

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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Chairman: Mr. Erik THRANE (Denmark)

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

The Chairman recalled that at the meeting of Council of 29 October (C/M/58) the Director-General had introduced certain proposals including the establishment of a Joint Working Group for dealing with the problem of import restrictions (L/3260 and Corr.1). Since delegations had had insufficient time to examine the proposals it had been agreed to discuss the matter at the present meeting.

Many representatives supported the proposal, sometimes with minor modifications, sometimes in giving a specific interpretation to the scope of the work and its implications for other work in progress.

The representative of the United States, while supporting the basic principles of the proposal, felt that there were certain points to be explored before specific terms of reference could be drawn up for the Joint Working Group. For example, account should be taken of work in progress in the Agriculture Committee and the newly established Sub-Group 4 of the Committee on Trade in Industrial Products. The United States also felt that attention should be given to a distinction between legal and illegal restrictions, and it would naturally be necessary to see to it that a balance was achieved in the scope of restrictions to be referred to the Group. There might also be some question as to how to define the measures to be reviewed. Accordingly, he suggested that a small drafting group might be useful for drawing up terms of reference which could be submitted to the Council for its January meeting.

The representative of the European Communities said that he did not agree with every detail in the Director-General's proposal, but could accept it as it stood if others did likewise. The Communities were especially gratified that the proposed Group would operate as the agent of two existing committees consulting on all the quantitative restrictions maintained by developed countries. They also supported the idea suggested by Canada that the Group should accomplish its task and report early and at a definite date. On the other hand, if any contracting party were to insist upon modifications in the proposal, the Communities would also wish to propose certain amendments. He did not support the establishment of a drafting group to draw up terms of reference, but felt rather that the Joint Working Group should begin work without delay.

The representative of Japan also supported the Director-General's proposal on the understanding that measures of so-called "self-restraint" would be among those within the competence of the Joint Working Group. He specifically stated that in his Government's view such measures would be included in the arrangements referred to in paragraph 15 as "not going in any major respect beyond the area of quantitative restrictions".

The representative of Sweden, speaking for the Nordic countries, agreed that action to remove the existing anomaly in this area was overdue and that the basic features of the proposal of the Director-General were appropriate. The Nordic countries, however, doubted whether a new body such as the Joint Working Group was needed for the purpose; they rather felt that existing committees and groups should deal with the matter. In particular, they emphasized that the main agricultural restrictions should not be considered out of context of other agricultural policy measures. From this standpoint the Agriculture Committee seemed to them preferable to a new group as a place in which to examine the quantitative restrictions on agricultural products. The same could be said for industrial products which could be examined in Working Group 4 of the Industrial Committee. They would, however, not oppose the Joint Working Group provided it

were agreed that the main quantitative restrictions on agricultural products could be examined only in the light of agricultural policies as a whole and that the timing of work in the new Group would be arranged so as to contribute to work already under way in the two competent committees. The Nordic countries approved of the flexible treatment proposed for restrictions of developing countries.

The representative of Czechoslovakia objected to the proposed inclusion of his country in the list of those to be consulted since his country had no quantitative restrictions on imports.

The representative of Turkey generally supported the proposals, but felt that the Joint Working Group should bear in mind to give priority to the dismantling of import restrictions maintained against products of export interest to developing countries.

A further discussion took place as to whether a drafting group on terms of reference was needed, given the fact that all speakers had agreed upon the urgency of consideration of the substance of the problem. The Director-General cautioned against a decision which might lead to further delay in beginning the work. The Chairman suggested that the risk of protracted debate about procedural questions might be overcome by an instruction to the Joint Working Group to go about its work on the basis of the Director-General's note, and taking into account the discussion in the Council. The representative of the United States, in particular, doubted whether this procedure would be effective in overcoming differences already evident in individual countries' ideas concerning the scope of the Joint Working Group's activity. He made it clear that the United States would need to insist upon inclusion of variable levies among the restrictions to be considered in the Group, notwithstanding the language of paragraph 16 of the proposal. The representative of the Communities again emphasized that his offer to accept the Director-General's proposal applied only if the proposal were accepted in its entirety without modification. It was for this reason that he was inclined to agree that it would be preferable to proceed immediately to establishing the Working Group with broad general terms of reference.

The Chairman concluded that the discussion had indicated general approval of the proposal by the Director-General. The differences which existed were concerned with the manner of implementing the proposal. Since it appeared that there was need for further consideration, he proposed - and the Council agreed - to revert to the matter again at its next meeting.

2. European Economic Community - Citrus Fruit (L/3281)

The Chairman recalled that in September the Council had discussed the request by the European Economic Community for a waiver from its obligations under Article I of the General Agreement in order to allow it to reduce the customs duties in respect of certain citrus fruits originating from Israel and Spain. The Council had established a Working Party to examine the request. The report of the Working Party had been distributed in document L/3281.

The Chairman of the Working Party, Mr. Larsen (Denmark), presenting the report, said that the Working Party had conducted a thorough examination of the request and had discussed various aspects of the question. The views expressed by the Community and the two countries which stood to benefit from the preferences in question, as well as those of the other countries taking part in the discussion, were set forth in fairly great detail in the report.

The Working Party's attention had first been directed at the trade effects and what might be called the economic justification of the preferences. The Community had contended that they were needed in order to restore equilibrium between Mediterranean suppliers and that they would not have harmful effects on the trade interests of other suppliers, who might even derive indirect benefits from the ensuing price stability. It had also been said that the Community itself would reap no benefit but would actually bear the burden of the financial transfer. Other members of the Working Party had not agreed with these views. They had considered that there would be harmful effects on the trade of third countries, that the contention regarding indirect benefits was doubtful and that the preferences involved impairment of existing tariff bindings. Most members of the Working Party had questioned the Community's contention that it had a special responsibility for maintaining economic stability in the Mediterranean area, which they considered to be incompatible with the multilateral obligations that the members of the Community, as contracting parties, had assumed under the General Agreement. Bilateralism in the tariff field, in deviation from the most-favoured-nation principle, would result in the creation of spheres of interest and fragmentation of the world trading system. The advantages which the preferences in question would bring to the beneficiaries would, in their view, be minimal in comparison with the harmful effects on the trade relationships between contracting parties.

The Community had maintained that the financial transfer, which it considered important, could not be achieved through most-favoured-nation tariff cuts and that the problems involved constituted "exceptional circumstances" in the sense of Article XXV:5. There had thus been a basic divergence of views between the EEC and the great majority of the non-beneficiary countries which took part in the discussion. The non-beneficiary citrus producing third countries had believed that their trade interests would suffer, in both the short term and the long term. Those countries, together with most other members of the Working Party, had considered that the reasons advanced by the Community were not sufficiently weighty to justify the granting of a waiver.

In view of the divergence of opinion, the general sense in the Working Party had been that it would be pointless to attempt to draft a waiver for consideration by the Council.

The representative of the European Economic Community said that he was disappointed with some of the views expressed in the Working Party. The main aim of the arrangement was not to create tariff preferences but a system of price discipline and market organization in the Mediterranean area. The Working Party had not looked at things as they were, in the traditional pragmatic spirit of GATT,

but had rather adopted a legalistic approach without giving proper consideration to the trade effects of the measures. It was doubtful whether such an approach, in the long run, would serve GATT's interests. However, taking into account the opinions expressed by the majority of the members of the Working Party, the Community had now decided to withdraw the request for a waiver. Instead the Community was going to try to find - in co-operation with the Governments of Israel and Spain - a solution which would meet the needs of those countries within the framework of the provisions of GATT. This would be a complicated task which would probably take several weeks.

The representative of Argentina recalled that his delegation had expressed the view in the Working Party that a solution along the lines proposed by the Community would have been quite acceptable if the preferences had been extended to all developing countries suppliers of citrus fruit. Such a solution would not have entailed a much heavier financial burden on the Community.

The representative of Switzerland welcomed the decision by the Community to work out a solution which would be compatible with the rules of GATT. He stressed that in his opinion the Working Party had adopted a pragmatic approach. He expressed the hope that the Community would find a solution which would satisfy all parties concerned.

The Chairman said that it was gratifying that the European Economic Community had decided to terminate an arrangement that was not in conformity with the requirements of GATT. He realized that the decision to change the system would create considerable difficulties for the supplier countries involved but he hoped that the Community would succeed in finding a solution which would at the same time meet the needs of those countries and be in accordance with GATT principles.

3. Provisional Accession

(a) Request for Extension of the Provisional Accession of Tunisia (L/3268)

The Chairman recalled that the Declaration of 12 November 1959 on the Provisional Accession of Tunisia had been extended five times and would expire on 31 December 1969. The Government of Tunisia had submitted a request (L/3268) to extend the period of validity of the Declaration, in accordance with its paragraph 6, for another year, until 31 December 1970.

The Council agreed to the extension of the provisional accession of Tunisia and approved the text of the Sixth Procès-Verbal Extending the Declaration (L/3268/Annex 1).

The Council also approved the text of the Decision Extending the Invitation to Tunisia to participate in the work of the CONTRACTING PARTIES (L/3268/Annex 2). The Decision was submitted to a ballot. The Chairman invited members of the Council having authority to vote on behalf of their governments to do so. Ballot papers would be sent by mail to contracting parties not represented at the meeting.

(b) Request for Extension of the Provisional Accession of the United Arab Republic (L/3265)

The Chairman recalled that the Declaration of 13 November 1962 on the Provisional Accession of the United Arab Republic had been extended four times and would expire on 31 December 1969. In document L/3265 the Government of the United Arab Republic requested the further extension of the validity of the Declaration, in accordance with paragraph 4 thereof, for a further year, until 31 December 1970.

The Council agreed to the extension of the provisional accession of the United Arab Republic and approved the text of the Fifth Procès-Verbal Extending the Declaration (L/3265/Annex 1).

The Council also approved the text of the Decision Extending the Invitation to the United Arab Republic to Participate in the Work of the CONTRACTING PARTIES (L/3265/Annex 2). The Decision was submitted to a ballot. Members of the Council having authority to vote on behalf of their governments were requested to do so. Ballot papers would be sent by mail to contracting parties not represented at the meeting.

The Chairman informed the Council that both the Fifth Procès-Verbal Extending the Declaration on the Provisional Accession of the United Arab Republic and the Sixth Procès-Verbal Extending the Declaration on the Provisional Accession of Tunisia would be open for acceptance by participating governments as from 17 December. He requested those contracting parties which had accepted the original Declaration of either the United Arab Republic or Tunisia to accept also the new extensions, if possible before the end of the year, in order to avoid any interruption in their GATT relationships with either of the countries.

4. Balance-of-Payments Import Restrictions - Reports on consultations with Chile (BOP/R/37), India (BOP/R/42), Israel (BOP/R/40), Pakistan (BOP/R/39), Spain (BOP/R/41), and Tunisia (BOP/R/36)

Mr. Petrie (Canada), Chairman of the Committee on Balance-of-Payments Import Restrictions, presented the reports on the consultations held with six countries on the import restrictions maintained in accordance with the provisions of Article XII or Article XVIII.

In all six cases there had been consultation with the International Monetary Fund, in accordance with Article XV of the General Agreement. In each case it had been possible to determine that the general level of the restrictions applied by the country concerned did not go beyond the extent necessary to safeguard its foreign exchange reserves in the manner stipulated in the General Agreement. The Committee had been pleased to note that in many cases there had been an improvement in the balance-of-payments position and a reduction or relaxation of the import restrictions. In some cases there had been improvements in the methods of applying restrictions, such as the changeover from the system under which all imports were subject to restriction except where otherwise indicated, to the use of a "negative list"; in some cases there had been a simplification of the administrative procedure used.

The Council adopted the reports on the consultations with Chile (BOP/R/37), India (BOP/R/42), Israel (BOP/R/40), Pakistan (BOP/R/39), Spain (BOP/R/41), and Tunisia (BOP/R/36).

The Chairman thanked the representatives of the International Monetary Fund for their contribution to the work of the Committee, and also thanked the Chairman of the Committee.

5. Peru - Modification of Import Restrictions (L/3278)

The Chairman drew attention to a communication from the Government of Peru (L/3278), in which it notified the addition, as from 17 September 1969, of a number of products to the list of products prohibited for import, in order to strengthen the country's balance-of-payments situation. Under the established procedures the Council was to consider whether the measure constituted prima facie a substantial intensification of the import restrictions requiring a consultation in accordance with paragraph 12(a) of Article XVIII.

The representative of Peru recalled the balance-of-payments difficulties his Government had experienced since 1967, when it had a deficit of \$140 million, followed by a 44 per cent devaluation of its currency. This had led the Government to apply import restrictions in accordance with Section B of Article XVIII; at the same time austere fiscal measures had been taken. By the end of 1968, the balance of payments had shown a surplus of \$19 million. However, this surplus was not sufficient to cover the international reserves needed for the country's economic development, especially as Peru's export earnings were not expected to increase in the future at the same rate as they had in 1968-69. Furthermore, the cost of servicing the foreign debt in 1970 would be equivalent to 18 per cent of Peruvian exports. By the end of 1970 a deficit of \$50 million was expected in the balance of payments. It was therefore necessary to apply additional import restrictions on unessential goods in order to strengthen the balance-of-payments position. In accordance with the provisions of Article XVIII these restrictions were non-discriminatory and temporary. His delegation was prepared to consult with the CONTRACTING PARTIES on this matter as from March 1970.

The Council asked the secretariat to draw up a comprehensive list of all items whose import was prohibited on the basis of past notifications and the list contained in L/3278.

The representative of Ghana requested the Peruvian authorities to consider deletion from the list of prohibited imports of the item - chocolate and food preparations containing cocoa - in view of Ghana's export interests.

The Chairman proposed that a consultation be initiated with Peru under the provisions of paragraph 12(a) of Article XVIII as early as practicable in 1970, in combination with the regular consultations under paragraph 12(b) of that Article. The Council agreed to this proposal.

6. Italy - Administrative and Statistical Fees (L/3279)

A complaint by the United States concerning the application by Italy of Administrative and Statistical Fees had been circulated in document L/3279.

The representative of the United States explained that in addition to its regular customs tariff, the Government of Italy collected on all imports an administrative services fee of one half per cent ad valorem, and a statistical fee of Lit 10 per unit. The administrative services fee had been established in Law No. 330 of 15 June 1950; the statistical fee was provided for in the general headnotes ("preliminary provisions") of the Italian customs duty schedule approved by Presidential Decree No. 723 of 26 June 1965. The United States Government considered the collection of those fees to be inconsistent with Italy's commitments under the GATT. Specifically with regard to tariff items on which Italy had granted tariff concessions during the Annex negotiations in 1949, and which had been carried into GATT Schedule XL - EEC, the United States considered the fees to be inconsistent with Article II:1(b) of the GATT. The fees might also be inconsistent with other provisions of the Agreement, in particular, Article III:2 and Article VIII:1(a). The United States had made several representations to Italy through regular diplomatic channels. In addition, the United States and a number of other contracting parties had notified the fees to the Committee on Trade in Industrial Products in connexion with the study of non-tariff barriers.

In the notification (L/3279) the United States had expressed its understanding that these fees had already been eliminated for intra-community trade. This appeared to be an error. The Government of Italy was seeking to remove the fees by legislative action. A proposal introduced in the Italian Senate last June provided for abolition of the fees in respect of imports from member States of the European Communities as soon as the legislation was enacted, but would retain them on imports from other sources until 1 January 1971. The United States believed that Italy should remove the fees promptly, not only for the EEC countries, but for all contracting parties. Since the representations previously made to Italy by the United States had not resulted in a satisfactory solution of the problem, the United States requested the CONTRACTING PARTIES to consider the matter and suggested that a Working Party be appointed.

The representative of Italy said that the question of the Italian fees was already under consideration in the framework of the Non-Tariff Barriers examination. He could not see why the fees should be taken out of that context and given special treatment. He confirmed that bilateral discussions had been held between the United States and Italy regarding the fees. The Italian authorities did not share the views on the fees expressed by the United States. Articles II and VIII foresaw that a contracting party could at any moment impose fees or charges commensurate with the services rendered. The statistical fee was also imposed on Italian exports. It should be borne in mind that the fees existed already at the time of the accession of Italy to the General Agreement and that Italy applied Part II of the General Agreement to the fullest extent not inconsistent with its existing legislation.

With regard to the allegedly discriminatory application of the fees, the representative of Italy pointed out that all countries were affected in the same way, including the member States of the Communities. The fact that the Commission of the European Communities had requested the abolition of the fees had nothing to do with their legality under the GATT. The character of intra-Community trade was quite different from that of external trade and the arguments used by the Commission could not be applied in the GATT context. The Italian Government was going to abolish the fees with a certain delay vis-à-vis third countries, as a unilateral action to liberalize trade; not because they were contrary to GATT. The discussion in the Industrial Committee was without prejudice to the legal status of the barriers.

In the opinion of the Italian representative, it would be reasonable to wait for the abolition of the fees which was under consideration in the Italian Parliament and for the outcome of the examination in the Industrial Committee.

The representative of the United Kingdom took up another aspect of the Italian administrative fees. He said that the Italian authorities required certificates of origin for products originating in Hong Kong, Singapore and Macao only. The fees were calculated according to a sliding scale. The requirement of certificates as such might be considered to be reasonable, but the fact that the certificates had to be endorsed by Italian consulates made the procedure very cumbersome and expensive. The question had been discussed bilaterally and was also included in the Non-Tariff Barriers inventory.

The representatives of Japan and Switzerland said that their Governments were interested in the issue. However, as it was already being examined within the framework of the Non-Tariff Barriers examination, they had some doubts whether it would be useful to take it up in another context.

The representatives of the United States and Canada stressed that the inclusion of a measure in the Non-Tariff Barriers inventory did not preclude governments from taking up the same measure in accordance with other relevant GATT procedures.

The representative of the European Communities said that since the fees were a priority item in the Non-Tariff Barriers examination and a bill on their abolition had been introduced in the Italian Parliament, it should not be necessary to create an additional body to study the question.

In reply to questions, the representative of Italy confirmed that the bill foresaw the abolition of the fees towards third countries on 1 January 1971. The Administrative Fees would be abolished towards the member States of the European Communities with retroactive effect from 1 July 1968 - which would have only a financial, not a trade effect - and the Statistical Fee would be abolished towards the member States of the Communities as soon as the law entered into force which would presumably be a few months before 1 January 1971.

The representative of the United States reserved the right to revert to the matter again at a forthcoming meeting of the Council.

7. Ceylon - Increases in Bound Duties (L/3274)

The Chairman recalled that under the Decision of 25 November 1968 the Government of Ceylon was authorized, pending the completion of its tariff reform, to maintain in effect certain increased duties and certain increased margins of preference, specified in that Decision. In accordance with paragraphs 1 and 2 of the Decision Ceylon was required to inform the CONTRACTING PARTIES of the final results of the tariff reform and to enter into negotiations with interested contracting parties by 1 October 1969. In a communication which had been distributed in L/3274, the permanent representative of Ceylon stated that his Government had not yet finalized the tariff reform. It would serve no useful purpose for Ceylon to enter into negotiations or consultations on the basis of the present duties, and the Government of Ceylon therefore requested an extension of the dates mentioned in the conditions of the waiver.

The Council took note of the statement by the Government of Ceylon. Since the Decision, in accordance with its paragraph 4, was valid until 31 December 1970, the Council recommended to the CONTRACTING PARTIES that the period for Ceylon to report on the final results of the tariff reform and the date at which Ceylon should initiate any negotiations under Article XXVIII be extended until 1 October 1970. Should it appear that the negotiations would not be finished in time before the expiry of the waiver, the Council would consider the matter of its possible extension before the end of next year in the light of the circumstances. In this connexion the Council noted that the rights of contracting parties affected by this situation were safeguarded in paragraph 3 of the Decision.

The Chairman expressed the hope that the Government of Ceylon would be able to complete the tariff reform as soon as possible.

8. Franco-German Treaty on the Saar (L/3292)

In accordance with the Decision of 22 November 1957, the Governments of France and the Federal Republic of Germany had submitted the Twelfth Annual Report on measures taken by them under the Decision (L/3292).

The representative of the United States pointed out that the report had been circulated only a few days before the meeting of the Council and asked that the consideration of the report be postponed until the meeting of the Council in January.

The Council agreed to revert to the matter at its meeting in January 1970.

9. Italian Special Fiscal Treatment for Bananas imported from Somalia (L/3291)

The Chairman recalled that by their Decision of 21 November 1967, the CONTRACTING PARTIES had decided to waive the provisions of paragraph 1 of Article I, so as to permit the Government of Italy to grant duty-free entry in respect of two products originating in Somalia, and to apply the Italian

consumption tax, in the case of bananas originating in Somalia, at a lower rate than for bananas of any other origin. The first part of the waiver had expired by the end of June 1968; the second part, however - the differential rate in the Italian consumption tax - was valid until the end of 1969. The Government of Italy had submitted a request for the extension of the waiver by one year so as to enable it to maintain the differential tax until 31 December 1970 (L/3291).

The representative of Italy pointed out that the CONTRACTING PARTIES had recognized, at the time of the independence of Somalia in 1960, that Somalia would need for some years special economic development assistance in the form of special customs treatment in Italy for certain Somali exports. The list of products enjoying such special treatment had gradually been cut down to one product only - bananas - which played a very important rôle among Somali exports. The special customs treatment had some years earlier been transformed into a special treatment with regard to the consumption tax. Somalia was reorganizing banana production and increasing its competitive power on the international market. A new independent trade organization as well as a new maritime transport system via South Africa were also being created. Those were all expected to be put fully into effect by the end of 1970.

The representative of Italy felt, therefore, that it would be reasonable to extend the validity of the waiver by one more year. It was not likely that the special treatment accorded to Somali bananas would cause injury to the interests of other exporters. Such an extension would, on the other hand, help the Government of Somalia to rationalize and make more efficient the production of bananas, a product of utmost importance for the economic development of the country.

The representative of the United States said that his Government had not had time to examine the request for an extension of the waiver. Taking into account the importance, from the point of view of principle, of requests for waivers, he asked whether it would be acceptable to the Government of Italy to have the waiver extended until the end of February 1970 only; the request could then be examined at leisure at a later meeting of the Council or at the twenty-sixth session.

The representative of Italy confirmed that such a procedure would be acceptable to him.

The Council agreed to recommend an extension of the time-limit provided for in the Decision of 21 November 1967 until 28 February 1970 and approved the text of a draft decision in document C/W/152 with the amendment that the date in the final paragraph should read 28 February 1970 instead of 31 December 1970. The secretariat distributed ballot papers and representatives who had authority to vote on behalf of their governments were invited to do so. Ballot papers would be sent by mail to contracting parties not represented at the meeting.

10. European Free-Trade Association (L/3284)

Mr. Boyesen (Norway), spokesman for the EFTA countries, introduced the annual report on the European Free-Trade Association and the Finland/EFTA Association (document L/3284). A copy of the Ninth Annual Report of the European Free-Trade Association and the publication "EFTA Trade 1959-67" had also been circulated to contracting parties. EFTA's main schedule of tariffs and quota dismantlement had been completed at the end of 1966, and during the period covered by the report the work of the Association had continued to be directed toward ensuring the good functioning of free-trade arrangements and towards the elimination of certain non-tariff obstacles to trade.

He stressed that the creation of the free-trade area had stimulated trade, both between the member States and with countries outside the area. From 1959 to 1968 internal EFTA trade had increased by 145 per cent, while EFTA imports from countries outside the area had increased by 75 per cent. Moreover, imports from non-EFTA countries had increased substantially more than exports during this period, the result being that the 1968 trade deficit amounted to \$6,000 million compared with \$3,000 million in 1959. EFTA trade with developing countries showed a large surplus in favour of the developing countries, amounting to \$1,253 million in 1968 compared with \$700 million in 1959. Thus, the setting up of the European Free-Trade Association had not only promoted trade within the area, but had also had a significant stimulus on member States' trade with third countries. The EFTA countries attached great importance to the GATT Work Programme for further liberalization of trade.

The representative of the United States said that his authorities had not had sufficient time to examine the report and reserved the right to comment on the report at a later meeting.

The Council took note of the report.

11. United Kingdom/Ireland Free-Trade Agreement (L/3286)

Sir Eugene Mcville (United Kingdom) presented, on behalf of the two Governments, the third annual report on the Free-Trade Agreement, which had been circulated in document L/3286. On 1 July 1969 the fourth annual cut of 10 per cent in Irish protective duties had been made and the protective elements in certain fiscal charges were further reduced. Trade between the two countries had continued to grow; since the Agreement had entered into operation Irish exports to the United Kingdom had increased by nearly 50 per cent and United Kingdom exports to its partner under the Agreement had increased by 57 per cent. Both parties were hopeful that this expansion in trade would lead to a useful expansion of the two countries' trade with other contracting parties.

One member of the Council expressed the hope that as trade developed further steps would be taken to relax the quantitative restrictions still in force which were not consistent with the General Agreement.

The Council took note of the report.

12. Training Activities and Technical Assistance (L/3267)

The Director-General, in presenting the report on Training Activities (L/3267), recalled that these were long-standing activities of GATT designed to meet the needs of developing countries, whether contracting parties or not. In 1969 there had been two courses in Geneva, one English and one French. Fellowships for these courses had been granted under the United Nations Development Programme. The courses had a practical orientation by the inclusion of seminars, round-table discussions and intensive study of those trade policy issues which were of particular concern to developing countries. Lectures and seminars had been conducted by officers of the secretariat on foreign trade policy in general and on the General Agreement; these had been supplemented by a study of other subjects related to commercial policy. Qualified lecturers from delegations, from other international organizations, and from academic circles had collaborated.

In 1969 there had also been two courses in Africa, one English and one French. These had been arranged for in collaboration with the United Nations Economic Commission for Africa and with financial support from United Nations Technical Assistance Funds.

The GATT secretariat had collaborated with other institutions in training programmes for the benefit of developing countries. This collaboration had extended especially to the Economic Commission for Latin America and the Economic Commission for Asia and the Far East, to which the secretariat had detached officials for lecturing and participation in seminars.

The Director-General regarded these activities as an important part of the overall activities of the GATT, which would benefit not only developing countries in the short term, but all contracting parties in the long term.

Several representatives from developing countries expressed their governments' interest in the training programme and their satisfaction with the results obtained. It was felt by some that regional courses were most useful. While it was desirable to ensure the best selection of candidates for the courses, some representatives pointed out that it was difficult for developing countries to spare high-level officials for as long as four and a half months, and therefore suggested that lower-grade and younger candidates, earmarked for higher posts, be accepted also. Interest was expressed in having a course held in Spanish, and generally, in increasing the number of trainees in the English and French courses.

The representative of India said that his Government was exploring the possibility of organizing similar courses in India; these would be open to Indian and other candidates from developing countries.

The Director-General said that some of the suggestions made were already under study. On the question of selection, he pointed out that the improvement in the courses had made for an increase in the number and quality of candidates. Selection, however, was always a delicate matter. He stressed that in order to be useful the courses should not have more than fifteen to twenty participants. There was no intention to eliminate younger candidates, but there was a need to select those who could best profit from the courses.

The Council took note of the report.

13. Working Party on Dairy Products (L/3295, L/3296)

The Director-General, Chairman of the Working Party on Dairy Products, presented a report (L/3295) on progress made in the Working Party in respect of skimmed milk powder. The discussion in the Working Party had enabled him to draw up the text of an Arrangement which was contained in document L/3296. Although some members of the Working Party still had problems with certain points in the text, it had been agreed that the proposed Arrangement should be opened for acceptance in its present form. The Working Party would hold its next meeting on 12 January 1970. This meeting would enable countries accepting the Arrangement to judge whether participation was sufficient to put the Arrangement into force. It was the intention of the Working Party to go ahead as soon as possible with its work on butter and anhydrous milk fat.

The representative of Japan declared that he would recommend to his Government to give due consideration to the acceptance of the Arrangement. At the same time he expressed the view that the trade problems regarding dairy products had their origin in production and export policies of exporting countries; it was therefore up to these countries, in the first instance, to solve the problems, while importing countries would be able to co-operate only within certain limits. He believed it was essential, in order to make the Arrangement workable, that all exporting and importing countries which had participated in the Working Party should accept the Arrangement. The operation of the Arrangement should be carried out through a frank exchange of views and by agreement, in the same spirit as witnessed in the Working Party.

The representative of Canada expressed his appreciation of what he hoped would be a truly successful Arrangement. He complimented the members of the Working Party, and in particular the representatives of the European Communities, for the very co-operative and understanding way in which they had participated in this work. It was disappointing that the United States did not intend to subscribe to the Arrangement. Particularly as the United States supported the view that the work of the Agriculture Committee should move into the stage of seeking mutually acceptable solutions, he hoped that the United States would be able to associate itself with the first solution now achieved. He was seeking definitive authority for Canadian participation in the Arrangement, and he hoped that all exporting countries would participate likewise.

The representative of New Zealand stated that his Government intended to accept the Arrangement, and expressed the hope that all contracting parties, and particularly those who were major exporters of dairy products, would be in a position to indicate their acceptance by 12 January 1970. While he could see value in United States participation as an observer in the Management Committee, he hoped that the United States would in the coming weeks reconsider its position so that it could agree to co-operate within the Arrangement in a more positive manner. Finally, he welcomed the intention of the Working Party to resume as soon as possible its work on butter and anhydrous milk fat.

The representative of Australia drew attention to the reservation his delegation had made in the Working Party and which had been duly covered in the Chairman's report (L/3295). He had submitted the Arrangement, together with the substance of the understanding that was reached in the Working Party, to his authorities for consideration.

The representative of Denmark hoped that his Government would be able to give its acceptance to the Arrangement by 12 January, and that other countries would be able to do so as well. He considered the Arrangement to be a modest, although important, first step towards bringing order into the world dairy market, which should be followed by other important steps in the future.

The representative of the European Communities considered the Arrangement to be a meaningful step forward and one which his authorities would consider as rapidly as possible. The effectiveness of the Arrangement would, however, depend to a great extent on the number and significance of its participants. He hoped that countries which were still hesitating would be able to join from the beginning and appealed in particular to the United States to consider full participation in the Arrangement.

The representative of Switzerland felt that the Arrangement was an important and encouraging step forward which he hoped would be the beginning of a series of arrangements concerning problems in the field of agriculture.

The Chairman warmly congratulated the Working Party, and found it gratifying that important progress had been made in the case of skimmed milk powder. He regretted that no mutually acceptable solution had as yet been found concerning the problems facing international trade in butter, but noted that the Working Party would go ahead as soon as possible with its work on butter and anhydrous milk fat. The Chairman made an appeal to the contracting parties having an interest in the Arrangement to submit their letters of acceptance to the Director-General by 12 January 1970, so that the Arrangement could be put into force, as intended, by 15 January.

The Council took note of the report by the Chairman of the Working Party.

14. Switzerland - Implementation of Kennedy Round Tariff Reductions

The representative of Switzerland informed the Council that his Government intended to introduce certain measures to combat inflationary pressures and that amongst these would be measures to facilitate importation. To this end, it envisaged the simultaneous implementation of several stages of tariff reductions resulting from the Kennedy Round. However, as these measures were only one of the elements of an overall programme, the formal decision of the Government could only be taken within the next few weeks. Because of inevitable technical delays it would not be possible to put this programme into operation on 1 January 1970. In these circumstances the Government was forced to delay by no more than three months the tariff reduction it would have been due to implement at the beginning of 1970. While his Government undertook to proceed with this tariff reduction, together with the tariff reduction due on 1 January 1971, on 1 April 1970 at the latest, it was the intention to implement these reductions at a date earlier than this final date and, in addition, to make the fifth and final cut at the same time. Thus, there would be a considerable speeding up of Switzerland's implementation of its commitments under the Geneva (1967) Protocol though for the reasons stated the third cut would have to be delayed by some weeks but not more than three months.

Several members of Council commended the Swiss Government both for acting promptly to mitigate inflationary pressures and for taking measures in the direction of trade liberalization.

In reply to questions concerning possible trade claims that could arise from these measures the representative of Switzerland said that his authorities were studying the problem. He did not object to trade circles being informed of the delay that would occur in the implementation of the tariff reduction due on 1 January 1970, if this were done within the terms of his statement and provided it was made clear that the Government was preparing a programme but that no formal decision could be taken before a few weeks.

The Council took note of the intention of the Swiss Government to implement the remaining cuts of its Kennedy Round concessions at a date not later than 1 April 1970, and noted that, for technical reasons, the advance implementation implied that the third cut would have to be delayed for a short period. The Council welcomed and approved the action of the Swiss Government.

15. Financial and Administrative Questions

(a) Supplementary Report of the Committee on Budget, Finance and Administration (L/3289)

The Chairman recalled that at its previous meeting in October the Council had approved the report of the Committee on Budget, Finance and Administration. As was indicated in that report, however, the Committee had not yet reached a conclusion as to the method of accounting of overheads accruing to the International Trade Centre from extra-budgetary assistance projects. The Committee had decided to revert to this matter again. The report of the resumed meeting had been distributed in document L/3289.

Mr. Schnebli (Switzerland), Chairman of the Committee, said that the report contained the Committee's recommendations on the method of accounting of overheads accruing to the International Trade Centre from extra-budgetary projects. The condensed form of this report could not reflect the lengthy discussions which had taken place. The compromise solution, which was now before the Council for approval, consisted of presenting budgetary estimates for the Centre in such a way that the contributions for overheads accruing to the International Trade Centre from extra-budgetary assistance projects be included in the budget under Income, but under a separate heading, and that the administrative overhead costs be clearly identified in a consolidated budget for expenditure. This method had been applied to the 1970 budget in the report now before the Council.

Together with these recommendations the Committee proposed to the Council (paragraph 11 of L/3239) that the balance at 31 December 1969 of income accruing from contributions for overheads concerning extra-budgetary assistance projects for 1969 be used to cover the additional cost related to similar projects in 1970.

The representative of Sweden stated that in voting in favour of the recommendations his Government wished to emphasize the importance it attached to carrying out the work programme of the International Trade Centre. When voting in favour of approval of the International Trade Centre budget for 1970, which had meanwhile been approved by the CONTRACTING PARTIES, his Government had expressed regrets about the cuts that had been made in the original budget proposal. It would be regrettable if the effect of voluntary contributions would be to induce member States to consider them sufficient reason not to adjust the funds supplied by their governments to correspond to the increasing needs of the expanding activities of the Centre. He also referred to paragraph 11 in which the Committee, recognizing that uncertainty existed regarding forthcoming UNDP overhead contributions in 1970, recommended to the Council that the remaining balance as at 31 December 1969 be transferred to income for overhead costs relating to extra-budgetary projects in 1970. While his Government accepted this transfer for 1970, he would like to make it quite clear that the sum transferred was not to be used to backstop UNDP projects.

The representative of India said that his Government approved the recommendations on the understanding contained in paragraph 12, and shared Sweden's views concerning the implications in the budget cuts.

The representative of the United Kingdom said that the agreement on the method of accounting for overheads for this year was acceptable, but reserved his position for subsequent years until his authorities would have had an opportunity to study the recent "Jackson Report" and pending a review of the overheads question by the ACABQ.

The representative of the United States reserved his position to submit any comments necessary to the secretariat before the end of the year after his authorities would have had time to study the recommendations in the Committee's report.

The Council approved the recommendations contained in paragraphs 6, 11 and 12 of the report and approved the report as a whole.

(b) Financial position as at 30 September 1969 (L/3270)

The Chairman said that in accordance with paragraph 3 of the Resolution on the Expenditure of the CONTRACTING PARTIES in 1969, adopted by the CONTRACTING PARTIES on 14 November 1968, the Director-General had submitted a report on the status of budgetary expenditure over the first nine months of 1969, which had been circulated in document L/3270. The budgetary expenditure was set out in paragraphs 3-5 of the document. It was expected that at the close of the financial year total appropriations would have been used. Paragraph 8 of the document set out the contributions due by contracting parties as at 30 September. The table showed outstanding contributions as of that date of some \$190,000 for 1969 and about \$140,000 for previous years going as far back as 1962. Some of these contributions had been received by the secretariat since the end of September as indicated in paragraph 9. The Chairman stressed the importance of prompt payment of the outstanding contributions.

The Council took note of the report by the Director-General.

(c) Salary Scales and Family Allowances in General Service Category (L/3273)

The Chairman said that in a note distributed in L/3273 the Director-General had informed contracting parties about recent decisions of the executive heads of the Geneva-based organizations concerning adjustments in the salary scales of staff members in the General Service category with effect from 1 January 1969 and 1 November 1969. The executive heads had decided also upon an increase in the family allowances for the General Service category with effect from 1 July 1969. The total additional cost to the 1969 GATT budget of these two measures amounted to \$29,000. The Director-General proposed in paragraph 7 of the note that the additional expenditure to the 1969 budget be financed from savings within the appropriate sections of the budget or by transfers from other sections or if necessary by transfer of the necessary funds from Part V - Unforeseen Expenditure - or by withdrawal from the Working Capital Fund.

The Council approved this proposal.

16. Status of Protocols (L/3275 and Add.1, C/W/151)

The Chairman said that document L/3275 contained the report by the Director-General on the status of various protocols which had not fully entered into effect for all contracting parties. With regard to the Protocol for the Accession of Japan the permanent representative of Uruguay had in the meantime

confirmed that his Government was applying the concessions laid down in the annex to that Protocol. It had therefore been indicated in document L/3275/Add.1 that the reference to Uruguay should be deleted. As far as the secretariat had been able to verify, Nicaragua also had always applied the concessions laid down in the annex to this Protocol. It would be helpful, however, if Nicaragua could give formal notice of the application of the concessions so that all the necessary legal steps could be completed. The Protocol Introducing Part IV had been accepted by all but four contracting parties. The closing date for acceptance of this Protocol had been extended until the close of the twenty-sixth session. With regard to the Geneva (1967) Protocol both Brazil and Chile had implemented their concessions in advance of their formal acceptance of the Protocol. The closing date for acceptance of the Protocol was also at the close of the twenty-sixth session.

The Chairman added that the Council might wish to recommend to the CONTRACTING PARTIES that the closing date for acceptance of both the Protocol Introducing Part IV and the Geneva (1967) Protocol be extended until the end of the twenty-seventh session of the CONTRACTING PARTIES for those contracting parties which had not been able to present their acceptance before the twenty-sixth session. In order to facilitate consideration of this matter the secretariat had prepared a draft decision (C/W/151) the adoption of which could be recommended to the CONTRACTING PARTIES.

The representative of Brazil informed members of Council that the Brazilian Parliament had approved the Geneva (1967) Protocol. The ratification had just been received. Brazil could therefore be deleted from the list in document L/3275.

The representative of Chile said that some legal difficulties had been encountered in the formal ratification of the Geneva (1967) Protocol by his Government but these difficulties were on the point of being solved, and formal acceptance would be forthcoming.

The representative of Japan, referring to the notifications required under paragraph 3 of the Protocol for the Accession of Japan, regretted that Nicaragua had not yet notified its application of the concessions and requested the secretariat to call the Nicaraguan authorities' attention to this matter.

The Council recommended the extension of the closing dates for acceptance of the Protocol Introducing Part IV and of the Geneva (1967) Protocol and approved the text of the draft decision (C/W/151). The Chairman said that the recommendation of the Council would be included in the report to the CONTRACTING PARTIES for their consideration.

17. Article XXVIII:1 - Renegotiations 1969 (C/W/148)

The Chairman drew attention to document C/W/148 in which it was proposed that, since some contracting parties which had notified concessions for renegotiations under paragraph 1 of Article XXVIII would, most likely, not have

completed the negotiations within the prescribed period, before January 1970, the time-limit for the conclusion of the negotiations should be extended to 30 June 1970.

The Council agreed to the proposed extension of the time-limit.

13. Programme of Meetings (C/W/149)

The Chairman drew attention to the programme of meetings envisaged for the period January-February 1970, which had been distributed by the Director-General in document C/W/149. Members of Council suggested some adjustments to be made in this proposed programme to take into account conflicting dates and overlapping meetings. The Director-General undertook to reconsider the dates proposed, in the light of the comments made and in consultation with delegations.