

RESTRICTED

GENERAL AGREEMENT ON TARIFFS AND TRADE

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COUNCIL
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MINUTES OF MEETING

Held at the Palais des Nations, Geneva
on 9 November 1965

Chairman: Mr. N.V. SKAK-NIELSEN (Denmark)

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1. New Zealand/Australia Free Trade Area (L/2485 and Add.1)

The Chairman said that the Governments of New Zealand and Australia had signed an Agreement providing for the establishment of a free-trade area. The text of the Agreement had been transmitted to the CONTRACTING PARTIES in accordance with the provisions of paragraph 7(a) of Article XXIV and had been distributed in document L/2485/Add.1.

The representative of New Zealand said in his statement, the full text of which has been circulated in L/2507, that the geographical proximity and the remarkably similar development over the last hundred years had created strong ties between his country and Australia. There existed in the economic sphere an infra-structure on which a free-trade relationship could be based. The aim of the Agreement was, however, not only to create increasing mutual trade between the two countries but also to further trade with third countries by promoting the economic development in New Zealand and Australia. He pointed out that both countries had limited home markets and that their economies, to a great extent, depended on exports of temperate agricultural products, which it was becoming increasingly difficult to expand. The trade initially covered by the free-trade arrangements amounted to about 60 per cent of total trade between the two countries, but the Agreement provided for an extension of the trade coverage. The initial limitation was vital to New Zealand, whose degree of industrialization

was considerably lower than Australia's. He expressed the hope that in examining the Agreement, contracting parties would take into account the level of development and the trading position of Australia and New Zealand. He suggested that a working party should be appointed to examine the Agreement and report to the CONTRACTING PARTIES.

The representative of Australia pointed out that the Free-Trade Agreement was an interim agreement leading to the progressive formation of a Free-Trade Area within the terms of Article XXIV:5 of the GATT. The Agreement contained provisions for increasing the initial trade coverage to the fullest extent possible by adding new items to the Free-Trade Schedule. The objective of the reviews provided for in the Agreement was the progressive listing in that Schedule of all goods which entered or might enter into the trade of either member State. While it would be unrealistic (in view of the disparate stage of development reached by the two countries) to pretend that all trade would be included in the Free-Trade Area within a reasonable period of time, the objective of both Governments was to work towards the inclusion of more trade than could reasonably be regarded as the minimum required by GATT. In other words it was not intended to halt the process of increased coverage on the achievement of some arbitrary percentage which, it might be argued, complied with the General Agreement's imprecise criterion of "substantially all the trade". The scope of the exceptions provisions was carefully limited. In the drafting of the Agreement the aim to expand world trade had been constantly kept in mind.

The representative of the United States said that his Government was seriously concerned about the Agreement in its present form. The trade coverage of the products subject to free trade was 60 per cent, but that figure included a considerable amount of trade - about 58 per cent of the trade between the two countries - which was already free under the present trade arrangements. His Government furthermore considered that the Agreement did not include an adequate plan and schedule for the formation of a free-trade area in the sense of Article XXIV. He supported, like several other representatives, the establishment of a working party.

The Council agreed to establish a working party with the following terms of reference:

To examine, in the light of the relevant provisions of the General Agreement, the New Zealand/Australia Free Trade Agreement of 31 August 1965, and to report to the CONTRACTING PARTIES at their twenty-third session.

The Chairman suggested that contracting parties wishing to be members of the working party should notify the secretariat by 10 December and that the working party should meet before the twenty-third session at a time to be fixed by the Director-General in consultation with delegations. He further suggested that contracting parties should, as in similar cases in the past, have the opportunity to put forward questions concerning the provisions of the Agreement or its implementation. Such questions should be transmitted to the secretariat by 10 December. The secretariat would then compile a questionnaire and invite the Governments of New Zealand and Australia to provide the answers by 24 January 1966. This was agreed.

2. Negotiations under Article XXIV:6 by Greece

The Chairman recalled that a Greek delegation, as notified to contracting parties on 1 November 1965 (L/2454/Add.5), had arrived in Geneva to conduct renegotiations under Article XXIV:6. The Greek delegates, in view of their responsibilities in their capital, were not in a position to prolong unduly their stay in Geneva and consequently wished that all contracting parties which intended to enter into such negotiations should approach them as soon as possible and, in any case, before 14 November.

3. Administrative and financial questions

(a) Report by the Committee on Budget, Finance and Administration (L/2482 and Add.1)

The Committee on Budget, Finance and Administration, which was appointed by the Council on 12 July 1965, held its meeting from 4-7 October 1965. Its report was distributed as document L/2482. The proposed scale of contributions was set out in Addendum 1.

Mr. A. Schnebli (Switzerland), Chairman of the Committee, in presenting the report, drew attention to paragraph 6 of the report in which the Committee urged that, particularly in order to avoid the need for heavy withdrawals from the Working Capital Fund pending receipt of contributions, contracting parties should make every effort to pay their contributions as early in the year as possible, preferably during the months of January and February. In connexion with the estimates of expenditure for 1966, he said that Committee members had been concerned about the heavy burden on national budgets created by the substantial increase of the estimates over previous years, and were therefore particularly appreciative of the efforts made by the secretariat to reduce the initial estimates by \$48,000. In paragraph 19 of the report the Committee had recommended that the principal of the Working Capital Fund, the level of which was at present approximately \$264,000, be raised to \$350,000. As could be seen

from paragraph 20 of the report, the Committee had endorsed the Director-General's conclusion that the possible establishment of independent GATT reproduction, distribution and mailing services would be uneconomical. As regards the Director-General's note on the adjustment of the present minimum contributions, the Chairman of the Committee said that it was desirable that, in view of the complexity of the matter, contracting parties give it further attention in order that the Committee may be in a position to make a final recommendation at its 1966 meeting.

Whereas several members of the Council expressed appreciation of the quality and quantity of the secretariat's work output bearing in mind the relatively modest means at its disposal, they nevertheless hoped that budget increases in future years would be smaller than in 1966.

The Council agreed to recommend to the CONTRACTING PARTIES the adoption of the report, including the recommendations in paragraphs 7, 15, 16, 19, 21 and 25, as well as the annexed draft resolution on the expenditure of the CONTRACTING PARTIES in 1966 and the ways and means to meet such expenditure. One member said that his government would not support this resolution.

The Director-General underlined the constructive attitude of the Committee on Budget, Finance and Administration which was appreciated by the secretariat. He said that the early budgets of the organization had been particularly small and the subsequent expansion of the secretariat was therefore all the more striking. The increase in expenditure was primarily due to the sharp rise in the number of contracting parties over recent years and to the additional activities undertaken by the secretariat at the CONTRACTING PARTIES' request. The International Trade Centre was an example and, of course, the Centre in turn made demands on other secretariat services. However, he now looked forward to a period of stabilization. He hoped that contracting parties would bear cost factors in mind when establishing future work programmes. Particularly in regard to new activities, careful advance costing would be necessary.

(b) Financial position at 30 September 1965 (L/2487)

The Council took note of the information submitted by the Director-General on the financial position at 30 September 1965 contained in document L/2487. In connexion with the contributions in arrears, the delegates of Chile, Greece and Uruguay announced that their countries' contributions were in the process of payment.