

GENERAL AGREEMENT ON TARIFFS AND TRADE

COUNCIL

22 November 1978

MINUTES OF MEETING

Held in the Centre William Rappard on 22 December 1978

Chairman: Mr. E. FARNON (New Zealand)

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1. Exchange rate problems (C/W/314)

The Chairman recalled that at the meeting of the Committee on Budget, Finance and Administration in October and at the meeting of the Council on 14 November, there had been a discussion on the problems resulting from exchange rate fluctuations and in particular, about their adverse effects on the pensions and remuneration of the Professional staff. At the proposal of Mr. Feij, Chairman of the Budget Committee, the Council had then established an Informal Contact Group, composed of members of the Budget Committee, representatives of the secretariat and representatives of the staff. He expressed on behalf of the Council his appreciation for the work of the Informal Contact Group and for its report contained in document C/W/314.

He mentioned that a meeting of the Council at the level of Heads of Delegations had been held on 21 December. There had been a thorough discussion of the whole issue on the basis of the report and almost all delegations had expressed their views on this matter. He believed that a broad agreement of views had emerged in this discussion. It had been agreed that the secretariat staff had shown exemplary patience in pursuing its request and that the staff now deserved the Council's speedy consideration of the matter. It had been agreed that the GATT should make known to the General Assembly in an appropriate manner its concern about these problems and submit a copy of the report of the Informal Contact Group. It had also been fully agreed that no action should be taken which would undermine the United Nations common system. In these circumstances it had been felt that consideration should best concentrate on the proposals made by Mr. Feij, in his capacity as Chairman of the Informal Contact Group, contained in the report. He noted that there had been an overwhelming support for the general basis on which Mr. Feij had set out his own ideas on how it would appear more acceptable to the staff if the proposal to delay action for

another year, as suggested in paragraph 26 of the report, were accompanied by certain conservative measures. These conservative measures as suggested in paragraph 28 of the report included the transfer to a special and temporary account of certain possible surpluses. There had been very wide agreement that some action along such lines would be appropriate in the circumstances.

On the basis of some further consultations he had held, the Chairman suggested for consideration by the Council the terms of a draft decision, which he believed reflected the feeling of all delegations and would enable the Council to give a response to the staff.

The Council adopted the decision and took note of the report on Exchange Rate Problems (C/W/314) presented by the Informal Contact Group set up by decision of 14 November 1978.

After examination of this report, the Council

- invited the Chairman of the CONTRACTING PARTIES to contact the President of the UN General Assembly at an appropriate moment to convey the concern of the CONTRACTING PARTIES regarding these problems and to transmit a copy of the Informal Contact Group's report;
- reaffirmed its support for the UN Common System and its determination to work towards solutions to common problems within that framework;
- urged all contracting parties to use their best efforts to ensure that proposals leading to a clear improvement of the UN pension system in relation to exchange rate fluctuations would be elaborated in time by the competent bodies (ICSC and UN Joint Staff Pension Board) to be submitted to the thirty-fourth General Assembly and to give sympathetic consideration to such proposals;
- decided to transfer to a special and temporary account the following amounts:
 - (a) that part of the 1978 budget surplus with relation to CONTRACTING PARTIES' contributions to the United Nations Joint Staff Pension Fund (Part II, Section 4(iv) and Part IV, Section 12(ii)) in respect of staff in the Professional and higher categories and which resulted from exchange rate fluctuations i.e. about Sw F 385,000;

(b) any surpluses that might occur during 1979 relating to CONTRACTING PARTIES' contributions to the United Nations Joint Staff Pension Fund (Part II, Section 4(iv) and Part IV, Section 12(ii)) in respect of staff in the Professional and higher categories in so far as these surpluses result from the depreciation of the US dollar below the level of Sw F 1.74, the accounting rate used in preparing the 1979 budget;

(c) any surpluses representing the equivalent of the difference in the contributions that staff referred to above would pay during 1979 should the Sw F/US dollar exchange rate remain at 1.74 and the actual payment staff would make in those months where a lower exchange rate prevailed¹;

- agreed - in the event that the thirty-fourth General Assembly did adopt proposals correcting the anomalies that exist in the pension system brought about by the current economic and monetary circumstances - that the amounts mentioned under (a), (b) and (c) would revert to the Surplus Account in the GATT budget. On this basis, these funds would revert to the Surplus Account on 1 January 1980, unless the CONTRACTING PARTIES decided to take other action pursuant to the following paragraph;
- agreed - in the event that the thirty-fourth General Assembly did not adopt proposals correcting the anomalies in the UN pension system brought about by the current economic and monetary circumstances - to re-examine the situation and discuss the use to be made of its surpluses in the light, inter alia, of the proposals contained in document C/W/314 and taking into account the views to be expressed during prior² consultations with representatives of the staff and the secretariat.

The representative of Argentina reserved the position of his delegation.

The representative of the United States said that his delegation continued to have reservations with respect to the decision to freeze budgetary funds while the problem of pensionable remuneration was under consideration in the United Nations. This, in his view, not only was bad budgetary practice, but it also gave rise to false expectations. Governments would make available any funds necessary to carry out any decision taken to deal

¹A staff member's reduced Swiss franc pension fund contribution represents a surplus on the salary accounts Part II, Section 3(i) and Part IV, Section 12(i) since the under-compensation in the post-adjustment system takes account of the reduced staff pension contribution.

²The Decision is contained in document C/104.

with the problem. The correct course of the Council would have been to see that the problems would be resolved within the common system. His delegation recognized, however, that the staff would view the decision to freeze certain surplus funds as an expression of goodwill and of the member governments determination to seek a solution in the United Nations. The Decision did not, in his view, represent a commitment for the disposal of the funds, but only a willingness on the part of the CONTRACTING PARTIES to re-examine the matter without prejudice in the light of action taken by the thirty-fourth General Assembly of the United Nations.

The representative of Canada said certain elements in the Decision caused difficulties to his authorities. The freezing of any surplus could not influence the CONTRACTING PARTIES in their eventual assessment of the outcome of discussions on this matter in the thirty-fourth General Assembly. However, it could lead to staff expectations being raised, by the appearance of movement on the part of governments, in respect of amounts which had not been committed in any way. He expressed concern that this Decision might have the effect of deteriorating relations with the staff in 1979. His Government regretted any development that could tend to erode the common system and could lead to an increase in tension in the relations between the governments and the international staff in Geneva.

The representative of Australia said that his Government attached great importance to the common system and believed that contracting parties should accord priority to the adherence to that system. His delegation did, however, not wish to stand in the way of a consensus to adopt the Decision.

The representative of Germany, speaking on behalf of the member States of the European Community, said that the report of the Informal Contact Group had allowed for a better understanding of the consequences of exchange rate fluctuations under the present system. It also made clear that despite the considerable improvements recently adopted by the thirty-third United Nations General Assembly, the basic problem of the decreased pensionable remuneration in Swiss francs remained unsolved. In searching for a solution to the pension problem, governments should bear in mind that a definitive solution could only be found within the UN Staff Rules and Regulations. While it was within the competence of the CONTRACTING PARTIES to adapt the system of remuneration to GATT's needs, it was perhaps not in the long-term interest of the staff to introduce specific measures with far-reaching consequences for the functioning of the system as a whole. Governments should also bear in mind the decisions adopted by the thirty-third United Nations General Assembly, namely the acceptance of the proposals of the Pension Board, which constituted considerable progress in this regard, and the request to the ICSC and the Pension Board to re-examine the basic problem of pensionable remuneration in relation to exchange rate fluctuations with top priority. In the light of these considerations the EEC governments could accept the decision as the most appropriate in the present situation.

The representative of Japan, while welcoming the consensus in this matter, said that the measure was poor budgetary practice. His delegation was of the opinion that this was only a temporary and not a final solution. He expressed the hope that a permanent solution would be found to the satisfaction of all parties concerned.

The representative of the Netherlands gave credit to the important work which had been done by the individual delegates, members of the Group, viz. Mrs. Michaud (France), Mr. Martin (Canada), Mr. Wirth (Fed. Rep. of Germany), Mr. Stünzi (Switzerland), Mr. Hunt (United Kingdom) and Mr. Lavorel (United States).

The representative of Nigeria said that his delegation could agree with the contents of the Decision. He hoped that a favourable decision would be taken by the ICSC on this question.

2. Article XXVIII:1 - Renegotiations 1978 (C/W/315)

The Chairman drew attention to document C/W/315, which referred to a request by Czechoslovakia for an extension, until 30 June 1979, of the time-limit for the conclusion of the Article XXVIII:1 renegotiations carried out by Czechoslovakia. He said that a communication had also been received from the United States on 21 December, indicating that the United States would not be able to conclude the Article XXVIII:1 negotiations before the end of the year, and requesting an extension of the time-limit until 31 March 1979.

The representative of the European Communities said that on the basis of precedents an extension of the time-limit, as proposed in document C/W/315, should be applicable automatically to all Article XXVIII:1 renegotiations which were still in progress.

The representative of the United States stated that the United States requested three months only as it was the intention to complete the renegotiations within the same time frame as the MTN.

The representative of Canada supported the requests for an extension of the time-limits for renegotiation. He informed the Council that his delegation had notified the CONTRACTING PARTIES that Canada reserved its rights under Article XXVIII:5 during the three-year period beginning on 1 January 1979 and that this notification covered Article XXVIII negotiations on fruits and vegetables in which Canada was now engaged.

The representative of Brazil said that his delegation could agree with the proposed extensions. He recalled, however, his delegation's statement in this respect at the last session of the CONTRACTING PARTIES.

The Council agreed that the time-limit for the conclusion of the Article XXVIII:1 negotiations be extended for Czechoslovakia to 30 June 1979 and for the United States to 31 March 1979.