the GATT concentrated its attention on the removal of quantitative restrictions on imports which are forbidden under the GATT rules, except in precisely defined circumstances. More recently, and particularly since 1958, when the Haberler Report was commissioned, the GATT has been increasingly occupied with two special problems, both relating to trade expansion; first, the problems of trade in agricultural products and secondly, the need for the less-developed countries to expand their export earnings. Based upon the main recommendations of the Haberler Report, three committees were established. Committee I made arrangements for a further round of tariff negotiations; Committee II had the task of examining the effects of national agricultural policies on international trade; Committee III was responsible for finding solutions to the broad problems faced by the less-developed countries in expanding their trade with the rest of the world and, in particular, with the industrialized countries.

The work of Committee I culminated in the 1960-61 Tariff Conference. The first phase of this Conference was largely concerned with renegotiations with the six member States of the European Economic Community. The renegotiations (sometimes called "compensation" negotiations) were required because the individual six countries (all GATT Members), while lowering some rates of duty, may be obliged to increase certain other rates of duty - rates which are "bound" in the GATT schedules - in order to bring them into line with the corresponding duty rates in the new common tariff of the EEC. The second phase of the tariff conference was a further "general round" of negotiations for new tariff concessions, on the lines of earlier tariff conferences.

In all the tariff negotiating conferences since the first, in 1947, the participants employed the technique of product-by-product and country-by-country bargaining. However, it was generally recognized by the late 1950's that this method of reducing tariffs on a GATT multilateral basis was yielding diminishing results and was no longer adequate to meet the changing conditions of world trade. The Ministers, when they met in November 1961, called upon the CONTRACTING PARTIES to consider new techniques, in particular some form of linear or across-the-board tariff reduction.

At this point, it may be convenient to break off the narrative which leads to the decision of the Ministers, when they met in May 1963, to call for comprehensive trade negotiations to begin in 1964, and to sketch briefly the way in which GATT has tackled the problems of trade in agricultural products and the obstacles faced by the less-developed countries in expanding their export earnings.

Trade in agricultural products. Committee II, in tackling the problem of agricultural protectionism, first held consultations with most of the Member countries on their agricultural policies and the effects of such policies on trade in agricultural commodities. The second phase involved an evaluation, on a global basis, of the overall effects of individual agricultural policies and systems on international trade. Reviewing the situation, the Ministers, when they met in November 1961, expressed great concern about the degree and extent of agricultural protectionism and the serious effects which non-tariff protective devices have on international trade. They requested the CONTRACTING PARTIES to examine the possibility of negotiating practical measures that would create acceptable conditions of access to world markets for particular agricultural commodities. A start was made in February 1962 when a group of countries particularly concerned with international trade in cereals met for a preliminary exchange of views. Subsequently it was decided that a study on similar lines of international trade in meat should be undertaken.

Obstacles to the trade of less-developed countries. In the first stage of its work Committee III made detailed studies on a product-by-product basis of the obstacles which face the exports of such products as cocoa, coffee, tea, tobacco, raw cotton, cotton textiles and jute manufactures, timber and oilseeds. Later on a further list of products, including some light engineering manufactures were added. The obstacles imposed on imports of these products were identified as customs tariffs, revenue duties and internal charges, quantitative restrictions and other barriers. Committee III called for reports from industrialized countries on action taken to reduce barriers that had been identified.

The Ministers, when they met in November 1961, adopted a Declaration on Promotion of the Trade of Less-Developed Countries which formed the basis and guiding lines for the work of the CONTRACTING PARTIES in this field. It was also decided to establish a Special Group on Trade in Tropical Products, to consider ways of overcoming certain particular difficulties confronting less-developed countries exporting these products.

At the twentieth session in November 1962 of the CONTRACTING PARTIES important decisions were taken affecting the whole field of trade expansion. It was agreed to convene a meeting of Ministers in 1963 to formulate a programme for the expansion of trade in both primary and secondary products. At this session a number of less-developed countries submitted a Programme of Action containing specific proposals for action by industrialized countries to reduce trade barriers and to expand the access to industrial markets for exports from less-developed countries. The sponsors of these proposals requested that they be put before the ministerial meeting in 1963.
The ministerial meeting, May 1963. Following the decision at the twentieth session, Ministers from over forty countries met at Geneva in May 1963. Their Conclusions applied to three broad fields. (Full text in press release GA/794.)

(a) Measures for the expansion of trade of developing countries as a means of furthering their economic development. In general, the Ministers adopted the Programme of Action put forward by less-developed countries. The Programme includes important undertakings, such as a standstill provision on erecting new trade barriers against less-developed countries, elimination of quantitative restrictions on imports from these countries, duty-free entry for tropical products, elimination of tariffs on primary products, progressive reduction and elimination of internal fiscal charges and revenue duties. Ministers also endorsed the objective of free access to markets for tropical products, in view of the great importance of these products to the foreign exchange earnings and economic development of many less-developed countries, and reached conclusions concerning trade in individual tropical products. They gave instructions for studies to be made of the possibility of granting preferences to certain products by industrialized countries; a study will also be made of the structure of the GATT in relation to the needs of less-developed countries.

(b) Arrangements for the reduction and elimination of tariffs and other barriers to trade and (c) Measures for access to markets for agricultural products. Taking these two areas together, the Ministers agreed (a) to hold comprehensive trade negotiations in 1964, with the widest possible participation, (b) that the negotiations will cover all classes of products, including agricultural and primary products; and will deal with both tariff and non-tariff barriers, (c) that the tariff negotiations will be based upon a plan of substantial linear, across-the-board tariff reductions, (d) the trade negotiations will provide for acceptable conditions of access to world markets for agricultural products and (e) that every effort will be made to reduce barriers to exports of the less-developed countries.

In respect to the Conclusions outlined above, in the three fields, the Ministers set up appropriate machinery where necessary to put into practical effect their decisions.

A recent development in the work of GATT towards expanding the trade of less-developed countries has been the study of national development plans, and in particular the trade aspects of such plans and the contribution which export industries can make to export earnings during the period of the plan. The first exercise in this field was the examination of the trade and payments aspects of the Third Five-Year Plan of India¹, in June 1961; this was followed by the examination of the Second Five-Year Plan of Pakistan.²


² Committee III - Trade of less-developed countries: Development Plans. Study of the Second Five-Year Plan of Pakistan. (GATT/1962-7), December 1962. Price: $1.00 or Swiss Frs.4.00.
REGIONAL ARRANGEMENTS

The rules in the General Agreement relating to customs unions and free-trade areas are contained in Article XXIV. This Article begins by stating that integration of national economies is conceived of as a means of contributing to the objectives of the GATT. It goes on to lay down the conditions under which a customs union or a free-trade area is accepted as a basis for an exception to the most-favoured-nation clause. It sets out a series of rules designed to ensure that a customs union or a free-trade area shall in effect lead to the reduction and elimination of barriers within the area without raising new barriers to trade with the outside world. There are a series of specific stipulations and rules designed to ensure that a grouping of this kind is a movement towards liberalism and not an attempt to create preferential arrangements involving an additional restriction of trade between the unit which is being formed and the rest of the trading world.

(a) The European Economic Community

The Rome Treaty establishing the European Economic Community, comprising Belgium, Luxembourg, France, Netherlands, Federal Republic of Germany and Italy - all being contracting parties to GATT - was signed in March 1957 and entered into force on 1 January 1958.

Following the signature of the Treaty, it was submitted to the CONTRACTING PARTIES for consideration in accordance with the terms of Article XXIV, paragraph 7. The examination of the Rome Treaty was begun at the twelfth session and was continued by the Inter-sessional Committee which adopted an approach - later approved by the CONTRACTING PARTIES at their thirteenth session in November 1958 - recognizing that the details of a number of important features of the Treaty of Rome remained to be decided by the institutions of the Community and that it was not possible or profitable to examine at that stage the terms of the Treaty in relation to the relevant provisions of the General Agreement. The CONTRACTING PARTIES therefore agreed, without prejudice to the legal questions which might arise, that multilateral consultations (under the terms of GATT Article XXII) should be held between the Community and those contracting parties which believed that their trade interests might be adversely affected as the result of specific measures decided on by the Community. A working party was also created to study the problems which the association of overseas territories with the European Economic Community raised for the trade of other contracting parties to GATT. Studies in twelve commodities, which were regarded as being of special concern, were undertaken, namely - cocoa, coffee, tea, bananas, sugar, tobacco, oilseeds, cotton, hard fibres, wood, aluminium and lead.

At each session of the CONTRACTING PARTIES, from the fifteenth onwards, the representative of the Commission of the Community has reported on the developments in the activities of the EEC and on the decisions taken in the trade field. These reports have provided a valuable background to the general discussions which have taken place at each session.
In July 1961 an Agreement was signed creating an Association between Greece and the EEC. This Agreement was examined by a GATT working group in 1962.

(b) European Free Trade Association

On 20 November 1959 seven European countries completed the text of a Convention - known as the Stockholm Convention - establishing the European Free Trade Association. These countries are Austria, Denmark, Norway, Portugal, Sweden, Switzerland and the United Kingdom. The purpose of the Convention, which entered into force on 1 July 1960, is to establish a free-trade area through the gradual elimination of tariffs on industrial goods and the progressive reduction of import quotas. At the sixteenth session the Convention was subjected to a thorough examination, in accordance with the appropriate provisions of Article XXIV.

In 1961 a working group examined the Treaty of Association of Finland with the Member States of EFTA, which had been signed in March 1961.

(c) Latin American Free Trade Association

The Montevideo Treaty, which will establish a free-trade area in Latin America, was signed on 18 February 1960 by Brazil, Chile, Peru, Uruguay, Argentina, Mexico and Paraguay - the first four countries being contracting parties to GATT. In 1961 Colombia and Ecuador acceded to the Treaty. At the seventeenth session the Montevideo Treaty was subjected to a thorough examination in accordance with the appropriate provisions of Article XXIV.

(d) Other regional arrangements

In brief, the CONTRACTING PARTIES have take cognizance and, where necessary, appropriate action in regard to (i) the Central American Free Trade Area (in which only Nicaragua is a contracting party to GATT); (ii) the Nicaragua-El Salvador Free Trade Area; (iii) the Borneo Free Trade Area, between North Borneo and Sarawak; and (iv) the African Common Market, comprising Algeria, United Arab Republic, Ghana, Guinea, Mali and Morocco.

SUBSIDIES

When a country subsidizes its domestic production or its exports the trading interests of other countries may suffer and the benefits which they expect to receive from GATT may be impaired. GATT requires Member countries to report on all the subsidies which they grant (Article XVI). If the interests of any other party are prejudiced, the country granting the subsidy may be required to discuss the possibility of limiting the subsidization.
So far as export subsidies are concerned the rule states that countries should avoid subsidies on the export of primary products; when they do subsidize such exports the effect should not be to give them more than an equitable share of world trade in the product which is subsidized. In the case of industrial products the position up to 1960 had been that governments would be required to discontinue the use of export subsidies from a date which had not yet been fixed. In the meanwhile a number of countries had accepted a "standstill" arrangement not to increase the subsidization beyond the level existing on 1 January 1955.

In 1960 the CONTRACTING PARTIES decided that the time had come to apply the export subsidy rules on as wide a basis as possible. They therefore drew up a Declaration which has the effect of prohibiting the use of export subsidies on industrial products. This Declaration entered into force in November 1962 when it had been accepted by fourteen industrialized countries.

COMMODITY TRADE

The vital importance of commodity trade for many Member countries - and not only for those which are in an early stage of development - has led to annual discussions of trends and developments in such trade and, in particular, of the impact of commodity problems upon world trade in general. One of the essential rôles of GATT in relation to commodity problems has been the practical one of urging the removal of barriers which have the effect of hindering or preventing an increase in consumption - in other words, the implementation of the work of GATT in promoting the expansion of trade and the widening of access to markets. Thus, in recent years the emphasis has been placed on the rôle of GATT in removing effective barriers to trade in, and consumption of, agricultural and food products. While it is true that other international organizations have a variety of responsibilities relating to commodity trade the value of the GATT consultation procedures for tackling short-term problems should not be overlooked.

TRADE IN COTTON TEXTILES

In June 1961 the GATT Council agreed to a request by the United States to convene a meeting of countries substantially interested in the importation and the exportation of cotton textile products, "with a view to reaching agreement on arrangements for the orderly development of the trade in such products, so as progressively to increase the export possibilities of less-developed countries and territories and of Japan, while at the same time avoiding disruptive conditions in import markets". The meeting was held in July 1961 and the participating governments drew up the Arrangements regarding international trade in cotton textiles. These comprised, first, a short-term arrangement, designed to deal with immediate problems and applying to the twelve-month period starting 1 October 1961. This short-term arrangement was accepted by nineteen participating countries. Secondly, it was provided that a Cotton Textiles Committee should be created in order to undertake work on a long-term solution. This task
was successfully concluded in February 1962 with the completion of a long-term Arrangement for cotton textiles. The Arrangement entered into force on 1 October 1962 for a period of five years thereafter. The broad purpose of the long-term arrangement is similar to that of the short-term undertaking, namely to ensure the orderly development of trade in cotton textile products, so as progressively to increase export possibilities, particularly for less-developed countries, while at the same time avoiding disruption of markets in importing countries.

It may be added that the situations described as "market disruption" were carefully analyzed and defined by the CONTRACTING PARTIES in 1960. At that time a permanent committee on the avoidance of market disruption was established and machinery was made available whereby exporting and importing countries which are concerned with situations involving "market disruption" may come together to discuss their difficulties and seek solutions which will minimize damage to trade.

**DISPOSAL OF AGRICULTURAL SURPLUSES**

During the review of the Agreement, in 1955, the CONTRACTING PARTIES adopted a Resolution on the Disposal of Surpluses, in which they stated that it was the intention of individual contracting parties to liquidate agricultural surpluses in such a way as to avoid unduly provoking disturbances on the world market. Any contracting party making arrangements for disposal of surplus agricultural products is expected to consult with the principal exporters of those products so as to achieve an orderly liquidation and to avoid a disruptive effect on normal commercial trade. The United States has reported regularly on its disposal programme for surplus agricultural products and this has provided the opportunity for useful and practical debates. More recently reports have been requested from all contracting parties disposing of commodity surpluses and liquidating strategic stocks. In the earlier discussions there was much emphasis on the need for consultations with other interested governments in advance of the disposal of surpluses in particular commodities. It is clear from the debates in recent years that many governments which are dependent on exports of primary commodities and agricultural produce continue to be vitally concerned with surplus disposals on world markets and that, while consultation procedures are working smoothly, it is very desirable that this problem should be kept under review in GATT, as well as in other intergovernmental agencies.

**REDUCTION OF ADMINISTRATIVE BARRIERS TO TRADE**

The CONTRACTING PARTIES have been tackling customs formalities and various administrative barriers to trade, stage by stage. In 1950 they drew up a code of standard practices for the administration, by governments, of import and export restrictions and exchange controls. In 1952 they adopted a code of

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1 Text obtainable from the GATT secretariat. Price: $0.25 or Swiss Frs. 1.00.
standard practices for documents which are required for importation and they made several recommendations which envisage the elimination of consular formalities as soon as possible. In 1957 they again called for the abolition of consular formalities and recommended the fairest possible administration of such formalities as remained in force. Since 1957 there has been some relaxation of consular formalities by a number of important trading countries, but a group of experts which met in March 1962 noted that there are still several contracting parties which require regular consular action prior to importation of goods. The CONTRACTING PARTIES in 1958 adopted a Recommendation which embodies a series of rules on marks of origin, designed to minimize the difficulties and inconveniences which the national laws and regulations on this subject may cause to the commerce and industry of exporting countries. The CONTRACTING PARTIES also drew up and opened for signature (in February 1953) the International Convention to Facilitate the Importation of Samples and Advertising Material the broad purpose of which is to minimize the costs and reduce the formalities and delays which traders and merchants have to face in sending samples and advertising material from one country to another. The Convention entered into force in November 1955 and there are now over thirty countries which adhere to it.

More recently, the joint efforts of the GATT and the Customs Co-operation Council (an intergovernmental organization in Brussels) have resulted in drawing up two new conventions which will help to ease the passage of certain types of goods across the national frontiers. The first is the Convention on the temporary duty-free importation of packings intended for re-exportation; the second is the Convention on temporary duty-free importation of professional equipment, including cinematographic and television equipment.

**ACCESSION TO THE AGREEMENT**

In July 1963 there were fifty full contracting parties to the GATT; five countries had acceded provisionally; three participated under special arrangements and a further fifteen maintained de facto application of GATT.

For a complete list of countries which are contracting parties and countries which are intending to accede to the Agreement or which enjoy some form of association with the CONTRACTING PARTIES, see: page 21.

Japan has been a contracting party since 1955. At that time a number of countries, including important trading countries, invoked Article XXXV towards Japan thereby refraining from undertaking full GATT obligations towards that country. In recent years, however, many of these countries have disinvoked their application of Article XXXV towards Japan, although some countries continue the application.
SESSIONS OF THE CONTRACTING PARTIES AND THE COUNCIL

Up to the end of 1962 the CONTRACTING PARTIES had held twenty sessions, nearly all in Geneva. As a general rule the CONTRACTING PARTIES meet once a year, although in a few instances they have met twice.

In 1960 a Council of Representatives was established to undertake work, both of an urgent and of a routine character, between the regular sessions of the CONTRACTING PARTIES. The Council, which held its first meeting in September 1960, is not convened at regular intervals, but when there is appropriate business to be transacted - usually three or four times a year.

GATT TRAINING PROGRAMME FOR GOVERNMENT OFFICIALS

Every six months a group of government officials, for the most part holding fellowships granted by the United Nations under its Technical Assistance Programme, joins the GATT secretariat for a period of training. Up to July 1963 about 100 officials from thirty-three countries had so far undertaken this training course. The training course comprises an intensive study of the GATT, as well as of the general problems which have to be taken into account in the formation of an efficient commercial policy, especially in less-developed countries.

PUBLICATIONS

GATT publications are set out in the List of Official Material published by the secretariat of the General Agreement on Tariffs and Trade, available free of charge from the GATT secretariat. This list gives full details concerning the text of the General Agreement, the Basic Instruments and Selected Documents series, Tariff Schedules, Reports on International Trade, etc.

MEMBERSHIP: JULY 1963

The following sets out the countries which have acceded to the General Agreement, as well as the countries for which other forms of relationship have been established, or for which there are special arrangements:

I. There are fifty contracting parties to the General Agreement:
Australia | Federal Republic of Germany | Norway
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Austria | Ghana | Pakistan
Belgium | Greece | Peru
Brazil | Haiti | Portugal
Burma | India | Federation of Rhodesia and Nyasaland
Cameroon | Indonesia | Sierra Leone
Canada | Israel | South Africa
Central African Republic | Italy | Sweden
Ceylon | Japan | Tanganyika
Chile | Kuwait | Trinidad and Tobago
Congo (Brazzaville) | Luxemburg | Turkey
Cuba | Federation of Malaya | Uganda
Czechoslovakia | Kingdom of the Netherlands | United Kingdom of Great Britain and Northern Ireland
Denmark | New Zealand | United States of America
Dominican Republic | Nicaragua | Upper Volta
Finland | | Uruguay
France | Nigeria |
Gabon | |

Note: Contracting parties which have responsibilities for certain dependent territories apply the GATT with respect to most of those territories.

II. The following five countries have acceded provisionally:

Argentina | Tunisia | Yugoslavia
Switzerland | United Arab Republic |

III. The following three countries participate in the work of the Contracting Parties under special arrangements:

Cambodia | Poland | Spain

(Cambodia and Spain are expected to accede, as contracting parties, in 1963).

IV. The following fifteen countries to whose territories the GATT has been applied since 1948, and which now, as independent States, maintain a de facto application of the GATT pending final decisions as to their future commercial policy:

Algeria | Dahomey | Mauritanian
Burundi | Ivory Coast | Niger
Chad | Jamaica | Rwanda
Congo (Leopoldville) | Madagascar | Senegal
Cyprus | Mali | Togo
OFFICERS OF THE CONTRACTING PARTIES AND THE SECRETARIAT

The following officers were elected at the close of the twentieth session, for the ensuing year:

Chairman of the CONTRACTING PARTIES:

Mr. J.H. Warren (Canada)

Vice-Chairmen:

Mr. W.P.H. van Oorschot (Kingdom of the Netherlands)
Mr. J.B. Daramola (Nigeria)

Executive Secretary..............Mr. Eric-Wyndham White
Deputy Executive Secretary.......Mr. Finn-Gundeloch