

GENERAL AGREEMENT ON TARIFFS AND TRADE

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SUMMARY RECORD OF THE SECOND MEETING

Held at the Palais des Nations, Geneva,
on Tuesday, 19 November 1974 at 3 p.m.

Chairman: Mr. H. KITAHARA (Japan)

Subject discussed: Report of the Council (L/4109)

The CHAIRMAN referred to the Report of the Council of Representatives on its work since the twenty-ninth session (L/4109). The following comments were made in connexion with the items dealt with in the report.

Item 1 - Trade in textiles

Mr. SUGIURA (Japan) expressed his satisfaction at the successful conclusion at the end of last year of the Arrangement Regarding International Trade in Textiles, with a view to promoting the development of production and expansion of trade in textiles, as well as to achieve progressively the liberalization of world trade in these products. He stated that in order to achieve further expansion of trade in textiles, it was highly important to avoid the introduction of new restrictive measures and to proceed promptly with the termination of existing import restrictions in accordance with Article 2 of the Arrangement. He drew attention to the fact that Japan had no restrictions on imports of textiles, and pointed out that it was undergoing a very radical structural change in its textile trade. He stressed that a concerted effort by all member countries to liberalize trade in textiles, would contribute to the maintenance of a liberal trade policy by all member countries, including Japan. He appreciated the constructive rôle of the Textiles Surveillance Body which had been established in the framework of the Arrangement and gave the assurance that Japan would continue to make a positive contribution towards the full implementation of the Arrangement.

Mr. CHADHA (India) said that his country had acceded to the new Arrangement in the hope and expectation that it would provide the framework for an orderly growth of trade in textiles which was of vital interest to many developing countries. His

country had been able to resolve problems with some importing countries in a satisfactory way, but in some other cases difficulties had arisen and he felt that some importing countries were not strictly following the spirit of the new Arrangement. He mentioned that in the case of one major importing country, restrictions, imposed two years ago on the imports of certain handloom products, continued to remain in force although such restrictions were inconsistent with its commitments under the new Arrangement. He stressed that the objectives of the Arrangement could only be achieved if all the participating countries displayed the necessary goodwill and understanding in observing the provisions of the Arrangement in letter as well as in spirit.

Mr. MOON (Korea) stated that although the new Arrangement had been concluded after difficult negotiations, it appeared that various provisions of the Arrangement still left room for different interpretations, particularly with regard to the rights and obligations of the parties concerned. He stressed that the basic objectives of the Arrangement were to achieve an expansion and a progressive liberalization of world trade in textiles, while at the same time ensuring the orderly and equitable development of this trade and avoiding disruptive effects in individual lines of production in both importing and exporting countries. It was his firm belief that if the Arrangement was fairly and honestly implemented, it could become a charter for liberalization as opposed to the Long-Term Arrangement which was considered by some as a charter for restraint. It could not be accepted that domestic political difficulties in major importing countries should serve as justification for the breach of the multilateral rules. He stressed that restraints should be used after consultation with the countries concerned and invoked sparingly in exceptional cases. Restraints should not become the normal practice in international trade in textiles.

Item 2(b) - Working Party on the Acceptance of the Anti-Dumping Code

Mr. CHADDA (India) said that his delegation had actively participated in the efforts to find a formula which would make the Anti-Dumping Code acceptable to developing countries. At the last meeting of the Working Party the outstanding differences had been considerably narrowed down; the text now under consideration for an interpretative note was an improvement on the text arrived at during the previous meeting. His delegation was ready to co-operate in further efforts towards finding a mutually acceptable solution which would facilitate the adherence of developing countries to the Code.

Item 2(c) - United States - Countervailing duties on imports of footwear

Mr. BARTON (Canada), referring to the arrangement of the report considered that a section on countervailing action should not have been grouped under the heading of Anti-Dumping Practices. Anti-dumping duties were imposed to counter individual business practices, while countervailing measures were taken to offset government subsidy practices.

Mr. TEESE (Australia) supported this view.

Section 4 - Temporary Trade Measures

Mr. MARTINS (Austria) stated his concern at the great number of temporary trade measures of a restrictive character. The widespread application of such measures could have a detrimental impact on the world trading system. He felt that if all countries facing an aggravation of their economic and monetary situation were to have recourse to unilateral measures they would only transfer their own difficulties to their trading partners. He therefore appealed for the maintenance of international discipline in the trade field.

Item 4(a) - Italian Import Deposit Scheme

Mr. MARTINS (Austria) expressed his appreciation that Italy had found it possible to remove the Italian deposit requirements for agricultural imports, which was a great relief for Austria's farmers. Although his delegation was aware of the difficult problems the Italian Government still had to face, he hoped that Italy would soon be in a position to remove also the import deposit applied against imports of industrial products.

Item 5(b) - European Communities - Emergency Action on Imports of Bovine Meat

Mr. TEESE (Australia) stated, in addition to the information included in the Council's report, that Article XXII:1 consultations with the European Communities had been held on 25 October 1974 on the initiative of Australia, with other interested countries present. These consultations would be continued in the near future.

Mr. NYERGES (Hungary) also referred to the further developments which had taken place after the report had been drawn up. As a major supplier of cattle, Hungary was ready to co-operate in further efforts to get more orderly market conditions for international trade in bovine meat.

Mr. PEREZ TOMAS (Argentina) said that his delegation had participated in the consultations under Article XXII and expressed the hope that these consultations would be resumed as soon as possible.

Mr. MARTINS (Austria) expressed his delegation's concern at the measures taken by the European Community on imports of cattle and bovine meat for which the Community was by far the most important Austrian market. He referred to the dependence of Austria's farmers, in particular those living in mountainous regions, on exports of cattle and meat, and to the constant deterioration of the agricultural trade balance between Austria and the European Community. The import measures imposed by the Community in respect of cattle and meat contributed substantially to this deterioration. Austria expected, therefore, an early removal of these import restrictions by the Community.

Mr. PETRESCOU (Romania) expressed support for the previous speakers. He also made the point that his country's position on this and other items had been clearly stated in the meetings of the Council.

Mr. PHAN VAN PHI (European Communities) also referred to the consultations which the Community was having under Article XXII:1 with Australia and other interested countries. He noted that the situation with respect to the economic problems underlying the measures had not improved and remained extremely difficult.

Item 5(c) - Japan - Restrictions on Imports of Beef and Veal

Mr. TEESE (Australia) drew attention to the Australian statement in the meeting of the Council on 8 November 1974 in which his delegation had said that in the event that Japan continued to claim it had no further GATT obligation in this matter, the Australian delegation would propose at a subsequent meeting of the Council that a working party be established to examine the Japanese measures restricting imports of meat and to report to the Council on their validity in terms of Japan's obligations under the GATT. Having regard to Japan's persistent failure to offer the assurances sought in this matter, the proposed establishment of such a working party had now been inscribed on the agenda for the next meeting of the Council. His delegation would circulate a document within a few days elaborating the background and justification of the proposal.

Mr. MIZOGUCHI (Japan) said that he had no further comments to make to the statements already made in the meetings of the Council in October and November. He took note of the Australian statement and reserved the right to make further statements in the Council.

Item 5(d) - Australia - Action on imports of certain footwear

Mr. PHAN VAN PHI (European Communities) stated that the measures, as notified to the Council by Australia, were being examined by the European Community. The Community was amongst the major suppliers of footwear to Australia and might, therefore, ask, at the appropriate time, for consultations with Australia.

Mr. PEARSON (United Kingdom), speaking on behalf of Hong Kong, said he associated himself with the expressions of concern by the European Communities. He reserved the rights of Hong Kong under the General Agreement.

Mr. CASTILLO (Spain) referred to the Spanish statement on this matter at the meeting of the Council on 25 October. He also reserved the rights of his delegation under the General Agreement.

Mr. CHADHA (India) stated his country was a major supplier of footwear to Australia. India was in the process of examining the implications of the Australian measures and reserved its rights under the General Agreement.

Mr. TEESE (Australia) stated that Australia was prepared to respond to any request for consultation on this matter.

Item 7(b) - Agreements concluded between

- Finland and Bulgaria
- Finland and Hungary
- Finland and Czechoslovakia

Mr. GLITMAN (United States) noted that these agreements were of interest to all contracting parties, and he looked forward to the early circulation of the texts of the agreements.

Item 7(c) - Caribbean Community and Common Market

Mr. WALKER (Jamaica) expressed his appreciation to the many representatives who in the Council had welcomed this further step in the process of regional integration in the Caribbean. The Caribbean Free Trade Association (CARIFTA) of 1968 had thus been superseded by the Treaty establishing the Caribbean Community and Common Market, which had been signed by all countries and territories which had participated in CARIFTA. The objectives of the Treaty had already been explained in the Council; he would stress, nevertheless, that although all members were developing countries, the Treaty provided for special measures in favour of the less-developed member countries. This was a good example of how trade relations between countries at different stages of development could be organized so as to aid less favoured partners. In his view, the Treaty was in full conformity with the provisions of Article XXIV of the General Agreement and the member countries would co-operate fully in its examination by the Working Party that had been set up for this purpose.

Item 8(f) - Uruguay - import surcharges

Mr. DONDO (Uruguay) referred to his Government's request for an extension of the decision and recalled the main conclusions of the Committee on Balance-of-Payments Import Restrictions. The Committee had taken into account Uruguay's balance-of-payments situation and had noted the pressures on this year's balance of payments, arising to a great extent from the increase in oil prices, the uncertain conditions in the world economy and the difficulties met by Uruguay in the marketing of meat. The Committee had recommended an extension of the waiver until 30 June 1976. He asked the contracting parties to approve by vote the draft decision proposed.

The CHAIRMAN drew attention to the recommendation of the Council that an extension of the waiver until 30 June 1976 be granted and that the draft decision contained in Annex I of the Council's report be adopted. The decision was adopted by 55 votes in favour and none against.

Item 9(c) - United States - Agricultural Import Restrictions

Mr. EASTERBROOK-SMITH (New Zealand) said that when the Council reviewed the United States waiver last year, there were some signs that the United States agricultural import quotas might finally be disappearing. During 1973, quota levels were increased for a number of agricultural products covered by the waiver, specifically those for cheese, non-fat dried milk and butter; indeed, the United States had sought the active co-operation of supplying countries in meeting the demand. While welcoming these emergency authorizations suppliers had also taken some encouragement from the hope that they might represent a recognition that the circumstances which led to the request for the waiver no longer existed. However, he had now to record, with some disappointment, that since early this year the United States had made no provision for imports over and above the token levels established in the annual quotas.

He recalled that this waiver had been reviewed for almost twenty years and at no point had his delegation been persuaded that circumstances justified its maintenance. Last year there were some indications that a new appraisal of the American dairy situation might be forthcoming - regrettably this appeared not to be the case - and he therefore again recorded his delegation's earnest hope that the United States would give early consideration to the justification for the waiver under present market conditions, and to the removal of the quota legislation covered by it.

Mr. TEESE (Australia) stated that in the course of annual reviews since 1956 his delegation and others had urged the United States to liberalize the quota arrangements imposed under Section 22 of the Agricultural Adjustment Act. Although the list of commodities subject to Section 22 quotas had been shortened over the years, dairy products remained under restriction and the coverage of the quotas had been extended so that the only products not covered by quotas were some high priced speciality cheeses and casein. These products were not produced in significant quantities in the United States. The waiver provided for modification of restrictions whenever changed circumstances so warranted but to date the only permanent quotas to have been increased since the waiver was introduced had been the permanent cheese quotas. These had in effect been doubled since their introduction. However, while United States consumption of cheese had doubled in the last twenty years, only about 10 per cent of this increase had been taken up by imports.

More recently, there had been a series of temporary quota increases. None of these had resulted in any modification to permanent quotas or to the price support system which was the immediate reason for the continuation of quotas. After twenty years, the support system still guaranteed producers price increases regardless of market opportunities or the availability of competitively priced imports from efficient producing countries.

He further stated that the support system not only isolated the United States dairy market from the rest of the world but had also institutionalized a pattern of trade which, while relevant to the trading world of the 1930's or 1940's, no longer reflected the operation of legitimate market forces.

The United States permanent quotas for butter, which became effective in 1953, were based on trade in the period 1930-1934. Similarly, the permanent quotas for skimmed milk powder, unchanged since 1953, reflected patterns of trade in the period 1948-1950. Other quotas were similarly outdated.

Under the terms of the waiver the United States had provided an annual report covering its performance under the waiver. His delegation suggested that the time had come to look more closely at the United States performance, particularly in relation to dairy products, with a view to determining what action, if any, had been taken to remedy the situation which gave rise to the waiver.

He commented on two aspects of the new United States Agricultural and Consumer Protection Act which had some relevance to the United States waiver as it related to dairy products. Firstly, his delegation had noted that instead of the price support programme requiring the price support to be set between 75 per cent and 90 per cent of parity and at such a level that adequate supplies were ensured,

the new Act directed the Secretary of Agriculture to set a level of support which would meet current needs, reflect changes in the cost of production, and assure a level of farm income adequate to maintain productive capacity sufficient to meet anticipated future needs. He was concerned that this section of the 1973 law might strengthen the present tendency towards isolation of the United States dairy industry from lower cost efficient dairy producers.

The other aspect of interest in the 1973 Farm Act was the direction to the Secretary of Agriculture to carry out a study of the effects of increasing the level of dairy imports and to report his findings, together with any recommendations he might have with respect to import quotas or other matters, to the Congress of the United States no later than 1 January 1975. He hoped the United States delegation would ensure that, in the context of this study, the views of the contracting parties with regard to United States performance under the waiver would be made known to the Congress.

Mr. GLITMAN (United States) said that there had been an evolution not only in the nature of the dairy programme since the institution of the waivers but also in other areas of the agricultural waiver programme. There had been considerable liberalization as the report noted. He thought there was a recognition among many countries that the dairy industry did constitute a special problem in many countries and was subject to special régimes. He expressed the view that the situation was symptomatic of the difficult socio-economic problems which existed in the past and which continued to exist in this particular area. He further said that the question of these quotas was a subject which could be discussed at the forthcoming trade negotiations.

Item 10 - Trade Negotiations Among Developing Countries

Mr. SALEEM (Pakistan) said that the expansion of trade among developing countries was a promising area for co-operation between these countries. He noted that thirteen developing countries had ratified the Protocol and that three more countries would be doing so in the near future. His delegation welcomed moves towards enlarging the scope of the Protocol and towards initiating a new round of negotiations among these countries. A number of developing countries had shown interest in acceding to the Protocol. Referring to the question that the present arrangements were covered by a waiver, he expressed the hope that, if the GATT rules were to be revised, the right of developing countries to exchange preferences would be given formal recognition.

Mr. CHADHA (India) stated that the participating countries had held two special sessions to explore the possibilities for the further expansion of trade among developing countries. He considered it important that the scope of the arrangements should be enlarged both through the participation of additional

developing countries and through the expansion of product coverage. He was encouraged by the interest shown by the developing countries in the arrangements. At the same time participating countries had given consideration to the prospects for initiating a new round of trade negotiations among developing countries with a view to enlarging the scope of the concessions contained in the Protocol and extending the list of concessions.

Item 11 - Consultative Group on Meat

Mr. TEESE (Australia) recalled that the Australian delegation had proposed the establishment of this Group. He pointed out that the last twelve months had shown a complete reversal of the trading situation which prevailed during 1973. That year was characterized by a strong demand for beef and a buoyant export market. Average world prices for beef were 40 per cent higher in 1973 than in 1972. A significant factor in this was the strong growth in demand for beef particularly in Japan whose imports in the first six months of 1973 were 86 per cent higher than they were over the same period in 1972. In response to Japanese concerns during this period the Australian Government abandoned consideration of a proposal for the introduction of a tax on beef exports. At present, however, demand for beef had slumped. In Australia export prices were at their lowest level for twenty years. Two of the major world importers had effectively closed off their markets and there was little prospect that they could be opened in the near future. As a result the beef industry in Australia now found itself in a crisis situation.

He said that Australia believed that whilst problems in the trade of agricultural products were serious they were not fundamentally different from problems in other sectors of world trade. In his view trade liberalization in the agricultural sector had to keep pace with the industrial sector so that countries whose comparative advantage in agriculture was strong would have full opportunity to exploit this advantage. The experience of the last two or three years amply demonstrated that the hardship caused by severe shortages or burdensome surpluses of meat and excessive price fluctuations were harmful to both producers and consumers. He therefore believed that a major multilateral co-operative effort was called for and it was with this in mind that his delegation proposed at the Council meeting on 8 November the formation within GATT of a Consultative Group on meat. The objective in proposing this group was to provide a forum for governments to consult on recent and prospective developments in the world meat market with a view to ensuring greater stability and predictability in international trade in Meat. If governments had a better understanding of the situation then the decisions they would take in regard to meat matters would be more enlightened and more likely to have regard to the impact of their actions on trading partners, whether they be importers or exporters.

He said that it had been suggested that the Multilateral Trade Negotiations would be the most appropriate means of pursuing the establishment of such a group and that the matter could accordingly be taken up by the TNC Working Group on Agriculture. He pointed out, however, that his delegation would see the Consultative Group on Meat solely as a forum for continuing consultation which would have a life beyond the MTN. At the same time the Group would be oriented principally towards trade and issues affecting trade. For this reason his delegation would not consider, as had also been suggested, either OECD or FAO as being appropriate organizations for establishing the Group.

It was Australia's firm intention to press ahead with this proposal at the next GATT Council meeting. He concluded that he regarded this matter as a test of GATT's ability to deal with the more immediate and real issues and problems confronting international trade.

Mr. NYERGES (Hungary) supported the proposal made by the representative of Australia for the setting up of a consultative group on meat, and shared his views on the possible terms of reference of such a group and its main tasks. He thought that the ideas on the possibility of setting up a group to deal with acute problems were very interesting.

Mr. EASTERBROOK-SMITH (New Zealand) also supported the Australian proposal concerning the setting up of a consultative group on meat. He stressed that his delegation agreed with the comments that had been made by the delegate of Australia.

Mr. RAZAFIMBAHINY (Madagascar) said that his delegation supported the proposal to set up a consultative group on meat because such a new structure in this field would be of particular assistance to developing countries. He recommended that work on this proposal be pursued and in particular that the GATT should establish co-ordination with the efforts of similar bodies either directly or indirectly, on a regional or an international level.

Mr. JODKO (Poland) repeated his delegation's support for the setting up of a consultative group on meat.

Item 13 - Consultation on trade with Poland

Mr. JODKO (Poland) pointed out that Poland had been a contracting party to GATT for seven years, during which time it had always fulfilled or even surpassed its obligations under the Protocol of Accession. The report of the Working Party amply confirmed this fact. He added that the report contained no such categorical statements about the fulfilment of the commitments undertaken by

GATT countries vis-à-vis Poland. He expressed the great concern of his authorities that after seven years some contracting parties still applied discriminatory quantitative restrictions inconsistent with both the Protocol of Accession and Article XIII of the General Agreement. His authorities, therefore, considered that the balance of advantages which had been the aim of Poland in acceding to the GATT, had been significantly distorted to the disadvantage of Poland.

At previous consultations, Poland had demanded, in accordance with bilateral agreements concluded with some of her trading partners, that the contracting parties applying discriminatory restrictions eliminate these by the end of 1974, so that the transitional period referred to in paragraph 3 of the Protocol of Accession could be terminated by that date. Acknowledging the strong support received in the Working Party for this position, he nevertheless had to state with regret that to date it had not been possible to establish a date for the termination of the transitional period and thus to put an end to the discrimination against Polish exports. His authorities felt strongly on this point, because there was no economic justification for the maintenance of the restrictions. Under appropriate provisions of the General Agreement, the contracting parties applying them were amply safeguarded against any disruption of their markets by Polish goods. Even the special paragraph in the Protocol of Accession which was designed to deal with such problems had never been invoked against Poland. He, therefore, strongly appealed to the countries concerned to take the necessary action that would solve this problem by the end of the year. Some positive developments in this direction could be observed, and he cited as a good example the case of Austria - a country with a high proportion of imports from East European countries - which would eliminate all discriminatory quantitative restrictions on Polish exports with effect from 1 January 1975.

Mr. MOON (Korea) supported in principle the elimination of discriminatory restrictions among contracting parties in accordance with the rules of GATT; therefore, he was in favour of ending the transitional period as early as possible. At the same time, he drew attention to the fact that some contracting parties still invoked Article XXXV against his country. Korea had taken steps to open up and expand trade with contracting parties regardless of their economic and political systems. He hoped that this fact would be taken into account and Article XXXV subsequently disinvoked by the countries concerned.

Mr. JAKS (Czechoslovakia) stated that Poland as a GATT member was still being deprived of its full rights under the Protocol of Accession. Only the termination of the transitional period would put Poland on an equal footing with other contracting parties; an early solution was therefore needed to this problem.

Mr. TEESE (Australia) supported the call by Poland for the termination of the transitional period by the end of 1974.

Mr. PHAN VAN PHI (European Communities) said that his authorities still considered that no change had taken place in the economic conditions which had motivated the maintenance of discriminatory restrictions. In particular there had been no change in the formation of export prices under the Polish economic system. Consequently, the Community had not been able to eliminate these restrictions. On the question of the balance of mutual advantages and disadvantages in the GATT, the European Communities believed that there was an imbalance which operated to their disadvantage since the Community market system was free while it was not entirely clear how the present Polish system operated.

Mr. NYERGES (Hungary) was of the view that the agreement or contract between Poland and the CONTRACTING PARTIES contained no conditions; it had merely been stipulated that the end of the transitional period should be determined after Poland has become a member. Poland's price formation system had not been challenged at the time, and he could not agree to conditions being laid down after the entry into force of Poland's membership. On the question of remaining restrictions, he could see no justification for their maintenance, nor had their legitimacy ever been established by a GATT body. All parties concerned should therefore honour the agreement in question according to the terms written into the Protocol of Accession and the General Agreement itself.

Mr. BARTON (Canada) and Mr. GLITMAN (United States) urged the removal of the discriminatory quantitative restrictions still maintained on Polish exports.

Mr. MIZOGUCHI (Japan) said that his country did not maintain any discriminatory restrictions vis-à-vis Poland, and he urged the contracting parties concerned to abolish such restrictions at an early date.

Mr. LAGERFELT (Sweden) stated that there had been no change in the view of his authorities which had been clearly expressed in the Council.

Mr. JODKO (Poland) reiterated his view that the elimination of quantitative restrictions could not be made subject to changes in the internal Polish economic system; the system of export price formation had been fully taken into account when the Protocol of Accession had been drawn up.

Mr. SAEZ (Philippines), Mr. TOMIC (Yugoslavia) and Mr. RODRIGUEZ (Cuba) associated themselves with the calls for an end to discriminatory restrictions and the transitional period.

Mr. PHAN VAN PHI (European Communities) said that his authorities understood the stipulation in the Protocol that the end of transitional period should be determined later to mean that such determination would be by common consent, an agreement which it had not yet been possible to achieve.

Mr. HUSLID (Norway) pointed out that Norway only maintained a small number of restrictions on trade with Poland. His country's trade with Poland was continuously improving and progressing, and the remaining few restrictions were all of a hard-core nature. He hoped for an early solution to the problem.

Item 15 - Application of Article XXXV to Japan

Mr. MIZOGUCHI (Japan) said that Japan had raised the question of the application of Article XXXV against Japan at every session since Japan became a contracting party in 1955. He much regretted that he was obliged to raise this matter again. He pointed out that since the twenty-ninth session four countries had withdrawn the application of Article XXXV, namely the Central African Republic, Togo, Tanzania and Cameroon. However, it was a matter of concern that nine contracting parties, namely Austria, Cyprus, Haiti, Ireland, Kenya, Mauritania, Nigeria, Senegal and South Africa had still not found it possible to enter into normal GATT relationships with his country. His delegation was aware that some of these countries were seriously examining the possibility of disinvoking Article XXXV with respect to Japan and he hoped that all nine countries would be able to do so soon.

Mr. SALIMA (Malawi) stated that the majority of the countries still invoking Article XXXV against Japan were developing countries. He pointed out that while his country no longer applied Article XXXV against Japan, this had not led to an improvement in Malawi's trade balance with Japan. He felt that Japan should make efforts to buy more products from developing countries.

Mr. ALO (Nigeria) said that his authorities were seriously considering the question of Nigeria's trade relationship with Japan. He pointed out that de facto his country already applied the General Agreement in respect of Japan. While Nigeria's balance of trade with Japan had been unfavourable for a long period the balance was now improving and he expected that the necessary legal steps to disinvoke Article XXXV would be undertaken shortly.

Mr. MARTINS (Austria) stated that the competent Austrian ministry had already initiated the examination of the necessary steps directed towards the withdrawal of the invocation of Article XXXV of GATT against Japan. In this context, Austria had also invited Japan to enter into consultations on that subject. According to the Austrian constitution, the disinvocation of Article XXXV was subject to prior approval of the Austrian Parliament. The relevant procedure would take a certain time. It was hoped, however, that the withdrawal of the invocation of Article XXXV against Japan could be made effective in the near future.

Austria was, furthermore, prepared to apply the provisions of the General Agreement vis-à-vis Japan as from 1 January 1975 until the entry into force of the withdrawal of the invocation of Article XXXV within its existing legislation provided that Japan was prepared to do the same vis-à-vis Austria. In this case GATT relations between the two countries could, as a first step, be established on a de facto basis as from the beginning of 1975.

Mr. SHERIFIS (Cyprus) stated that Cyprus had since its independence treated Japan on a most-favoured-nation basis as far as import licences were concerned. However, trade between the two countries showed a serious imbalance, as imports from Japan were about 650 times higher than exports of Cyprus to Japan.

Mr. TEESE (Australia), Mr. BARTON (Canada) and Mr. GLITMAN (United States) expressed support for the request of Japan for the disinvocation of Article XXXV.

Mr. MOTHEMBWA (Kenya) stated that the trade balance of Kenya with Japan had been unfavourable for Kenya in the ratio of 10:1. He felt that more purchases should be made by Japan from Kenya.

Mr. TASWELL (South Africa) said that the statement of Japan would be brought to the notice of his authorities who would be glad to discuss the matter with Japan at any time.

Mr. MIZOGUCHI (Japan) expressed his appreciation for the support given by some delegations and he took note of the statements made by others. He welcomed Austria's decision to initiate steps for the disinvocation of Article XXXV.

Item 16 - Consultations on rules of origin

Mr. GLITMAN (United States) noted that the United States, joined by several other contracting parties, had entered into consultations on the rules of origin under the free-trade agreements between the European Communities and the EFTA countries with the parties to these agreements. The result of these consultations would be reported at the appropriate time.

Item 17 - Training Activities

Mr. PEREZ TOMAS (Argentina) expressed his satisfaction with the training courses, which had provided very constructive and useful experience for officials from his country, enabling them to acquire a high level of technical knowledge.

Mr. HILLEL (Israel) also expressed appreciation for the commercial policy courses and the course on the multilateral trade negotiations. Israel had benefited very much from these courses.

Mr. SALIMA (Malawi) joined in the appreciation expressed by other representatives, pointing out that officials in this way had acquired the know-how necessary to perform their respective duties.

Mr. TAN (Singapore) said that as a new member of GATT, his Government had found the participation of one of its officials very valuable, and he looked forward to further participation by Singapore officials in future courses.

Item 18 - Status of Protocols

The CHAIRMAN drew attention to the text of the draft decision reproduced in Annex II of the Council's Report extending the closing date for the acceptance of the Protocol Introducing Part IV of the General Agreement until the end of the thirty-first session.

The decision was adopted.

Item 19 - International Trade Centre

Mr. SALIMA (Malawi) said that his delegation complimented the International Trade Centre UNCTAD/GATT on the work it had been doing. He mentioned the various programmes it had undertaken, including the dissemination of market information, the setting up of export promotional organizations in developing countries, co-ordination with the African Trade Centre in Addis Ababa, assistance in ensuring that trade promotion efforts were carried out as effectively as possible, and the establishment of a regional office in Nairobi for regional training purposes. The Trade Centre was a true example of the practical efforts being made by both UNCTAD and GATT to help developing countries to strengthen their trade promotion activities. He said that his country had been effectively assisted by the Centre in setting up its Export Promotion Council.

Item 20 - Administrative and Financial Questions

The CHAIRMAN pointed out that the Council had considered various administrative and financial questions, including the Report of the Committee on Budget, Finance and Administration. The Council had recommended the adoption by the CONTRACTING PARTIES of the Committee's report (L/4097). In this report reference had been made to the question of erosion of salaries and allowances

for the staff. In this connexion a representative of the staff had asked the Chairman for the opportunity to present to the CONTRACTING PARTIES the text of an address prepared by an extraordinary staff assembly. The Chairman suggested that if the CONTRACTING PARTIES so agreed, this opportunity should be given.

This was agreed.

Mr. LINDEN (Representative of the staff) said that the staff address had been adopted by acclamation at an extraordinary staff meeting on 6 November. Since all the elected representatives of the staff had resigned because they felt that they had not succeeded in convincing the Budget Committee of the seriousness of the situation in respect of the erosion of salaries and pensions, he, as ad hoc Chairman of the extraordinary staff assembly had been asked to transmit the address to the CONTRACTING PARTIES. The text of the address read as follows:

"The Extraordinary Staff Assembly of GATT wishes to put on record its indignation at the GATT Budget Committee's recommendation that 1974 budgetary savings revert to the CONTRACTING PARTIES without any consideration of compensation to the staff. The Committee was aware (see L/4097) that the appreciable surplus of some two and a half million Swiss francs was realized in part 'at the expense of some staff members who saw their dollar-based take-home pay reduced again as a result of currency fluctuations;' in fact all professional staff members suffered serious losses not only in take-home pay but mainly in real income.

"The staff has repeatedly asked that the anomalies in the system of remuneration be corrected so as to eliminate the heavy losses they incur especially as measures have been taken to protect the GATT budget from the consequences of currency fluctuations by expressing it in Swiss francs. The response has repeatedly been one of sympathy but that 'deviations from the common system should be avoided at all costs.'

"We cannot believe that our employers, the CONTRACTING PARTIES, would not only oppose correcting anomalies in the system of remuneration they applied to us, but would be prepared to benefit from the savings derived from these anomalies.

"We put it to the CONTRACTING PARTIES' sense of equity to earmark the appropriate proportion of the 1974 budget surplus to compensate the staff, on a pro rata basis, for the losses incurred as a result of currency fluctuations."

Mr. CLARK (Canada), Chairman of the Committee on Budget, Finance and Administration, thanked, on behalf of the Committee, the representative of the staff for giving notice both of the desire to raise this matter and of the terms in which the views would be expressed. He said that the Committee had recognized the seriousness of the concerns of the staff of the GATT secretariat, which were shared by most of the international civil servants stationed in Geneva in the professional and higher categories. The issue arose from the fact that the GATT staff concerned and employees of the United Nations and specialized agencies located in Geneva were paid salaries denominated in dollars and that the rapid appreciation in value of the Swiss franc together with adjustment mechanisms in the United Nations "Common System" had resulted in reductions in the Swiss franc amount of their disposable income. This had resulted in situations where certain staff at the lower ranges of the professional grades would be better off financially if demoted to the senior levels of the General Service category where the salaries were denominated in Swiss francs, and disposable incomes were more stable. The staff had drawn these concerns to the Committee's attention on several occasions in very specific terms. The Director-General had expressed on a number of occasions his strong concern that this matter should be resolved before it had a deteriorating effect on morale and had also communicated these views to the appropriate organs of the United Nations.

He recalled that in December 1970 the CONTRACTING PARTIES had reconfirmed their decision that, in order to facilitate recruitment and to ensure that the GATT staff was treated in an equitable manner vis-à-vis employees of other international organizations, the rules of the United Nations Common System should dictate the terms and conditions of employment for GATT staff.

The Committee appreciated the seriousness of the concerns and sympathized with the staff and hoped the staff would appreciate the difficulties facing the Committee. Their governments had not, however, been in a position to agree to solutions which would deviate from the "Common System" which had very great advantages not least for the staff themselves, because of the precedential implications. The Committee wished however to make every effort to alleviate the staff's concerns and had agreed to establish an informal contact group, which would meet at an early date, to discuss these concerns with the staff and the GATT administration. The secretariat was already preparing factual background papers for these discussions. The Group should also have available the results of the relevant discussions on these matters in the United Nations General Assembly.

He concluded by noting that the Committee had taken note of the most recent specific request of the staff and that the Committee wished to assure the staff that they appreciated the gravity of their concerns and would take account of their concerns and proposals during their work both in the Contact Group and in the Committee.

Mr. SAHLGREN (Finland) said that the problem was very much the concern of all and one which should prove possible to solve in a pragmatic spirit. He welcomed the fact that the Committee was sympathetic to the concerns of the staff and that it appreciated their gravity. He praised the competence of the staff and felt that it could only be in the interest of the CONTRACTING PARTIES that the staff be kept in good shape and spirit, especially now that new and important tasks awaited the secretariat. His delegation hoped that this would be kept in mind when the Contact Group and the Budget Committee discussed the matter.

Mr. OHNO (Japan) supported and confirmed the views expressed by the Chairman of the Budget Committee. His delegation had always been fully cognizant of the serious concerns of the staff. Dollar-based take-home pay was deteriorating as a result of a considerable appreciation of the Swiss franc and the situation was aggravated by inflation. Everyone, however, was at present facing ever-increasing costs of living.

He could not accept the claim that an appreciable amount of savings in the budget, now expressed in Swiss francs, had been realized partly at the expense of some staff members. The fact was that this part of the savings was simply a consequence of expressing the budget in Swiss francs. He concluded that his delegation would make every effort to alleviate the staff's concerns when assuming its task in the Informal Contact Group.

Mr. LAI (Malaysia) said that this problem concerned all contracting parties and, therefore, his delegation supported the views expressed by the representative of Finland. He expressed the hope that full account would be taken of the staff concerns in the work of the Contact Group and the Committee.

Mr. HAMZA (Egypt) also expressed sympathy with the concerns of the staff and considered that the CONTRACTING PARTIES should expedite action concerning these problems. Solutions should be quick and not delayed any further.

Mr. BARTON (Canada) associated himself with the views expressed by the previous speakers on this subject. He said that his delegation was also conscious of the fact that this matter involved the other international organizations in Geneva. He, therefore, suggested that the Chairman might take it upon himself to write to the Head of the International Civil Service Advisory Board, and perhaps even send a copy to the Chairman of the Fifth Committee of the General Assembly, informing them of the discussion and sending them a copy of the statements made at this meeting. This might promote further consideration of this matter in New York. This should be done quickly because the Fifth Committee was going to take this matter up in the near future.

Mr. PETRESCOU (Romania) said that his delegation was firmly against savings being made at the expense of staff. He shared the views of other delegations who had supported the demands of the staff and suggested that the savings concerned should be frozen and earmarked whilst awaiting a solution to this problem.

Mr. GLITMAN (United States) said that it was important that the contracting parties listen carefully to the case of the staff. The Informal Contact Group should provide the appropriate forum in which to consider this question further. He was, however, of the opinion that all solutions should be compatible with the United Nations Common System.

Mr. RAZAFIMBAHINY (Madagascar) supported the statement made by the representative of Romania and launched an appeal for a pragmatic solution to be devised as soon as possible so that the staff could work without these problems during the period of intensive work in the multilateral trade negotiations.

Mr. CLARK (Chairman of the Committee on Budget, Finance and Administration) said that, as reference had been made during the discussion to the contracting parties profiting at the expense of the staff, he wished to make it clear on behalf of the Committee that the situation arose because staff salaries were budgeted in Swiss francs. Staff salaries were denominated in dollars and as the adjustment mechanisms provided for in the United Nations Common System did not fully compensate for adjustments in exchange rates, there was a reduction in their take-home pay. The staff were employed on the basis of the United Nations Common System, which required the denomination of their salaries in dollars and the application of adjustment mechanisms as provided for in the Common System. Therefore, the Committee could not accept any implication that the staff were being deprived of anything due to them in accordance with the terms and conditions of their employment.

Mr. MOTHEMBWA (Kenya) pointed out that the International Trade Centre was also confronted with difficult financial and administrative problems. He felt that all assistance required should be given to the Centre in order to maintain its efficiency. The Centre gave important assistance to developing countries and should not be affected by such administrative and financial problems.

The CHAIRMAN referred to the statement made by the Chairman of the Budget Committee in which he mentioned the establishment of an Informal Contact Group, which would meet at an early date. The Group would certainly take account of the statements made, which would be recorded.

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

The Report of the Council (L/4109) was adopted.

The meeting adjourned at 6.10 p.m.