

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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Held in the Palais des Nations, Geneva,
on 8 November 1974

Chairman: Mr. P.S. LAI (Malaysia)

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1. Uruguay - Import surcharges (L/4102)

The Chairman recalled that the CONTRACTING PARTIES, under their Decision of 24 October 1972, had waived the provisions of Article II of the General Agreement, to the extent necessary to allow the Government of Uruguay to maintain certain import surcharges in excess of bound duties. The waiver, which was to expire on 30 June 1974, had been extended until the end of the thirtieth session of the CONTRACTING PARTIES pending a report by the Committee on Balance-of-Payments Restrictions. The report of the Committee had been circulated in document L/4102.

Mr. Dunkel (Switzerland), Chairman of the Committee on Balance-of-Payments Restrictions, said that the Committee had had at its disposal the full documentation supplied by Uruguay, as had been requested by the Council in July 1972. Although no formal consultation was held, the Committee had also taken into account the balance-of-payments situation of Uruguay when considering the extension of the waiver. The Committee had agreed to recommend to the CONTRACTING PARTIES to grant an extension of the waiver until 30 June 1976, bearing in mind the added pressures on the balance of payments in 1974, due, in large part, to increased petroleum prices and to the uncertainties of prevailing world economic conditions, including the difficult situation in the world beef market. The Committee recalled a previous recommendation to the Uruguayan Government for the adjustment of its import régime so that a waiver of Uruguay's obligations under the GATT would no longer be necessary.

The Council agreed to recommend that an extension of the waiver until 30 June 1976 should be granted. The Council approved the text of the draft Decision and recommended its adoption by the CONTRACTING PARTIES. The text of the draft Decision, together with the Recommendation of the Council to the CONTRACTING PARTIES for its adoption would be incorporated in the Report of the Council to the CONTRACTING PARTIES. It would be submitted to a vote at the time when the CONTRACTING PARTIES considered the Council's report at the thirtieth session.

The Council adopted the report.

2. Consultations on balance-of-payments restrictions

- (i) Israel - Import deposit scheme and import surcharge (BOP/R/78)
- (ii) Consultations under simplified procedures with Bangladesh, Chile and Ghana (BOP/R/77)

Mr. Dunkel (Switzerland), Chairman of the Committee on Balance-of-Payments Restrictions, said that the consultation with Israel had focussed mainly on the examination of the recently reintroduced import deposit scheme and on the surcharge.

The Committee had recognized that Israel's ability to redress its balance of payments by expanding exports was affected by economic developments in other countries. It had welcomed the programme of strong fiscal and monetary measures adopted by Israel, which was designed to permit the gradual removal of the surcharge and the import deposit scheme. The Committee had noted that these measures were temporary and had expressed the hope that Israel would eliminate them as soon as circumstances permitted.

Referring to the report by the Committee prepared under the simplified procedures (BOP/R/77), Mr. Dunkel pointed out that the Committee recommended that Bangladesh and Ghana be deemed to have fulfilled their obligations under Article XVIII:12(b) for 1974.

As regards Bangladesh the Committee noted that the Government had raised interest rates from 5 per cent to 8 per cent in order to attract investment capital. The Bangladesh Government was also reviewing the pricing policies of nationalized industries and had adopted monetary and financial measures for the expansion and diversification of the export sector.

As regards Ghana, the Committee had noted that Ghana's balance of payments had a small surplus in 1972 and 1973 but that it was expected to show a deficit in 1974. As nearly all imports were subject to restrictions through licensing, the hope was expressed that Ghana would soon start liberalizing this very restrictive import régime.

With regard to Chile, the Committee had noted that the delegation of Chile had addressed a letter to the Director-General of GATT, in September 1974, in which it indicated that because of measures taken recently the statement it had submitted to the Committee was out-dated. The Chilean delegation would provide an updated report early next year. In the circumstances, the Committee had preferred to postpone taking a decision, although it regretted that this consultation, which was already long overdue, could not be held. The Chilean authorities were invited to prepare an up-to-date statement at the earliest possible date, and to submit it to the secretariat not later than January 1975. At its first meeting in 1975 the Committee would decide whether a full consultation with Chile would be desirable or not in 1975.

Mr. Dunkel reported that the Committee had asked the secretariat to prepare a draft of a factual report on the work of the Committee over the past five years.

The Council adopted the report on the consultation with Israel (BOP/R/78) and on the 1974 consultations under the simplified procedure (BOP/R/77) and agreed, as recommended by the Committee, that Bangladesh and Ghana should be deemed to have consulted with the CONTRACTING PARTIES in fulfilment of their obligations under Article XVIII:12(b).

The Council noted that the Committee had postponed a decision whether a full consultation with Chile was desirable.

3. Consultative Group on Meat

The representative of Australia proposed that the Council should consider the possibility of establishing a consultative Group on Meat within the framework of the GATT.

He referred to the present difficult situation of the international meat trade and pointed out that recent discussions had shown the value of international consultation and co-operation.

Such a group should provide an intergovernmental forum for consultation and exchange of information on current and prospective developments in the world meat situation with a view to ensuring greater stability and predictability in international trade in meat.

Through the process of regular exchange of information a better understanding could be achieved among governments, both exporters and importers, of the implications for trade of actions taken by governments. The Group should not be concerned with short-term problems and thereby not interfere with current bilateral and multilateral discussions on the present situation. Nor should the Group overlap with the multilateral trade negotiations, although the Group might be able to make an important contribution to the negotiations and some link might, therefore, be established in its terms of reference. There would, however, be a need for continuing consultations after the negotiations had been concluded. The Group should be open to non-contracting parties, if necessary.

A number of representatives expressed interest in the proposal, which they considered a constructive one, and were prepared to participate in elaborating further details for consideration at a later meeting. Some representatives stated that if there had been more consultation between importers and exporters the present difficult situation could have been avoided. The Group should not be a negotiating body and its relationship to the multilateral trade negotiations should be clearly defined. Some representatives expressed doubts as to the need for creating additional machinery. According to these delegations there was within the framework of the multilateral negotiations machinery for the examination of the problems relating to meat. Essentially what was needed was up-to-date information on the present situation of the meat market. The opinion was also expressed that, because of the present abnormal situation of the meat market, this might not be the most appropriate moment for establishing such a group.

The Council agreed that more time was needed for further reflection and decided to revert to the matter at a later meeting.

4. Consultation with Poland (L/4096)

The Chairman recalled that the Protocol for the Accession of Poland provided for annual consultations between Poland and the CONTRACTING PARTIES. The CONTRACTING PARTIES were furthermore required to examine the question of establishing a date for the termination of the transitional period, by the end of which any discriminatory element in remaining quantitative restrictions should be eliminated. The Seventh Annual Consultation had been carried out by a working party, whose report was contained in document L/4096.

Mr. Hemrajani (India), speaking on behalf of Mr. Chadha (India), Chairman of the Working Party, introduced the report. The Working Party had noted with regret the continuing tendency for a number of notifications to be submitted too late to allow for their proper examination in capitals before the consultation in spite of the Working Party's previous recommendation that notifications should be made available at least six weeks before the consultation. The Working Party had also noted however, that progress had been made in the elimination of discriminatory restrictions and that one country, Austria, had decided to abolish all such restrictions with effect from 1 January 1975. As for the form of the notifications, some progress had been made but several members of the Working Party still considered that the absence, in the notifications from some areas, of an indication as to which country or zone applied a particular restriction, made it impossible to determine the extent of liberalization, if any, that had taken place. A discussion had also taken place on the relationship, if any, between the formation of Polish export prices and the continued maintenance of some discriminatory restrictions. The Working Party had noted with satisfaction that Poland had considerably exceeded its import commitment. The increase in imports from 1972 to 1973 had been 65.3 per cent.

The Working Party had been informed that Poland was considering the introduction of a customs tariff on an experimental basis and that a decision in this regard might be taken in the course of 1975.

The Working Party had re-examined the question of the establishment of a terminal date for the abolition of discriminatory restrictions. No significant progress in this respect had been made, but the possibility had been kept open of holding the next annual review, at which the question of terminal date would be reconsidered in accordance with the terms of the Protocol of Accession, at an earlier date in 1975 should conditions warrant it.

The representative of Poland expressed regret that it had again not been possible to reach agreement on the establishment of a terminal date for the transitional period. Poland was, as a matter of principle, against any discrimination in international trade. The Protocol of Accession required the complete elimination of restrictions inconsistent with Article XIII. He welcomed the decision of the Austrian Government to terminate all discriminatory restrictions against trade with Poland at the end of 1974. However, the maintenance by other contracting parties of the remaining discriminatory restrictions constituted a distortion in the balance of advantages and obligations under the GATT. He proposed that another examination of this question be undertaken in early 1975. He expressed the hope that contracting parties would continue in the direction of further eliminating discriminatory restrictions so that the problem would no longer be relevant in 1975 in practical terms, and a final date could be established.

A great number of representatives expressed regret at the failure to reach agreement on fixing a terminal date for the total elimination of remaining discriminatory restrictions. Several representatives supported the proposal for a reconsideration of this question at a new meeting in early 1975.

The representatives of some contracting parties which were listed in the Report as not having communicated to GATT whether they maintained discriminatory restrictions with respect to Poland, pointed out that they had previously informed the secretariat that no such restrictions were maintained by them.

The representative of the European Communities recalled that the Community was Poland's most important trading partner. He pointed out that there had been no change in the economic circumstances that were the justification for the remaining restrictions. The Community therefore was not in a position to set a date for the total elimination of these restrictions. He considered that there existed an imbalance in that all Community's exports were taking place under free market conditions, while it was not always clear how Polish export prices were arrived at.

The representatives of Sweden and Norway pointed out that only a small number of discriminatory restrictions were maintained which were purely of a hard-core nature. While the question of their final elimination was being examined they could have accepted a solution as had been suggested during the fourth review, which would have enabled the maintenance of some hard-core restrictions.

The representative of Poland said that the elimination of discriminatory restrictions could not be subject to changes in the internal Polish economic system. He pointed out that differences in the system of price formation had

been taken into account when Poland acceded to the GATT and paragraph 4 of the Protocol provided for additional protection and safeguards against imports from Poland.

The Council noted that the Working Party had not been in a position to agree on a recommendation with regard to the question of the establishment of a terminal date for the transitional period. This question could be re-examined, in accordance with the provisions of the Protocol, at the eighth annual review, which might be held at an earlier date in 1975 should conditions warrant it.

The Council adopted the Report.

5. Canada - Article XXIV:6 negotiations with the European Communities (L/4107)

The representative of Canada recalled that at the Council meeting on 19 July 1974, his delegation had indicated that it had not been possible for Canada to reach agreement with the European Communities in the Article XXIV:6 negotiations, and that Canada would continue negotiations with a view to achieving satisfactory results. However, despite considerable efforts on both sides, agreement had not been reached. In the view of his authorities the concessions offered by the European Communities did not maintain a general level of mutually advantageous concessions and there was a substantial imbalance between the current concessions of the enlarged Community and those provided for in the former Schedules of the Six and the three new member countries. Therefore, under the provisions of Article XXVIII:3, Canada would be entitled to withdraw substantially equivalent concessions to restore the balance. However, such action, being a measure of last resort, would be especially unfortunate at a time when the substantive phase of the multilateral trade negotiations was about to begin. In addition, a withdrawal of concessions would inevitably affect adversely the trade interests of other contracting parties.

Therefore, Canada felt that the most appropriate course to follow would be to seek a solution through the conciliation procedures of the General Agreement. Accordingly, his Government wished to refer this matter to the CONTRACTING PARTIES, pursuant to paragraph 1(c) and 2 of Article XXIII, so that they might give a ruling on the matter, or make recommendations, as appropriate. To this end, he requested that an independent panel of experts be appointed to investigate whether the new Schedules LXXII and LXXII bis maintained a general level of reciprocal and mutually advantageous concessions between Canada and the European Communities, not less favourable to trade than that provided for in Schedules XL, XL bis, XIX, XXII and LXI. The investigation should not be limited to statistical or quantitative tests but should take account of the broader economic elements as was customary in Article XXVIII negotiations.

At the same time, the representative of Canada requested that the six-month period laid down in Article XXVIII:3 should not be considered as expiring until six months after the date on which the CONTRACTING PARTIES made a recommendation or gave a ruling on the matter.*

The representative of the European Communities stated that the conciliation procedures were a feature typical of the GATT which had been tried and tested and to which his authorities attached considerable value. However, in this case the proposal was to apply the procedure to the withdrawal of schedules and to the introduction of a new single schedule of concessions for the enlarged Community. The negotiation that had led to this new Schedule covered practically the whole of the customs tariffs in question and a difficult assessment of both a quantitative and qualitative character was therefore called for. The Community could not accept the proposal. The conciliation procedures of the GATT had hitherto mostly been used in cases of violations of the General Agreement; in the present case a number of factors made this procedure inappropriate.

Such an exercise would involve highly sophisticated assessments in complex trade fields where the criteria for reaching judgements were exceedingly imprecise. Nor was the case at hand a question of whether the compensation offered by the European Communities was or was not consistent with the provisions of the GATT, but rather a matter for the parties directly concerned to decide. It therefore seemed unwise to attempt to solve such complex questions by arbitration procedures; indeed, it was not a matter of chance that the conciliation procedure had so far only been used in cases where the issues were precise and of a limited scope.

Furthermore, should the Council appoint a panel, it would in the view of the Communities create a precedent that might tempt future negotiators to shun their responsibility by referring final decision-making to another body, a possibility which would encourage them not to reach negotiated settlements.

With regard to the Canadian proposal to extend the six-month period of Article XXVIII:3, the Community had previously stated that the Article XXIV:6 negotiations were ended on 31 July 1974. The negotiations with the great majority of countries had been terminated, and it would not now be just for the European Communities to introduce new measures which would alter the conditions on which these countries had already agreed to conclude the negotiations.

*The full text of the statement by the representative of Canada is contained in document C/W/250.

It could be objected that the Community in taking this attitude left Canada only the possibility of exercising its right to withdraw equivalent concessions in accordance with Article XXVIII:3, but this was not the case. On the basis of a Canadian statement to the effect that if the Community could take satisfactory steps to preserve Canada's negotiating rights on cereals, the Community would have paid off the debit owed to Canada in the XXIV:6 negotiations, the Community had made a proposal to make a formal statement that Canada, on the one hand, considered that it had not obtained satisfactory compensation and therefore wished to maintain its negotiating rights as regards cereals, while the Community for its part considered that the concessions offered provided full compensation for all the concessions withdrawn. The Community would also declare that it was ready to accept an extension of the time-limit laid down in Article XXVIII:3 as far as this area of disagreement was concerned, thus carrying forward the negotiating rights on which Canada considered it had not been fully paid and the consequential rights for Canada to make equivalent withdrawals. Such a formula was the same as the one noted by the Council in July and which was then accepted by the United States and Australia. The reservations on both sides represented last resort measures and the Community wished only to arrive at a final solution acceptable to both parties.*

The representative of Canada replied that in his view, the EEC had overstated the complexity of the situation as only a small percentage of items in the Community tariff were of interest to Canada as a principal or substantial supplier and had also overstated the inability of a panel to deal with elements of judgment since the record showed that in previous cases, panels had made difficult assessments and judgments on complex matters. He emphasized that at present, Canada was faced with two choices, either accepting the terms offered by the EEC which provided inadequate compensation or to withdraw concessions to re-establish balance. The only other alternative left to Canada was an attempt at conciliation by the CONTRACTING PARTIES through a panel. On the specific issue of cereals, the Canadian objective of carrying forward contractual access rights for wheat and barley was not met by the solution proposed by the EEC as the EEC insistence on inclusion of a claim that the concessions offered represented full payment for all concessions withdrawn, in effect, cancelled the carrying forward of Canada's contractual rights on the cereals in question. The settlement that the EEC had reached with the United States and Australia was not acceptable to Canada as the pattern of trade and balance of reciprocal concessions between Canada and the EEC was different than between EEC and any other contracting party, and the impairment of those concessions would affect Canada differently than it would other contracting parties. In regard to the suggestion

*The full text of the statement by the representative of the European Communities is contained in document C/W/251.

by the EEC that it would be an unfortunate precedent to refer an Article XXVIII negotiation to a panel, the representative of Canada stated that it would be a much more unfortunate precedent if the CONTRACTING PARTIES were to refuse a request for conciliation by a contracting party when the only other alternative was to withdraw concessions.

The representative of the European Communities stated that since the matter under consideration related, in most cases, to renegotiation of concessions which were the outcome of the Kennedy Round and were therefore valorized vis-à-vis all contracting parties, it was not possible to limit the assessment of the renegotiations as suggested by Canada and that therefore a substantial part of the Schedules of concessions was involved. The intricacies of Article XXIV:6 renegotiations were well-known. There were no precedents for questions of far-reaching negotiations being referred to panel procedures. The Communities had therefore proposed to note the present disagreement and to carry it forward as such, as the withdrawal of concessions was, therefore, not the only alternative in this case.

The representatives of Nigeria, Indonesia, New Zealand, Argentina, Australia, Pakistan, Sweden (on behalf of the four Nordic countries), Switzerland, Brazil, the United States, Korea, India, Japan, Yugoslavia, Poland, Hungary, Israel, Czechoslovakia and Cuba, while not wishing to express views on the substance of the dispute, stated that every contracting party had the right to seek conciliation in accordance with the relevant procedures of the General Agreement. They also felt that all possible GATT mechanisms should be utilized to avoid the withdrawal of concessions between such important trading partners. They therefore supported the request of Canada to establish a panel under Article XXIII in order to make the conciliation procedure operative and to extend the time-limit under Article XXVIII:3.

The representatives of Portugal and Israel felt that no decision should be taken at this meeting and that more time should be allowed for reflexion on the matter.

The Chairman noted there was a large measure of support for the request by Canada but that no delegation appeared to be pressing for a decision at that meeting. He, therefore, proposed that the Council should revert to the matter at its next meeting.

The representative of Canada could accept this proposal but requested that in view of the time-limits fixed by Article XXVIII:3, the next Council meeting at which the matter would be reexamined, be held before the end of November 1974.

The representative of the European Communities took note of the views expressed and said that he would convey them to his authorities. He recalled that the position of the EEC was very firm and reiterated that it had spared no effort in order to seek a reasonable and equitable formula which, taking into account the outstanding disagreement in the renegotiations, would simply maintain unchanged the rights of both parties as existing at present. In the view of the EEC, the efforts undertaken had been unsuccessful because the Canadian delegation intended to secure through the procedure it suggested more extensive rights than it had at present, i.e. an indefinite and unlimited extension of the time period laid down in Article XXVIII:3 for the bilateral negotiation as a whole.

The Council agreed to revert to the matter at a meeting to be convened before the end of November.

6. Trade negotiations among developing countries -- Report by the participating countries (L/4091)

The Chairman recalled that, under their Decision of 26 November 1971, the CONTRACTING PARTIES had waived the provisions of paragraph 1 of Article I of the General Agreement to the extent necessary to permit each contracting party participating in the arrangements set out in the Protocol Relating to Trade Negotiations Among Developing Countries to accord preferential treatment, as provided in the Protocol. The operation of the Decision was to be reviewed annually by the CONTRACTING PARTIES on the basis of a report to be furnished by the participating countries and in the light of the objectives and considerations set out in the Decision. The first annual report by the participating countries had been presented in document L/4091.

Mr. Whang (Korea), Vice-Chairman of the Committee of Participating Countries, introduced the Report and said that the Protocol had entered into force in February 1973 for eight participating countries which had completed ratification procedures and that it was now in force for thirteen signatory countries.

He pointed out that participating countries had fully observed the provisions of the Protocol and the terms of the Decision of the CONTRACTING PARTIES of 26 November 1971, and that no contracting party had found it necessary to request consultations in connexion with the operation of the arrangements set out in the Protocol or with regard to the observance of the Decision of 26 November 1971.

He said that the Committee of Participating Countries provided for in the Protocol had held several meetings for the purpose of giving effect to those provisions involving joint action and, generally, with a view to facilitating the operation and furthering the objectives of the Protocol. Among other things, it had adopted decisions concerning rules of procedure and a procedure for rectifications of a purely formal character to the schedules of concessions. It had also undertaken a review of the rules of origin as provided for in the Protocol.

Furthermore, the Committee had given consideration to prospects for initiating a new round of trade negotiations among interested developing countries with a view to enlarging the scope of the concessions contained in the Protocol, extending the list of concessions and encouraging the accession of additional developing countries. This matter was to be kept under review. The Committee had also held two special meetings to which all developing countries had been invited and, as a result, a number of countries had expressed interest in exploring the possibilities for accession. The Committee attached particular importance to facilitating the accession of non-participating developing countries to the arrangement. Because of the relatively recent implementation of the arrangement it had not been possible to assess its impact on trade between participating countries.

The representative of the United States recalled that his delegation had abstained from voting on the Decision. This had been an indication of the United States' concern about the possibility of discrimination against other developing countries, in particular the least developed countries. He noted that the Report did not enable an assessment to be made of the trade effects of the arrangement.

The representative of the European Communities recalled that the Communities had been among the members who had supported the efforts to increase trade between developing countries. As a procedural matter, his delegation suggested that the reports on the arrangements under the Protocol be referred to the Committee on Trade and Development for examination before being presented to the Council.

The Council took note of the Report and agreed that in the future the reports should first be presented to the Committee on Trade and Development before being considered by the Council.

7. International Trade Centre

- Report of the Joint Advisory Group (ITC/AG(VII)37)

Mr. Moerel (Netherlands), Chairman of the Joint Advisory Group, said that the Joint Advisory Group had based its discussions on the report of its Technical Committee which had met immediately prior to its own meeting. The report of the

Technical Committee was attached to the Advisory Group report. He pointed out that the Group had agreed to recommend to the governing bodies of GATT and UNCTAD the work programme of the Centre as outlined in document ITC/AG(VII)37. He stated that a considerable part of the time of the Group had been taken up on matters concerning the future organizational structure of the Centre and its administrative arrangements. A review of these arrangements had since been carried out jointly by GATT, UNCTAD, the Centre and the United Nations Administration. The results of this review had been submitted to the Trade and Development Board of UNCTAD at its fourteenth session in September. They had also been presented to the Committee on Budget, Finance and Administration.

The Group had also given its attention to the implications of the ECOSOC Resolution 1819 (LV), concerning the responsibilities of the International Trade Centre as the focal point for all United Nations assistance in the field of trade promotion, and had set up a small inter-governmental Working Party. The Working Party had held a number of meetings in the past months and its report had been circulated for consideration by the Joint Advisory Group at its eighth session.

As regards the Technical Committee, he said that the Group had agreed that the Committee should meet every year prior to the Group's meetings, for a duration of three to five days depending on the work requirement. The Group had further agreed that the Committee should consist of technical experts in export promotion and that its membership should be maintained at the current number. However, the Group had not been able to resolve the geographical composition and the possible rotation of its members and it had, therefore, requested its Chairman to continue the consultations with the various country groups.

He then referred to the main aspects of the recommendations of the Joint Advisory Group. The Group stressed the need for the Centre to be able to conduct basic research on market trends and possibilities with a view to identifying market opportunities for developing countries. It had endorsed the action taken by the Centre regarding evaluation of its field operations and underlined the need for beneficiary countries to give greater attention to their responsibilities in project implementation. The Group recommended also that the Centre should broaden the range of its field programming missions to developing countries. These missions should in future carry out an appraisal of the significant factors that had a bearing on those countries' export capacity.

In conclusion he said that the Group had taken note of the efforts by the Centre to attain close working relations with other international bodies and it had recommended particularly the need for establishing satisfactory working

arrangements with UNIDO and for maintaining close contacts with the United Nations regional economic commissions and other regional and sub-regional organizations. Finally, he expressed the Group's appreciation for the generous extra-budgetary contributions made by certain developed countries to the Centre.

Replying to an enquiry from the representative of Pakistan, Mr. Santiapillai, Director (Programmes) of the International Trade Centre, stated that some of the recommendations on the work programme of the Centre could be carried out with the present resources available, while others needed additional resources, either from the regular budget or from voluntary contributions. For example, recommendations such as the one on basic research, which were for specific countries or groups of countries, could not be implemented without regular budget funds, as the possibilities of obtaining voluntary contributions for this type of work were very remote. He explained that on the United Nations side the Centre had to work on a biennial basis which meant that recommendations made by the Advisory Group with financial implications could only be implemented when the new budget for the biennium 1976/77 would be approved.

The Council approved the recommendation by the Group relating to the work programme (paragraph 2(i) of the Report) and adopted the Report.

8. Administrative and financial questions

- (i) Reports of the Committee on Budget, Finance and Administration
(L/4057, L/4097)
- (ii) Proposed administrative arrangements for the International Trade Centre (L/4104)

Mr. Clark (Canada), Chairman of the Committee on Budget, Finance and Administration, said that the Committee had reexamined the question of the erosion of salaries and allowances for staff in the professional category and above, on which the Committee had first reported in October 1973. Although the Committee had not been able to advance significantly from its position, that deviation from the common system should be avoided, it continued to recognize that a real and serious problem existed. It had, therefore, agreed to form an ad hoc, informal contact group, composed of representatives of the staff, representatives of the secretariat and members of the Committee. This group would meet at the earliest possible date to make a thorough review of the situation in the light of decisions to be taken on proposals which were now before the General Assembly.

He pointed out that the Committee was greatly concerned about the effect that continuing inflation and currency movements had on the pensions received by GATT pensioners. It felt that the solution to this problem could come only from a reform of the pension fund system. In view of the seriousness of the situation, however, the Committee had agreed to recommend that an exceptional, ad hoc contribution of Sw F 20,000 be made to the Staff Assistance Fund in 1975, from the 1974 surplus.

In connexion with the 1973 accounts and the financing of the 1974 budget of GATT, the Committee had paid special attention to the contributions in arrears from certain contracting parties. He underlined the Committee's recommendation that governments should pay their contributions as early as possible in the year in which they fell due.

With regard to the current budgetary position of GATT, on the basis of present forecasts, the 1974 budget was expected to close with a year-end surplus of some two-and-a-half million francs. This had resulted from the slower than anticipated development of the Trade Negotiations and from savings on items for staff costs as a consequence of the Director-General's economic use of staff resources. A large amount of additional income would accrue by the end of 1974 from interest on investments. Savings would also occur due to the fact that the salaries of the professional staff were expressed in dollars and that the adjustment mechanism in the United Nations common system would not fully compensate the staff for exchange fluctuations.

The Committee had recommended the acceptance of the Director-General's proposal that an amount of Sw F 1,250,000 should be earmarked towards 1975 income, and that the remaining balance, which would also amount to approximately Sw F 1,250,000 be transferred to the Building Fund. The transfer from the 1974 surplus and the retardation of the commencement of the work would enable the deletion of the provision in the 1975 budget for a contribution to the Building Fund and, consequently, the reduction of governments' contributions to the budget.

Referring to the budget estimates for 1975, he said that the Committee had agreed to adjust the figure of Sw F 29,472,000 and had recommended increases of Sw F 1,370,000 and decreases of Sw F 2,575,000. The revised estimates thus totalled Sw F 28,267,000 of which nearly 12 per cent was in respect of the Trade Negotiations and 20 per cent in respect of the contribution to the International Trade Centre.

He then explained that, of the increases, an amount of Sw F 1,038,000 was to provide for the cost of certain adjustments to salaries and allowances from 1 January 1975 which were the subject of proposals put before the General Assembly

of the United Nations at its present session. The provision had been made on the understanding that, if the General Assembly did not approve all or part of the proposals, savings would accrue in the 1975 budget. The remaining amount of Sw F 282,000 represented an adjustment in the contribution to the International Trade Centre UNCTAD/GATT in 1975. The decreases were achieved mainly by deleting the provision for the contribution to the Building Fund. The Committee had also agreed to delete the provision of Sw F 20,000 to the Staff Assistance Fund and to make the payment from the 1974 surplus instead. In addition, the Committee had agreed to reduce the provisions for the thirty-first session of the CONTRACTING PARTIES (Sw F 10,000), for printing (Sw F 15,000) and for unforeseen expenditure (Sw F 30,000).

With respect to the International Trade Centre, Mr. Clark said that, due to the effects of inflation and currency shifts and the urgent need for additional office space, it had been found necessary to increase the 1974 GATT contribution to the Centre by \$91,000 and that for 1975 by \$219,000. In 1974 this was to be paid from expected savings in the GATT budget. However, for 1975 it had been necessary to increase the provision in the GATT budget to meet these additional inflationary costs.

The Committee had also examined the proposed administrative arrangements for the International Trade Centre and their financial implications.

As recommended by the Committee, the Director-General had now submitted a report containing affirmations with regard to the legal status of the Centre and its staff. The report had been distributed in document L/4104. Mr. Clark informed the Council that, on the side of the United Nations, the Fifth Committee had endorsed the affirmations with regard to the legal status of the Centre.

The representative of the United States stated that his delegation had reservations concerning the administrative arrangements listed in document L/4104. He was ready to let them go into effect on a trial basis, but they should be observed closely.

The representative of Brazil pointed out that at the time of discussion of the arrangements his delegation had made it clear that the primary consideration would be the utmost facilitation of the ability of the Centre to implement the approved programme of assistance to the developing countries. The basic guidelines for the proposed arrangements should have been those proposed by the executive heads of GATT and UNCTAD, as contained in document C/W/212. As these seemed to be different from those contained in document L/4104, his delegation took note of the proposed arrangements; but if, in practice, they did not prove useful for the delivery of the programme, they should be reviewed. His delegation reserved the right to revert to this matter.

The Council approved the recommendations contained in paragraphs 14, 15, 16 and 37 of Section A of the report - the GATT secretariat - and those contained in paragraphs 42, 53, 54 of Section B of the report and in document L/4104 concerning the International Trade Centre.

The Council approved the Report of the Committee on Budget, Finance and Administration (L/4097) and recommended its adoption by the CONTRACTING PARTIES, including the recommendations therein and the Resolution on the Expenditure of the CONTRACTING PARTIES in 1975 and the Ways and Means to meet such Expenditure.

9. Training activities (L/4098)

The Director-General, in presenting a report (L/4098) on the current activities in the field of training, referred to the two annual commercial policy courses conducted by the secretariat. He added that in June/July 1974 the secretariat had also conducted an ad hoc four-week course for senior officials of developing countries, specifically devoted to the multilateral trade negotiations. He understood that the course had been successful and had been considered by the participants to be of real value to them. He stressed the considerable importance he attached to this training in commercial policy matters and he knew that governments, likewise, attached great importance to it.

As regards the study tours and visits undertaken by the participants on the courses, he mentioned that in 1974 the English-speaking course had visited the Netherlands and Austria and the French-speaking course had visited Canada. Short visits within Switzerland were a normal feature of every course. He thanked all the governments concerned for the interest they had shown in the GATT training activities and for the hospitality and attention extended to the participants during the visits.

He also expressed his appreciation to the UNDP and to UNCTAD, as executing agent of the UNDP, for the fellowships provided for those courses, as well as to those members of delegations and representatives of international organizations who had generously given their time to lecture to the participants.

A number of delegations stressed the value of the commercial policy courses very useful and expressed the appreciation of their governments for this form of training.

The Council took note of the report.

10. Status of protocols (C/W/248)

The Chairman drew attention to document C/W/248 which contained a report on the status of protocols, upon which action was still required by one or more contracting parties, and noted that the Protocol Introducing Part IV was in force amongst all but three contracting parties.

Since the closing date for the acceptance of this Protocol would expire at the end of the thirtieth session, the Council agreed to recommend to the CONTRACTING PARTIES that the closing date be extended until the end of the thirty-first session for those contracting parties which would not have been able to accept it before the end of the thirtieth session. The Council approved the text of the draft decision. The Recommendation of the Council would be included in the Report of the Council to the CONTRACTING PARTIES.

11. Japan - Restrictions on imports of beef and veal

The representative of Australia, raising a point under Other Business, stated that the Australian beef industry was facing a very critical situation. There had been a drop in the value of Australian cattle herds by some \$A 3 billion which added very greatly to the existing liquidity problem for Australian farmers and the economy generally. As a result of this situation, cattle prices had continued to fall and were at their lowest levels for some twenty years, while unemployment in export meatworks and associated dependent industries was estimated at about 30 per cent of the work force. Beef exports from July to September 1974 (69,000 tons) had been cut to almost one third of those of the same period in 1973. Export values had reflected a similar trend.

He recalled that the Japanese delegation had stated at the last Council meeting that there was no need to notify the GATT of the changes in its quantitative restrictions on beef and veal because their action was taken within the context of its notified quota system and did not constitute a change in this system. In Australia's view, Japan's deferral of licences against the quota for the second half of 1973/74 and its failure to announce a quota for 1974/75 constituted an import prohibition which was a complete departure from a quota restriction. As licences to import beef were not being issued at the present time, this meant a virtual shut-out of all meat from abroad.

It was his delegation's intention, in the event that Japan continued to claim that it had no further GATT obligations in this matter, to request at a subsequent meeting of the Council an examination of the Japanese residual restrictions on imports of meat in terms of Japan's obligations under the GATT.

The representative of Japan stated that his Government was making every effort to improve the situation. He was surprised that the Australian delegation had raised the matter again, which seemed inconsistent with discussions held at the highest level with Australian authorities.

The Council took note of the statements.

12. Report of the Council

The secretariat had distributed in document C/W/247 a draft of the Council's report to the CONTRACTING PARTIES on the matters considered by the Council since the twenty-ninth session and any action taken in this respect.

Several representatives proposed amendments to the draft.

The Chairman requested the secretariat to insert the various amendments proposed as well as suitable additional notes on action taken in this meeting.

The Council agreed that the report with these additions should be distributed and presented to the CONTRACTING PARTIES by the Chairman of the Council.