

GENERAL AGREEMENT ON TARIFFS AND TRADE

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CONTRACTING PARTIES
Seventeenth Session

BUDGET ESTIMATES FOR THE FINANCIAL YEAR 1961

Note by the Executive Secretary

Addendum

When the budget estimates for 1961 were discussed by the Council at its first session 19-23 September 1960, the Executive Secretary outlined in general terms the proposals he was putting forward to the seventeenth session (see item 13(a) in C/M/1). He also replied, at a later stage of the discussion, to certain observations made by members of the Council. The full text of the Executive Secretary's statements is reproduced below. The budget proposals will be examined in more detail at a meeting open to all interested contracting parties, beginning at 11 a.m. on Wednesday, 12 October. At that meeting, the Executive Secretary will give any further explanations that may be desired.

Opening statement by the Executive Secretary on 21 September 1960

I am very conscious that contracting parties may have received the budget proposals in document L/1262 with some sense of shock in view of the fact that I am proposing what are in relative terms, and I stress the words "relative terms", substantial increases in the expenditures for 1961. The shock, I hope, will have been to some extent mitigated by the fact that, at the sixteenth session, we did make a careful examination of the present administrative arrangements and I think there was a broad measure of agreement that these arrangements were not adequate to meet the increased responsibilities which the CONTRACTING PARTIES have been called upon to carry.

First of all, it must be clear to all of us who have taken part in the deliberations of the CONTRACTING PARTIES over the last few years that the tasks confronting the GATT, as a result of the important developments which have taken place in the structure of international trade and in the conditions in which international trade is now being conducted, have been tremendously broadened. In conditions of external convertibility, the CONTRACTING PARTIES are called upon to assume the major role as the forum for the discussion of trade problems in a world

where, for the first time since the end of the Second World War, the rule of non-discrimination is now generally applied. This means that the CONTRACTING PARTIES must be prepared to deal with a range of problems which, hitherto, have been somewhat restricted in character because of the existence of a wide measure of discrimination as a result of which a number of important trading problems have been dealt with in other places and through other mechanisms.

Secondly, the gratifying progress which has been witnessed in the dismantling of quantitative restrictions in the last few years has brought into the open a number of structural problems of international trade of fundamental importance. Among these is the question of conditions of trade in agricultural products which is being tackled in Committee II, where the problem of agricultural protectionism is being discussed and consultations being held with individual countries on their national agricultural policies. Another problem is that of market disruption, which is being considered in a Working Party and which we will also deal with at the seventeenth session. In addition, the CONTRACTING PARTIES have, as a result of the Haberler report, been taking a very important, active and positive interest in the question of commercial policy and trade matters as a factor in the economic development of the less developed countries, and have undertaken what is not only a very substantial programme in this field, but one which I feel takes second place to none either in importance or scope.

Thirdly, we have over the last few years seen an extraordinary development in regional integration and liberalization of trade on a regional basis through schemes for economic integration. Obviously the most ambitious and important of these is the Rome Treaty, which groups together countries with a vital share in international trade, and whose trading arrangements vitally affect the trade of other contracting parties. We are engaged in continuous, and I am sure fruitful, consultations with the European Economic Community on the consequences and adjustments which follow from this development. The European Economic Community has been closely followed by the European Free Trade Association, and the CONTRACTING PARTIES are engaged in a careful investigation of the Stockholm Treaty in the light of the provisions of Article XXIV.

All of us too have recognized the importance and significance of the Free Trade Association in Latin America established by the Montevideo Treaty. We have still to undertake a detailed study of that Treaty and I do not think that I shall be crystal gazing if I say that I think that here again, even when we have completed the procedures of Article XXIV, both the contracting parties which are not parties to the Montevideo Treaty and those which are, will find it useful to engage in full and constructive consultation regarding the implications and adjustments in international trade which may follow from that arrangement.

These developments in themselves, I think, fully justify a considerable reinforcement of the administrative structure of the CONTRACTING PARTIES. They have already been reflected in a very considerable expansion in the volume both of meetings and of the demands upon the technical services. If I may trouble the Council for a few moments with a few statistics, it may interest you to know that in 1958, apart from tariff negotiations with Brazil and Switzerland, there were a total of thirteen weeks of meetings of various bodies of the CONTRACTING PARTIES. In 1959 that figure increased to twenty-one, but during the course of the year was revised to twenty-seven; in 1960 the figure has risen to thirty-three, plus a tariff conference of four months' duration. In 1961 we contemplate a figure of thirty-nine weeks of meetings under the aegis of the GATT, in addition to the tariff conference, which on the basis of a conservative estimate will take up six months of 1961.

The documentation of the CONTRACTING PARTIES has followed a similar progression. From the figure in 1956 of some 2,000 documents reproduced and translated, we have already reached the figure of 3,500 in 1960 and I am sure that 1961 will see a similar increase, if not an even more marked one in view of the importance and scope of the tariff negotiations.

Whilst there has been this expansion in the work and responsibilities of the CONTRACTING PARTIES, the success and the prestige of the Organization has been manifested by an increasing tendency on the part of countries which have hitherto held aloof from membership of the Organization to seek membership. We have already a number of countries acceding during the current tariff negotiations, but throughout the years there has been a steady accretion of membership. This increase in membership involves considerable additional burdens throughout the whole structure of the secretariat, but it bears most heavily perhaps on the top échelons of the secretariat, upon the Executive Secretary himself, who is responsible for the liaison with the Governments of contracting parties and for maintaining close and constant relations with governments in all parts of the world, and upon his immediate collaborators who have to substitute for him in these important functions.

The expansion in the scope and depth of the work of the CONTRACTING PARTIES has also involved a much closer and more intimate and continuous collaboration with other international organizations. The work of the CONTRACTING PARTIES is of such complexity and delicacy that it is very difficult to devolve this function of representation except to officials of pretty high standing and competence, and there again the burden falls very heavily on the higher échelons of the secretariat. And I must confess that I am not altogether satisfied myself that we have in fact been very effectively carrying out this task of representation. We have tried to limit it to the minimum that is essential, but there have been occasions when I felt that the absence of GATT representation was on the whole rather harmful, and that it would have been desirable that the voice of the GATT should have been more effectively heard in other international organizations than has been possible.

Unfortunately, of course, we carry a certain burden in the shape of our economies in the past. The operations of the CONTRACTING PARTIES in the past, I think, have been extremely economical, and the amounts appropriated for the administration of the Agreement have been very modest, whether judged by the importance of the functions of the Organization or against the comparable amounts which are appropriated for other organizations, even though some of them have rather less immediate relevance perhaps to important contemporary problems than has the work of the CONTRACTING PARTIES. But that of course does create a problem. If somebody has a budget of 200,000 dollars and wants to increase it to 400,000, that still represents a 100 per cent increase, even though at the end of the day the amount isn't very much. That is the dilemma that confronts me when presenting to you proposals which represent a substantial relative increase on the amount of the budget for the previous year.

I would recall to you on this occasion, however, that some four years ago I did bring forward to the CONTRACTING PARTIES what I described as a model budget which I would have presented if the Organization for Trade Cooperation had been brought into being. As I explained at the time however, I refrained from presenting this model budget as a firm proposal, not because I did not think that it was a reasonable budget for the CONTRACTING PARTIES to adopt, having regard to the functions which they were performing, but because I felt that, so long as there was an expectation that the Organization for Trade Cooperation would shortly come into being, it would be better to defer certain measures, even though they were measures of some urgency, until that time, as it would obviously be desirable to deal with all organizational questions at the same time.

I have now reached the conclusion that action on these matters should no longer be deferred and that in proposing an increase which is relatively substantial next year, I am in fact only making good what I would describe as the shortcomings of the past and that what we are really engaged in is making good these deficiencies and in equipping ourselves to deal effectively and properly with the important business that we have before us. As you will see from the estimates themselves, I have paid considerable attention to strengthening the higher levels of the secretariat, and I think from what I have said you will have realized what the reason for this is. I must say that I have found over the last few years that it is increasingly difficult for me to give my personal attention to a large number of matters and to place myself at the disposal of Governments and at the same time fulfil the proper functions of representation which are a very important part of the work of the secretariat; that is the reason why I have in particular suggested strengthening the secretariat at the higher level by the appointment of two assistant Executive Secretaries to take over some of the burden of this particular branch of our work.

I made a reference a few minutes ago to comparisons with other organizations. This is perhaps a somewhat delicate argument to employ, but I think that some of the figures are nevertheless revealing. An organization, for example, such as the International Labour Organisation has a regular budget, by which I mean a budget excluding special expenditures for technical assistance, of over 10 million dollars; the Organization for European Economic Co-operation, which is far less broad in its coverage, has a budget of 4½ million dollars; and a regional organization of the United Nations limited to Europe - the European Economic Commission - represents an effective cost to governments of approximately 2½ million dollars. Seen against this background I think it will be recognized that the absolute figure which I am suggesting for consideration by the CONTRACTING PARTIES is, to say the least of it, a reasonable one. I hope that these background remarks which I have made will not be interpreted as in a sense a somewhat defensive presentation of the budget estimates, because these I am prepared to defend on their merits.

Reply by the Executive Secretary to observations by Council Members

The observations which have been made confirm the impression that I had that this budget should receive the most careful scrutiny by the CONTRACTING PARTIES, particularly in view of the sudden increase which obviously calls for an equally convincing justification. As I said before, part of the difficulty is that some of what is now proposed is proposed tardily and should have been proposed before. I have been in the somewhat unusual position for the executive head of an international organization in that over the years I have been subjected to pressures from not a few governments to be less modest in my budget estimates and to propose before now, substantial increases in the staff. I have resisted these on the ground that I did not myself favour an over-elaborate international bureaucratic structure, particularly for an organization which like ours has to deal with issues of a sensitive character and therefore is more open to political attack than organizations of what I might call a more philosophic type. But my caution in that respect, I have always realized, would prove to be a handicap one day when I felt that the time had come for an important step forward to be made. That moment has now come, and we have to find ways and means of overcoming the handicap.

It is true that some allowance should perhaps be made for the inevitable delays in recruitment and that the salaries and allowances of the proposed additional members of the staff will not cover a period of a full year. This is something which we will be very happy to examine with the working party. Our own approach to that problem has been that, insofar as there were economies in the budget, these would be carried forward as a credit to the next year's budget and therefore would operate in a reduction of contributions in 1962.

There is also one other point which I should have made in my introductory remarks. This is that, in these budget estimates I have now consolidated a number of expenditures which have hitherto been met out of temporary assistance funds on which, as you are probably aware, we have consistently overdrawn

substantially during the last two or three years. Consequently the absolute increase which is shown in these figures does not altogether represent a net increase.

I might say a word about the description of the functions of the two assistant Executive Secretaries. This is a question which has evolved progressively in my mind and I admit that in the presentation of the budget a somewhat false impression is created. It is largely in the field of policy matters and operations and liaison with governments and with international organizations that I see these two assistant Executive Secretaries performing their most valuable functions. Their responsibilities in the field of administrative matters will be slight.

One member referred to the suggestion which was hinted at in the report of the organizational working group to the sixteenth session about the desirability of an advisory committee on budget questions. My attitude to that, at the time and it remains the same today, is that I think it would be desirable and helpful to have such a body available for consultation, provided that this was a matter which was left to the discretion of the Executive Secretary. I would not feel very sympathetic to the idea of an expert budgetary committee to which the Executive Secretary was bound to submit his proposals as a matter of course. There would be occasions, I am quite sure, when it would be of the greatest assistance to have advice and help on these matters and if the proposal were interpreted in that sense I would certainly welcome it.

There was another point also which I heard sympathetically, namely, that the CONTRACTING PARTIES, having looked at the organizational structure of the organization at the last session, could usefully examine the administrative set-up of the secretariat. This, in fact, is a proposal which I myself put to the CONTRACTING PARTIES at the Tokyo session. It is very difficult when you are engaged for considerable periods of time on a particular job, and if you happen to be immersed in the work that goes with it, to form an objective and, shall I say, fresh view of the administrative structure through which you are operating, and it would certainly be of great interest to me to receive from governments any suggestions and ideas they may have as to how the secretariat could more effectively be organized.

In conclusion, I am gratified by the support there has been for the idea of a working party before the session; I think it is extremely difficult during a session to have that careful and full examination of budgetary proposals which is desirable, especially in the circumstances with which we are now confronted. I would certainly myself be at the disposal of such a working party to explain with complete frankness and detail the reasons for the proposals and I would also hope that the working party would hear, not only my own explanations and those of the head of the administration, but the views and experience of the people who have been responsible for the operations side of the work over the last two or three years.

