

GENERAL AGREEMENT ON
TARIFFS AND TRADE

COUNCIL
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MINUTES OF MEETING

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on 2 and 3 December 1970

Chairman: Mr. Erik THRAANE (Denmark)

	<u>Page</u>
<u>Subjects discussed:</u> 1. Ceylon - Increases in Bound Duties	1
2. Provisional Accession of Tunisia	2
3. Article XXVIII:1 - Renegotiations 1969	3
4. Border Tax Adjustments	3
5. Greek preferential tariff quotas to the USSR	5
6. Balance-of-Payments Import Restrictions Reports of the Committee on the consultations with Yugoslavia, the United Arab Republic, Greece and Indonesia	7
7. EEC - Association with the African and Malagasy States	9
8. Committee on Trade in Industrial Products - Tariff Study	12
9. Financial and Administrative Questions	15
(a) Report of the Committee on Budget, Finance and Administration	15
(b) Assessment of additional contribution to the 1970 budget	17
(c) Financial position as at 30 September 1970	17
10. Australia - Tariff preferences for developing countries	17
11. Application of the General Agreement to newly-independent countries	18
12. Agreement between the EEC and Israel - Working Party	18
13. Agreement between the EEC and Spain - Working Party	19

1. Ceylon - Increases in bound duties (L/3463)

The Chairman recalled that in September 1970 the representative of Ceylon had informed the Council that his Government had not been able to finalize its tariff reform and that it was therefore not in a position to initiate any

necessary renegotiations as provided under the Decision of 25 November 1968. The Council had agreed to consider the matter of a possible extension of the waiver at its present meeting. The request by the Government of Ceylon for a further extension of the waiver had been distributed in document L/3463.

The representative of Ceylon stated that after having submitted the request for an extension of the waiver his Government had informed him that the tariff reform had been completed and the new tariff had been implemented on 26 October 1970. He gave the Council some preliminary information on the extent to which the Ceylon Schedule was affected by the tariff reform. On forty-seven items the most-favoured-nation duty rates had been increased above the bound rates, on sixty-one items they had been eliminated or reduced below the bound level, and on seven items the bound rate remained unchanged. The preferential duty rates contained in Part II of the Ceylonese Schedule had been increased on eight items, reduced or eliminated on thirty-one items and on three items they remained unchanged. As regards margins of preference for which there had been increases in the past and for which Ceylon had been granted a waiver in 1968 he stated that the margins had been reduced to the previously existing level, so that there was no longer any inconsistency with Article I. From these data it became evident that an extension of the old waiver could not serve his Government's requirements. It was his intention to submit to the next Council meeting a request for a new waiver which would contain full information as to the items affected by the tariff reform. He regretted that in the meantime his country's tariff would not be in complete accordance with the General Agreement.

The Chairman drew the Council's attention to the fact that there was no longer any inconsistency with Article I in Ceylon's tariff.

The Council agreed to revert to this matter at its next meeting on the basis of a new submission by the Ceylon delegation.

2. Provisional Accession of Tunisia (L/3456)

The Chairman recalled that the Declaration of 12 November 1959 on the Provisional Accession of Tunisia had been extended six times and would expire on 31 December 1970. The Government of Tunisia had submitted a request (L/3456) to extend the period of validity of the Declaration, in accordance with paragraph 6, until 31 December 1971.

The representative of Tunisia stated that since he had submitted the request for an extension of the period of validity of the Declaration, a new government had been appointed. He was, therefore, now in a position to confirm Tunisia's intention to engage in the procedure for accession as soon as its customs tariff was finalized. In the meantime, his Government requested the extension of the Declaration on the Provisional Accession for a further year.

The Council agreed to a further extension of the provisional accession of Tunisia and approved the text of the Seventh Procès-Verbal Extending the Declaration (L/3456/Annex 1).

The Council also approved the text of the Decision Extending the Invitation to Tunisia to participate in the work of the CONTRACTING PARTIES (L/3456/Annex 2). The Decision was submitted to a ballot. The Chairman invited members of the Council having authority to vote on behalf of their governments to do so. Ballot papers would be sent by mail to contracting parties not represented at the meeting.

3. Article XXVIII:1 - Renegotiations 1969 (C/W/171)

The Chairman drew attention to document C/W/71 in which it was proposed to extend the time-limit for renegotiations under paragraph 1 of Article XXVIII. He recalled that some contracting parties had indicated that they might not be able to conclude their negotiations within the period prescribed at present, i.e. not later than 31 December 1970. It was, therefore, proposed that the time-limit for the conclusion of the negotiations should be further extended to 30 June 1971.

The Council agreed to the proposed extension of the time-limit.

4. Border tax adjustments (L/3464)

The Chairman recalled that the Working Party on Border Tax Adjustments had been established in March 1968 to examine the provisions of the General Agreement, the practices of contracting parties, and possible effects of border tax adjustments in relation to international trade; to consider proposals and suggestions and to report its findings and conclusions on these matters. Interim reports had been made to the twenty-fifth session of the CONTRACTING PARTIES, and in January 1970 to the Council. The Working Party had now drawn up its final report (L/3464), which covered the work of twelve meetings held over a period of two and a half years.

The Chairman of the Working Party, Mr. Gabrielsson (Sweden), said that the Working Party had discussed the existing provisions of the General Agreement and in particular the interpretation of certain terms. Some members of the Working Party had considered that the present GATT rules favoured countries which relied heavily on indirect taxes, and that the GATT provisions were not trade neutral. Most members had argued, however, that the rules of the GATT did not provide any form of protection, had proved easy to administer and were trade neutral, so that there was no reason to change them. Convergence of views had been established with respect to the eligibility for adjustment of taxes directly levied on products, such as the TVA, but divergence of views had been noted with regard to the eligibility for adjustment of certain other taxes.

The Working Party had noted in paragraph 5 of its report that the term "border tax adjustments" had given rise to much confusion and it was therefore recommended that it be replaced by the term "tax adjustments applied to goods entering into international trade".

On the question of practices of contracting parties, the Working Party had devoted considerable time to a comprehensive examination of the various tax systems and changes in these systems on the basis of a consolidated document (L/3389) drawn up by the secretariat.

The examination of the possible effects of tax adjustments on international trade had led the Working Party to recognize that there were serious difficulties in the way of quantifying these effects, it being difficult to determine what the trade figures would have been if tax adjustments had not been made. It was also recognized that the problem of structural differences in taxation and the question of the extent to which indirect taxes and direct taxes were shifted into commodity prices were full of difficulty and of a very complex nature. No conclusions had been reached.

Paragraphs 28 to 38 of the report contained the views expressed by members of the Working Party concerning tax adjustments on products of interest to developing countries. The developing countries had been of the view that, considering the Ministerial Conclusions of 1963 and Article XXXVII, taxes should be abolished on goods imported by developed countries primarily from developing countries; in particular when there was no domestic production of the same goods. Developed countries were of the view, however, that exceptions to the application of uniform rates in generalized fiscal systems could not be introduced for reasons of trade policy.

The Chairman drew the Council's attention to paragraphs 39 to 45 of the report, which contained the Committee's findings and recommendations.

Finally, the Chairman added that the Working Party had examined the notifications submitted to it by Working Group 5 of the Committee on Trade in Industrial Products and had reported to Group 5 in document COM.IND/W/29. It considered its task terminated with respect to these notifications.

Several delegations expressed the opinion that the Working Party's exhaustive discussions had been most useful and had also had considerable educational value. They considered it important that the material on the different tax systems be kept up to date. One representative stated that in the absence of agreed principles and interpretation of the GATT provisions regarding the eligibility of certain taxes for adjustment, it was premature to omit conclusions as to their eligibility.

The representative of India expressed his delegation's hope that the problems of tax adjustments with regard to products of interest to developing countries would not be laid aside after this Working Party's report, but would be taken up in the Committee on Trade and Development.

The Council agreed that a notification procedure be introduced on a provisional basis, as recommended in paragraph 40 of the report. The Chairman added that consequently contracting parties were requested, when considering or making major changes in their tax adjustment legislation and practices involving international trade, to notify such changes to the CONTRACTING PARTIES.

The Council agreed to establish a consultation procedure whereby, upon request by a contracting party, a multilateral consultation can take place on changes in tax adjustments.

The Council invited the Director-General to consider, at convenient intervals, on the basis of the notifications referred to above, and in consultation with interested parties, whether a review of notified changes was called for. The Council also invited the Director-General to consider, after an adequate period of operation, and in consultation with interested parties, whether the provisional notification procedure should be continued, modified or discontinued.

The Chairman stated that the Working Party on Border Tax Adjustments had concluded its work. It could, however, be reconvened in due course as the appropriate forum for holding the consultations referred to in the report.

The Council adopted the report.

5. Greek preferential quotas to the USSR (L/3447)

The Chairman recalled that at its meeting in July the Council had established a Working Party to examine the request from the Greek Government for a waiver from its obligations under Article I to cover the tariff quotas granted to the USSR under the Special Protocol of December 1969. The report of the Working Party had been distributed in document L/3447.

Mr. Meere (Australia), Chairman of the Working Party, said that the Working Party had given careful consideration to the question whether the "exceptional circumstances" required by Article XXV:5 were present in the case at hand. It had also examined carefully the questions of principle and of precedent which it considered of utmost importance. He drew the Council's attention to the concern expressed by the Working Party over the action taken by Greece which had led it to request a waiver. Although there had been sympathy and understanding for the difficulties encountered by Greece, a large majority of the members of the Working Party did not recommend that a waiver be granted as requested by the Government of Greece. Two delegations had expressed somewhat differing views and one of these, being of the view that exceptional circumstances did exist, had suggested a non-renewable waiver limited in time. This suggestion, however, had not been supported by any other member of the Working Party.

The representative of Greece stated that it was his delegation's opinion that the conclusions drawn up by the Working Party in its report did not really answer the question whether there were exceptional circumstances. The question of the applicability of Article XXV in a given case could only be answered on the basis of an analysis of the concrete circumstances and not of a few statements of principle. The asserted fact that other contracting parties in similar situations had not reverted to Article XXV did not relieve the Working Party of its duty to look into the matter and decide whether the required exceptional circumstances were present. The Working Party, he stated, had not considered the question of his Government's need for harmonious commercial relations with the USSR, nor had it given attention to the question whether the Special Protocol was likely to create a prejudice to other contracting parties. Instead, it had solely concentrated on considerations of principle and doctrine. Furthermore, if one was concerned about precedents, the derogation requested by Greece should have been

granted without hesitation, since there did exist several precedents, even for cases where the circumstances had been far less exceptional. Conversely, the rejection of the Greek request on grounds of principle would create a precedent that Article XXV could never permit a derogation from Article I. The conclusions of the Working Party lacked pragmatism, realism and goodwill. The representative of Greece emphasized that it had never been his Government's intention not to comply with their obligations under the General Agreement. He stated that Greece was willing to consider any complaint about trade deviation created by the Special Protocol. However, his Government could not accept a rejection of its request based on Article I, nor could it accept the contention that granting the requested waiver would create a precedent, since several such precedents existed already, one of them, for example, being a waiver on automotive products.

The representative of the United States did not agree with the contention of the representative of Greece that the Working Party had not given adequate attention to his country's special problems: the main focus in the deliberations of the Working Party had been on the question whether there were exceptional circumstances.

The representative of the EEC pointed out that the argument of the representative of Greece contained some valid points which had tended to be overlooked in view of the fact that the Protocol was contrary to Article I. If the Greek request was to be rejected, Greece would be put into a very difficult, if not impossible, position. He therefore considered it worthwhile to draw the Council's attention to the proposal made by the EEC in the Working Party, viz a non-renewable waiver limited in time.

The representative of Poland supported Greece's request for a waiver. The balance of payments was in an unfavourable condition, mainly because Greece lacked an outlet for its agricultural products. In this situation the Special Protocol was of considerable help. Although the Protocol did, from a formal point of view, violate Article I of the General Agreement, it would be more fruitful to act in the spirit rather than according to the letter of the General Agreement.

The representative of the United Arab Republic appreciated the report of the Working Party but he was of the opinion that in cases like the present one, where balance-of-payments difficulties persisted, the presence of exceptional circumstances was established.

The representative of Canada was in favour of accepting the report. The Working Party had carefully taken into account all extenuating circumstances and its conclusions were highly realistic. The waiver granted to the United States on automotive products had no similarity with the case under discussion, quite apart from the fact that the discussion at this time of other waivers would not be fruitful.

The representatives of Czechoslovakia and India both supported the proposal for a non-renewable, limited waiver, as suggested by the EEC.

The representatives of Japan, Argentina and Sweden, the latter speaking on behalf of the Nordic countries, endorsed the conclusions of the Working Party.

The representative of the United Kingdom stated that the issue was not only whether the required exceptional circumstances existed, but also whether the Greek Government had been right in having resort to a derogation from Article I in order to meet those exceptional circumstances. His delegation's response to this latter question was clearly in the negative. The proposal brought forward by the EEC, on the other hand, would not really solve the problem.

The representative of Brazil stated that he was ready to endorse the majority view of the Working Party only if this formed part of a generally tougher approach in dealing with cases of this kind.

The Council adopted the report and it understood the Greek Government would search for appropriate solutions in the light of the report and of the discussions which had taken place in the Council.

6. Balance-of-payments import restrictions
Reports on consultations with Yugoslavia (BOP/R/48), the United Arab Republic (BOP/R/49), Greece (BOP/R/50) and Indonesia (BOP/R/51)

Mr. Abbott (United Kingdom), Vice-Chairman of the Committee on Balance-of-Payments Import Restrictions, introduced the reports on the consultations held with four contracting parties in October.

In the case of Yugoslavia, the Committee noted that the general level of restrictions was no more than was necessary, but considered it disappointing that no major liberalization had been found possible in the last few years. The Committee noted certain unfavourable trends in the economy as well as a decline in the country's reserves. Towards the end of October, the Yugoslav Government had announced several economic measures forming part of a wider stabilization programme, of which all details had not yet been published but which might include changes in the foreign trade régime. It might be desirable if such measures were made the object of further consultations once full details were available. The Committee had also examined the special import surcharge introduced in July 1970. The Committee had felt that the measure was contrary to Article II of the General Agreement to the extent that it was applied to products on which tariff concessions had been granted in the Yugoslav Schedule. The Committee therefore recommended that the rights of any contracting party under Article XXIII should be safeguarded. The Committee had not examined the legal implications of the surcharge in depth but had concentrated on the economic aspects of it and had concurred that it was not an excessive measure in the light of the reserve position. The Committee recommended that in the particular circumstances the situation might be noted and that the measure be kept under review.

In addition to covering the subjects relating to Article XVIII:12(b) in its consultation with the United Arab Republic, the Committee had also considered certain matters which had been raised in the context of the United Arab Republic's accession to the General Agreement but only in so far as they had arisen during

the normal course of the consultation. A more thorough examination had been left for a future consultation. The Committee had expressed its concern at the continued importance of bilateral trade and payments agreements in the United Arab Republic's foreign trade and had supported the need for an early reform of the country's foreign exchange system.

In its consultation with Greece, the Committee had noted that while import deposit rates had been successively reduced, the duration of deposit had at the same time been lengthened. The Committee urged further simplification of the import control procedures. The Chairman pointed out that Greece had subsequently notified the subjection of some additional products to specific import licensing under Article XVIII:18 (document L/3460) and that the Committee had not discussed this measure.

With regard to Indonesia the Committee had conducted an expanded consultation in order to give particular attention to the possibilities for alleviating and correcting its trade and development problems through measures that could be taken by other contracting parties. The Committee had welcomed the country's recent achievements in containing inflation rates to minimal levels as well as other encouraging trends, particularly for exports. It had also noted the existence of import prohibitions for certain products as a measure of protection for domestic industries.

The representative of Yugoslavia referred to the introductory remarks by the Chairman of the Committee and stated that his Government had prepared a comprehensive stabilization programme. So far, its framework and basic ideas had been defined. Furthermore, two strictly temporary measures had already been adopted: one connected with price freezing, the other with the introduction of an import deposit scheme. Further measures were expected to be introduced in the coming months. The guiding principle for all these measures was the further liberalization of trade. The Chairman, in reply to a question by the representative of Yugoslavia, suggested that Yugoslavia should notify the CONTRACTING PARTIES of each new economic measure individually, indicating that the submission formed part of the general programme.

The representative of Japan, in a remark of a more general nature, referred to paragraph 34 of the report on Yugoslavia (BOP/R/48) proposing that all the conditions and criteria embodied in the appropriate provisions of the General Agreement concerning the use of quantitative restrictions for balance-of-payments reasons should be deemed applicable in respect of the Yugoslav import charge. He stated that the paragraph might be interpreted to mean that if a country had balance-of-payments difficulties, then the introduction of an import charge was permitted without resorting to the waiver procedure. It was, however, his Government's view that an import charge was not in accordance with the provisions of the General Agreement and would therefore require a waiver. The conclusions of the present report should not be considered as a precedent in similar future cases.

The Director-General drew the Council's attention to the importance of the sentence referred to by the representative of Japan and contained in paragraph 34 of the report on Yugoslavia. The proposal carried with it the foundation of a modification of the earlier practice. This question of the international adjustment

process, whereby countries tended toward the use of certain types of trade measures to deal with balance-of-payments difficulties, had already been drawn to the attention of the CONTRACTING PARTIES and deserved a more systematic analysis than it had encountered so far.

The Council adopted the reports on the consultations with Yugoslavia, the United Arab Republic, Greece and Indonesia.

7. EEC - Association with the African and Malagasy States
(L/3465 and Corr.1)

The Chairman recalled that in January 1970 the Council had established a Working Party to examine the provisions of the Convention of Association between the European Economic Community and the African and Malagasy States. The report of the Working Party had been circulated in document L/3465 and Corr.1.

Mr. von Sydow (Sweden), Chairman of the Working Party, stated that the main interest in the discussion had centred on the elimination of duties and other restrictive regulations of commerce between the parties to the Convention. In the view of some members there had been insufficient information on the application of regulations of commerce by the Associated States; in this connexion one member had suggested a study on duties and charges applied in the individual Associated States. The Working Party had agreed that progress had been made over the past five years in respect of the free-trade régime, and it had been noted that no specific cases of adverse effects to the trade of third countries had been raised. On the other hand, some members had had doubts about particular provisions of the Convention and some members had felt that unresolved problems made it impossible for them to agree that the basic requirements as spelled out in Article XXIV:8(b) had been fulfilled.

The representative of Australia recognized that countries in the early stages of development had to rely on revenue duties and that such duties were essentially applicable to imported goods because of the lack of an equivalent local production. He saw, however, a danger in the following possible development: a party to a free-trade arrangement might reduce customs duties in favour of its partners in the trade arrangement. If it then increased the revenue duties to compensate for this reduction, it would, in fact, set up barriers to trade with third countries. If, finally, these revenue duties were not applied to imports from all countries, then the purported free-trade arrangement would, in fact, be a discriminatory preferential arrangement. His delegation had been of the opinion that one could not come to a firm conclusion as to whether the requirements of Article XXIV had been satisfied because the situation with regard to these charges imposed by some of the parties to this free-trade area arrangement had not been clarified. For this reason, his delegation had originally suggested a study of this matter; he did not, however, intend to put this suggestion formally to the Council.

The representative of Japan expressed his Government's interest in the question of whether the maintenance of revenue charges was in accordance with Article XXIV. It was his Government's view that the issue involved not only the interpretation of certain provisions of the General Agreement, but also factual questions regarding the nature and effect of such charges, which could not be answered clearly on the basis of the information available. His delegation supported the suggestion of a study.

The representative of Denmark, speaking on behalf of the Nordic countries, stated that since the first Convention important progress had evidently been made. He felt that the problem of the revenue charges - a topic which had arisen before in GATT - was not an issue which was of particular relevance in the context of the association agreements now under debate.

The representative of Switzerland favoured a strict adherence to the General Agreement, without, however, excluding a pragmatic and practical, yet careful, application of its provisions. In his delegation's view fiscal charges were justifiable as long as they were applied without discrimination, did not contain protectionist elements and were in accordance with the country's overall interest. With regard to the possible re-introduction of customs duties and quantitative restrictions for development purposes, he recognized that the consultations provided for by the Yaoundé Convention in such a case did aim at determining a level of protection which would maintain a desirable degree of foreign competition. Retention of special preferences for primary products was also acceptable for the time being. In the present situation and from a static point of view, the Yaoundé Convention was, by and large, in accordance with Article XXIV of the General Agreement. The matter had, however, also to be considered from a dynamic point of view. It would be natural for the Associated States to develop new industries, which would lead them to introduce protective measures as provided under the Convention. Here it was to be noted that the Convention did not set any time-limit for the removal of customs duties re-introduced for development purposes. It was to be admitted that setting such a time-limit at present would have been unrealistic. In fact, there was a risk that the Associated States would move further and further away from the principle of free trade, and it was difficult to foresee when a return to complete conformity with Article XXIV could be achieved. Yet, his Government, of course, very much appreciated the efforts undertaken by all parties to further the development of the Associated States. The contributions of the EEC to those States had to be seen as part of a global strategy in favour of development. He would therefore prefer to consider the Yaoundé Convention in this context which would stress the positive element and would avoid the questions raised by Article XXIV. From this point of view the commercial advantages granted to the Associated States should be considered as part of the commercial policy in favour of development as advocated by Part IV of the General Agreement. The provisions of this Part would eventually also help to find a solution for the problems of reverse preferences. His delegation, therefore, supported the adoption of the report and proposed that the Council in due course reconsider the Yaoundé Convention as well as any other similar situation which might arise in the light of the above considerations.

The representative of India recalled that his Government had always taken the view that Article XXIV was not sufficient to govern the relations between developing and developed countries. The problems dealt with in paragraph 7 of the report and the issues raised by the representatives of Australia and Switzerland confirmed, in his view, this opinion.

The representative of Chile declared that in his delegation's opinion, Article XXIV was not designed for agreements which only dealt with trade relations between developed and developing countries. There were other provisions in the GATT, such as Part IV, under which an arrangement like the Convention could be authorized.

The representative of the United States pointed out that his delegation had not been able to subscribe to the view that the second Yaoundé Convention satisfied the requirements of Article XXIV:8. With regard to revenue duties he stated that the discussion of these charges in the Working Party had been handicapped by a lack of information. His delegation would not, therefore, object to the preparation of a study.

The representative of Cameroon stated that two conclusions could be drawn from the debate; considerable progress had been achieved within the framework of the Yaoundé Convention in the past five years, and there had been no complaint that trade of third parties had been adversely affected. From this, one had to conclude that the Convention was in complete accordance with the provisions of the General Agreement. As regards fiscal charges, it was important to point out that this was a problem which was not limited to the countries members of the Yaoundé Convention. His delegation could agree to the proposed study of these fiscal charges only on condition that the study be extended to all contracting parties.

The representative of Argentina affirmed that his Government would not renounce its rights under Articles XXII and XXIII of the General Agreement.

The representative of the EEC stated that the parties to the Convention were entitled to benefit under the exception defined in Article XXIV:8, which was fully applicable. Otherwise, it would be a matter for the Council or the CONTRACTING PARTIES to address any recommendations to the parties to the Convention. The present debate had, however, shown that the majority of the contracting parties had no intention of making any such recommendation. This had been demonstrated by the fact that whenever the Association had been discussed in GATT new arguments had been advanced in order to justify the reservations made by some contracting parties. His delegation had been surprised by the claim that some contracting parties had not received sufficient factual information on certain matters, even though there had been ample time for enquiries and reflection. Also surprising, in view of the fact that the Council had just adopted the report of the Working Party on Border Tax Adjustments, was the argument that there were new problems of interpretation with regard to fiscal charges. He noted that not a single contracting party had complained about adverse trade effects resulting from the Association and pointed out that, if the parties to the Convention had invoked Part IV, the various interpretations of its content would have been even more numerous.

The representative of Madagascar recalled the considerable progress in economic development which had been achieved by the member countries of the Association in the past ten years. A further goal of the Yaoundé Convention, the integration of the economy of its parties into the world economy, was also on its way to realization. With regard to fiscal charges, it was to be noted that the EEC had never raised the issue within the Association. His delegation was of the opinion that the Convention fulfilled the requirements set up by Article XXIV of the General Agreement and that a free-trade area between each of the Associated States and the EEC had been constituted. There was no reason for considering the Convention under any other provisions than Article XXIV.

The Council did not insist that a study be prepared on fiscal charges and adopted the report.

8. Committee on Trade in Industrial Products - Tariff Study

The Chairman recalled that the Committee on Trade in Industrial Products had at its meeting on 12-13 November considered the establishment of a working party on the Tariff Study. In the course of that meeting the representative of the European Economic Community had stated that the question was of such an importance that it should be taken up in the Council; he had subsequently requested the inclusion of the subject on the agenda of the Council.

The representative of the European Communities recalled that the Council had been entrusted with the supervision of the execution of the Work Programme, adopted by the CONTRACTING PARTIES in 1967. Certain difficulties had now arisen in the tariff field of the Programme. The CONTRACTING PARTIES had decided that an objective analysis should be made of the tariff situation as it would be when all Kennedy Round concessions had been fully implemented. After three years' efforts, basic documentation had been assembled which formed a good basis for further work in the direction decided upon by the CONTRACTING PARTIES. Recently, however, suggestions had been made by one contracting party for an orientation of the work in a direction different from the one clearly laid down by the CONTRACTING PARTIES. The representative of the Communities recalled that the basic documentation had already been available for five months and he could not see any reason for delaying further the work on the analysis envisaged by the CONTRACTING PARTIES. He wished to confirm the views expressed by the Communities in the Committee on Trade in Industrial Products (cf. COM.IND/16). In his opinion the proposals made by the United States were not within the terms of reference established by the CONTRACTING PARTIES for the Tariff Study and they would, furthermore, perpetuate the preparatory stage of the work. The Communities were, however, not against the problems being studied by all interested bodies and suggested therefore that the background documentation should be made available to the forthcoming Seminar on Effective Tariff Protection and to other interested circles.

The representative of the United States stated that although the documentation assembled so far was impressive, it nevertheless was a narrow and inadequate basis for the objective analysis which had been agreed upon. There were no time series of data on either tariffs or trade, nor was there e.g. any price information. His

delegation was suggesting a minimal number of refinements in the existing data, an expansion of the data base to include tariff and trade data for other years and certain further analyses of the relevant information. This was not a proposal to agree upon any new set of theoretical principles or quantitative assumptions. His delegation, however, did not believe that mere manipulation of tariff rates with or without reference to fragmentary past trade statistics, to which those rates in no way applied, could provide meaningful conclusions about the probable effects of tariffs and tariff changes on trade. The question for the Tariff Study was now one of re-examining its goals and of setting a course which would be more satisfactory. The full text of the statement by the representative of the United States has subsequently been reproduced in document COM.IND/W/43.

The representative of Japan said that a tariff analysis of the kind agreed upon by the CONTRACTING PARTIES would be essential for further tariff negotiations which had been envisaged since the conclusion of the Kennedy Round negotiations. He noted with satisfaction that much useful background information had been collected. The time had now come to establish a working party to analyze the variations in tariff rates as between and within categories of goods and as between countries, and the differentials in duties according to the degree of processing. The terms of reference of the working party should, however, be flexible enough to permit it to deal with any further aspects of future tariff negotiations to be proposed by members of the Committee on Trade in Industrial Products. He shared the concern expressed by the representative of the European Communities with regard to the delay in establishing the working party. It could, on the other hand, be argued that the work in the non-tariff barrier and agricultural sectors had not developed so far, that a delay in the tariff sector would put the balanced progress in danger. The American detailed proposals having been presented in document COM.IND/W/42, he hoped that the Committee on Trade in Industrial Products would be able to agree on terms of reference for the working party in the very near future.

The representative of Denmark, speaking on behalf of the Nordic countries, said that the basic documentation had already been available for several months. He felt that a working party should be established without delay to carry out an objective analysis as envisaged by the CONTRACTING PARTIES on the basis of the documentation available. The Nordic countries were not opposed to examining the proposals for an enlarged study submitted by the United States. They considered, however, that those proposals went far beyond the directives of the CONTRACTING PARTIES and that they should not, therefore, prevent work being initiated on the basis of the material assembled. He did not feel that an analysis along the lines suggested by the secretariat would prejudge future negotiating techniques.

The representative of Canada sympathized with the aims of the United States to maximize the usefulness of the Tariff Study, but at the same time he understood the wishes of other governments to avoid further delays. He suggested that the Committee on Trade in Industrial Products should meet to appoint a working party as soon as feasible after governments had had an opportunity to consider the American proposals.

The representative of Yugoslavia shared the view expressed by the representative of Denmark that a working party should be established to analyze the material already available. Its terms of reference could, if need arose, be extended at a later stage. To assemble all the further documentation envisaged in the United States proposal would postpone the analysis indefinitely. He shared the concern about the slow progress in the non-tariff barrier and agricultural fields, but he felt that the Tariff Study should be used as an impetus to those other sectors, rather than be delayed awaiting further progress there.

The representative of India shared the concern expressed by previous speakers about the further delay that would result if the analytical work would not begin until the further documentation, proposed by the United States has been collected. He wished that special emphasis be placed on the particular problems of developing countries on which very little time had been spent so far. He stressed that it would be in line with the instructions given by the CONTRACTING PARTIES if an objective analysis was initiated without delay with regard to some of those problems, e.g. peak tariffs, tariff differentials and specific duties.

The representative of the United Kingdom said that reference had frequently been made to the decisions by the CONTRACTING PARTIES. Those instructions were, however, not sacrosanct; they could be modified in the light of changing conditions. He proposed that the suggestions made by the United States should be discussed at the next meeting of the Committee on Trade in Industrial Products. If they were adopted, they would involve a considerably increased amount of preparatory work, but that was no reason not to consider them in the Committee.

The representatives of Brazil, Yugoslavia, India and the United Kingdom supported the proposal by the European Communities that the basic documentation collected for the Tariff Study should be given a wider distribution.

The Director-General explained that the three printed volumes containing tabulations for the Tariff Study had been distributed to all members of the Committee on Trade in Industrial Products and to other contracting parties who had so requested. The computer tapes put at the secretariat's disposal by various governments had been considered as confidential and had only been used inside the secretariat.

The representative of the United States said that he was not authorized to agree to a wider distribution of either the printed volumes or the computer tape supplied by his Government.

It was agreed that the establishment of terms of reference for the Working Party on the Tariff Study was a matter to be settled by the Committee on Trade in Industrial Products, taking into account the views expressed in the Council. With regard to the distribution of the documentation collected for the Tariff

Study, it was agreed that governments having supplied such documentation should be invited to consider to what extent the data could be given a wider circulation. The matter would be taken up at the next meeting of the Committee on Trade in Industrial Products.

9. Financial and Administrative Questions

(a) Report of the Committee on Budget, Finance and Administration (L/3454)

Mr. Moerel (Netherlands), Chairman of the Committee on Budget, Finance and Administration, said that, in accordance with its terms of reference, the Committee had examined the 1969 accounts, the financing of the 1970 budget and the budget estimates for 1971 for the GATT and the International Trade Centre UNCTAD/GATT.

During its examination of the 1969 GATT accounts and the financing of the 1970 GATT budget, the Committee had expressed its concern with regard to contracting parties which were in arrears with their contributions, in some cases for two or more years. This situation created a problem of financial management and the Committee had, therefore, requested the secretariat to look into the question of the possibility of setting up general rules to govern action the CONTRACTING PARTIES might take with regard to contracting parties whose contributions were in arrears.

With regard to the GATT budget estimates for 1971, the Committee had recognized that the proposed estimates were modest and had expressed its appreciation of the Director-General's policy of maintaining the secretariat's permanent establishment at a minimum level and meeting additional needs on an ad hoc basis. The Committee had agreed to the Director-General's proposal to make additional provision to take account of increased expenditure arising from a salary scale adjustment for the professional and higher categories and the inclusion of two classes of post adjustment as from 1 January 1971. The matter was now pending before the General Assembly. The GATT budget estimates for 1971 were 9.4 per cent above those for 1970, of which approximately 8 per cent represented unavoidable increases due to higher salaries and higher prices for supplies and services.

The discussions on the International Trade Centre budget for 1971 had been very laborious. This had been due to the Centre's unique position in that responsibilities for examination of its budget were shared between GATT and the United Nations. The Advisory Committee on Administrative and Budgetary Questions had proposed to reduce the budget estimates by \$50,000. In the Committee the views on the effect of such a cut on the work programme of the Centre were divided. Nevertheless, the Committee had agreed to the proposed reduction, in view of the fact that the recommendation of the ACABQ had already been submitted to the Fifth Committee of the General Assembly. The Chairman recalled that this same situation had occurred in the last three years and the Committee had, therefore, decided to meet earlier next year to consider the Centre budget estimates.

Considerable discussion had also taken place regarding contributions towards overhead costs in respect of UNDP technical assistance projects. In 1970, no contribution for overhead costs had been made available from United Nations funds and for 1971 provision for a lump sum of \$50,000 would be made in the UNCTAD budget towards the cost of administering an estimated \$1 million of UNDP projects. The Committee had felt that this provision was insufficient and had requested the secretariat to continue its efforts in consultation with the UNCTAD and other United Nations authorities to find a more equitable solution.

The Director-General pointed out that, with regard to the adjustment of the common salary scales for the staff in the professional and higher categories proposed by the Secretary-General of the United Nations, no decision had yet been taken by the General Assembly. He assured the Council that the GATT and Centre staff salaries would be adjusted in accordance with the forthcoming decision. If this decision was to differ from the Secretary-General's proposal, i.e. the increase smaller or effective as from a later date only, then a certain amount of saving in the budget would be achieved by leaving the provision as it stood. He proposed that the Committee's report be approved with the understanding that any such savings would be blocked and not committed without prior decision by the Council.

The representative of the United Kingdom emphasized the importance of the overhead problem which had been created in connexion with the UNDP projects administered by the International Trade Centre and he expressed the hope that the secretariat's report would be forthcoming as soon as a decision had been taken on this matter.

In connexion with the budget the representative of Argentina expressed his delegation's desire that the amount of documentation and interpretation services in Spanish be gradually increased.

The Council approved the audited accounts for 1969 of the GATT.

The Council approved the Recommendation that the CONTRACTING PARTIES approve the continued application to the GATT of the United Nations Staff Rules and Regulations and the United Nations Financial Regulations and Rules.

The Council approved the text of the Draft Resolution on the Expenditure of the CONTRACTING PARTIES in 1971 and the Ways and Means to Meet Such Expenditure and the Annexes IA, IIA and IIIA.

The Council approved the audited accounts for 1969 of the International Trade Centre.

The Council approved the revised estimates of expenditure of the International Trade Centre.

The Council approved the Recommendation concerning the financing of the 1971 Budget of the International Trade Centre.

The Council approved the report of the Committee.

The report, the Recommendations approved and the Resolution were submitted to a ballot. The Chairman invited members of the Council having authority to vote on behalf of their governments to do so. Ballot papers would be sent by mail to contracting parties not represented at the meeting.

(b) Assessment of additional contribution to the 1970 budget (L/3443)

The Chairman drew attention to the proposal distributed in document L/3443 that following Mauritius' accession to the GATT a contribution to the 1970 budget and an advance to the Working Capital Fund be assessed on Mauritius.

The Council adopted the assessments proposed.

(c) Financial position as at 30 September 1970 (L/3462)

The Chairman drew attention to a report by the Director-General on the status of budgetary expenditure and budgetary income over the first nine months of 1970 of the GATT and the International Trade Centre (L/3462). It was estimated that the financial year would close with a surplus of approximately US\$67,000 on the expenditure budget and US\$33,000 on the income budget. The final cash surplus which would revert to contracting parties depended on the amount of outstanding contributions to be received before the end of the year. In addition to the contributions received since the end of September and shown in paragraph 9, contributions had also been received from the Central African Republic, the Dominican Republic and Mauritania, so that the total outstanding contributions amounted to US\$273,000 as of today, as compared with US\$245,000 outstanding on 31 December 1969. With regard to the International Trade Centre accounts, it was estimated that the financial year would close with no surplus on the expenditure budget and a small surplus on the income budget of some US\$3,000.

The Chairman appealed to those countries who were in arrears to meet their commitments.

The Council took note of the report.

10. Australia - Tariff preferences for developing countries (L/3453)

The Chairman recalled that under the Decision of the CONTRACTING PARTIES of 28 March 1966, the provisions of paragraph 1 of Article I of the General Agreement had been waived to permit the Government of Australia to accord preferential tariff treatment to certain products originating in developing countries, subject to prescribed terms and conditions. The waiver provided for an annual review of its operation on the basis of a report by the Government of Australia. The fourth annual report had been distributed in document L/3453.

The representative of Australia stated that since its introduction, the Australian system of tariff preferences for developing countries had progressively expanded. His Government had been pleased to see that the usage of the quotas by developing countries had steadily increased: the quotas allocated had risen from

\$A 3.7 million in 1966/67 to nearly \$A 17.7 million in 1969/70. At the same time, he expressed disappointment over the fact that only approximately 50 per cent of the available quotas had in fact been taken up. The number of countries making use of the system was fairly limited. More than 75 per cent of the imports under the system came from five countries. It was his opinion that there was still room for improvement in the marketing services of individual countries.

The representatives of Chile and Greece expressed their appreciation for the system, which was of benefit to them.

The representative of India expressed concern over the fact that the developing countries were not making sufficient use of the opportunities offered by the system: there was a very considerable gap between the quotas available and the quotas allocated. On a more general level, it was worth noting that the scheme had proved to be trade creating for developing countries without having negative trade effects for other contracting parties.

The Council took note of the report.

11. Application of the General Agreement to newly-independent countries
(L/3457 and Corr.1)

The Chairman recalled that in November 1967 the CONTRACTING PARTIES had adopted a Recommendation inviting contracting parties to apply the General Agreement de facto in respect of newly-independent territories on a reciprocal basis. The Recommendation requested the Director-General to make a report on its application after three years. This report had been circulated in document L/3457 and Corrigendum 1. Since the report had been drawn up, the Recommendation had also become applicable to the Government of Fiji.

The Council took note of the report.

The Council agreed to the Chairman's suggestion that the Director-General remain in contact with the governments of the States concerned and report again on the application of the Recommendation within three years.

12. Agreement between the EEC and Israel - Working Party

The Chairman recalled that at its meeting in September the Council had decided to establish a working party on the Agreement between the EEC and Israel, without deciding on the question of membership and chairmanship. On the basis of applications made by contracting parties the Council agreed on the following composition:

African and Malagasy States	Greece	Spain
Australia	Israel	Switzerland
Brazil	Jamaica	Tunisia
Canada	Japan	United Arab Republic
Chile	Nordic Countries	United Kingdom
European Communities and their member States	South Africa	United States

Chairman: Mr. J. Boyesen (Norway)

The Council agreed to this proposal.

13. Agreement between the EEC and Spain - Working Party

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African and Malagasy States	Greece	Spain
Australia	Israel	Switzerland
Brazil	Japan	Tunisia
Canada	New Zealand	United Arab Republic
Chile	Nordic Countries	United Kingdom
Dominican Republic	Portugal	United States
European Communities and their member States	South Africa	

Chairman: Mr. J. Boyesen (Norway)

The Council agreed to this proposal.