

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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Fifteenth Session

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SUMMARY RECORD OF THE SEVENTH MEETING

Held at the Sankei Kaikan, Tokyo, on Friday,
30 October, at 10 a.m.

Chairman: Mr. F. GARCIA OLDINI (Chile)

Subjects discussed:

1. United States agricultural import restrictions
2. Article XVIII
 - (a) Review of measures applied pursuant to Sections C and D
 - (b) Notification by Ceylon
3. Rhodesia and Nyasaland - South Africa Trade Agreement
4. Brazilian waiver - request for extension
5. United Kingdom waiver from Article I
6. United Kingdom waiver for dependent overseas territories
7. Financial, budgetary and administrative questions:
 - (a) Audited accounts for 1958
 - (b) Financing of 1959 budget
 - (c) Budget estimates for 1960
 - (d) Staff and financial regulations

1. United States waiver - agricultural import restrictions - Fifth Annual Report (L/1048)

Mr. BEALE (United States) said that, in accordance with the Decision of 5 March 1955, the reports submitted by his Government were required to show:

- (1) any modification or removal of restrictions effected during the reporting period;
- (2) restrictions currently in effect;
- (3) reasons why such restrictions continued to be applied; and
- (4) steps taken during the reporting period with a view to solution of the problem of surpluses of agricultural commodities.

The statement in the report on point (4) described action taken to bring about a better balance between supply and demand of the commodities under Section 22 control through programmes and measures designed to reduce new crop supplies and to increase consumption. Acreage allotments and marketing quotas continued in effect for wheat, cotton and peanuts at the minimum levels authorized

by law. The support price for each commodity under Section 22 control had been set below the 1958 support level except in the case of milk and butterfat. The support price for these two products was maintained at the 1958 support price which then was the minimum price authorized by law.

At present controls were in effect for wheat, rye, cotton, flaxseed and linseed oil, peanuts and peanut oil, tung nuts and tung oil, and certain manufactured dairy products. During the twelve-month period ending 30 June 1959, imports of these commodities represented less than one half of 1 per cent, by value, of total United States imports, 1 per cent of total United States agricultural imports and only 2 per cent of total competitive agricultural imports.

In dealing with the current situation, the report indicated incompleting action on long staple cotton and almonds. On 22 September, however, the President accepted the Tariff Commission's recommendation that no modification in the long staple cotton quota was necessary. In its report on the need for import regulations on almonds during the 1959/60 period, the Tariff Commission was evenly split on the need for such controls. So far, the President had not acted on this report.

Mr. Beale said that further action had been taken under Section 22 since the report under discussion had been submitted. On 20 October the President directed the Tariff Commission to make a supplemental investigation to determine whether additional quantities of Edam and Gouda and Italian type cheese could be imported without materially interfering with the dairy price support programme. This investigation reflected his Government's desire to relax or remove the restrictions maintained under Section 22 whenever circumstances permitted such action.

Mr. VAN WIJK (Netherlands) said that his delegation had been encouraged by Mr. Dillon's statement during the recent meetings of Ministers that the United States hoped to be able to reduce quantitative restrictions on agricultural products in the near future. They were further greatly interested in the directive from the President to the United States Tariff Commission on the subject of restrictions on certain types of cheese, to which the representative of the United States had just referred. His delegation hoped import quotas for Edam and Gouda cheese would be increased by the United States.

In the expectation that the United States intended further to relax import restrictions on agricultural products, his Government had decided not to seek from the CONTRACTING PARTIES this year an extension of the authority to take retaliatory measures under Article XXIII by limiting Netherlands imports of United States wheat flour.

Mr. PHILLIPS (Australia), while welcoming the statement by Mr. Dillon that the United States was making strenuous efforts to seek a solution to the problem of agricultural surpluses, expressed disappointment that there had been no significant movement towards the relaxation or removal of restrictions on dairy products, grains, cotton and certain other agricultural products. What was needed was a more determined attack on the underlying causes of the restrictions, before there could be any real expansion of import opportunities for countries like Australia.

He pointed out that Australia had supported the waiver granted to the United States in 1955 with considerable and strongly expressed misgivings. At the time, these misgivings had been tempered by the hope that the United States would make resolute efforts to ensure that its defection from the GATT rules would be of short duration and, since Australia hoped for significant and constructive developments under the waiver, it had placed a good deal of emphasis on the condition requiring annual reports from the United States; it had believed that careful account would be taken of representations made by other contracting parties at each annual review. In these hopes, however, Australia had been disappointed. It could see no indication that the United States was moving towards the position where it could leave the shelter of the waiver. High price support continued to encourage production far in excess of effective demand; a reduction of high domestic prices could create a greatly expanded domestic demand, particularly for dairy products. At a time when other countries were being urged, as they emerged from balance-of-payments difficulties, not to feel that they could continue to justify quotas which were incidental to excessive protection for agricultural producers, Australia was not convinced that the United States should be subject to any less pressure.

The policies of the United States were tantamount to a complete embargo on some products, and Australia would welcome leadership from the United States in moving towards a situation more in harmony with the General Agreement. There was considerable sympathy with the efforts of the United States administration to modify the excessive protection inherent in the high price support arrangements. Australia also appreciated that United States policies had avoided what could have been a disastrous fall in world prices for agricultural commodities. However, lack of movement towards removal of the restrictions did indicate that the discussions on the annual reports had had little impact on the development of policies. A concerted attack on the remaining barriers to world trade during the next few years was in view and in this regard Australia was hopeful that the United States, as well as other countries, would make a move towards a freer access for agricultural products to their markets.

Australia saw merit in the establishment of a working party to examine the report submitted by the United States. Mr. Phillips added that it would be useful if, in the next annual report, the United States could give an indication of the steps it intended to take in accordance with the spirit of the waiver to provide increasing import opportunities for agricultural exporters.

Mr. KASTOFT (Denmark) associated his delegation fully with the remarks made by the Australian representative. In addition, he expressed Denmark's disappointment that, in the directive from the President of the United States to the Tariff Commission regarding an investigation on the importation of additional types of cheese, blue cheese had not been included.

Mr. MORIARTY (New Zealand) said that there had been some improvement in the situation regarding dairy products and a substantial reduction in CCC stocks. It should now be possible for there to be a significant increase in dairy product imports. Like Denmark, New Zealand regretted that the United States Tariff Commission had not been directed to investigate the position

regarding certain other cheeses. He agreed that the report should be examined in a working party where New Zealand would state fully its position on this matter.

Mr. WADSWORTH (Rhodesia and Nyasaland) likewise supported the suggestion that the report should be considered in a working party. With reference to tung oil, his Government hoped that the control on imports would not be renewed by the United States Government, and that, if it were, the quota for the so-called "other countries" would be increased.

Mr. WARREN (Canada) said that his Government was also disappointed that there had not been greater progress in the removal of the restrictions by the United States. The report under discussion brought out the difficult nature of the problems which arose from high price support. While his delegation would express its position in detail in any working party which might be set up, he would like to mention that his delegation had been encouraged by what Mr. Dillon had said and to which other speakers had already referred. The CONTRACTING PARTIES were considering the question of agricultural protectionism and a successful outcome to this consideration depended on the support of all countries, and leadership from the United States in this regard would be most valuable. Canada hoped that the possibility of eventually dispensing with the waiver would not be precluded by the United States Government.

The CHAIRMAN proposed that, as at the thirteenth session, the report submitted by the United States should be examined by a working party, with the following terms of reference and composition:

Terms of Reference:

To examine the Fifth Annual Report by the Government of the United States under the Decision of 5 March 1955 and to report thereon to the CONTRACTING PARTIES.

Composition

Chairman: Mr. Kawasaki (Japan)

Australia	Italy
Belgium	Luxemburg
Canada	Netherlands
Chile	South Africa
Czechoslovakia	New Zealand
Denmark	United Kingdom
Dominican Republic	United States
Greece	Yugoslavia
Indonesia	

This was agreed.

2. Article XVIII

- (a) Review of measures applied pursuant to Sections C and D.
- (b) Notification by Ceylon (L/1060).

The CHAIRMAN explained that under this general item the CONTRACTING PARTIES were called upon (a) to review the measures in operation under the authority of Sections C and D of Article XVIII, as required by paragraph 6 of that Article, and (b) to consider the notifications submitted by the Government of Ceylon under Sections A and C of that Article. He said that the report which the Government of Ceylon had submitted on the measures applied under Article XVIII would shortly be distributed.

Mr. PAUL (Ceylon) stated that the purpose of the request for a release to apply quantitative restrictions under Article XVIII was to protect a very few small-scale industries, none of which was export biased. The impact of any of the restrictions on the countries affected would be very slight. He expressed the hope that the regularity with which Ceylon had made these annual applications would not give rise to the thought that no industrial development in Ceylon was possible unless sheltered by this type of protection. He assured the CONTRACTING PARTIES that Ceylon took recourse to Article XVIII only as a last resort; the percentage of industries which had benefited from this type of protection was exceedingly small. In his view it was unfortunate that the procedures prescribed by Article XVIII tended to highlight some of the exceptional uses of quantitative restrictions without giving sufficient prominence to the use of normal protective devices. He recalled the measure of sympathy which the CONTRACTING PARTIES had extended to his country at past annual hearings and hoped that the same measure of sympathy would again be extended during the forthcoming consultations.

It was agreed to refer both the review of the measures in operation under Article XVIII:C and the notifications by Ceylon to a working party with the following terms of reference and membership:

Terms of Reference:

1. To consider, in consultation with the representatives of Ceylon and other interested countries, the notifications submitted by the Government of Ceylon pursuant to paragraphs 7 and 13 of Article XVIII, and to submit findings and recommendations to the CONTRACTING PARTIES.
2. On the basis of the report which has been submitted by the Government of Ceylon, to conduct the second annual review provided for in paragraph 6 of Article XVIII concerning the measures in which the CONTRACTING PARTIES concurred at their twelfth and thirteenth sessions.

Membership: Chairman: Mr. G.J.J.F. Steyn (South Africa)
Mr. G. Margarinos (Uruguay)
Mr. J.H.C. Schell (Netherlands)
Mr. Sujak bin Rahiman (Malaya)
Mr. B. Sward (Sweden)

3. Rhodesia and Nyasaland - South Africa Trade Agreement

The CHAIRMAN recalled that, at the fourteenth session, the Governments of the Union of South Africa and of the Federation of Rhodesia and Nyasaland had asked the CONTRACTING PARTIES (L/973) to confirm that their understanding of the Decision of 3 December 1955, set out in that paper, was correct. The CONTRACTING PARTIES, without making any formal ruling, had recorded that there were serious doubts as to the validity of the interpretation of the legal position which had been the basis upon which South Africa and the Federation had been working. Accordingly it had been suggested that the two Governments might wish to consider whether the existing Agreement should not be re-negotiated if it was to be continued after the expiry of the five-year period of firm validity on 30 June 1960.

Mr. STEYN (South Africa) pointed out that, apart from the discussion at the fourteenth session on the tariff action taken by his Government and the Government of the Federation, there had also been some discussion in the Balance-of-Payments Working Party at the time on another principle embodied in the Trade Agreement which provided for each country to exempt the other from balance-of-payments import restrictions. The maintenance of these two basic principles of the Agreement was vital to the success of the negotiation of any new agreement which the two Governments might decide to undertake before 30 June 1960. The Agreement had now been terminated and South Africa had decided to avail itself of the offer made by the CONTRACTING PARTIES, in paragraph 3 of the conclusions reached at the fourteenth session (SR.14/8), to examine, at the present session, the whole question of the special commercial relationships between South Africa and the Federation, with a view to clearly defining the position of the CONTRACTING PARTIES.

Mr. WADSWORTH (Rhodesia and Nyasaland) supported the request made by South Africa for an examination of the special commercial relationships existing between South Africa and the Federation. He confirmed that a clarification of the position arising from the two principles to which the South African representative had referred was fundamental to the consideration by the two Governments of their future trading relationships.

Mr. BEALE (United States) said that matters of principle were involved in the complex problem which was before the CONTRACTING PARTIES. His delegation recognized the long history behind the trade relationships between South Africa and the territories of the Federation and would be glad to participate in a working party to examine the question.

The CHAIRMAN, in the light of the discussion which had taken place, proposed that a working party should be established with the following terms of reference:

"In the light of the discussion by the CONTRACTING PARTIES, at their fourteenth and at the present session, to examine the question of the special commercial relationships between the Union of South Africa and the Federation of Rhodesia and Nyasaland in accordance with the request submitted to the CONTRACTING PARTIES by the two Governments concerned and to report to the CONTRACTING PARTIES."

Composition:

Chairman: Mr. P. Savini (Italy)

Australia
Ceylon
Denmark
France
Ghana
Netherlands

Peru
Rhodesia and Nyasaland
South Africa
Switzerland
United Kingdom
United States

This was agreed.

4. Brazilian waiver - Request for Extension (L/1082)

The CHAIRMAN recalled that, at the fourteenth session, the CONTRACTING PARTIES had agreed to extend until the end of the fifteenth session the time-limit provided for in the Decision of 16 November 1959, within which the Brazilian tariff negotiations were to be completed and the results put into effect. The Brazilian Government had now asked for a further extension of this time-limit (L/1082).

Mr. BOUCAS (Brazil) said that, for reasons beyond the control of the Executive in Brazil, it was necessary to seek the CONTRACTING PARTIES' agreement to a further extension of the time-limit. The protocols and other instruments concerned had been submitted to the Brazilian Congress in accordance with Brazil's constitutional procedures. The protocols would require lengthy consideration, and this fact, coupled with the heavy burden of other Congressional business, made it impossible for Brazil to conform to the present time-limit. His delegation, therefore, were asking the CONTRACTING PARTIES to agree to an extension of the time-limit until the end of the sixteenth session.

Mr. DE COSSIO (Peru) supported Brazil's request.

Mr. PHILIP (France) expressed the disappointment of his Government at Brazil's request for further delay. While being prepared to concur in the request, he wished to draw the attention of the Brazilian delegation to the fact that, for a long time, French exporters had been awaiting the expected reduction of Brazilian duties. He hoped that it would be possible to expedite this matter and that this request for delay would be the last one.

Mr. TREU (Austria) said that, in view of Brazil's difficulties in this matter, his delegation would support the request. He, however, like the representative of France, hoped that this would be the last extension of the time-limit that Brazil would ask for.

Mr. BEALE (United States), while regretting that it had been necessary for Brazil to make the request, said that he appreciated the problems involved for Brazil and was prepared to support the request.

Mr. SOLLI (Norway) likewise regretted Brazil's request for further delay. While his delegation were prepared to agree to the request, it did so only with very considerable hesitation.

Mr. MERINO (Chile) supported Brazil's request.

Mr. WARREN (Canada) said that many contracting parties had hoped that further delay would not be necessary. However, his delegation recognized the efforts being made by the Brazilian Executive to expedite matters and they were, therefore, prepared to support an extension of the time-limit.

Mr. SWARD (Sweden) said that Sweden was concerned that it had been necessary to ask for further delay and he, like earlier speakers, hoped that this further extension of the time-limit would be the last one. He also hoped that this case would not represent a precedent for the future.

Mr. HUGHES (United Kingdom) said that in the circumstances explained by the representative of Brazil his delegation would support a prolongation of the waiver.

The CHAIRMAN said that, despite certain misgivings which had been expressed during the discussions, there was unanimous agreement to grant the extension asked for. He proposed, therefore, that a draft decision to give effect to this agreement should be submitted to the CONTRACTING PARTIES by the Executive Secretary at a later meeting.

This was agreed.

5. United Kingdom waiver from Article I - Sixth Annual Report (L/1059)

Mr. HUGHES (United Kingdom) said that the Decision of 24 October 1953 had been invoked on three occasions during the past year, in respect of certain cut flowers, ornamental pottery and lighter flints. At the fourteenth session the United Kingdom and the Netherlands undertook to discuss further under Article XXII the question of cut flowers, and these consultations had now taken place. A request for consultations on ornamental pottery had been made by the Federal Republic of Germany; the outcome of this request was explained on page 2 of the document before the CONTRACTING PARTIES (L/1059). One request for consultations on lighter flints had been received, but this was eventually withdrawn and the rate of duty was increased on 27 July.

Mr. VAN WIJK (Netherlands) confirmed that consultations had taken place between the Netherlands and the United Kingdom under Article XXII. It was agreed that if the increase in the margin of preference incidental to the increase in the most-favoured-nation rate for cut flowers, in particular for roses and carnations, resulted in any substantial diversion of trade, further consultations should take place. The Netherlands reserved its right to refer the particular question of the Channel Islands to the CONTRACTING PARTIES if necessary.

Mr. ELSON (Federal Republic of Germany) confirmed the statement by the United Kingdom representative regarding consultations on ornamental pottery.

Mr. TREU (Austria) said that Austria had asked for consultations with the United Kingdom on lighter flints and had subsequently withdrawn the request in view of the evidence put forward by the United Kingdom that no substantial diversion of trade was to be expected. Austria, however, reserved the right to revert to this question if a substantial diversion of trade should occur at some later date.

The CHAIRMAN proposed that the CONTRACTING PARTIES should take note of the United Kingdom's report.

This was agreed.

6. United Kingdom waiver for Dependent Overseas Territories (L/1051)

The CHAIRMAN drew attention to the Fifth Annual Report by the United Kingdom under the waiver granted by the Decision of 5 March 1955, distributed in document L/1051. The Report stated that no action had been taken under the terms of the Decision during the past year and he proposed, therefore, that the Report should be noted.

The CONTRACTING PARTIES took note of the Report.

7. Financial, budgetary and administrative questions

- (a) Audited accounts for 1958 (L/1046)
- (b) Financing of 1959 budget (L/1069)
- (c) Budget estimates for 1960 (L/1025 and Add.1, W.15/3)

The CHAIRMAN drew attention to the budget proposals for 1960 and to the additional proposals which the Executive Secretary had presented at a meeting of the heads of delegations on 26 October 1959. He called on the Executive Secretary to comment on these proposals.

The EXECUTIVE SECRETARY, referring to the draft budget for 1960 and to his proposals in W.15/3, pointed to the considerable restrictions on his freedom of action in submitting annual proposals on budgetary questions. These restrictions arose from the fact that the CONTRACTING PARTIES, for reasons which were well known, had refrained from addressing themselves to the problem of endowing the General Agreement with a permanent and formal organization. At the time of the drawing up of the Agreement for the establishment of an Organization for Trade Co-operation he had felt the greatest misgivings. He had then feared that the existence of such an Agreement, unless followed by rapid ratification particularly by the major countries, would act as a deterrent to the CONTRACTING PARTIES in proceeding with the urgent organizational and budgetary decisions which the growing volume and importance of the work of the CONTRACTING PARTIES required. These apprehensions had been justified by the events which followed. Today the Organization for Trade Co-operation was a dead letter and, more than that, it was a hindrance. He had first drawn attention to this matter shortly after the Review Session by presenting alternative sets of budget proposals. The first had been for immediate consideration by the CONTRACTING PARTIES and the second had been drawn up (to be appropriate either as a basis for the OTC or as a basis for more permanent arrangements if the CONTRACTING PARTIES decided to abandon the project for an OTC) to set the budget and administrative system of the CONTRACTING PARTIES on that permanent basis which he considered essential if it was effectively to provide for the increasingly important tasks which were being laid upon it.

The budget proposals for 1960 provided in a reasonable, but limited, way for dealing with the more urgent tasks which could at present be foreseen. The suggestion which he had made at the thirteenth session that the Budget Working Party should look in a critical manner at the budgetary and administrative arrangements and consider their adequacy for the rapidly

expanding responsibilities of the CONTRACTING PARTIES had not been accepted. He hoped that this approach would not be followed at the present session. It could be seen from the proposals that the estimates were based on an estimated 150 days of meetings in the year 1960. If one added to that the normal holidays, including weekends, this implied an almost year-round activity of meetings and the servicing, documentation and auxiliary services which went with it. He was aware of the strain which this imposed on delegations as well as on the secretariat. Moreover, he was somewhat disturbed at the tendency to entrust a growing volume of work to intersessional meetings, as this posed a serious problem for governments in providing adequate representation. This was particularly difficult for the remote and less-developed countries, whose problems increasingly engaged the attention of the CONTRACTING PARTIES. Ever since the review session he had urged that some adequate and permanent machinery should be established to overcome these difficulties. What was needed was some form of permanent executive committee or other continuing body with adequate representation. It was also essential that the permanent representation at the headquarters of the CONTRACTING PARTIES be strengthened. The few countries which had acted in this sense had not obtained an adequate reward for their investment, because there was little use for some countries to have adequate representation if others had little or none. The object of permanent representation was to provide for the continuous exchange of views and consultations which would enable the CONTRACTING PARTIES to get through their business at the regular meetings with a minimum loss of time for preliminary exchange of views. Even in the present short sessions he had observed a tendency to postpone the discussion and consideration of important issues because delegates had not had time to study the matters involved or to exchange views. He had stressed this point with particular emphasis when it was proposed to shorten the sessions of the CONTRACTING PARTIES and to hold two sessions in each year. A session of three weeks' duration was inadequate to deal with the sort of problems which confronted the CONTRACTING PARTIES unless there had been a substantial exchange of views and a clarification of the issues before the delegates actually met to work out solutions.

With regard to some of the more technical and more specific questions which arose in connexion with the budget proposals, the Executive Secretary explained that, with the increase in the volume of work and the intensification of its importance and depth, it had been found that reliance on temporary assistance in order to deal with meetings held outside the normal schedule, imposed intolerable strains upon the administration and also resulted in deficiencies in the quality of service which the secretariat was able to provide. Accordingly, most of the increases in the staff and in budget appropriations proposed in the present estimates represented an attempt to transfer, as far as possible, appropriations which had hitherto been for temporary assistance to the permanent budget. This was to avoid the difficulties and complications which were involved in trying to deal with such situations through temporary recruitment. He expressed the hope that the CONTRACTING PARTIES, when considering these suggestions, would bear in mind this background.

Much greater attention should be given at the end of the present, and also at future, sessions to the adjustment of the budget estimates to take account of any new decisions taken by the CONTRACTING PARTIES which involved additions to the existing workload so that the financial consequences of these decisions would be fully reflected in the budget appropriations. During the past year it had been necessary to draw on the Working Capital Fund to meet expenditures which could, and should, have been foreseen at the thirteenth session when the decisions giving rise to these expenditures were taken. He considered this to be an extremely unsound budgetary practice. With the growth in size of the CONTRACTING PARTIES and the organization, resort to this practice seemed more and more undesirable, particularly as the Working Capital Fund was small and should be reserved for the uses and purposes for which it had been designed. Even if this advice were followed, the CONTRACTING PARTIES would find themselves confronted with an acute problem which did not apply or did not occur with such intensity in other organizations. If the CONTRACTING PARTIES were adequately to fulfil their functions, they should be prepared for action necessitated by changes in the conditions of international trade and by the emergence of new trading relationships. If the CONTRACTING PARTIES were not to abdicate their responsibilities, they should react effectively to them. In most international organizations, which had a more predictable or more static existence, it was possible to make a more or less firm programme of activities and therefore to budget with a high degree of certainty. It followed from what had been said about the nature of the GATT and the work of the CONTRACTING PARTIES that they should be prepared to deal with situations as they arose. It was on these considerations that the suggestions contained in document W.15/3 had been drawn up. In addition to making specific appropriations for activities which could reasonably be foreseen, there was an equal necessity to provide for unforeseeable contingencies which might occur during the budget year. This was the reason why he had suggested an emergency or residual fund which represented a modest proportion of the total budget. This fund would be available to meet unforeseeable expenses, but it would only be treated as a reserve, that is to say, it would be used only to the extent that the appropriations in the budget proved inadequate to meet expenditures which were proved nevertheless to be urgently necessary. Although this suggestion might sound somewhat unorthodox or unusual, he hoped that it would be looked at by the CONTRACTING PARTIES with an open mind and with a full consciousness of the difference in the nature of the work and responsibilities of the CONTRACTING PARTIES compared with other international organizations. He expressed the hope, therefore, that this proposal would not be lightly put aside merely on considerations of orthodoxy or standard practice.

Mr. TREU (Austria) agreed that some of the difficulties to which the Executive Secretary had referred were attributable to the lack of a permanent organization such as the OTC. His Government was in favour of alleviating as much as possible the task of the secretariat. Although the proposed contingencies fund was unorthodox, his delegation would support the proposals contained in document W.15/3. Commenting on the problem of adequate representation during intersessional meetings, Mr. Treu said that he would tend to prefer an extension of the two regular sessions rather than an extension of intersessional work. He referred to the increased importance and increased scope of the work of the CONTRACTING PARTIES and expressed the hope that the membership of the GATT would continue to grow until it embraced all the world's trading nations.

Mr. STEYN (Union of South Africa) said that, in his opinion, the CONTRACTING PARTIES had reached a stage where it would be well to take stock of the position. The GATT was probably the only organization of its kind which had to operate on such an unpredictable and insecure foundation in the sense that there was no real permanency in its operation and in its administrative structure. The organization could not be any stronger than the members desired to make it. The organization needed to be strengthened, so as to enable it to deal successfully with the many important issues in the field of international commercial policy and also with the many significant developments in international trade which lay ahead. It had to be decided whether this should be done at the present session or at a later stage but, in any case, the CONTRACTING PARTIES should not delay too long before dealing with the problems to which the Executive Secretary had forcibly and justifiably drawn attention.

Mr. HUGHES (United Kingdom) said that he also had misgivings lest the heavy programme of work should detract from the serious and sometimes lengthy consideration which should be given to the important problems which faced the CONTRACTING PARTIES. He felt that the idea of some form of permanent executive committee was worth examination. As for the budget proposals, these should be given the usual careful consideration in the Budget Working Party. His delegation was in principle sympathetic to the proposal to replace as far as possible temporary by permanent staff. The unorthodox proposal to have a contingencies fund could also be carefully examined in the Working Party to determine to what extent such a fund was the most appropriate way of dealing with the very real difficulties which did in fact exist, or whether it might be possible to adopt other procedures, such as, for example, a system of supplementary estimates. He fully agreed with the Executive Secretary's view that the CONTRACTING PARTIES should not request work which they were not prepared to budget for in one way or another.

Mr. PHILLIPS (Australia) said that his Government fully recognized the need to provide adequate resources both in terms of finance and of organizational structure to enable the secretariat to carry out all the tasks entrusted to it. He suggested that the CONTRACTING PARTIES should consider the establishment of two separate working parties, one to deal with finance, and the other with the question of organization. He recalled that the CONTRACTING PARTIES had established last year a working party on organization in addition to the working party on the budget. He felt that perhaps the former should be reconstituted to look critically at the organizational question, so as to see where the CONTRACTING PARTIES were going in view of the fact that the OTC had not yet come into force. In the view of his delegation, it did not seem desirable to have the organizational question and the budget question examined in the same working party.

Mr. ELSON (Germany) said that his Government fully recognized the need for a permanent organization to deal successfully with problems of international trade and commercial policy. For this reason his Government had ratified the OTC Agreement. He associated himself with the view that any increase in the workload of the secretariat must be reflected in the budget appropriations. Pending a study of the budget proposals by the Working Party, it was premature to take a final position on all of the proposals put forward in document W.15/3. He agreed with previous speakers that something had to be done to maintain the effectiveness of the secretariat.

Mr. VAN WIJK (Netherlands) stated that his delegation could, in principle support the unorthodox proposal for a contingencies fund. However, before they could commit themselves, some clarification of the proposal was needed in the Budget Working Party. He suggested that the Working Party should give consideration to the Executive Secretary's proposal to study more closely the inter-relationship between new activities of the CONTRACTING PARTIES and the resultant costs to the organization. He also asked the Executive Secretary to supply the CONTRACTING PARTIES with an estimate of the cost of additional activities; if the CONTRACTING PARTIES desired to increase the scope of their activities, they would have to provide the necessary finance.

Mr. PARBONI (Italy) stated that the proposals contained in document W.15/3 were acceptable to his delegation. In view of the increased importance and scope of the work of the CONTRACTING PARTIES, appropriate measures should be taken which took account of the changed situation. His delegation could support measures intended to strengthen the work done intersessionally. He realized, however, the difficulties which this would involve for the countries situated far from the headquarters of the CONTRACTING PARTIES. He proposed that the Executive Secretary's proposals should be given very serious consideration and an attempt made to put the organization on a more permanent basis.

Mr. WARREN (Canada) said that his delegation approached the important problems put to the CONTRACTING PARTIES by the Executive Secretary practically and pragmatically. One should start from the premise that there was increasingly important work which the CONTRACTING PARTIES felt they should do. For this work to be performed effectively, the CONTRACTING PARTIES needed to be well served. In the past the CONTRACTING PARTIES had been well served by a limited secretariat and there had been very careful budgeting. If the Executive Secretary now felt that the staff should be more permanent, and if a clear indication of the requirements for an efficient service could be given, the CONTRACTING PARTIES must be prepared to examine these proposals carefully and sympathetically. Since the CONTRACTING PARTIES decided on the work programme, it followed that the necessary provisions had to be made to see that the work could be carried out effectively. Canada was prepared to examine in the Budget Working Party the particular proposals which had been put forward by the Executive Secretary in document W.15/3. While his delegation recognized the existence of the problem to which the Executive Secretary had drawn attention, he felt that the particular means proposed required further study. He agreed with the Executive Secretary that more adequate representation was needed to deal with important problems which came up for discussion in the intersessional periods.

Mr. JHA (India) referred to the change in the nature and scope of the work of the CONTRACTING PARTIES which had occurred over the past few years, and described the type of important problems with which the CONTRACTING PARTIES now had to deal. It seemed to him appropriate to support the Executive Secretary's view that the CONTRACTING PARTIES could no longer carry on their work with the administrative structure with which they had started out. One had to take a long-term view of the scope of the work of the CONTRACTING PARTIES and not only consider the budgetary aspects. In his view, economy should be achieved by excluding from the agenda items which were not really important. Further, the secretariat should not be called upon to produce

data which was not really essential. For the work which the CONTRACTING PARTIES had agreed upon it was necessary to equip the organization with the administrative machinery necessary to handle that work adequately and satisfactorily. His delegation, therefore, was prepared to study the proposals which the Executive Secretary had made with the broad objective of providing an adequate staff to handle the bigger problems which were now before the CONTRACTING PARTIES.

Mr. Jha stated that he had hoped that more of the detailed work could be transacted intersessionally, so that the CONTRACTING PARTIES at their regular sessions could concentrate on the major policy issues. This hope had not in fact been fulfilled, because of the difficulties of some countries in providing adequate representation between sessions. He proposed, therefore, that more of the detailed work be done in working parties meeting during the sessions, rather than by reliance on an extension of intersessional work, even if this meant adding another week to one of the two annual sessions.

Mr. PHILIP (France) stated that, in his view, the organization had reached a point where the CONTRACTING PARTIES had to face up to the changed circumstances and to think in terms of overhauling the organization's administrative structure. The CONTRACTING PARTIES had the satisfaction of being the international organization which could justifiably claim to be most productive, in terms of the ratio between the work carried out and the administrative capital outlay. In his opinion, there was no international organization which had operated so competently with such a small staff. He said that the increasing work and scope of the organization had been foreseen in the plans for a permanent organization. If the OTC Agreement had been ratified, the CONTRACTING PARTIES would now possess the administrative equipment which was needed. Since, under the present circumstances, it was necessary to continue to resort to makeshift measures, his delegation would examine sympathetically the proposals made by the Executive Secretary. He could not, however, concur with the proposal to prolong the sessions. Such a prolongation would probably result in a decline in the quality and calibre of representation, because a number of delegates with responsible positions in their home services could not be absent for extended periods of time. He agreed that it was desirable to try and deal in advance with the less important questions so that the CONTRACTING PARTIES' discussions could concentrate on major policy issues. He also considered that the amount of documentation which was requested from the secretariat should not exceed what was actually required. Commenting on the difficulties of providing adequate representation in Geneva, Mr. Philip suggested that the liaison arrangements would be strengthened by the appointment of officials with economic qualifications. This would permit more valuable contacts between representatives and the secretariat.

Mr. BEALE (United States) said that his delegation appreciated the difficulties which faced the secretariat and would give consideration to any proposals which were made. He agreed with the views expressed by the representatives of India and France that the CONTRACTING PARTIES were entering a period of new and difficult problems, and consideration should be given to ensuring that these problems could be adequately dealt with. He likewise agreed with the representative of France in regard to the length of the sessions. Agreement had been reached to have two sessions of three weeks

a year and his Government would certainly be concerned if there was any attempt to extend the length of these sessions. In his view it was particularly important that the matter under discussion should be considered at this session, in view of the length of time which often elapsed between a decision being taken by the CONTRACTING PARTIES on matters of this sort and the implementation of that decision by governments. More use might be made of intersessional working parties.

Mr. BOSSMAN (Ghana) supported the proposal to put the secretariat staff on a more permanent basis. Ghana was prepared to give the suggestion for a contingencies fund sympathetic consideration; thought might be given to having a standing committee in Geneva which could authorize unforeseen expenditure.

Mr. JHA (India) explained that he had not proposed that sessions should be increased in length. What he had in mind was that working parties might meet for some days before the opening of sessions. He felt it would be useful if the Executive Secretary were to put forward a paper suggesting ways and means of expediting the disposal of the work. One reason for delay was the fact that delegations were often not ready to discuss a particular item; the more important the item the later it tended to be discussed by the CONTRACTING PARTIES. Possibly the major countries would agree not to be represented on all working parties. It would then be possible for some working parties to consist of about six members only, which would enable more working parties to meet at the same time.

Mr. MERINO (Chile) said that the existence of the present unsatisfactory situation was the fault of the CONTRACTING PARTIES themselves. His delegation was prepared to consider in a working party the proposals which had been made.

The EXECUTIVE SECRETARY said that there were, quite clearly, two distinct sets of problems. One was the long-term structural problem and he agreed with the representative of Australia that it would be desirable to separate this from the budget question and to reconvene the Working Party on Organization. He felt that this working party should be established at the beginning of the next session, although this should not mean that contracting parties should defer giving thought to the problems involved until the next session. It would be desirable for the working party, when it met, to be able to consider concrete proposals from governments.

The second problem was a short-term one. To deal with this problem the present budget proposals should be considered. Some delegations had tended, in their statements, to restrict the task of the secretariat to that of servicing meetings. This, in his view, did not represent the full function of the secretariat. He had always considered it part of his function to assist governments, to maintain direct contact with governments' thinking and to increase the knowledge in the different countries of what the GATT was doing. He did not advise expensive information services, but he did feel that senior members of the staff should be able to address various public bodies, universities etc. to increase the understanding of the issues involved in the work done by the CONTRACTING PARTIES. One of the long-term requirements might be a reinforcement of the upper stratum of the secretariat

to enable it to fulfil this role of consultation and information as well as to ensure efficient servicing. In so far as intersessional work was concerned he felt that too much reliance should not be put on attempting to see results intersessionally. The idea of limiting the size of working parties, as had been proposed by the representative of India, was likely to give rise to difficulty and he was not very optimistic as to the outcome; there was always the feeling that working parties should have a broad geographical representation.

The CHAIRMAN said that the view expressed by the representative of Australia that the budget question and the organizational question should be considered separately had been noted. As suggested by the Executive Secretary, the long-term organizational question should be referred to the next session of the CONTRACTING PARTIES. Meanwhile he proposed that a working party should be set up to consider the budget proposals including those contained in document W.15/3. The working party would have the following terms of reference and composition:

Terms of reference:

"To examine any questions arising in connexion with the audited accounts for 1958, the financing of the 1959 budget and the proposals for the budget for 1960, including the proposals by the Executive Secretary, and to submit recommendations to the CONTRACTING PARTIES."

Composition:

Chairman: Mr. F. Stone (Canada)

Australia	Federal Republic of Germany	Sweden
Brazil	India	United Kingdom
Ceylon	Japan	United States
France	Netherlands	

This was agreed.

(d) Staff and financial regulations

The EXECUTIVE SECRETARY said that staff and financial regulations had in fact been drafted and could be made available to the CONTRACTING PARTIES. In his view, however, he could see no purpose in putting forward these draft regulations until and unless there was a legal basis for the organization.

Mr. ELSON (Germany) pointed out that it was his delegation which had asked for these regulations to be prepared. He would like to revert to this question when the discussions on organization took place.

The meeting adjourned at 12.55 a.m.