

GENERAL AGREEMENT ON

TARIFFS AND TRADE

RESTRICTED

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ADMINISTRATIVE AND FINANCIAL QUESTIONS

Possible Ways to Resolve GATT Cash Problems

Note by the Secretariat

The Secretariat has been requested to prepare a paper on ways to address GATT's recurrent cash problems. This paper has been prepared in response to that request, it being understood that the paper does not constitute a proposal by the Secretariat.

There are five principal ways in which GATT's cash difficulties can be resolved or at least eased. Each will be described in turn, but it is important to recognize that each can have an impact on the others, and that enduring success will mean taking action in at least several areas.

The five ways are:

1. Establishing an incentive for the payment of contributions early in the year in which they are due. This could be done by paying interest to those contracting parties which paid their contributions by a certain date.

2. Encouraging the payment of arrears by allowing payment in instalments over a period of years. This might be coupled to some form of debt forgiveness.

3. Introducing disincentives for contracting parties whose contributions are in arrears after this year.

4. Lowering minimum contributions.

5. Increasing the Working Capital Fund.

Establishing an incentive for the early payment of contributions

To encourage contracting parties to pay their contributions as early as possible in the year in which they fall due, the interest earned on funds invested by the Secretariat could be refunded to contracting parties which have made their payments in full during the year. Either the scheme in force at OECD (since 1984) or at ICAO (since 1987) could be applied in GATT from 1 January 1989. If either scheme were adopted, the miscellaneous income in the annual income budget estimate would no longer include the item for interest earned on investments (in 1986 Sw F 251,771 and in 1987

Sw F 169,083). The ICAO uses a complicated scheme, which gives more than pro rata weight to contributions received by 30 June and less than pro rata weight from 1 July through 31 December. The OECD scheme provides for the payment of interest, strictly on a pro rata basis for any contribution made during the year in which it is due.

The OECD states that the rate of payment of contributions was slightly higher since the implementation of the incentive scheme in 1984.

Encouraging the payment of arrears by allowing instalments

One developing country owes as much as Sw F 831,602, dating back to 1969. (Annex A gives details on all arrears.) It could well be that developing countries simply cannot pay such amounts in a relatively short period of time. One way of handling this problem would be to allow developing countries to pay all arrears from 1987 and earlier over, say, a five-year instalment period. These instalment payments could be added to their regular contributions beginning in 1989.

Such a scheme could be linked to debt forgiveness. For example, the CONTRACTING PARTIES could forgive all arrears before a certain year; or, say, 50% of each developing country's arrears; or all arrears exceeding a certain amount.

Debt forgiveness, however, will raise questions of fairness. Is it fair to forgive the arrears of some when other developing countries have struggled to pay their contributions when due?

Introducing disincentives for late payment

Many countries have ignored repeated requests from the Secretariat for the payment of their contributions. Late last year the Director-General personally handed letters to the ambassadors of countries having the largest arrears. There has been no response to many of those letters either.

One possible way to overcome the reluctance of some governments to pay their GATT contributions would be to establish a disincentive scheme. Such a scheme could establish, progressively, the loss of the right to receive documents and the right to participate in certain GATT activities, beginning in 1989. The disincentives could include: no mailing of documents; no participation in administrative and financial questions in the Budget Committee, the Council or the Session of the CONTRACTING PARTIES; loss of the right to chair any GATT body; loss of right to request a dispute settlement panel; no participation in Article XXVIII negotiations (accession, tariff negotiations); and exclusion from all GATT meetings. In addition, interest could be assessed on contributions in arrears.

Lowering the minimum contribution

The lowering of the minimum contribution from the current 0.12 per cent to a smaller percentage would increase the contributions from contracting parties which traditionally pay their assessments in full and at the same time would ease the contributions burden for small developing countries.

For example, on total assessed 1988 contributions of Sw F 60,190,000, the following would be minimum contributions:

0.12% - Sw F 72,228
0.08% - Sw F 48,152
0.03% - Sw F 18,057
0.01% - Sw F 6,019

The following table shows the impact, based on this year's total assessment of Sw F 60,190,000, on certain other contributors if the minimum contribution level is changed:

Minimum Contribution Level (in Swiss francs)				
<u>Contracting Party</u>	<u>0.12%</u>	<u>0.08%</u>	<u>0.03%</u>	<u>0.01%</u>
United States	9,678,552	9,859,122	10,033,673	10,069,787
Fed.Rep.of Germany	6,127,342	6,241,703	6,350,045	6,374,121
Japan	5,296,720	5,393,024	5,489,328	5,507,385
Canada	2,865,044	2,919,215	2,973,386	2,979,405
Korea	1,041,287	1,065,363	1,083,420	1,089,434

At present the cost of documentation, publications and postage for a typical minimum contributor is estimated at Sw F 10,000. This would correspond to a minimum contribution set at 0.017% of the 1988 total assessment.

It also has been suggested that contributions to the GATT budget be based solely on each contracting party's share of world trade. At the present time, the assessed minimum contributions of many developing countries, expressed as a percentage of the GATT budget, exceed their actual share of world trade. On the basis of current trade data, the lowest assessed contribution in 1988 would amount to some Sw F 1,300.

Any decrease in the level of the minimum contribution from 0.12 per cent could be effected either as a one-step process or gradually over a period of years.

A further question arises about observer countries which at present pay no contributions. Should they be required to pay a minimum contribution to cover the cost of documentation and publications sent to them?

Increasing the level of the Working Capital Fund

The authorized level of the Working Capital Fund is now Sw 3,382,808. In the judgment of the Secretariat this amount is insufficient; the Working Capital Fund should be about 10 per cent of the annual budget which would cover approximately one month's expenses, at this time about Sw F 6,000,000. The Working Capital Fund could be increased in one of three ways: (i) by including a contribution to the Working Capital Fund in the regular GATT budget in 1989; (ii) by transferring the payment of arrears to the Working Capital Fund until it reaches the new level; after that arrears payments could be returned to the contracting parties; or (iii) by transferring year-end surpluses.

General observations

It should be remembered that in late 1987 the Secretariat's cash position became precarious on several occasions, to the point where it became necessary to seek overdraft authority. The fundamental cause of the Secretariat's cash difficulties is the failure of some contracting parties to pay their contributions on time and the willingness of a number of contracting parties to allow their contributions to go unpaid year after year. As of today, forty-four contracting parties owe the GATT Sw F 21,615,452 for contributions for 1987 and earlier years.

It is imperative that this problem be addressed quickly and adequately. It is highly doubtful that the adoption of a single course of action will satisfactorily resolve the problem. Rather, several things will have to be done and, unfortunately, all courses of action are likely to be controversial. As usual, compromise will be required if the problem is to be effectively addressed.

ANNEX A/ANNEXE A/ANEXO A

STATEMENT OF OUTSTANDING CONTRIBUTIONS AS AT 15 FEBRUARY 1988/ETAT DES ARRIERES DE CONTRIBUTIONS AU 15 FEVRIER 1988
CONTRIBUCIONES PENDIENTES AL 15 DE FEBRERO DE 1988

Contracting Parties and Associated Governments/ Parties Contractantes et Gouvernements associés/ Partes Contrantes y Gobiernos asociados	Swiss francs/Francs suisses/Francos suizos					Total 1973/1988
	1969/1984	1985	1986	1987	1988	
Antigua and Barbuda/Antigua et Barbuda/ Antigua y Barbuda.....				72,120	72,228	144,348
Argentina/Argentine.....				228,380	204,646	433,026
Austria/Autriche.....					686,166	686,166
Bangladesh.....				72,120	72,228	144,348
Barbados/Barbade.....					72,228	72,228
Belize/Bélize/Belice.....	60,731	67,800	70,440	72,120	72,228	343,319
Benin/Bénin.....	112,578	67,800	70,440	72,120	72,228	395,166
Botswana.....				72,120	72,228	144,348
Brazil/Brésil/Brasil.....				39,946	674,128	714,074
Burkina Faso.....	181,944	67,800	70,440	72,120	72,228	464,532
Burma/Birmanie/Birmania.....					72,228	72,228
Burundi.....	384,035	67,800	70,440	72,120	72,228	666,623
Cameroon/Cameroun/Camerún.....				70,273	72,228	142,501
Central African Republic/République centrafricaine/República Centroafricana.....	267,540	67,800	70,440	72,120	72,228	550,128
Chad/Tchad.....	549,014	67,800	70,440	72,120	72,228	831,602
Chile/Chili.....					114,214	114,214
Colombia/Colombie (1).....				8,557	138,437	146,994
Congo.....	293,867	67,800	70,440	72,120	72,228	576,455
Côte d'Ivoire.....			40,000	78,130	72,228	190,358
Cuba.....			174,308	240,400	252,798	667,506
Cyprus/Chypre/Chipre.....					72,228	72,228
Czechoslovakia/Tchécoslovaquie/Checoslovaquia.....					644,033	644,033
Dominican Republic/République Dominicaine República Dominicana.....	535,595	67,800	70,440	72,120	72,228	818,183
Egypt/Egypte/Egipto.....					228,722	228,722
France/Francia.....					3,773,913	3,773,913
Gabon/Gabón.....		49,920	70,440	72,120	72,228	264,708
Gambia/Gambie.....	379,813	67,800	70,440	72,120	72,228	662,401
Germany (FR)/Allemagne (RF)/Alemania (RF).....					3,058,072	3,058,072
Ghana.....		39,736	70,440	72,120	72,228	254,524
Greece/Grèce/Grecia.....					252,798	252,798
Guyana.....	119,090	67,800	70,440	72,120	72,228	401,678
Haiti/Haïti/Haití.....	104,959	67,800	70,440	72,120	72,228	387,547
Hong Kong.....					1,041,287	1,041,287
India/Inde.....					391,235	391,235
Indonesia/Indonésie.....					565,786	565,786
Israel/Israël.....					270,855	270,855

Contracting Parties and Associated Governments/ Parties Contractantes et Gouvernements associés/ Partes Contrantes y Gobiernos asociados	Swiss francs/Francs suisses/Francos suizos					
	1969/1984	1985	1986	1987	1988	Total 1973/1988
Italy/Italie/Italia.....					2,925,234	2,925,234
Jamaica/Jamaïque.....					72,228	72,228
Japan/Japon/Japón.....					5,296,720	5,296,720
Kampuchea.....	512,846	67,800	70,440	72,120	72,228	795,434
Kenya.....			652	72,120	72,228	145,000
Kuwait/Koweït.....					300,950	300,950
Luxembourg/Luxemburgo.....					156,494	156,494
Madagascar.....	20,209	67,800	70,440	72,120	72,228	302,797
Malawi.....			47,436	72,120	72,228	191,784
Malaysia/Malaisie/Malasia.....					463,463	463,463
Maldives/Maldives.....				72,120	72,228	144,348
Malta/Malte.....					72,228	72,228
Mauritania/Mauritanie.....	426,259	67,800	70,440	72,120	72,228	708,847
Mauritius/Maurice/Mauricio.....					72,228	72,228
Mexico/Mexique/México.....				51,000	535,691	586,691
Morocco/Maroc/Marruecos.....					96,304	96,304
Netherlands, Kingdom of/Pays-Bas, Royaume des/ Países Bajos, Reino de los.....					2,479,828	2,479,828
Nicaragua (2).....	260,952	8,624	70,440	72,120	72,228	484,364
Niger/Niger.....	66,451	67,800	70,440	72,120	72,228	349,039
Nigeria/Nigéria.....		352,759	563,520	540,900	361,140	1,818,319
Peru/Pérou/Perú.....	260,090	113,000	105,660	96,160	84,266	659,176
Philippines/Filipinas.....			178,749	204,340	180,570	563,659
Poland/Pologne/Polenia.....					391,235	391,235
Portugal.....					264,836	264,836
Romania/Roumanie/Rumania.....			422,640	336,560	319,007	1,078,207
Rwanda.....					72,228	72,228
Senegal/Sénégal.....	233,468	67,800	70,440	72,120	72,228	516,056
Sierra Leone/Sierra Leona.....	472,940	67,800	70,440	72,120	72,228	755,528
Singapore/Singapour/Singapur.....					577,824	577,824
South Africa/Afrique du Sud/Sudáfrica.....					517,634	517,634
Spain/Espagne/España.....					938,964	938,964
Suriname.....		67,800	70,440	72,120	72,228	282,588
Tanzania/Tanzanie/Tanzania.....	226,699	67,800	70,440	72,120	72,228	509,287
Togo.....		63,860	70,440	72,120	72,228	278,648
Trinidad and Tobago/Trinité-et-Tobago/ Trinidad y Tabago.....				2,739	72,228	74,967
Tunisia/Tunisie/Túnez.....					78,247	78,247
Turkey/Turquie/Turquía.....					288,912	288,912
Uganda/Ouganda.....	296,418	67,800	70,440	72,120	72,228	579,006
United Kingdom of Great Britain and Northern Ireland/Royaume-Uni de Grande-Bretagne et d'Irlande du Nord/Reino Unido de Gran Bretaña e Irlanda del Norte.....					3,587,324	3,587,324
United States of America/États-Unis d'Amérique/ Estados Unidos de América.....				6,074,830	9,678,552	15,753,382
Uruguay.....					72,228	72,228

Contracting Parties and Associated Governments/ Parties Contractantes et Gouvernements associés/ Partes Contrantes y Gobiernos asociados	Swiss francs/Francs suisses/Francos suizos					
	1969/1984	1985	1986	1987	1988	Total 1973/1988
Yugoslavia/Yougoslavie.....					373,178	373,178
Zaire/Zaire.....	220,540	67,800	70,440	72,120	72,228	503,128
Zambia/Zambie.....			12,252	72,120	72,228	156,600
Zimbabwe.....					72,228	72,228
	5,986,038	2,051,699	3,306,217	10,280,055	45,371,495	66,995,504

(1) Payment of US\$34,600.76 just received but not yet accounted for
 Paiement de 34.600,76 dollars EU reçu tout récemment mais pas encore comptabilisé
 Pago de 34.600,76 dólares EEUU recibido pero aún sin contabilizar

(2) In conformity with the payment proposal approved by the CONTRACTING PARTIES in November 1982
 En conformité avec la proposition de paiement approuvée par les PARTIES CONTRACTANTES en novembre 1982
 En conformidad con la propuesta de pago aprobada por las PARTES CONTRANTES en noviembre de 1982