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GENERAL AGREEMENT ON TARIFFS AND TRADE

COUNCIL
29 October 1969

MINUTES OF MEETING

Held at the Palais des Nations, Geneva
on 29 October 1969

Chairman: Mr. Erik THRANE (Denmark)

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Subjects discussed:

1. Import restrictions (L/3260 and Corr.1)

The Chairman recalled that the subject of quantitative import restrictions had been before the CONTRACTING PARTIES ever since their establishment. While in a number of countries and a number of sectors important progress in dismantling import restrictions had been made, it was undeniable that contracting parties were still far away from the recognized ultimate aim of the removal of restrictions. At the twenty-fourth and twenty-fifth sessions a renewed attempt had been made by the New Zealand delegation to tackle this difficult and sensitive problem. As the CONTRACTING PARTIES could not at that time reach sufficient agreement the Council had been instructed to pursue the matter.

The Director-General introduced document L/3260 which described the factual situation regarding the use of quantitative import restrictions and suggested future procedures. He stressed that the inclusion of countries in the list of countries to be consulted by the proposed joint Working Group, suggested in paragraph 17, had no significance with regard to their state of development. This was reflected in the footnote included in the corrigendum to the document. He recalled that the question of import restrictions had been on the agenda for a long time without any real progress having been achieved. The table annexed to the document did not confirm the often-expressed optimism about the limited number of remaining restrictions. The document put forth, for the Council's consideration, proposals to deal with this problem. Other proposals would be welcome, provided they might lead to constructive results.

Many delegations expressed interest in the suggestions by the Director-General but were not in a position to make more than preliminary comments before the document had been examined in capitals. The representative of Spain said that he could not accept that his country, being a developing country, was included in the list of countries in paragraph 17 of the document. The representative of Poland also queried whether the inclusion of Poland in that list was appropriate, in view of the absence of quantitative restrictions in its foreign trade system, and the fact that it consulted annually under the terms of its Protocol of Accession.

Some delegations noted that the Director-General's proposal differed from the New Zealand proposal in so far as it approached the subject of import restrictions as a whole and did not differentiate between legal and illegal restrictions. The representative of Australia considered it appropriate that quantitative restrictions were distinguished from other non-tariff barriers, but felt that restrictions permitted under certain articles of the GATT should be left aside. The New Zealand representative remarked that the proposal did not provide for a time-table for the removal of residual restrictions. He furthermore considered that illegal restrictions should not be regarded as negotiable in the same way as other non-tariff barriers.

Some delegations expressed concern over the relation between the work of the proposed joint working group on import restrictions and the work on import restrictions under way in the Committee on Industrial Products and the Agriculture Committee. The question of the terms of reference and coverage of restrictions of a joint working group would have to be studied carefully in order to avoid any disruptive effect on the work of those two Committees.

The representatives of India and Argentina expressed concern at the possible effect of the proposed joint working party on the work of the existing Group on Residual Restrictions under the auspices of the Committee on Trade and Development. Progress in that group had been slow but had nevertheless taken place; in setting up any new mechanism to deal with import restrictions it was important to ensure that progress in the Group on Residual Restrictions would be maintained.

The Chairman said that members of Council would need some time to examine the Note by the Director-General before they could enter into substantive discussion. The item would be retained on the agenda for the next meeting of the Council.

2. Protocol for the Accession of Switzerland - Report of the Working Party on paragraph 4 (L/3250)

The Chairman recalled that the Government of Switzerland, under paragraph 4 of its Protocol of Accession, had reserved its position with regard to the provisions of Article XI to the extent required for the application of import restrictions imposed pursuant to certain Swiss laws. Paragraph 4 of the Protocol called for annual reports by Switzerland on the measures maintained, and required the CONTRACTING PARTIES to conduct a thorough review of the application of the provisions every three years.

At its meeting in April the Council had established a Working Party to conduct the first triennial review. The report of the Working Party had been circulated in document L/3250.

The Council adopted the report.

3. Reports under waivers

(a) Australia/Papua-New Guinea (L/3255)

Under the Decision of 24 October 1953 the Government of Australia was required to report annually on the measures taken and on the effects of these measures on the trade of Papua/New Guinea and on imports into Australia of the products affected. The fifteenth annual report by Australia had been circulated in document L/3255. The report recorded action in respect of one product.

The Council took note of the report.

(b) United Kingdom/Article I (L/3236)

Under the Decision of 24 October 1953 the Government of the United Kingdom was required to make an annual report on the use made of the partial waiver from the obligations under Article I of the General Agreement. The fifteenth annual report by the United Kingdom had been circulated in document L/3236. The report recorded action taken since the previous report.

The Council took note of the report.

(c) United Kingdom/Dependent Overseas Territories (L/3235)

Under the Decision of 5 March 1955 concerning special problems of dependent overseas territories of the United Kingdom, the Government of the United Kingdom was required to submit annually a report of action taken. In the fourteenth annual report (L/3235) it was stated that the Decision had not been invoked since the previous report.

The Council took note of the report.

(d) United States/imports of automotive products (L/3256)

Under the Decision of 20 December 1965, concerning the elimination of customs duties by the United States on imports of automotive products from Canada, the United States Government reports annually on the operation of the Decision. The United States Government had submitted its third annual report which had been circulated in document L/3256.

The representative of the United States said that trade in automotive products had continued to expand rapidly in 1968. There had been no evidence that this trade had damaged the interests of other trading partners; United States imports of automotive vehicles from third countries had increased by 63 per cent. Furthermore, there had been no requests for consultations under paragraph 2 of the waiver.

The representative of the European Communities stated that at the time of the conclusion of the United States/Canadian agreement on automotive products Canada had introduced new customs legislation on automotive products. The Communities had at the time expressed some reservations. Since then there had been exchanges of views between Canada and the European Communities on certain difficulties encountered, but no satisfactory conclusion had been reached.

The representative of Canada recalled that Canada had not required a waiver for the implementation of the agreement; therefore, this matter was not relevant to the subject under discussion. However, his Government considered that nothing in the Canadian programme or its administration was contrary to the General Agreement.

The Council took note of the report.

4. International Trade Centre UNCTAD/GATT - Report of the Joint UNCTAD/GATT Advisory Group (ITC/AG/7 and L/3263)

The Chairman recalled that under the arrangements agreed upon by the CONTRACTING PARTIES at the twenty-fourth session a Joint UNCTAD/GATT Advisory Group had been established, composed of representatives of governments Members of UNCTAD or GATT, with the principal task of advising on the work programme and activities of the International Trade Centre. The Joint Advisory Group had held its second meeting in March 1969 in order to review the activities of the Centre and to recommend a work programme for 1970. The report of the Advisory Group has been circulated in document ITC/AG/7. A summary review of the activities of the Centre during 1969 had been circulated for information in document L/3263.

Mr. Boyesen (Norway), Chairman of the Advisory Group, said that the Group had noted with satisfaction the useful work done by the Centre for developing countries and had expressed its unanimous appreciation for the generous financial and other contributions made by a number of developed countries. The Group had had discussions on the shift in the Trade Centre's activities from the provision of information through the research activities of the Market Information and Publications Services

to the provision of assistance for building up export promotion organs and services in the developing countries through the operation of the Trade Promotion Advisory Service and Training Programme. Many countries had pointed out, however, that this should not be done at the expense of other services, especially of the Market Information Service which remained the most valuable activity of the Centre, of immediate utility to developing countries.

The Group had recommended that the budgetary resources allotted to the Market Information Service should be utilized for the major sectoral market surveys envisaged for each year. On the other hand, market research undertaken in response to requests from individual countries should be financed from extra-budgetary resources.

The Group had agreed that the Training Programme would have an increasingly important part to play in the activities of the Centre. The Trade Promotion Advisory Service and the Training Programme should be capable of programming and supervising assistance projects financed from extra-budgetary funds. The Office of the Director would have to exercise greater programme co-ordination, especially where priorities between the services of the Centre would have to be determined. It would also be increasingly involved in co-ordinating the activities of the Centre with other international agencies in related fields, especially those participating in the United Nations export promotion programme.

Subject to certain observations made in its report, the Group had agreed to recommend the work programme for 1970, outlined in document ITC/AG/5, as representing a realistic programme with the understanding that its implementation would depend on decisions of the budgetary bodies.

Many delegations congratulated the Centre on its achievements. Many representatives from developing countries expressed their appreciation of the concrete and practical help the Centre had extended to their respective countries. They stressed the importance of continued financial support for the Centre's activities. Several delegations expressed their appreciation for the unilateral contributions that had been made. It was the general view that the services of the International Trade Centre were of significant use to developing countries and that recourse to its services would increase in the future. One delegation, while recognizing the utility of the services rendered by the Centre, felt that after the rapid expansion of the Centre in recent years attention should now be paid to a consolidation of activities. Some delegations stressed the importance they attached to the creation of training centres on a regional basis which would be particularly helpful to small developing countries.

The Council adopted the report (ITC/AG/7), and the work programme for 1970 as recommended in paragraph 15 of the report.

5. United Kingdom import deposits

The representative of the United Kingdom informed members of the Council that his Government had announced on 20 October the decision to extend the Import Deposit Scheme for a further twelve months. As a result of the measures taken

since November 1967 the United Kingdom's balance of payments had passed into a surplus in the early months of 1969 and the surplus had since grown fairly steadily. The main factor in this trend was the very healthy state of the invisible account, but in recent months the visible account had also passed into surplus. There was therefore reason for cautious optimism about progress towards the Government's economic objectives, and in particular towards the objective of a £300 million surplus by April 1970. The Government felt however, that the time had not yet come to relax. Recovery would take at least two years, and even then it would be necessary to ensure that it was maintained. Nevertheless, the recent run of better figures had naturally been an important factor in considering whether the Import Deposit Scheme should be allowed to lapse when the present Act ran out on 4 December. Improvements allowed some abatement of the Scheme but the time had not arrived to reverse policies so soon after moving into substantial surplus. The Government had therefore decided that the right course was to take powers to continue the Scheme covering the same range of imports for a further twelve months from 5 December 1969, but for the rate of deposit to be reduced from 50 to 40 per cent. The period of deposit - 180 days - would remain unchanged.

The representative of the United Kingdom remarked that his Government was determined to achieve and sustain a healthy balance-of-payments surplus. He emphasized two further points which underlined his Government's decision. Firstly, it reflected the requirements of both the external position and domestic monetary considerations. There was no way of quantifying precisely the effects of the Scheme on imports but it was believed that it had had a useful restraining effect and that the complete lapse of the Scheme now, by releasing a considerable volume of liquid funds, would have had consequences for imports as well as for the control of domestic credit. Secondly, the decision to reduce the rate of deposit to 40 per cent should be seen as a first step towards the total phasing out of the Scheme as soon as it was safe to do so.

He recalled that the Council at its June meeting had agreed that the Working Party which had examined the Import Deposit Scheme should continue to be available for consultation as necessary. His delegation would be ready to carry out any such consultation.

Members of the Council welcomed the improvement in the United Kingdom's balance-of-payments position, but regretted that the original date for removal of the measures would not be observed. Several members asked for the Working Party to be reconvened to review the matter.

The representative of India pointed out that the Scheme had affected certain products of interest to developing countries, especially cotton textiles. He expressed the hope that in accordance with the commitment recorded in paragraph 19 of the report of the Working Party (L/3193) the United Kingdom Government would give special attention to the interests of developing countries in the application of the Scheme.

The representative of the United States also asked for a meeting of the Working Party. He recalled his Government's position that the Scheme was contrary to Article XI of the General Agreement, but might be justifiable under Article XII.

It was agreed to request the International Monetary Fund, after its consultation with the United Kingdom, to report on its findings regarding the United Kingdom balance-of-payments position, and to call a meeting of the Working Party as soon as the Fund would be in a position to make its findings available to the CONTRACTING PARTIES.

The representative of the International Monetary Fund stated that the Fund was prepared to assist the CONTRACTING PARTIES in this matter, as it had done last year. The Fund would consult with the United Kingdom in the latter part of November, which would enable it to have its findings ready in the second half of December.

The Chairman said that, taking all these matters into consideration, the Working Party should be reconvened in mid-January 1970.

6. Federal Republic of Germany - Currency measures

The representative of Germany stated that, although the matter was not strictly under GATT jurisdiction, he wished to comment on the recent economic policy measures taken by his Government.

The German mark had been revalued by 8.5 per cent on 27 October 1969. The parity in relation to the dollar was no longer of DM 4 but only of DM 3.66. At the same time the authorities had reverted to the normal upper and lower limits in DM values. The new buying and selling prices could fluctuate between 3 pfennigs below and above the new parity. The decision to revalue the mark had been long expected. It was made in consultation with the Monetary Committee of the European Communities; likewise, the International Monetary Fund had been informed.

In connexion with the revaluation, further Government decisions and future measures had been announced. The stabilization of the new DM parity had made it possible to lift definitely the "safeguarding law" introduced in November 1968. On 11 October of this year, after the floating of the foreign exchange rates, the rates of the export tax and of the import subsidy had been reduced temporarily from 4 per cent to 0 per cent. These extraordinary tax measures affecting German foreign trade had now been lifted definitely. The improvement of the parity of the German mark could of course have repercussions on structurally weak industries and services. In this connexion the problems of agriculture were mentioned in particular. The relevant Government departments had been requested to examine regularly all repercussions during the process of adjustment. The same applied for existing DM obligations to the developing countries.

The representative of Germany summarized the likely effects of revaluation on the home market and abroad as follows. Revaluation removed the price discrepancy abroad and the trend to inflation emanating from foreign countries. It would therefore exert a restraining influence on further price developments.

Competition on the German market would be increased through the cheapening of imports. A certain proportion of German exports would be diverted to the home market. The balance of trade surplus would therefore decrease. This was the real contribution of restoring price stability in Germany. It was hoped that full employment and further economic growth would not be endangered. The German economy now had a firm basis for the conduct of foreign trade, and the domestic economy could also base itself on the stabilizing effects of the revaluation. This measure was at the same time a clear rejection of all substitute solutions, inconsistent with the German concept of a free market economy. The German authorities wanted to achieve stabilization of price levels solely through the strengthening of the market economy system. New orientation data had been fixed indirectly for all those concerned. A re-orientation of German economic, finance and credit policy was now possible. The German move was a contribution to the consolidation of the world monetary system and to an improved international balance-of-payments equilibrium.

The Chairman thanked the representative of Germany for his statement.

7. Financial and administrative questions

(a) Report of the Committee on Budget, Finance and Administration (L/3259)

Mr. Schnebli (Switzerland), Chairman of the Committee on Budget, Finance and Administration said that the Committee had examined the 1968 accounts, the financing of the 1969 budget and the budget estimates for 1970 for the GATT and the UNCTAD/GATT International Trade Centre. The report contained two parts: Part A concerning the GATT secretariat, and Part B concerning the UNCTAD/GATT International Trade Centre.

With regard to Part A, when examining the 1968 accounts and the financing of the 1969 budget, attention had been given to outstanding contributions, particularly from countries with arrears of two and more years in their payments. The Committee stressed the need to pay contributions as promptly as possible at the beginning of the financial year. This was important in view of the modest resources of the GATT secretariat.

With regard to the GATT budget estimates for 1970 he noted a proposed increase in the budget of 9.97 per cent over 1969, of which 7.28 per cent was due to unavoidable cost increases. The Committee had recognized that the proposed budget was modest. However, some reductions had been proposed and had been accepted by the Director-General. The provisions for a second session in 1970 had been deleted; thus, should the CONTRACTING PARTIES decide to hold a second session in 1970, supplementary resources would have to be provided. The Director-General's proposal in paragraph 18 of the report concerning an insurance to cover the organization's liabilities in case of accidents occurring to members of the staff while on duty had been fully endorsed by the Committee. The Committee expected to study more closely next year the question of the direct and indirect costs of services supplied by the GATT to the International Trade Centre which had a direct bearing on the increase in the GATT budget.

Part B of the report, on the International Trade Centre budget, had been the object of laborious discussion. The difficulties encountered did not relate to the 1970 estimates, but rather to their presentation and the way certain extra-budgetary funds should be treated. The Advisory Committee on Administrative and Budgetary Questions (ACABQ) in considering the budget estimates of the Centre for 1970 had drawn attention to the need for a consolidated picture showing the Centre's requirements as well as the contributions it received from extra-budgetary sources. The Committee had not been able to reach a conclusion on this matter and had decided to re-examine the question in the near future. It was hoped that a recommendation could be put before the Council at its next meeting.

The Committee had accepted the proposal made by the ACABQ for a reduction in the Centre's budget for 1970, bringing it to an amount of $1,157,000. This reduction was not expected to affect the Centre's activities. The Committee had noted that the Director-General of GATT and the Secretary-General of UNCTAD had agreed to accept this reduction on the understanding that they reserved to themselves the possibility to revert to this matter and to take appropriate steps to raise supplementary funds if necessary.

The representative of Australia, referring to the question of increasing costs of the administrative services provided by the GATT secretariat to the International Trade Centre (Part B, paragraph 10, page 26) pressed for the matter to be placed on the Council agenda prior to the twenty-sixth session. He also put on record his Government's concern with the Director-General's statement in the report reserving the possibility that the Director-General of GATT and the Secretary-General of UNCTAD might revert to the original estimates of expenditure should voluntary contributions be insufficient to fulfil the programme. If the freeze reverted to in the level of activities of the Market Information and Publications Services (ITC/AG/5, paragraph 11) were implemented, there would be a reduction of expenses which would help keep the ITC budget for 1970 at the level of $1,157,000. He stressed that the matter should be examined very carefully and hoped that there would be no need to revert to the original estimates.

The Council approved the audited accounts for 1968 (paragraph 8 of Part A).

The Council accepted the proposal (paragraph 18 of Part A) concerning insurance against the organization's liabilities under Appendix D of the Staff Rules and Regulations.

The Council approved the recommendations (paragraphs 23, 24 and 26 of Part A) and the text of the draft resolution on the Expenditure of the CONTRACTING PARTIES in 1970 and the Ways and Means to meet such Expenditure (page 10).

The Council approved the recommendation on estimates of expenditure for the International Trade Centre (paragraph 12 of Part B) and the recommendation concerning the financing of the 1970 budget of the Centre (paragraph 13 of Part B).

The Council approved the report of the Committee on Budget, Finance and Administration (L/3259).

The Chairman said that the report, the recommendations which had been approved and the resolution would be submitted to a vote by the contracting parties. He requested the secretary to distribute ballot papers and asked members of the Council who had authority to vote on behalf of their governments to do so at the close of the meeting. Ballot papers would be sent to contracting parties not represented.

The Chairman thanked Mr. Schnebli on behalf of the Council and of the CONTRACTING PARTIES for the excellent services he had rendered during his six years of chairmanship of the Committee.

The Director-General referred to paragraph 6 on page 2 of the report, in which he had drawn attention to the relation between the increase in costs and the increase in words to be translated and typed. An operation designed to keep reports as short and concise as possible had been started in the secretariat and he appealed to delegations to support this effort by being cautious in the number of supplementary studies requested of the secretariat.

(b) Adjustment of salary of the Director-General (C/82)

The Council, meeting at the level of Heads of Delegations, considered a proposal by the Chairman of the CONTRACTING PARTIES, circulated in document C/82, concerning an upward adjustment of the salary of the Director-General. The proposal was approved.

8. Programme of meetings (C/W/146)

The Chairman drew attention to the tentative programme of meetings for the months of November and December distributed by the Director-General in document C/W/146. Some of the working parties and committees listed would presumably require further meetings in the course of December and January. In addition, provision might have to be made for meetings of the Special Group on Trade in Tropical Products, the Working Party on Accession of Colombia, and the Working Party on the Accession of Hungary; the Working Party on the Caribbean Free-Trade Association had not met yet and would presumably not meet before the session.

The Chairman recalled that at the twenty-fifth session the CONTRACTING PARTIES had requested the Council to deal in a definitive way with several items which hitherto had appeared on the agenda for the session. It was his intention to dispose of several items in subsequent meetings of the Council, including outstanding reports under waivers and the information on developments in customs unions and free-trade areas to be furnished by participating States. The Chairman appealed to contracting parties concerned to send in their reports and information as soon as possible, so that the Council could deal with these items at its next meetings.