

GENERAL AGREEMENT ON TARIFFS AND TRADE

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REPORT OF THE COMMITTEE ON BUDGET, FINANCE AND ADMINISTRATION

1. The Committee on Budget, Finance and Administration, appointed by the Council on 26 June 1967, met at the Palais des Nations, Geneva, from 9 to 12 October 1967.
2. The Committee was chaired by Mr. A. Schnebli of Switzerland and the following fourteen members attended:

Australia	Israel
Canada	Japan
Chile	Netherlands
France	Sweden
Ghana	Turkey
Fed. Rep. of Germany	United Kingdom
India	United States of America

Italy and Portugal were represented by observers.

3. In accordance with its terms of reference, the Committee considered the Director-General's Financial Report on the 1966 accounts and the Report of the External Auditor thereon (document L/2823) and the Budget Estimates for the Financial Year 1968 (document L/2803). In addition to the documents mentioned, the Committee examined the budgetary position as at 30 September 1967 on the basis of out-turn figures prepared by the secretariat. The Committee also examined the present liquidity position and in this connexion made recommendations concerning the use of the Working Capital Fund.
4. The Committee was advised that in accordance with the Resolution approved by the CONTRACTING PARTIES in December 1966, the Director-General will submit the Report on the Status of the Budgetary Expenditure for the first nine months of 1967 to the Council as an information paper.
5. At the beginning of its meetings the Committee heard an introductory statement by the Director-General, which is attached in full as Annex E to this Report. As regards the secretariat's future programme of work, the Director-General informed the Committee that it was difficult to indicate the precise direction and scope of

the various tasks until after the twenty-fourth session of the CONTRACTING PARTIES next month. However, a good deal of work would result from the very success of the Kennedy Round and much remained to be done to fulfil the objectives of the trade expansion programme upon which the CONTRACTING PARTIES embarked in 1958. Particularly in those areas where results in the Kennedy Round had been limited, a considerable amount of work could be anticipated, notably in the fields of agricultural trade and the problems of developing countries. The Director-General, however, informed the Committee that in spite of these requirements he had not felt it necessary to depart from the policy of staff consolidation which had been a basic element in his budget policy over the last two years.

6. The Committee noted with interest the Director-General's statement on his discussions with the Secretary-General of UNCTAD concerning the creation of a joint GATT/UNCTAD Trade Centre with a view to pooling the resources of both organizations for the benefit of developing countries and thus maximizing the aid developed countries could give to the developing countries. The Director-General informed the Committee in this respect that it was his strong recommendation fully to maintain the programme recommended for the GATT Trade Centre in 1968 by the Advisory Group. This meant that the estimates concerning the Trade Centre as contained in the draft GATT budget for 1968 would be unaffected. The Director-General further informed the Committee that for 1969 a joint budget was contemplated. This and other matters concerning the merger were at present the subject of consultations between the two secretariats.

7. The discussion following the Director-General's statement concerning the budgetary and administrative implications of the joint Centre showed that members of the Committee had a deep interest in these implications. They indicated that they thought that contracting parties would be also interested in the relationship of the joint Centre with the UNDP. Several members suggested that since the budgetary and administrative structure of the proposed joint Centre was a matter of real concern to governments, advantage should be taken of the opportunity presented by the twenty-fourth session of the CONTRACTING PARTIES to focus attention on this matter. The Director-General indicated that it was his intention to submit this question for consideration by the CONTRACTING PARTIES at the twenty-fourth session and it seemed a sufficiently important matter to require some detailed examination by the CONTRACTING PARTIES before they took a decision with respect to it. The CONTRACTING PARTIES might therefore wish to appoint a working party to go into the details and this working party could usefully address itself to some of the questions raised by the Committee. The Committee welcomed the Director-General's suggestion that a working party might be convened.

I. REPORT ON THE 1966 ACCOUNTS AND REPORT OF THE
EXTERNAL AUDITOR THEREON

8. The Committee examined the Report on the 1966 accounts and the Report of the External Auditor thereon. As regards the contributions receivable from contracting parties at 31 December 1966, the Committee was informed that some contributions shown as outstanding in the Report had meanwhile been received or were about to be received. Three contracting parties had been in arrears for two years or more and therefore, in accordance with a previous Decision of the CONTRACTING PARTIES concerning contributions in arrears, these cases were separately considered. As regards one of the countries concerned, i.e. the Dominican Republic, the Director-General had received a communication dated 5 October 1967 to the effect that, in spite of its present difficult economic position, it was undertaking the necessary action to fulfil its outstanding obligations to the GATT. In the case of the second country, i.e. Haiti, whose contributions had now been outstanding since 1963, its foreign department had acknowledged by letter of 3 October 1967 receipt of the Director-General's last reminder of 18 September 1967, indicating that his letter had been transmitted to the appropriate government department. In the case of the third country whose arrears concerned the years 1965-1967, the Committee was informed that a further approach by the secretariat was now being made. The Committee noted with concern the growing arrears in regard to payment of contributions. The Committee expressed the hope that countries in arrears would liquidate their arrears as soon as possible. It also proposed that the Council recommend to the CONTRACTING PARTIES that governments be urged to pay contributions as early as possible in the financial year in which they fall due, thereby avoiding liquidity problems as experienced in the last two years.

9. The Committee proposed that the Council recommend that the CONTRACTING PARTIES approve the audited accounts for 1966 and convey to the auditor their thanks for the valuable assistance given to the CONTRACTING PARTIES in the auditing of the GATT accounts.

II. ESTIMATES OF EXPENDITURE FOR 1968

10. In reviewing Part I - Meetings, one member drew attention to the fact that contracting parties should continue to bear in mind the desirability from the viewpoint of the budget of keeping meetings, and in particular the annual session, as short as possible. Shorter sessions would force more rigorous attention to higher level topics and problems meriting the consideration of the CONTRACTING PARTIES. At the same time it would have the advantage of saving the time of the delegates and reducing the costs of both governments and the secretariat. The Director-General's representative pointed out that the Director-General was fully conscious of the importance of this fact. However, the very nature of the organization as a negotiating body necessitated numerous meetings, and whilst he was in full agreement that these should be kept as short as possible it was in the end for the CONTRACTING PARTIES to decide on the amount of time they deemed necessary for the conduct of their business.

11. The Committee discussed in detail the Director-General's proposals for three new general service posts and the regrading of eight professional and twelve general service posts. (a) As regards the three general service posts the Committee, after obtaining additional information from the Director-General's representatives, was satisfied as to the need for them. (b) As regards the regradings, some members expressed concern about the Director-General's proposals for what seemed, proportionately at least, a rather high number of upgradings, partly because of the effect such regradings might have on the structure and development of the secretariat. After a full examination of the question and further explanations by the Director-General's representatives, as to the review process followed in the secretariat and to the common criteria applied by the family of international organizations in these matters, the Committee accepted the Director-General's proposals. However, it urged that restraint should be shown in matters of upgrading which should always have full regard to the duties and responsibilities of the post and not be merely a reward for the particular merits of the incumbents. The possibility of transfers should continue to be kept in mind. (c) As regards the proposed upgrading of the post of the Deputy Director of the International Trade Centre from P5 to P5/D1, which could be then at the same grade as the Director's post, several delegations expressed some apprehension that this might lead to a general upgrading of posts with serious organizational consequences. The representative of the Director-General gave an assurance that the Director-General in making this proposal had not intended to set a precedent. The proposal had been made solely to meet a particular problem and had no implications for the grading of other staff members. On this understanding and expecting that the Director-General in reaching a decision on this point in the course of 1968 would take fully into account the views which had been expressed in the course of the Committee's discussion, the Committee accepted the proposal.

12. In discussing Section 4 - Printing, some members suggested that the Committee might have in 1968 another look at the arrangements governing the organization's publications, the number of copies printed, free distribution, etc., which had been last reviewed by a special working party in 1963.

13. The Committee discussed the Director-General's proposal for an increase in the credit for representation and hospitality and noted the new procedure proposed for the reimbursement of hospitality expenses of five senior secretariat officials. Some members of the Committee expressed their wish to see flexibility in the administration of the credit. In this connexion the Committee asked for and received information regarding the practice of other international organizations in the United Nations' family. The Committee tentatively accepted the Director-General's proposals and suggested that the secretariat reports on its experience with the administration of the new arrangements to the next regular session of the Committee.

14. A number of questions concerning temporary assistance, travel, common staff costs, common services and permanent equipment were raised. On each point the Director-General's representatives supplied further information which satisfied the Committee that the proposed estimates were justified.

III. INCOME BUDGET ESTIMATES FOR 1968

(a) Miscellaneous Income

15. The Committee noted with satisfaction the increase in miscellaneous income over the last three years. Whilst it was clear from an examination of the pertinent document that the considerable increase expected in 1967 was to a large extent due to factors which would not be repeated in 1968, the Committee felt nevertheless that bearing in mind the upward trend of the last few years some increase in the item for miscellaneous income in the income budget would be justified. The Committee therefore agreed to raise the estimate for miscellaneous income by \$12,000 to \$70,000. This would have the effect of reducing the contributions to be assessed on the contracting parties to \$3,158,000.

(b) Contributions

16. The Committee endorsed the Director-General's proposal for the implementation of the second phase of the new system for payments of minimum contributions introduced last year. The new system had benefited a number of developing countries in 1967 and some would further benefit in 1968 from the full implementation of the proposal. The delegate for India wished it recorded that his Government was concerned about the increase in contributions payable by certain contracting parties. He expressed the view that the basis for sharing the working expenses of the GATT should be equitable distribution of contributions according to the ability to pay. He informed the Committee that the Government of India was considering the possibility of proposing that the present basis for the sharing of expenses be changed so as to reduce, to the extent possible, the burden on the limited foreign exchange resources of the developing countries. He further informed the Committee that the Indian delegation would put forward proposals in due course for consideration by the CONTRACTING PARTIES.

17. The Committee proposed that the Council recommend to the CONTRACTING PARTIES that the budget for 1968 be financed as follows:

(a) contributions assessed on contracting parties	\$3,158,000
(b) miscellaneous income	\$ 70,000
	<hr/>
	\$3,228,000

18. The Committee further proposed that the Council recommend that the CONTRACTING PARTIES approve the scale of contributions for 1968 as reproduced in Annex C to this Report.

IV. EXTERNAL AUDIT

19. The Committee noted that the Director-General intended to make the necessary arrangements with the External Auditor for the final auditing of the 1967 accounts, for an interim auditing of the 1968 accounts and for submission to the CONTRACTING PARTIES of the auditor's report for 1967 in accordance with the decision taken by the CONTRACTING PARTIES in 1951.

V. OTHER MATTERS

Working Capital Fund

20. The Committee resumed its discussion of this item which it had last discussed during its special meeting on 10 May 1967. The Committee restated its view that the primary purpose of the Fund remained to advance such sums as may be necessary to finance budgetary appropriations pending receipt of contributions. It wished to draw the attention of the CONTRACTING PARTIES to the fact that the second possibility, i.e. to advance funds in exceptional circumstances and subject to prior authorization of the CONTRACTING PARTIES as may be necessary to finance commitments relating to extraordinary expenditure, should be handled by the CONTRACTING PARTIES with the utmost restraint, as it is clear that the present size of the Fund limits the degree to which withdrawals for such purposes can be made.

21. As regards the level of the Working Capital Fund, some members continued to hold the view that the principal of the Working Capital Fund could at present not be regarded as sufficient in relation to the size of the 1968 budget even when only bearing its primary purpose in mind. These members would be willing to consider an immediate increase in the level of the Fund. Some other members stated that they did not share the above view and that they did not consider that an increase in the principal of the Fund would be justified at present.

22. The Director-General's representative stated that in the view of the Director-General the present level of the Fund was definitely too low. The Director-General had therefore at an earlier meeting of the Committee made a proposal for a substantial increase. However, provided the Committee was fully aware of the calculated risk involved, the Director-General would not press his proposal pending some further experience with the more stringent rules which had now been proposed regarding the use to be made of the Fund. The Committee agreed that the matter should be re-examined at its regular 1968 session, keeping in mind the desirability of examining approaches to the problem which will avoid emergency situations arising. Since prompt payment of contributions has a direct bearing on the size of the Working Capital Fund and, of course, on the liquidity position in general, the Committee again draws attention to the proposal contained in paragraph 8 of this report, which also reflects the recommendation by the Ad Hoc Committee of Experts to Examine the Finances of the United Nations and the Specialized Agencies.

23. In relation to the current liquidity position of the Working Capital Fund, one member of the Committee enquired about the present position of the long-term investments held and urged that these be liquidated as soon as possible. The Committee was informed that these securities were being converted into short-term investments as and when market conditions permitted, in accordance with the standing instructions of the CONTRACTING PARTIES.

24. The Committee proposed that the Council recommend that the CONTRACTING PARTIES approve the proposed consolidated text concerning the Working Capital Fund prepared by the secretariat and attached as Annex D to the Committee's Report.

After-Service Health Insurance

25. The Committee examined a note by the Director-General on the subject of after-service health insurance (document L/2848) which will be submitted to the CONTRACTING PARTIES at their twenty-fourth session. The Committee fully supported the recommendations contained in the document and proposed that the Council recommend to the CONTRACTING PARTIES that the Director-General's recommendations be accepted.

VI. CONCLUSION

26. The Committee submits to the Council for consideration and approval by the CONTRACTING PARTIES a draft resolution on the expenditure of the CONTRACTING PARTIES and ways and means to meet such expenditure.

Points for decision:

Paragraph 8
Paragraph 9
Paragraph 17
Paragraph 18
Paragraph 24
Paragraph 25
Paragraph 26

DRAFT RESOLUTION ON THE EXPENDITURE OF THE CONTRACTING PARTIES
IN 1968 AND THE WAYS AND MEANS TO MEET SUCH EXPENDITURE

The CONTRACTING PARTIES

HAVING CONSIDERED

the estimates of expenditure of the CONTRACTING PARTIES for 1968 as set forth in schedules annexed to this Resolution,

RESOLVE that:

1. The Director-General is authorized to repay promptly ICITO for the services rendered during the year 1968, provided that such repayment does not exceed a total of US\$3,228,000.
2. The repayment referred to in paragraph 1 shall be financed as follows:
 - (a) by contributions from contracting parties in the amount of US\$3,158,000;
 - (b) by miscellaneous income estimated at US\$70,000.
3. The Director-General shall report to the CONTRACTING PARTIES or to the Council on the status of budgetary expenditure over the first nine months of 1968.
4. The contributions of the contracting parties shall be assessed in accordance with the attached scale of contributions. Contributions from contracting parties are considered as due and payable in full as from 1 January 1968.

ANNEX A

ESTIMATES OF EXPENDITURE FOR THE FINANCIAL YEAR 1968

SUMMARY

<u>PART I: MEETINGS</u>		<u>Amount in US dollars</u>	
<u>Section</u>			
1	Twenty-fifth session of the CONTRACTING PARTIES	23,000	
2	Meetings of the Council and other meetings	<u>50,000</u>	
		Total Part I:	73,000
<u>PART II: SECRETARIAT</u>			
<u>Section</u>			
1	Salaries and wages and official travel	2,036,200	
2	Common staff costs	543,700	
3	Common services	230,990	
4	Printing	119,500	
5	Representation and hospitality	8,500	
6	Permanent equipment	<u>25,000</u>	
		Total Part II:	2,963,890
<u>PART III: BUILDINGS</u>			
<u>Section</u>			
1	Annuity to Canton of Geneva in respect of First Annex	23,150	
2	Annuity to FIPOI in respect of Second Annex	<u>32,045</u>	
		Total Part III:	55,195
<u>PART IV: WORKING CAPITAL FUND</u>			
<u>Section</u>			
1	Reimbursement of withdrawals		85,915
<u>PART V: UNFORESEEN EXPENDITURE</u>			
<u>Section</u>			
1	Unforeseen expenditure		<u>50,000</u>
		Grand Total	<u><u>3,228,000</u></u>

ANNEX B

ESTIMATES OF EXPENDITURE FOR THE FINANCIAL YEAR 1968

DETAILED SCHEDULES

<u>PART I: MEETINGS</u>	<u>Amount in US dollars</u>
<u>Section 1 - Twenty-Fifth Session of the CONTRACTING PARTIES</u>	
(i) Temporary assistance (including overtime)	17,000
(ii) Travel and subsistence of temporary staff	1,000
(iii) Rental of meeting rooms and additional office space	4,500
(iv) Other services	<u>500</u>
Total Section 1:	23,000
<u>Section 2 - Meetings of the Council and other Meetings</u>	
(i) Temporary assistance (including overtime)	35,000
(ii) Travel and subsistence of temporary staff	1,200
(iii) Rental of meeting rooms and additional office space	13,500
(iv) Other services	<u>300</u>
Total Section 2:	<u>50,000</u>
Total Part I:	<u>73,000</u>
<u>PART II: SECRETARIAT</u>	
<u>Section 1 - Salaries and Wages and Official Travel</u>	
(i) Established posts	1,834,500
(ii) Temporary assistance (including overtime)	34,500
(iii) Consultants	45,400
(iv) Travel:	
(a) Travel on official business	71,200
(c) Technical assistance travel	<u>50,600</u>
Total Section 1:	2,036,200

	<u>Amount in US dollars</u>	
<u>Section 2 - Common Staff Costs</u>		
(i)	Installation grants	12,000
(ii)	Travel and removal expenses of staff and their dependants	25,000
(iii)	Separation payments	12,000
(iv)	Contributions to the United Nations Joint Staff Pension Fund	297,500
(v)	Repatriation grants	10,000
(vi)	Travel on home leave	34,000
(vii)	Family allowances, education grants and related travel:	
	(a) Family allowances	91,000
	(b) Education grants and related travel	33,000
(viii)	Joint services	7,200
(ix)	Other common staff costs	<u>22,000</u>
	Total Section 2:	543,700
<u>Section 3 - Common Services</u>		
(i)	Cables and telephone communications	5,500
(ii)	Freight and cartage	1,500
(iii)	Books and information material	7,000
(iv)	Rental and maintenance of premises and equipment:	
	(a) Rent	7,700
	(b) Electricity	3,500
	(c) Water supply	440
	(d) Heating	2,800
	(e) Telephone (rental and local calls)	4,300
	(f) Insurance premiums	2,750
	(g) Cleaning materials	500
	(h) Maintenance expenditure	12,000
	(i) Casual labour	24,000
	(j) Maintenance of service cars	1,300

	<u>Amount in US dollars</u>
Section 3 - <u>Common Services</u> (cont'd)	
(v) Postal services	35,000
(vi) Stationery and office supplies	23,000
(vii) Reproduction and distribution of documents	85,000
(viii) External audit	2,500
(ix) Other services and miscellaneous expenditure	<u>12,200</u>
Total Section 3:	230,990
Section 4 - <u>Printing</u>	119,500
Section 5 - <u>Representation and Hospitality</u>	8,500
Section 6 - <u>Permanent Equipment</u>	<u>25,000</u>
Total Part II:	<u>2,963,890</u>
PART III: <u>BUILDINGS</u>	
Section 1 - <u>Annuity to Canton of Geneva in respect of First Annex</u>	23,150
Section 2 - <u>Annuity to FIPOI in respect of Second Annex</u>	<u>32,045</u>
Total Part III:	<u>55,195</u>
PART IV: <u>WORKING CAPITAL FUND</u>	
Section 1 - <u>Reimbursement of Withdrawals</u>	<u>85,915</u>
PART V: <u>UNFORESEEN EXPENDITURE</u>	
Section 1 - <u>Unforeseen Expenditure</u>	<u>50,000</u>
Grand Total	<u><u>3,228,000</u></u>

ANNEX C

SCALE OF CONTRIBUTIONS FOR 1968

~~(Scale including a single minimum of 0.12%)~~

Country	Contributions (US dollars)
<u>Contracting parties:</u>	
Argentina	25,260
Australia	63,790
Austria	35,370
Barbados	3,790
Belgium	113,370
Brazil	27,790
Burma	4,110
Burundi	3,790
Cameroon	3,790
Canada	169,270
Central African Republic	3,790
Ceylon	7,260
Chad	3,790
Chile	13,260
Congo (Brazzaville)	3,790
Cuba	15,160
Cyprus	3,790
Czechoslovakia	52,740
Dahomey	3,790
Denmark	49,580
Dominican Republic	3,790
Finland	29,050
France	205,900
Gabon	3,790
Gambia	3,790
Germany, Federal Republic	335,060
Ghana	6,320
Greece	13,890
Guyana	3,790
Haiti	3,790
India	43,900
Indonesia	12,950
Israel	12,320
Italy	142,430
Ivory Coast	5,050
Jamaica	5,050
Japan	162,010
Kenya	5,050

Country	Contributions (US dollars)
<u>Contracting parties (cont'd):</u>	
Korca	6,950
Kuwait	15,790
Luxemburg	9,790
Madagascar	3,790
Malawi	3,790
Malaysia	22,110
Malta	3,790
Mauritania	3,790
Netherlands, Kingdom of the	146,850
New Zealand	20,210
Nicaragua	3,790
Niger	3,790
Nigeria	13,890
Norway	35,050
Pakistan	14,530
Peru	13,580
Poland	45,160
Portugal	21,790
Rhodesia	6,630
Rwanda	3,790
Senegal	3,790
Sierra Leone	3,790
South Africa	39,470
Spain	38,840
Sweden	79,270
Switzerland	64,740
Tanzania	4,110
Togo	3,790
Trinidad and Tobago	8,210
Turkey	10,420
Uganda	3,790
United Kingdom of Great Britain and Northern Ireland	333,170
United States of America	502,750
Upper Volta	3,790
Uruguay	3,790
Yugoslavia	23,680
<u>Associated Governments:</u>	
Cambodia	3,790
Iceland ¹	3,790
Tunisia	3,790
United Arab Republic	15,160
	3,158,000

¹It is expected that Iceland will become a contracting party before the end of 1967.

ANNEX D

RULES GOVERNING THE USE OF THE WORKING CAPITAL FUND

1. The Working Capital Fund created by Resolution of 17 November 1956 shall be of such amount as may be voted from time to time by the CONTRACTING PARTIES and shall be constituted by:
 - (a) advances made by contracting parties. Such sums shall be carried to the credit of the contracting parties which have paid them;
 - (b) any sums which the CONTRACTING PARTIES may cause to be paid into it from time to time. Such sums shall be carried to the credit of the organization.
2. Any government acceding to the General Agreement shall make an advance to the Fund in accordance with the scale of contributions applicable to the budget of the year of its accession. The minimum advance to the Working Capital Fund amounts to 0.5 per cent of the principal of the Fund for countries whose share of the total trade of contracting parties and associated governments is 0.5 per cent or less.
3. The Director-General is authorized to advance from the Working Capital Fund:
 - (a) such sums as may be necessary to finance budgetary appropriations pending receipt of contributions;
 - (b) in exceptional circumstances and subject to prior authorization of the CONTRACTING PARTIES, such sums as may be necessary to finance commitments relating to extraordinary expenditure.
4. Sums advanced under 3(a) above shall be reimbursed to the Working Capital Fund as soon as receipts from contributions are available for the purpose. Sums advanced under 3(b) above shall be reimbursed to the Working Capital Fund by including an appropriate credit in the budget. Advances made from the Fund during the first six months of the year shall be reimbursed in the first year succeeding that in which the advances were made. Sums advanced during the second six months of the year shall be reimbursed in the second year succeeding that in which the advances were made.

ANNEX E

STATEMENT BY THE DIRECTOR-GENERAL TO THE
COMMITTEE ON BUDGET, FINANCE AND ADMINISTRATION

Mr. Chairman, I am very glad to have this opportunity to meet with the Budget Committee personally, I feel a certain sense of guilt that, owing to the very heavy pressures under which I have been operating in recent years, I have not been able to participate as fully as I would have liked in your discussions in the past. My sense of guilt is intensified by the fact that I have been aware that the sort of problems we have been posing to this Committee have been difficult ones in the sense that the organization has been going through a period of growth, and that this period of growth has corresponded with the time when in national administrations there has been an accent on economy in budgeting. In a way I think that in this process we have perhaps suffered somewhat from our past virtues, in the sense that, having always budgeted very conservatively, the percentage increases in budgets which have taken place over the last few years have looked rather large: not in absolute terms, but in percentage terms. This obviously presents considerable political difficulties to governments at a time when their policies are directed towards retrenchment rather than expansion. Against this background, I am particularly grateful for the constructive and understanding way in which this Committee has dealt with our problems and proposals, and for the way in which they have presented them to the CONTRACTING PARTIES so as to maintain the tradition wherein the budget, instead of being the "pièce de résistance" of the annual session, tends to become a somewhat routine matter in the discussions by the CONTRACTING PARTIES. I think this is perhaps the best indication of the success of the work of this Committee. We in the Secretariat very much appreciate the very close, direct collaboration we have with you in the Budget Committee and we are looking forward to continuing this tradition in considering the estimates for the present year.

We have had - and I think this is a fair judgment of the past - a tradition for modesty in budgeting, and we have consistently avoided unnecessary and costly frills in the budget estimates. Even after the rapid expansion to which I have referred, the GATT remains one of the smallest international organizations, speaking in terms of its staff and the size of its budget. I think the CONTRACTING PARTIES can take some satisfaction from the fact that these two factors, the modesty of the staff and the modesty of the budget, are in inverse ratio to the organization's achievements in the field of international co-operation which, of course, have been brilliantly illustrated over the last six months in the successful termination of the trade negotiations in June of this year.

Before addressing myself to the 1968 estimates I should perhaps say a few words about the present financial situation. You have before you a document showing the financial position on 30 September. You will see from the document that the current financial year is expected to close with savings on the expenditure budget and excess income on the income budget which, together, will roughly total about \$100,000. If a substantial proportion of the outstanding contributions, which now total \$340,000, is received before the end of the year, we will close the financial year with sufficient cash in hand, and this is a much more favourable position than has prevailed in the past, particularly the last two years. I hope, however, that this relatively favourable position, which is only a correction of a position which has been extremely precarious, will not influence you unduly when you take up again the proposals I have made concerning the Working Capital Fund.

As to the estimates, you will see that as regards the staffing of the secretariat I have maintained my policy of consolidation, which as my colleagues explained to the Committee, was a policy which we introduced a couple of years ago. The modest net increase in the 1968 expenditure is almost entirely attributable to the further expansion of the International Trade Centre in accordance with the recommendations of the Advisory Group of Experts, and this is a subject to which I shall return a little later.

Leaving this on one side and looking at the rest of the secretariat, excluding the Trade Centre, only three general service posts have been added and an additional item for unforeseen expenditure which was included in the estimates after full consultation and in agreement with this Committee. As regards the reductions in the estimates this year, we have reduced the estimated expenditure by the deletion of one senior professional post, and also by the deletion of the item for the trade negotiations conference although, as I will point out later, this is despite the fact that we are anticipating that there will be need for staffing certain negotiations in the coming year or two.

Finally, the amount to be reimbursed to the Working Capital Fund in 1968 is smaller than it was in 1967.

Now I think it is only proper that in presenting the budget estimates and assisting you in setting these in perspective, I should say a word or two about our future work programme, particularly as it might perhaps be a reasonable expectation that following the major activities represented by the Kennedy Round, one might expect perhaps some falling off in the activities of the secretariat, if only as a breathing spell after the Kennedy Round itself. Now, of course, it is very difficult, in fact impossible, to indicate the precise direction of the secretariat's work until after the twenty-fourth session of the CONTRACTING PARTIES in November, but there are as far as I can see already pretty clear indications of the elements involved. The very success of the Kennedy Round points out how much remains to be done to fulfil the objectives of the trade

expansion programme upon which the CONTRACTING PARTIES embarked in 1958. In the first place we can quite clearly anticipate that we will be called upon to undertake a considerable amount of work in those areas where success was most limited, notably in the field of agricultural trade and in the problems of the less-developed countries, and I come back here to the point I made previously about making some provision for the servicing of further negotiations in the framework of the GATT.

I have recently been in contact with the developing countries, Members of the GATT, and there has emerged considerable support from these countries for continuing and intensifying the negotiations for the reduction of trade barriers between developing countries which were initiated in the course of the Kennedy Round, but in the pressure of business were not carried very far. There is a strong desire among these countries to establish a Trade Negotiations Committee and to intensify and extend these negotiations and to pursue them accurately. This is a matter to which I personally attach considerable importance, and I think also it is quite clear from the records of our discussions in the Kennedy Round, that it is also a matter to which contracting parties generally also attach importance. In this perspective, that is to say with follow-up action in connexion with agriculture, follow-up action in connexion with problems of special concern to developing countries, with the servicing of negotiation between the developing countries, the present resources of the CONTRACTING PARTIES will be fully engaged. It may be necessary to undertake some reorganization of the staff, but I do not see in the light of this perspective any changes in the composition or structure of the staff which will have budget implications of any great significance. On the other hand, as I said before, the requirements are not such that I have felt it necessary to depart from the policy of consolidation which has been the basic element in our budgetary policy over the last two years.

Back to the Trade Centre. You will see that the estimated cost of the 1968 budget amounts to some \$818,000 which compares with an estimated cost of \$630,000 in 1967. The additional charge is attributable to the expansion of the Centre which was recommended by the Advisory Group and the somewhat higher cost of the Centre's present activities. Now in judging this expenditure I think that it is important for the CONTRACTING PARTIES to evaluate at its real significance what the Trade Centre activity means in terms of the total programme of the CONTRACTING PARTIES. Most of you I presume will have seen either in the Press or in records of discussions in other bodies, an expression of disappointment by developing countries at the results of the Kennedy Round as they affect the trade of developing countries. This, I think, is not an unexpected criticism, since in the nature of the case much of the benefit for trade liberalization for the developing countries must, as things stand at present, appear somewhat more potential than real in the sense that the developing countries, either because of insufficiencies in their productive capacity or marketing capacity, are less well-equipped to take advantage of new trading opportunities through trade liberalization than the countries whose industrial and export structures are both well established.

I think this lends an added significance to the work of the Trade Centre because in many ways I think that this provides both the most appropriate, and certainly the most significant way, in which the GATT as such can contribute towards the trade interests of the developing countries, perhaps even more than trade liberalization in itself. Trade liberalization certainly creates opportunities for export expansion, it creates new marketing opportunities. However, I think that if these are to be meaningful in the terms of the developing countries it does mean that at the same time the international community should make the maximum contribution it can to help the developing countries take advantage of these new marketing opportunities. This is precisely what the International Trade Centre can significantly contribute to. So that, therefore, though the budget of the Trade Centre now looms large in the total budget appropriations of the CONTRACTING PARTIES, I think that its proper proportion and significance is best appreciated if one identifies this as the essential contribution of the CONTRACTING PARTIES to the trade problems of the developing countries.

Now in this connexion I would like to refer to the discussions which I have been having with the Secretary-General of the United Nations Conference on Trade and Development. I have been very conscious of the concern expressed by Dr. Prebisch and also by governments, that there might develop as between the GATT and the UNCTAD a wasteful competition and dissipation of resources by overlapping. If this were to be so I think it would be doubly tragic, not only because I always view with some concern the unnecessary dissipation of government resources, but, particularly, I think that when we are addressing ourselves to an area where the basic objectives of us all should be to maximize the impact of the aid which developed countries can give to the less-developed countries, we should be seeking in every way possible to maximize this contribution and to pool all our resources to produce the maximum results.

It is against this background that I have agreed, subject to ratification by the CONTRACTING PARTIES on the one hand and by UNCTAD on the other, to the establishment of a joint GATT/UNCTAD International Trade Centre, the core of which would be the existing Trade Centre of the GATT. Dr. Prebisch and I expect this combined operation to be useful and beneficial to the developing countries, particularly in the field of export promotion, and we have also been most careful in our discussions to try to ensure that it will be possible within this joint framework to maintain and enhance the good reputation the GATT Centre has already earned for itself during its comparatively short existence. Notwithstanding this new project for a joint Centre, it is my very strong recommendation to the CONTRACTING PARTIES that the programme recommended by the Advisory Group in June of this year for 1968 should be fully maintained, and therefore that the budget estimates that are before you should remain as they are and should not be affected in any way by this projected merger.

If the joint proposals of the Secretary-General of UNCTAD and myself are approved by our respective governing bodies then some additional funds will be needed for certain items of expenditure which arise directly from the conversion of the GATT Centre into a joint GATT/UNCTAD Centre. The Secretary-General of UNCTAD is at present taking steps to obtain the necessary funds which will be subsequently remitted to this organization to defray the additional expenses resulting from the merger. These will be additional expenses involved in the joint operation, and not a modification of the existing programme.

We envisage that in 1969 there would be a separate Centre budget to be financed jointly by the GATT and the UNCTAD, with the United Nations Development Programme contributing a major part of the funds needed for operational activities; that is to say for activities over and above the existing programme which is provided for in the budget which you have before you now. I am also discussing with the Secretary-General of UNCTAD the appropriate administrative and budgetary controls which should be applied when the joint Centre is a going concern, and this is a matter on which I shall be reporting further to the CONTRACTING PARTIES and, as necessary, to this Committee.

After these explanations, I think perhaps the best course would be for us to proceed with an examination of the expenditure proposals. Both I and my colleagues will be at the disposal of the Committee to furnish any explanations that we can to help the Committee in its work and, of course, we shall certainly be most happy, as in the past, to consider any advice and suggestions which may emerge from the discussions in the Committee.