

GENERAL AGREEMENT ON TARIFFS AND TRADE

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Thirty-Fourth Session

SUMMARY RECORD OF THE FIRST MEETING

Held in the Palais des Nations, Geneva,
on Monday, 27 November 1978, at 3 p.m.

Chairman: Mr. C. DE GEER (Sweden)

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Opening address by the Chairman¹

The Chairman said that since the thirty-third session the general economic and political situation had changed very little and continued to be troubled by monetary turmoil, inflation, low levels of investment, reduced economic growth, widespread unemployment and by protectionist pressures in the field of trade. It was true, however, that developments could have been worse. He mentioned that determined efforts by governments, the existence of the multilateral trade negotiations and of the GATT itself had helped to stiffen resistance against protectionist pressures. Restrictive measures had therefore not proliferated as much as they had threatened to do and they had been limited to relatively few sectors. He pointed out, however, that in many cases those affected by restrictions were the developing countries. He considered that it was inconsistent to encourage these countries, by technical and financial assistance, to diversify and increase production and then to prevent them from selling what they had produced. He stressed furthermore that developing countries were not only the suppliers, but also the customers of industrialized countries.

¹The full text of the Chairman's address is contained in press release GATT/1227.

He then referred to the report of the Council, which served as a reminder that the CONTRACTING PARTIES had a dual task of examining specific trade issues brought before them, but also of keeping the state of world trade and international trade policy under constant review. He mentioned that one of the elements of the present difficulties of world trade was the failure to adjust to changing competitive conditions, especially between countries at different levels of development. The task of adjustment should therefore be pursued vigorously. This could not be achieved overnight, but this task would be made easier by a return to dynamic growth in world trade and by better control over inflation. He also stated that there was a need to restore confidence in the world trading system through clearer rules to govern trade, through ensuring that the rules were respected and through mechanisms which would reduce the risk of difficulties arising and would deal with those that did occur. The conclusion of the Tokyo Round would contribute to the attainment of these goals and he expressed satisfaction about the progress made in these negotiations during the past twelve months. The negotiations were now in their final stage and a last effort was required to bring them to their conclusion. He listed three conditions which had to be met in order to bring the negotiations to a successful conclusion. The first was that all elements in the negotiations were to be concluded together. Secondly, all parties engaged in the negotiations should be able to share fully in shaping the final package so as to achieve a result which was reasonable for each of them. As a third condition, he stressed that the commitments undertaken by all governments in the Tokyo Declaration on more favourable and special and differential treatment for developing countries should be met.

He stated that the conclusion of the Tokyo Round would lead to intensive and important action. The concessions made in the negotiations would have to be effectively implemented, the codes agreed upon were to be made truly operative and the mechanisms designed to smooth international trade relations should be made to work quickly. As this task would involve formal action by the CONTRACTING PARTIES a special session might have to be called for this purpose next year.

He then indicated that in the years ahead there would be further scope for the opening up of the markets of the industrialized countries. The ground lost to protectionist forces in some sectors had to be regained and there was a need to keep up pressure for liberalization and to continue resistance to protectionism. He suggested that there was also scope for greater trade liberalization by developing countries, in their own interest, and for the enlargement in coverage and membership of the Protocol Relating to Trade Negotiations Among Developing Countries. He mentioned as a further responsibility of contracting parties the improving of the framework of rules and procedures governing world trade. The codes and other agreements aimed at reinforcing or adapting many of these rules, which were now in the final stages of negotiation, would have to be made effective. This, in his

view, was particularly the task of the larger countries since their example was of crucial importance. In conclusion, he stressed the need for closer and more continuous co-operation and concertation of their trade policies between governments. A beginning of such concertation of views had been made with the Consultative Group of Eighteen. He expressed the hope of timely consideration of trade policy developments in all areas of co-operation in GATT, and especially in the standing bodies that would be created as a result of the negotiations. Continued liberalization, resolute application of the rules and closer concertation of policy among governments would constitute a substantial agenda for GATT in the post-Tokyo Round years.

1. Adoption of agenda

The CHAIRMAN referred to the Provisional Agenda (L/4707) in which it was proposed, as in recent years, that the CONTRACTING PARTIES first discuss the specific matters which had been considered by the Council since the thirty-third session and were reflected in the report of the Council. Under the second heading, Activities of GATT, contracting parties had the opportunity to review major developments in the international economic situation and commercial policies, and might also address themselves to the Report of the Committee on Trade and Development.

Mr. JARAMILLO (Colombia) said that his Government desired to conduct tariff negotiations for full accession to GATT under the provisions of Article XXXIII within the framework of the MTN. He asked that this matter be added to the agenda.

The CHAIRMAN said that this matter might be considered under item 2 under the heading "Accessions and provisional accessions".

The agenda was adopted.

2. Order of business

The CHAIRMAN drew attention to the proposed Plan of Plenary Meetings circulated in document W.34/1.

The CONTRACTING PARTIES approved the Plan of Plenary Meetings as proposed in document W.34/1.

3. Presentation of reports

The CHAIRMAN said that the Chairman of the Council, Ambassador Yunus (Pakistan), had been called by his Government to other functions and had departed from Geneva last summer. As his new assignment had prevented him from coming to Geneva to carry out his duties for the last three Council meetings, Ambassador Real (Uruguay), Vice-Chairman of the CONTRACTING PARTIES, had chaired these Council meetings.

Mr. REAL (Uruguay) introduced the Report of the Council (L/4726) and stated that the Council had held seven meetings since the last session of the CONTRACTING PARTIES. During these meetings the Council had considered over sixty different subjects. In a number of cases it appeared that the action taken by the Council could be approved without further comment. In other cases, matters of great importance to certain delegations were dealt with. These delegations might wish to draw the attention of the CONTRACTING PARTIES to their concerns. In certain other cases no final action had been taken by the Council, either because a decision on these matters did not fall within the Council's competence, or because the Council could not deal with the matter conclusively for lack of time. He said that with regard to these cases the CONTRACTING PARTIES were required to take such decisions or action as they considered appropriate.

Mr. HAMZA (Egypt), Chairman of the Committee on Trade and Development, presented the report of the Committee (L/4721) and stated that the Committee had discussed questions relating to the implementation of Part IV and developments in the multilateral trade negotiations. Delegations had, in particular, expressed their concern over the recent development of protectionism in a number of countries. Among other matters considered were those relating to the expansion of trade among developing countries and the work of the Committee in the post-MTN period.

Referring to the implementation of Part IV of the General Agreement, he said that the Committee had reviewed actions taken by governments on the basis of notifications by developed countries. Some delegations from developing countries had expressed regret that not all developed countries had found it possible to report to the Committee, and urged the countries concerned, in accordance with agreed procedures, to do so in the future. The Committee, in reviewing recent developments in international trade, considered the question of protectionism in relation to the trade of developing countries. Developing countries stressed the growing trade interdependence of developed and developing countries, their mutual interest in maintaining an open trading system and the contributions made by developing countries to the maintenance of effective demand and the economic activity and employment in the developed countries. The Committee considered in this connexion also the rôle of structural adjustment measures in developed countries. Some delegations were of the opinion that the question of adjustment to competition from imports should receive priority attention in the GATT framework in the future.

Referring to developments in the multilateral trade negotiations, he said that delegations from developing countries emphasized that they should be fully involved in all MTN activities, if they were to be expected to accept changes in the existing rules and new obligations as a result of the negotiations. They felt that decisions regarding the completion of

negotiations in each area should be taken in the Groups or Sub-Groups concerned and that procedures should be established for the formal adoption of the MTN results by all participants. Other delegations were of the opinion that procedures were available and efforts were made to ensure the full participation of developing countries in the MTN and they believed that the tabling of contributions in accordance with countries' development, financial and trade needs would enable developing countries to enter more actively in the negotiating process. There was broad support for the proposal that technical assistance to the developing countries should be made an ongoing feature of the secretariat's activities after the conclusion of the MTN.

Referring to the expansion of trade among developing countries, he stated that the Committee had taken note of the Report of the Committee of Participating Countries (L/4710) which provided a basis for the Five-Year Review by the CONTRACTING PARTIES of the Decision of 26 November 1971. He pointed out that for thirteen countries participating under the Protocol trade in scheduled items had increased from \$27 million in 1972, the year before the Protocol entered into force, to \$172 million in 1977. Work was now under way with a view to exploring the possibility of enlarging the Protocol through a further round of trade negotiations which would be open to all interested developing countries.

Referring to the future rôle and work programme of the Committee, he said that a detailed exchange of views on this question could take place after the completion of the MTN.

4. Report of the Council (L/4726 and Corr.1)

The CHAIRMAN referred to the Report of the Council of Representatives on its work since the thirty-third session of the CONTRACTING PARTIES. The following comments were made in connexion with the items dealt with in the report:

Item 1 - Anti-dumping practices

Mr. DAVE (India) expressed the hope that a satisfactory solution could be found in the framework of the MTN for the adherence of developing countries to the Anti-Dumping Code.

Mr. KUJIRAI (Japan) stressed that anti-dumping measures should not constitute an obstacle to international trade. He emphasized that the implementation of anti-dumping measures should be in strict conformity with the Anti-Dumping Code. He recalled his delegation's view, expressed in the Anti-Dumping Committee, that the method of computing the dumping margins employed by a contracting party with regard to Japanese television receivers was not in conformity with the Anti-Dumping Code. He hoped that due consideration would be given to this matter and that the bilateral consultations being held in this regard would arrive at a mutually satisfactory solution.

Mr. ABBOTT (European Communities) said that the Anti-Dumping Committee had discussed a number of priority issues and substantive questions. His delegation considered this examination important with a view to modernizing and adapting the Anti-Dumping Code. He pointed out that in the context of the multilateral negotiations decisions were being worked out which would also relate to Article VI and he recalled the Community's view that it would be important in due time for decisions to be taken in this context to be carried through into the anti-dumping field.

Mr. JAY (Canada) said that his delegation was also concerned to see that the work on subsidies and countervailing duties in the MTN be successfully concluded. Once this work was completed his delegation would consider what steps would be necessary to make the two codes compatible.

Item 4 - Consultative Group of Eighteen

Mr. DAVE (India) said that the two years of operation of the Consultative Group of Eighteen had confirmed his delegation's belief that the GATT needed such a body in which international trade policy issues could be discussed in a wider context. In view of the interdependence of international policies in development, trade and finance the international trading framework should be viewed increasingly in the light of larger responsibilities. He considered that the discussions on protectionist tendencies and their effects on developing economies had been useful. He mentioned in particular, the exchange of views on the desirability of industrial adjustment policies aimed at facilitating greater international specialization through recognition of areas in which developing countries had comparative economic advantages. These discussions should be continued with a view to identifying specific policies and measures which could be adopted by developed countries for long-term structural adjustment, which would not only forestall the need for protectionist actions but also facilitate greater participation by developing countries in world trade.

Mr. HAMZA (Egypt) associated his delegation with these remarks.

Item 5(b) - Imports into the United Kingdom of television sets from Korea

Mr. LHO (Korea) said that the industries of both countries had held bilateral consultations with a view to reaching a satisfactory solution. He mentioned that a framework of understanding had been reached and that the Korean industry would restrain its exports of television sets to the United Kingdom, while details for a final agreement were being worked out.

Mr. ABBOTT (European Communities) confirmed the statement made by the representative of Korea and expressed the hope that this matter would be brought to a successful conclusion before very long.

Item 5(a) - Secretariat study on Article XIX

Mr. ABBOTT (European Communities) said that the secretariat study on Article XIX showed that there had been problems with these provisions since the beginning. These problems received now considerable attention in the MTN. The study, he believed, underlined the point made by his delegation that there existed a choice between continuing with the present situation, which was not satisfactory for all contracting parties, and the possibility of agreeing on a code to bring more order into this area. His delegation hoped that such a code could be negotiated.

He also referred to a number of measures under Article XIX taken by Australia more than a year ago. He stated that these measures seriously affected the trade of the Community and that consultations with Australia had not led to a solution in this regard. He added that these measures had recently been intensified in the form of an extra duty of 12.5 per cent, which in some cases affected bound items. He also referred to Article XIX measures taken by Canada in relation to footwear. He stated that consultations on these measures were continuing, but no solution had yet been reached. His delegation continued to reserve its rights under Article XIX in respect of all these measures.

Item 6(b)(v) - EEC - Refunds on exports of sugar

- Recourse by Brazil

Mr. CERVANTES (Cuba) said that the problem in substance was directly related to the implementation of the sugar policy of the European Community. He recalled that negotiations on an international sugar agreement had been concluded a year ago, and that the only important exporter which had not acceded to the Agreement was the European Economic Community. He said that efforts had been made to facilitate the accession of the EEC to the Agreement, which was considered to be an important factor for the prospective development of the international sugar market. He noted that the Community, however, had not participated at meetings held by a special group in October and November, but it had notified its intention to participate at the group's next meeting in December.

He pointed out that since new agricultural regulations were introduced in 1975 the production and subsidized exports by the Community had increased substantially. This, in his view, was contrary to the provisions of Article XVI and Part IV of the GATT. He stated that the area of sugar production in the Community had increased substantially since 1970/71, which in his view was the true reason for the increase in exports.

He expressed the hope that the CONTRACTING PARTIES would set up a panel in this case and that all interested contracting parties would have an opportunity to be heard by such a panel.

Mr. ABBOTT (European Communities) said that the Community was examining the question of acceding to the International Sugar Agreement with a positive attitude. In respect of the complaint submitted by Brazil, he said that the Community had required some time to examine the complaint and was now in a position to accept the establishment of a panel.

The CONTRACTING PARTIES agreed to establish a panel with the following terms of reference:

To examine and report on the complaint by Brazil (document L/4722 of 14 November 1978) that the refunds on exports of sugar granted or maintained by the EEC

- (i) have resulted in the EEC exporters having more than an equitable share of the world export trade in terms of Article XVI:3;
- (ii) cause or threaten serious prejudice to Brazil's interests;
- (iii) nullify or impair benefits accruing either directly or indirectly to Brazil under the General Agreement.

The CONTRACTING PARTIES authorized the Chairman of the Council to nominate the chairman and the members of the panel in consultation with the parties concerned.

Item 6(e) - Tax legislation

Mr. ABBOTT (European Communities) recalled that the representative of the United States in March 1978 had informed the Council that the United States President had formally proposed to Congress the phased elimination of the DISC programme. The United States had also mentioned certain proposals made as regards procedures. He enquired as to the present position in this regard.

Mr. JAY (Canada) enquired what steps the United States administration planned to take in order to eliminate the DISC. He recalled the Canadian concern in this regard and regretted that no progress had been made to agree on procedures which would lead to the adoption of the panel reports on the DISC and on the European tax practices.

Mr. BRUNGART (United States) recalled his delegation's statement that the President had proposed to Congress the phased elimination of the DISC programme. He mentioned that this proposal had not been acted upon by

Congress. He also recalled that his delegation had made a proposal to the Community on a possible way of dealing with this matter. The discussion of this approach had not been exhausted. He mentioned that the question of subsidies in its entirety was under active negotiation in the MTN and the results of these negotiations would also have to be taken into account in this respect. With regard to the tax practices applied by France, Belgium and the Netherlands, he enquired what steps the respective governments had taken to bring their practices into conformity with the General Agreement.

Mr. ABBOTT (European Communities) expressed regret that the panel's report on the DISC had not been dealt with under the normal procedure despite the fact that no contracting party had had any difficulty with the conclusions drawn by the DISC panel. His delegation would welcome it if, in the course of the MTN, the DISC legislation could be eliminated. Referring to the reports on the tax practices applied by France, Belgium and the Netherlands, he recalled that his delegation had made a proposal in order to deal with the outstanding questions in relation to these panel reports. While his delegation had been willing to consider other suggestions, he now believed that, as a result of the failure of Congress to pass legislation on the DISC, the time had come for his delegation to revert to its original proposal. He recalled that under this proposal the whole concept of export activities, mentioned in the panel reports, should be re-examined and the Chairman of the Council should be requested, with the advice of persons competent in the field of the General Agreement, to formulate an opinion on this matter.

Item 8(b) - ASEAN Agreement

Mr. SELMER (Norway), Chairman of the Working Party on the ASEAN Agreement, said that after the report of the Council had been prepared the Working Party had concluded its work and that its report would be presented to the Council in due course.

Item 10(c) - Indonesia - Renegotiation of schedule

The CHAIRMAN drew attention to the recommendation of the Council that the draft decision reproduced in Annex I of the Report of the Council be adopted by the CONTRACTING PARTIES by means of a ballot.

The decision was adopted by 54 votes in favour and none against.

Item 11 - United States Agricultural Adjustment Act

Mr. FARNON (New Zealand) expressed his delegation's regret that the United States had continued to maintain protection against imports of dairy products under its agricultural waiver. He said that the waiver had been

applied for twenty-three years and that he saw no signs of an attempt by the United States to terminate it. This, in his view, constituted a permanent imbalance in the rights and obligations of contracting parties. He also referred to the recently passed Agricultural Trade Act which might also have the effect of disrupting international trade by providing special credit terms for certain agricultural products.

He said that his country attached particular importance to the liberalization of agricultural trade through the MTN. A positive result on agriculture in the MTN should include commitments in the dairy sector to help restore the imbalance of rights and obligations in this area.

Mr. TEESE (Australia) said that his delegation maintained its concern about the continued failure by the United States to meet its obligations under the waiver and to work towards dismantling its Section 22 quotas on dairy products. He believed that the substantial increase in support and protection to the United States dairy industry had contributed to the large build-up in CCC stocks of butter and skim milk powder and to the re-entry of the United States into the world commercial market for skim milk powder. He also believed that this policy might lead to stronger pressures within the United States to reduce further the share of imports in the domestic market, which at present stood at less than 1 per cent of total consumption. He believed that as long as the United States maintained its Section 22 quotas on dairy products and high levels of support to its dairy industry, there would remain the risk of periodic build-up and disposal of surplus stocks with consequent disruption of world markets. He considered that the historic basis for allocating some of the quotas was overdue and should be reviewed. He also stated that many of the quotas were too small to be regarded as commercially worthwhile. He expressed concern that the United States might extend the range of products under import quotas, in particular with regard to casein, in respect of which there had never been a problem for the United States dairy industry. He believed that the United States should acknowledge an obligation to so adjust its support arrangements as to enable it to restore gradually normal trading conditions to its dairy sector. He recalled that the import quotas established under the waiver disturbed a binding obligation to Australia in respect of butter and stated that benefits accruing to Australia under the GATT as regards butter had been impaired since 1955. He said that Australia, in agreeing to the waiver, had maintained its GATT rights in respect of the binding. Australia therefore expected that any quotas revised by the United States as a result of the MTN should reflect this consideration as well as the fact that there was a need to devise a more representative and equitable basis for quota allocations to ensure that the import régime conformed to the requirements of Article XIII.

Mr. ABBOTT (European Communities) subscribed to the view that the continued use of the United States waiver had created a permanent imbalance of GATT rights and obligations. It was an important objective of the Community to arrive at the end of the MTN in a situation in which the rights and obligations of contracting parties would be in a better balance.

Mr. BRUNGART (United States) considered that the United States had meticulously complied with the terms of the waiver. The quotas being applied under Section 22 were continuously being reviewed and several products had been eliminated from this Section. He mentioned that the temporary build-up in CCC stocks of butter and skim milk powder had been reduced, which would make it unlikely that the United States would enter the world dairy market as an exporter in the near future. He stated that his delegation was actively engaged in negotiations concerning dairy products in the MTN. As to the question of balance of rights and obligations he pointed out that the waiver preserved explicitly the Article XXIII rights of affected contracting parties.

Item 12(c) - United States - Renegotiations under Article XXVIII:1

Mr. MACIEL (Brazil) recalled that Brazil had reserved its rights under Article XXVIII with regard to these renegotiations. Since the United States had stated that it had made offers on the items in question in the context of the MTN, he stressed his delegation's view that contracting parties should not conduct two negotiations at the same time. The negotiations under the MTN should be kept separate from the renegotiations under Article XXVIII.

Item 14(b) - Accession of Colombia

Mr. JARAMILLO (Colombia) recalled that the Colombian Government acceded provisionally to the GATT in July 1975 in order to participate actively in the work of the CONTRACTING PARTIES and in the MTN. The results of this work had led Colombia to apply for full accession to the GATT, as set out in document L/4733. The Declaration on Provisional Accession provided that negotiations for full accession should take place in the framework of the Multilateral Trade Negotiations. It was Colombia's intention to hold such tariff negotiations which should take place in accordance with the provisions of paragraph 5 of the Tokyo Declaration and of Part IV of the General Agreement. He stated that his country had applied a liberal trade policy since 1975 in conformity with the objectives of the General Agreement. This policy had resulted in a number of tariff reductions and in liberalization action in the field of non-tariff measures. These actions had been communicated to the countries participating in the MTN as a contribution by Colombia. He expressed the hope that these contributions would be fully taken into account in the negotiations for Colombia's accession under Article XXXIII.

He mentioned that Colombia's external trade had grown to \$5 billion in 1978, of which 81 per cent took place with contracting parties to GATT. He indicated that his delegation would submit a memorandum on Colombia's trade régime and an up-to-date tariff. His delegation was also ready to supply any additional information requested by contracting parties. He expressed the hope that the negotiations for accession under Article XXXVIII could be concluded within the framework of the MTN and that the results of the MTN would be such as to make it possible for his Government to accede fully to the GATT.

The Chairman welcomed the application of Colombia on behalf of the CONTRACTING PARTIES.

The CONTRACTING PARTIES established a working party with the following terms of reference:

To examine the application of the Government of Colombia to accede to the General Agreement under Article XXXVIII and to submit to the Council recommendations which may include a draft protocol of accession.

Membership of the working party would be open to all contracting parties indicating their wish to serve on the working party.

The CONTRACTING PARTIES authorized the Chairman of the Council to nominate the Chairman of the Working Party in consultation with the delegation of Colombia and other principally interested delegations.

The CHAIRMAN said that the working party would be convened in consultation with the delegation of Colombia and other interested delegations, as soon as possible when the basic documentation for the working party had been distributed. The secretariat would be in contact with the Colombian delegation with respect to the necessary arrangements covering the tariff and other aspects of the negotiations.

Thereafter the Chairman stated that it was necessary to make arrangements for the extension of the provisional accession of Colombia. He drew attention to the recommendation of the Council that the draft decision reproduced in Annex II of the Council's report, extending the participation of Colombia in the work of the CONTRACTING PARTIES, be adopted.

The CONTRACTING PARTIES adopted the decision.

Item 18 - International Trade Centre

Mr. HAMZA (Egypt) expressed his delegation's satisfaction with the work of the Centre, in particular in the field of export promotion for products of interest to developing countries and training. He also stated

his appreciation for the financial assistance provided to the ITC by developed donor countries. He hoped that the UNDP would be able to increase its financial assistance to the Centre so that it could carry out its important tasks.

Mr. AHMAD (Bangladesh) said that the Advisory Group had noted with concern the decreasing share of UNDP financing in ITC's total assistance resources. This would have adverse effects on developing countries' exports. He expressed the hope that UNDP would review its strategy and increase its assistance to the ITC so that this organization's work could expand. He suggested that the CONTRACTING PARTIES should urge UNDP to take the necessary steps in this respect. His delegation noted with satisfaction the work carried out by the ITC for developing countries and he expressed his appreciation to the donor countries for their financial assistance to the Centre which was of benefit in particular to the least developed countries.

Mr. DAVE (India) associated his delegation with the remarks made by the previous speakers. He mentioned that his Government had, in appreciation of the work carried out by the ITC, also made a contribution to the Centre. His delegation had expressed the wish that the ITC should increasingly emphasize trade promotion in relation to markets in developing countries as well. The Centre could thus serve as an effective instrument for increasing trade among developing countries. He furthermore considered that the ITC should increasingly make use of consultancy services from developing countries.

Mr. MCGILCHRIST (Jamaica) associated his delegation with the remarks made by previous speakers. He urged that the work of the ITC should be strengthened because it performed a vital function for the developing countries.

Mr. MACRIS (Cyprus) also expressed his delegation's appreciation for the work carried out by the ITC.

Item 19 - Trade in steel

Mr. BRUNGART (United States) pointed out that the last sentence of the first paragraph on page 35 of the report which read "he pointed out that the establishment of such a committee outside GATT had implications for the working of the GATT itself" had been erroneously attributed to the United States. Since this statement had been made by the representative of India this sentence should be placed at the end of the last paragraph on page 34.

Mr. DAVE (India) agreed to this correction.¹

¹The correction has been made in L/4726/Corr.2.

Mr. MOHAMMED (Nigeria) said that his delegation shared the views expressed by the representative of India at the Council meeting. Nigeria welcomed the establishment of the Steel Committee within the OECD. However, since it had been set up outside GATT, he hoped that information on the Committee's activities would be provided to the GATT. He also hoped that the Committee, in its activities, would not take any action which might restrict the development of steel industries in developing countries.

Item 21 - Status of Protocols

The CHAIRMAN drew attention to the Council's recommendation that the draft decision reproduced in Annex III, extending the closing date for the acceptance of the Protocol Introducing Part IV of the General Agreement until the close of the thirty-fifth session, should be adopted by the CONTRACTING PARTIES.

The CONTRACTING PARTIES adopted the decision.

Mr. MOUTON (France) said that his Government had carefully reviewed the position it had maintained so far with regard to Part IV. This review had led to his Government's decision to accept Part IV, in the light of developments in international trade since 1964 and the way Part IV had been applied. He stressed that the acceptance by France of Part IV did not mean that in France's view Part IV could not be improved. France would therefore continue to participate actively in the work carried out in particular in the Framework Group, so as to adapt the GATT rules to the specific needs of the developing countries.

The CHAIRMAN welcomed on behalf of the CONTRACTING PARTIES the French decision.

Mr. HAMZA (Egypt), Mr. DAVE (India) and Mr. HAMID (Pakistan), welcomed the decision by France to accept Part IV.

Item 22 - Committee on Budget, Finance and Administration

The CHAIRMAN drew attention to the problem of exchange rate fluctuations reflected in the report of the Council, and recalled that at its meeting on 14 November the Council had established an Informal Contact Group, composed of representatives of the Budget Committee, the secretariat and the GATT staff.

Mr. FEIJ (Netherlands), Chairman of the Informal Contact Group, reported that the Group had met three times, but that it had not yet had sufficient time to arrive at final conclusions. He said that there was no doubt about the existence of a problem, created by the exchange rate fluctuations, and about their unfortunate consequences on the remuneration

and pensions of the staff. However, the complexities of the worldwide United Nations system of remuneration and pensions made it difficult to analyze and assess the actual magnitude of the problems. The Group was therefore still in the process of examining all the components affecting take-home pay and pensions. In the light of the constructive attitude of all participants he was hopeful that the Group would be able to prepare a report which would contribute to an understanding of and a solution for the problems. The Group would submit its report to the Council before the end of the year.

The CONTRACTING PARTIES took note of the interim oral report by the Chairman of the Informal Contact Group and noted that the Council would be invited to consider the Group's final report before the end of the year.

With the agreement of the CONTRACTING PARTIES the Chairman invited the Chairman of the GATT Staff Council to make a statement on this subject.

Mr. HANUS, Chairman of the GATT Staff Council, said that the GATT staff still placed their full confidence in the CONTRACTING PARTIES, but the staff were also firmly convinced of their rights and determined to obtain complete and objective consideration of their proposals with a view to a prompt solution of the problems which had resulted from the exchange rate fluctuations. These problems affected the remuneration and pensions and although they were of a different order of magnitude the staff were of the opinion that these issues were inseparably linked and should be examined with the same attention. He stressed in conclusion that the proposals made by the staff were temporary emergency measures which should permit the staff to await a proper solution within the common system without having to bear, as had been the case for such a long time, any further losses.

Mr. MOHAMMED (Nigeria) stated his delegation's sympathy with the difficulties faced by the staff and expressed the hope that a satisfactory solution could be found as soon as possible.

Mr. BRUNGART (United States) said that among the problems caused to the staff by the exchange rate fluctuations, the problem of pensions seemed to him to be of particular concern. The problems were complex and he felt that each member Government of GATT should actively consider them. He noted that the ICSC would meet in December and in February to consider this matter and that the United Nations Joint Staff Pension Fund was also in the process of examining the problem. His Government would consider the problems in the light of the recommendations that would be made by these two bodies, taking full cognizance of the information provided by the Informal Contact Group. He expressed the hope that an equitable solution could be found to deal with this matter.

Mr. MACIEL (Brazil) said that the CONTRACTING PARTIES had been seized by these problems for a long time and had recognized the existence of the problems for a number of years. He hoped that the Informal Contact Group would be able to arrive at a just solution for these problems.

Mr. LEMMEL (Sweden), speaking for the Nordic countries, said that the erosion of salaries and pensions of the GATT staff was a problem that should be solved in a satisfactory way for all parties concerned. The Nordic delegations fully understood the concern of the GATT staff. He believed that while the Informal Contact Group could not be expected to solve all problems it nevertheless had an important task to fulfil in contributing to a better understanding of this matter. The Nordic delegations were hopeful that the Group's conclusions would receive early and favourable consideration by governments.

Mr. ABEL (Federal Republic of Germany), speaking for the member States of the European Communities, also expressed concern about these problems. He considered the setting up of the Contact Group useful and expressed the hope that the deliberations of the Group would result in a better understanding of the matter, so that realistic and equitable solutions could be found for these problems as rapidly as possible.

Mr. HAMZA (Egypt) noted that these problems had been discussed at four sessions of the CONTRACTING PARTIES. He expressed the hope that the Informal Contact Group would solve these problems as soon as possible.

Mr. UKAWA (Japan) also expressed the hope that a solution would be found for the problems of the GATT professional staff.

Mr. ELIASHIV (Israel) associated his delegation with the remarks made by previous speakers in respect of the problems faced by the GATT professional staff. He also referred to the financing by UNDP of the GATT training courses and welcomed the suggestion that in the absence of adequate financial arrangements by UNDP these courses would be financed wholly or partially by the GATT.

Mr. AHMAD (Bangladesh) associated his delegation with the statements made by previous speakers and he expressed the hope that a proper solution would be found soon for the problems of the GATT professional staff.

Mr. TEESE (Australia) recognized that the problems faced by the GATT staff had been on the agenda of the CONTRACTING PARTIES for a long time. He expressed the hope that the newly established Group would be able to find a solution equitable to all parties.

Mr. JAY (Canada) said that all delegations in Geneva were affected by the exchange rate problems, and were therefore in full sympathy with the staff. The conclusions to be expected from the Informal Contact Group would be studied attentively by the Canadian authorities.

Mr. IRANZO (Spain) recalled that his delegation had stated its concern about the problems faced by the GATT staff on previous occasions. He hoped that the procedures, as set up, would lead to a satisfactory solution of the problems.

Mr. MCGILCHRIST (Jamaica) expressed his delegation's support for the work being undertaken by the Contact Group and for a solution to the difficult problems under discussion.

Mr. MARTINEZ (Argentina) shared the concern stated by the previous speakers and expressed the hope that a solution would be found soon for these problems in recognition of the efficient GATT secretariat.

The CONTRACTING PARTIES noted that the Council would be invited to consider the final report of the Informal Contact Group before the end of the year.

Thereafter the CHAIRMAN drew attention to the question of outstanding contributions.

The DIRECTOR-GENERAL said that the question of outstanding contributions was becoming very serious and therefore merited the special attention of the CONTRACTING PARTIES. Although some payments had been received since the last meeting of the Budget Committee, the situation continued to be very serious. He pointed out that as of 27 November the amount outstanding totalled over Sw F 4,600,000. This sum was by Sw F 1,300,000 higher than at the end of last year. He appealed to all contracting parties that had outstanding contributions to pay them without delay in order to avoid financial management difficulties at the end of this year.

The CHAIRMAN stressed that the situation regarding outstanding contributions had deteriorated steadily year by year and it was becoming imperative to do something about it in order to avoid financial management difficulties. He expressed the sincere hope that this appeal would have a positive result. He suggested that the Budget Committee be requested to re-examine the situation early next year and unless the situation had improved drastically in the meantime to come forward with whatever measures it considered necessary.

Mr. AHMAD (Bangladesh) enquired whether the present status of outstanding contributions could be circulated in a document in order to alert the capitals of these problems.¹

The CONTRACTING PARTIES adopted the report of the Budget Committee (L/4708), including the recommendations contained therein and the Resolution on the Expenditure of the CONTRACTING PARTIES in 1979 and the ways and means to meet such expenditure.

The CONTRACTING PARTIES adopted the Report of the Council of Representatives (L/4726).

The meeting adjourned at 6 p.m.

¹Circulated in document W.34/2.