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TEN SHORT POINTS ABOUT GATT

1. The essential element of the GATT story is that since World War Two, for the first time in history, countries have co-operated in lowering trade barriers between themselves and in accepting a code of practical rules for fair trading in international commerce. This co-operation has been on a world-wide, not a regional basis.
2. The GATT is an international contract whose stated objectives are:
 - (a) to help raise standards of living;
 - (b) to achieve full employment;
 - (c) to develop the world's resources;
 - (d) to expand production and exchange of goods;
 - (e) to promote economic development.
3. Through belonging to the GATT the member countries are pledged to work towards the above common objectives. The member countries include all the world's leading trading nations. Together they account for over 80 per cent of world trade. Thus the GATT code of rules applies 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 four tariff bargaining conferences which have been held between 1947 and 1956 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 on products accounting for approximately half of world trade. When customs duties are reduced more goods can be exchanged, prices can be lowered and there may be more choice of goods for the buyer. 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. Working with the International Monetary Fund the GATT has helped to break down the network of governmental restrictions and prohibitions, which stifle 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 currency area.

6. GATT is contributing towards the development of the economies of the less-developed countries by offering them special trade rules. These countries can encourage their new industries by temporarily restricting imports in ways which would not normally be permitted under GATT rules. Through its programme for the expansion of trade GATT is trying to find ways and means by which the less-developed countries can expand their export trade, thus enabling them to earn more income and so promote their economic development.

7. GATT provides for each member country to give the other members fair and equal treatment in trade and not to discriminate against any of them. This provision removes one of the major sources of discord among nations.

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. The GATT rules provide a code of fair practices in international trade. 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 twelve 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 cut down 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. Recently the GATT has adopted a series of principles regarding the use of marks of origin.

10. GATT is a logical development of the post-war planning in the economic sphere through the United Nations and the Specialized Agencies. Today GATT is the only instrument which provides a set of rules for international trade, applicable on a world-wide basis, together with the machinery required for ensuring that these rules are observed.

WHAT GATT IS AND WHAT GATT HAS DONE

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 and exports, 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 among the United Nations 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 encouraging evidence of the seriousness of purpose 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 which is called the General Agreement on Tariffs and Trade, or GATT. 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. At the end of 1959 there were thirty-seven contracting parties.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.

The GATT was intended as a stop-gap arrangement, pending the entry into force of the Havana Charter and the creation of the International Trade Organization. But, as events have worked out, GATT has stood alone since 1948 as the only accepted international instrument which lays down rules of conduct for trade on a world-wide basis, and which has been accepted by a high proportion of the leading trading nations.

Between November 1954 and March 1955 the Contracting Parties undertook a very thorough examination of the General Agreement in the light of seven years' experience. They reaffirmed its basic objectives and obligations and they reshaped some of its provisions to meet future needs. A substantial part of these revisions became effective in 1957. At the same time the Contracting Parties drew up an Agreement which - when it has been accepted by countries with a high proportion of world trade - will establish a permanent organization to administer the GATT, thus taking the place of the present

¹ See list on page 22.

arrangements. The new agency will be known as the Organization for Trade Co-operation (OTC). The OTC Agreement has been accepted by a number of countries but it cannot come into force until it has been accepted by the United States.

Today, the GATT is administered by a group of experts 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 a number of years it has been wholly engaged on work for the Contracting Parties to the General Agreement.

The Structure of the Agreement

As we have said, the tariff concessions resulting from the 1947 Geneva negotiations were embodied in the GATT. But it would be a mistake to think of GATT only in terms of tariffs. It is an agreement on tariffs and trade.

First of all there are the Articles dealing directly with tariffs - Article I with the Most-Favoured-Nation obligation and Article II, the basic tariff Article incorporating the schedules of tariff concessions resulting from the tariff conferences. 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 - are 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.

Such is the structure of the GATT.¹ In fact, all its provisions are linked to and stem from the tariff concessions, because these tariff concessions would be of doubtful value if the parties to the Agreement were

¹ The current, up-to-date text of the General Agreement is contained in Basic Instruments and Selected Documents, Volume III.

to have their hands free in all other fields of commercial policy; for, given such freedom, it would be possible entirely to nullify the benefits accruing from concessions made in tariff rates. The result has been to create a code of commercial policy rules generally accepted and generally binding. It is therefore not surprising that the periodic sessions of the governments which are contracting parties to the GATT have become a valued piece of international machinery for the discussion of commercial policy. In this connexion the remarks of the Chairman at the eighth session can be quoted: "The GATT is not a list of restraints and prohibitions reluctantly accepted by governments, but a set of principles and rules which all of us accept because they are in the common long-run interest."

Economic Development

While seeking generally to reduce tariffs and to abolish quantitative import restrictions and similar barriers to international trade, the Agreement recognizes the exceptional conditions and requirements of the less-developed countries and there are special provisions to meet the needs of such countries. For example, in order to provide sufficient flexibility in the tariff structures of less-developed countries so that tariff protection can be given for the establishment of particular industries, a speedier and less cumbersome procedure is provided in Article XVIII for the re-negotiation of tariff concessions granted under the Agreement by less-developed countries. Under the revised provisions of that Article less-developed countries have the right to apply quantitative restrictions on their imports for balance-of-payments reasons on less stringent terms and in a manner which takes full account of the continued high level of demand for imports likely to be generated by their programmes of economic development. Further, when a country finds that governmental assistance is required to promote the establishment of a particular industry with a view to raising the general standard of living of its people, it will, notwithstanding its general obligation to avoid the use of such restrictions, have the right to resort to such measures. During recent years a number of countries, including Ceylon, Cuba and India, have taken advantage of these special GATT provisions for the purpose of promoting the establishment or development of industries.

Further steps to assist the less-developed countries are being undertaken through the GATT programme for the expansion of trade - see page 13.

The 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 is the use of quantitative restrictions to safeguard the balance-of-payments and monetary reserves and, in certain circumstances, the use of such restrictions in a discriminatory way. Under the GATT, import restrictions applied for balance-of-payments reasons are subject to review and consultations: in 1958, following the entry into force of the revised text of the GATT, the Contracting Parties engaged in a general review of all such restrictions in force; thereafter the countries continuing to apply such restrictions are required to consult with the Contracting Parties annually (or every two years if they belong to the "under-developed country" category); countries introducing new restrictions or substantially intensifying existing restrictions are required to consult with the Contracting Parties; 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 subject matter for consultations on balance-of-payments restrictions is: the nature of the balance-of-payments difficulties in question, alternative corrective measures that may be available and the possible effects of the restrictions on the economies of other countries. The general purpose of such consultations 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.

Since 1949 a considerable number of consultations have been held. It is safe to say that the various consultations of the type described above, as well as certain annual consultations held in connexion with the discriminatory

application of restrictions, have contributed to a better understanding by officials of various countries of the impacts and ramifications of import restrictions, and of the ways and means of reducing the need for using them and of reducing their harmful effects. The consultations procedures of GATT have been responsible to a considerable extent in recent years 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 was made towards this objective at the end of 1959 and early in 1960. 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 in the case of Belgium (in 1955) and of the Federal Republic of Germany (in 1959).

The 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 four main tariff negotiating conferences: in 1947 (Geneva), 1949 (Annecy, France), 1951 (Torquay, England) and 1956 (Geneva), and there have been smaller scale negotiations preceding the accession of individual countries such as Japan and Switzerland. 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 member governments 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 plan for a further world tariff negotiating conference to open in September 1960 is described on pages 13-14.

The Assured Life of the Tariff Concessions

The tariff concessions contained in the original schedules annexed to the General Agreement 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 has always been the possibility that after the period of "binding", extensive re-negotiation 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 was extended for a second period of three years until the end of 1953. At their eighth session the Contracting Parties agreed to a further extension until July 1955, and in the course of the review of the GATT, in 1955, it was agreed that the assured life of the schedules should be further prolonged to 31 December 1957. In addition, 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. Thus a new period of three years during which tariff concessions may not normally be withdrawn began on 1 January 1958.

Settlement of Complaints

Among the matters which are referred to the sessions of the Contracting Parties are the trade disputes which have been brought up under the Article XXIII procedures, 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 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 complaints 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 Government 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. The French Government 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 long-standing complaint regarding the discrimination in internal taxation between certain domestic and foreign products.

Not all disputes have been resolved successfully through the GATT machinery. Probably the most serious has been the complaint by a number of countries against the United States import restrictions on dairy products. The Contracting Parties repeatedly stated that these were a violation of the Agreement. The United States Administration agreed that this was so, but their efforts to remove the restrictions by legislative means were unsuccessful. At successive sessions the Contracting Parties authorized one affected country, namely the Netherlands, to limit imports of United States flour by way of compensation. The Contracting Parties have always recognized, however, that retaliation is no solution to a problem of this kind, and in the course of the review of the Agreement in 1955, they granted a waiver to the United States recognizing the right of the United States Administration to impose import restrictions where it has to do so under the terms of the Agricultural Adjustment Act. At the same time, the rights of injured countries to have recourse to the GATT complaints machinery is preserved and each year the Contracting Parties review the action taken by the United States under this legislation.

In recent years the number of complaints brought before the Contracting Parties has declined - a fact which suggests that governments may prefer to reach a settlement "out of court" through bilateral discussions rather than submit the matter to the GATT forum.

Programme of Action towards further Expansion of International Trade

The overall picture of trade trends which is presented in the Annual Reports of the GATT secretariat on International Trade,¹ led the Contracting Parties, at their twelfth session in November 1957, to review the prospects for international trade. At the conclusion of this review - in which Trade Ministers of many countries took part - it was found that, on the whole, the outlook was reassuring, as the experience of recent years had been one of steady expansion. However, to a number of governments there appeared to be some disturbing elements which merited careful investigation. They cited in particular the prevalence of agricultural protectionism expressed in restrictive measures in international trade in agricultural and food products, and the building-up of large stocks of these products which have no outlet through the normal channels of trade; sharp variations in the prices of primary products accompanied by wide fluctuations in the export earnings of primary producers, and finally the failure of the export trade of the under-developed countries to expand at a rate commensurate to their growing import needs. In the light of this discussion the Contracting Parties established a panel of expert economists to analyse all these problems. This expert panel published its report in October 1958 under the title Trends in International Trade.² (The Haberler Report.) Upon the basis of this report the Contracting Parties decided at the thirteenth session in 1958 to formulate a co-ordinated programme of action directed towards the further expansion of international trade and they established three Committees to carry out the programme.

Committee I was to examine the possibility of arranging for a further general round of multilateral tariff negotiations within the framework of the GATT. On the basis of the first report of the Committee, the Contracting Parties decided to convene a tariff conference beginning in September 1960. They also agreed on the various types of negotiations which should be

¹ International Trade, annually since 1952 (except 1957).
Price \$1.50 - \$2.00.

² Trends in International Trade. Price \$2.00.

conducted in the course of the conference. The conference will be held in two phases; the first phase, up to the end of 1960, will be concerned with re-negotiations with Member States of the European Economic Community (i.e. negotiations for adjustments to be made in the Common Tariff of the EEC to make up for changes in rates bound under the GATT). The second phase, opening in January 1961, will comprise a general round of negotiations for new tariff concessions as well as negotiations with countries wishing to accede to GATT. This conference will be held in Geneva.

Committee II adopted a plan for regular consultations with all contracting parties about their agricultural policies, the consultations being focussed on the effects of agricultural policies on international trade. Each contracting party consults in its turn and there is, first, an examination of its general agricultural policy; this is followed by more detailed discussion of its policies in relation to specific commodities, such as dairy products, meat, cereals, sugar, vegetable oils and fish. Up to February 1960, three groups of countries had taken part in these consultations and it is expected that the series will be completed before the end of the year.

Committee III is tackling the broad problem of the difficulties which face the less-developed countries in expanding their export trade with the rest of the world, thus enabling them to earn the income necessary to promote their economic development. This problem is being examined on a product-by-product basis. The Committee has already made a detailed study of the obstacles facing exports of such products as vegetable oils and seeds, tobacco, cotton manufactures, tea, coffee, cocoa, jute manufactures, timber, lead, etc. Reporting at the fifteenth session on the first phase of its work, Committee III recommended that contracting parties, particularly industrialized countries, should examine tariffs, revenue duties and internal charges, quantitative restrictions and other measures which they apply with a view to facilitating an early expansion of the export earnings of the less-developed countries. This would make these countries less dependent on external aid, strengthen their economies and accelerate their development. The Committee will undertake an extensive work programme during 1960, including detailed examination of various obstacles to trade.

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 up 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

At the eleventh session, in 1956, the Contracting Parties took cognizance of certain schemes for the closer economic integration of Europe. The representatives of the six countries - namely, Belgium, Luxemburg, France, the Netherlands, the Federal Republic of Germany and Italy - which were drawing up a treaty to establish a European Economic Community gave an assurance that these countries intended to submit the Treaty to the Contracting Parties after it had been signed, but before ratification. The Treaty - known as the Rome Treaty - was signed in March 1957 and entered into force on 1 January 1958.

The Rome Treaty provides for the creation, at the end of a transitional period of twelve to fifteen years, of a single customs territory among the six countries. This implies the elimination of customs duties between the six Member States and the creation of a common customs tariff. The Treaty provides for the elimination of quantitative restrictions on imports between the Member States; there are also special provisions regarding trade in agricultural products. Part of the Treaty deals with the association of certain overseas countries and territories with the Community.

Following the signature of the Rome Treaty, it was submitted to the Contracting Parties for consideration in accordance with the terms of Article XXIV, paragraph 7. At the twelfth session it was decided to create a committee to examine the relevant provisions of the Rome Treaty and of the General Agreement on Tariffs and Trade and to consider the most effective methods of implementing the inter-related obligations which governments have assumed in the two instruments. At the end of the session the committee on the Rome Treaty made a progress report to the Contracting Parties, who agreed that, while this preliminary examination had been useful, a number of important questions still remained to be solved. Accordingly, the Contracting Parties decided that the Intersessional Committee should continue the work. The Intersessional Committee adopted an approach - later approved by the Contracting Parties at their thirteenth session in November 1958 - which postpones any final determination as to the status of the Rome Treaty under the General Agreement. Generally, this approach recognizes that the details of a number of important features of the Treaty of Rome remain to be decided by the institutions of the Community and that it is not possible or profitable to examine at this time 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 may arise, that multilateral consultations (under the terms of GATT Article XXII) should take place between the Community and those contracting parties which believe that their trade interests may be adversely affected as the result of specific measures decided on by the Community. The Intersessional Committee also set up a working party to study the problems which the association of overseas territories with the European Economic Community raises for the trade of other contracting parties to GATT. Studies¹ 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.

¹ The trade studies on these twelve commodities were published by the GATT secretariat in Report of the Working Party on the Association of Overseas Territories with the European Economic Community, 1959. Price \$2.00.

During the fifteenth session the representative of the Commission of the Community presented a report on the recent developments in the activities of the Common Market and of the decisions taken in the different fields in which the action of the Community developed in the course of the past year. The report stated that the EEC draft external tariff was receiving urgent attention, so that it would be ready in ample time to allow for preparation for the 1960-61 tariff conference. The report gave particular attention to trade with third countries and showed an increase in imports originating in these countries in recent months, in particular in imports of certain tropical products.

(b) European Free Trade Association

On 20 November 1959 seven European countries completed the text of a Convention establishing the European Free Trade Association. These countries are Austria, Denmark, Norway, Portugal, Sweden, Switzerland and the United Kingdom. The Convention will establish a free market between the members of the Association. This will be achieved by the abolition of tariffs and other obstacles to trade in the industrial products of members over a period of ten years. Each country will be free to decide its own external tariffs.

At the fifteenth session the representative of the Seven declared that in order to comply with the provisions of Article XXIV the text of the Convention would be made available without delay. In the early months of 1960 the contracting parties will formulate questions regarding the Convention so that it can be examined at the sixteenth session.

(c) Latin American Economic Integration

At the fifteenth session the Contracting Parties were informed that during the year 1959 progress had been made in various aspects of the preparatory work designed to pave the way for the gradual and progressive economic integration of Latin American countries. An important stage was covered at the Conference held at Montevideo in September 1959 by the Governments of Argentina, Bolivia, Brazil, Chile, Paraguay, Peru and Uruguay. This conference prepared and approved the text of the draft free-trade area

treaty. This draft treaty was finalized at Montevideo on 18 February 1960 and was signed by the above mentioned countries with the exception of Bolivia and with the addition of Mexico. The governments concerned have submitted the Treaty to the Contracting Parties for whatever purposes they may deem advisable.

Avoidance of Market Disruption

At the fifteenth session at Tokyo the representative of the United States drew attention to the fact that sharp increases in imports, over a brief period of time and in a narrow range of commodities, can have serious economic, political and social repercussions in the importing countries. He pointed out that the problem is to find the means to ameliorate the adverse effects of an abrupt invasion of established markets while continuing to provide steadily enlarged opportunities for trade. The discussions made it evident that the apprehension that such situations might arise had led some countries to maintain or impose import restrictions against particular imports from some countries. It was agreed that in view of the complicated nature of the problem the question should be deferred until the sixteenth session.

Trade in Primary Commodities

The importance of trade in primary commodities to many GATT Member countries, in particular the less-developed countries, has led to an annual review, by the Contracting Parties, of trends and developments in such trade. When considering this subject in 1958 it was agreed that, in future, these reviews should be directed towards a better understanding of the impact of commodity problems upon world trade in general. At the fifteenth session the Contracting Parties adopted a report which, inter alia, attaches considerable importance to international efforts directed toward (1) assisting countries which are heavily dependent on the export of primary products to diversify their economies and (2) directing international financial resources toward helping the producing countries in balance-of-payments difficulties due to a decline in export earnings during periods of falling

prices. In particular the Report emphasizes the availability of the GATT consultation procedures wherever contracting parties are faced with difficulties, either as exporters or importers, or when contemplating action on problems arising in commodity 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 noted 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, and considered that any contracting party making arrangements for disposal of surplus agricultural products should consult with the principal suppliers of those products so as to achieve an orderly liquidation. At each subsequent session the United States has reported on the US disposal programme for surplus agricultural products and the discussions have shown that there is continuing concern regarding the existence of large surpluses and the policies for their disposal. Particular emphasis has been laid on the need for consultations with interested governments prior to disposal. Expansion of consumption has been shown to be a desirable objective, rather than restriction of production.

The 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 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 remain in force. In 1958 they 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.

Accession to the Agreement

There are thirty-seven contracting parties to the General Agreement; in addition five countries currently participate in the work of the Contracting Parties under special arrangements.¹ Three of these, namely, Cambodia, Israel and Tunisia, are expected to take part in the 1960/61 tariff conference with a view to full accession to the Agreement.

At the fifteenth session a declaration was drafted by which - when it has been accepted by two-thirds majority - Poland will be invited to take part in the work of the Contracting Parties.

Japan has been a contracting party for over five years, but up to the beginning of 1960, some fourteen contracting parties were invoking Article XXV (with respect to Japan) thereby refraining from undertaking GATT obligations towards that country.

Sessions of the Contracting Parties

Up to the end of 1958 it was normal for the Contracting Parties to hold one annual session. It was decided at the thirteenth session, however, that in order to improve the administration of the General Agreement, two sessions of the Contracting Parties annually, each extending for three weeks, would in future take the place of an annual session lasting five to six weeks. This arrangement is intended to expedite the transaction of regular GATT business, and to permit more timely and effective consideration of new and urgent problems.

¹ For full list, see page 22.

GATT Training Programme

Every six months a group of government officials, for the most part holding fellowships granted by the United Nations Technical Assistance Administration, joins the GATT secretariat for a period of training. Up to January 1960 eight groups from some twenty-five countries had so far undertaken this training course, which comprises an intensive study of the General Agreement as well as participation in the day-to-day work of the GATT secretariat.

GATT Publications

GATT publications are set out in the List of Official Material relating to 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, Trade Intelligence Papers, etc.

Thirty-seven Contracting Parties to the General Agreement

Australia	India
Austria	Indonesia
Belgium	Italy
Brazil	Japan
Burma	Luxemburg
Canada	Malaya
Ceylon	Kingdom of the Netherlands
Chile	New Zealand
Cuba	Nicaragua
Czechoslovakia	Norway
Denmark	Pakistan
Dominican Republic	Peru
Finland	Federation of Rhodesia and Nyasaland
France	Sweden
German Federal Republic	Turkey
Ghana	Union of South Africa
Greece	United Kingdom
Haiti	United States
	Uruguay

Under special arrangements Cambodia, Israel, Switzerland, Tunisia and Yugoslavia participate in the work of the Contracting Parties.

The following officers were elected at the close of the fifteenth session, in November 1959:

Chairman of the Contracting Parties	Mr. E.P. Barbosa da Silva (Brazil)
Vice-Chairmen	Mr. Toru Hagiwara (Japan) Mr. W.P.H. van Oorschot (Netherlands)
Executive Secretary	Mr. Eric Wyndham White (United Kingdom)
Deputy Executive Secretary	Mr. Jean Royer (France)