GENERAL AGREEMENT ON
TARIFFS AND TRADE

COUNCIL
17 and 24 November 1966

MINUTES OF MEETING

Held at the Palais des Nations, Geneva
on 17 and 24 November 1966

Chairman: Mr. R. Rothschild (Belgium)

Subjects discussed:

1. Renegotiation of Chilean Schedule
   2. Balance-of-payments import restrictions -
      report on consultation with New Zealand
   3. United Kingdom temporary import charges -
      report of Working Party
   4. Turkish Stamp Duty - report by Turkey
   5. Request by Hungary for observer status
   6. Provisional accession of Argentina and
      the United Arab Republic
   7. Financial and administrative questions
      (a) Financial position at 30 September 1966
      (b) Assessment of additional contributions
      (c) Report by Committee on Budget, Finance
           and Administration
   8. Ceylon temporary duty increases
   9. Accession of Korea
   10. Programme of meetings, November 1966-
       January 1967
   11. Twenty-fourth session of the CONTRACTING PARTIES
   12. Participation in the work of the Committee on
       Trade and Development
1. Renegotiation of Chilean Schedule (L/2706)

The representative of Chile submitted his Government's request for a waiver of one year as from 1 January 1967, in order temporarily to suspend Chile's obligations under Article II and to enable it to bring into operation its new customs tariff, without prior renegotiation of its schedule of concessions.

Referring to document L/2706, where an account was given of the reasons which had led Chile to adopt the Brussels Tariff Nomenclature, the representative of Chile explained that Law 16,464 contained an imperative deadline for the application of the new tariff. He expressed his Government's regret at requiring the Council's action with such urgency, but hoped the contracting parties would understand the exceptional character of this request. He drew the Council's attention to some of the points mentioned in document L/2706, namely, that:

(a) The new tariff was a consolidation of the duties and charges applied up to 25 April 1966, the date on which Law 16,464 was passed; the level of duties remained the same, there being no increases in duty by reason of the establishment of the new tariff.

(b) All existing duties and charges were consolidated into a two-column tariff, of ad valorem and specific duties, with a difference not exceeding 15 per cent in relation to the global incidence of all existing duties and charges. This 15 per cent difference did not apply to the whole of the tariff and did not constitute authority to make a 15 per cent increase in duties and charges. Whenever it was possible to reproduce the specific duties, the 15 per cent margin had not been used. In most other cases the percentage applied was lower than 15 per cent.

(c) Thus the new tariff, in Brussels Nomenclature, in general maintains the existing duties; neither in whole nor in part does it represent a new trend in foreign trade policy.

Referring to paragraphs 11 and 12 of L/2706, the representative of Chile pointed out that within the context of the programme for economic development his Government had reduced the duties on certain capital goods and industrial materials. These reductions would be re-established immediately after the introduction of the new tariff. Copies of the new tariff would be supplied to the secretariat and to contracting parties as soon as they were printed.
In conclusion, the representative of Chile emphasized that the new tariff had to be applied as from 1 January 1967, which date did not allow time for renegotiation of Chile’s GATT Schedule, but his Government intended to initiate renegotiations immediately following the introduction of the new tariff. He expressed the hope of his Government that the Council, in considering this request for a waiver, would take into account the urgency of the matter.\(^1\)

Several representatives supported the Chilean request and some asked that a working party be appointed to examine the matter further and to make recommendations to the Council. The representative of Chile stressed the importance of the time element and asked for an early decision.

The Chairman proposed the following terms of reference for a working party:

"To examine the request of the Government of Chile for a waiver from its obligations under Article II and to make recommendations to the Council."

Membership:

- Brazil
- Canada
- Denmark
- European Economic Community
- India
- Japan
- New Zealand
- Peru
- United Kingdom
- United States
- Yugoslavia

Chairman:

Mr. Lennart Rydfors (Sweden)

The Chairman proposed that the working party meet without delay and that the Council resume its meeting within a few days to receive the working party’s report.

When the Council met on 24 November\(^2\), Mr. Rydfors, the Chairman of the Working Party, presented the report (L/2713). He said the Working Party had examined in detail the technical aspects of the Chilean request for a waiver from obligations under Article II and had agreed to recommend that a waiver be granted for one year.

The Council adopted the report and approved the text of the draft decision annexed to the report.

The Chairman invited members who had authority to vote on behalf of their governments to do so at the close of the meeting, and said that ballot papers would be distributed to the contracting parties not represented.

\(^1\) The text of the statement by the representative of Chile is reproduced in document L/2710.

\(^2\) In the absence of the Chairman of the Council the Deputy Director-General presided at the meeting on 24 November.
2. Balance-of-payments import restrictions - report on consultation with New Zealand (BOP/R/1)

In the absence of the Chairman of the Committee on Balance-of-Payments Import Restrictions the Deputy Director-General reported that the Committee had carried out a consultation with New Zealand on 19 July 1966. This consultation had included the regular annual review of restrictions maintained by New Zealand on balance-of-payments grounds, and also an examination of modifications in New Zealand's restrictions which had been announced in May 1966 (L/2649). The report of the Committee, in the new series BOP/R/, was before the Council for appropriate action.

The Council agreed to recommend to the CONTRACTING PARTIES that the report be adopted at their next regular session.

3. United Kingdom temporary import charges - report of Working Party (L/2676)

The Deputy Director-General, as Chairman of the Working Party on United Kingdom Temporary Import Charges, presented the Working Party's report. This final report, recording understandings reached at a meeting on 9 June, was submitted to the Council for approval at this time in accordance with the Working Party's terms of reference. At the time of that meeting the United Kingdom had announced its intention to remove the remaining 10 per cent ad valorem charge on imports. The Working Party had therefore thought it inappropriate to consult the United Kingdom again, in the way in which earlier meetings had been conducted, but had instead confined itself to receiving the renewed expression of the United Kingdom's intention to remove the charge after 30 November of this year and to recording certain understandings reached in the course of the five meetings of the Working Party. It was considered that the Working Party, though unlikely to meet again, should remain in being until the surcharge had been removed and that the report should be submitted to the Council for approval at the time of the removal of the charges. The Council was asked to give its approval to this report on the understanding that this would become effective when the prior condition had been fulfilled. On behalf of the Working Party, the Deputy Director-General also took the occasion to thank the representatives of the United Kingdom for their co-operation and to thank the International Monetary Fund for its valuable assistance in this connexion.

The Council took note of the report.
4. Turkish stamp duty - report by Turkey (L/2686)

The Chairman recalled that the third annual report by the Government of Turkey on the operation of the 5 per cent ad valorem stamp duty, under the waiver granted by the CONTRACTING PARTIES on 20 July 1963, had been circulated in document L/2686.

The representative of Turkey informed the Council that the measure had not had any adverse effect on imports from contracting parties. The stamp duty was entirely of a fiscal character, and would be abolished by the end of 1967.

The Council took note of the report.

5. Request by Hungary for observer status

The Chairman informed the Council that the Government of Hungary had written to the Director-General expressing its interest in the problems which concern the development of international trade and enquiring whether their mission in Geneva might follow the work of the CONTRACTING PARTIES as observer.

Many representatives expressed their full support and welcomed Hungary's request. Hopes were expressed that the admission of Hungary as an observer would lead to closer relations between Hungary and the GATT.

The Chairman noted the unanimous support for Hungary's request and it was agreed to instruct the Director-General to respond positively to the Government of Hungary.

6. Provisional accession of Argentina and the United Arab Republic (C/W/106)

The Chairman recalled that the Declarations providing for the provisional accession of Argentina and the United Arab Republic would expire on 31 December. The two Governments were participating in the current trade negotiations with a view to acceding to the General Agreement, but as accession would not be brought about before the end of the year, they had requested that the arrangements for provisional accession be prolonged until the end of 1967. The Chairman drew the attention of Council to document C/W/106 in which the Director-General had provided draft texts of procès-verbaux to extend the validity of the relevant Declarations until 31 December 1967.

The Council agreed that the provisional accession of the two countries should be prolonged for the period proposed and approved the texts of the procès-verbaux contained in document C/W/106.
The Chairman said that the instruments would be prepared for signature. He then drew the Council's attention to the importance for parties to the Declarations of accepting these procès-verbaux before the end of the year, so as to avoid interruption in the application of GATT relationships between them and the Governments of Argentina and the United Arab Republic.

The Council also approved the draft texts of decisions to be adopted by the CONTRACTING PARTIES extending the invitations to Argentina and the United Arab Republic to participate in the work of the CONTRACTING PARTIES during the prolonged period of provisional accession. Members of the Council who had authority to vote on behalf of their Governments recorded their votes. The Chairman requested the secretariat to distribute ballot papers to contracting parties not represented at the meeting.

7. Financial and administrative questions

(a) Financial position at 30 September 1966 (L/2702)

The Chairman, referring to the Director-General's report, drew attention to the fact that a large number of contributions for 1966 were still outstanding and, as recorded in paragraph 14, no information had been received from many governments concerning the remittance of their payments. However, since the report was issued, payments by Senegal and the Federal Republic of Germany had been received.

The representative of Argentina said that arrangements for payment of his Government's contribution had been made, although it may not yet have reached the secretariat.

The Chairman informed the Council that the secretariat would experience financial embarrassment if the outstanding amounts were not paid within the next six weeks, particularly as the Working Capital Fund was virtually exhausted. Therefore, the representatives of the countries concerned should bring this matter urgently to the attention of their governments.

The Director-General's report was noted.

(b) Assessment of additional contributions (L/2697)

The Chairman said that the Director-General had proposed the amounts to be assessed on Guyana for the 1966 budget and for the Working Capital Fund.

The proposals in document L/2697 were approved.
In presenting the report, Mr. Schnebli (Switzerland), Chairman of the Committee, said that the problems encountered in the examination of the 1967 estimates had not stemmed from any criticism of the budget as such, of which there was very little, but almost exclusively from the financial difficulties experienced by some governments and the problem which increased contributions consequently posed for them. In the light of this situation, the Committee had examined the estimates in great detail, and had found it possible to make a few reductions in areas which would cause least damage to the work of the CONTRACTING PARTIES.

The Committee had discussed the Director-General's proposal for introduction of an item for unforeseen expenditure, and came to the conclusion that this question, together with the related matter of the level and use to be made of the Working Capital Fund, merited further study and should be reviewed at a special meeting of the Committee next year. Accordingly, the Committee had deleted this item from the 1967 budget.

The question of minimum contributions had been studied in detail. The Committee was satisfied that a more equitable distribution of the financial burden was necessary and that the Director-General's proposals would avoid the sudden and substantial increases that could arise under the old system, particularly for those developing countries whose trade value was rising just above 0.1 per cent, which had so far constituted the limit for the fixed $2,500 contribution. The practical result of the implementation of the first phase of the proposal in 1967 would lead to the contributions of thirteen less-developed countries being decreased by $6,000, i.e. from $15,000 to $9,000 or 40 per cent. Of the total reduction of these contributions, amounting to $70,000, 72 per cent would be paid by industrialized countries at an average of nearly $4,000 per country, and 28 per cent by less-developed countries at an average of $500. The Committee's still had before it, as part of the Director-General's original proposal, the suggestion that in 1968 there be a further modification of the minimum contribution system. If this second stage were to be accepted, it would lead to a further decrease in the contributions of twenty less-developed countries and one industrialized country (Luxemburg) in the total amount of $73,800. Of this reduction, 67 per cent would be paid by industrialized countries at an average of $3,300 per country, and 33 per cent by less-developed countries at an average of $600. The Committee would consider, at its autumn meeting next year, the implications of moving to this second phase and, in particular, what the level of the single minimum contribution should be.

To conclude the presentation of the report, Mr. Schnebli referred to the appointment of a new External Auditor, following the resignation of Sir Edmund Compton, whose advice and guidance had been of great value to the CONTRACTING PARTIES over many years.
Several members of the Council expressed appreciation of the Director-General's proposal for minimum contributions, and said that they were more in accordance with the budgetary possibilities of many developing countries. Some representatives recorded their appreciation that the extension of GATT activities necessarily required additional financial means, but said that their governments had difficulties in meeting additional commitments.

The representative of Cuba and France recorded their Governments' reservation regarding the report of the Committee.

The representative of Ghana expressed misgivings about increases in expenditure while less-developed countries were finding it increasingly difficult to meet their financial obligations. Moreover, it was difficult to reconcile the recruitment of new staff and the regrading of posts with the need for economy, and he felt that additional savings could be effected.

The representative of Chile suggested that the budget of GATT should be studied as a function of the programme of work the CONTRACTING PARTIES had established. Financial charges resulted from the tasks requested by governments. In his opinion, governments which found it difficult to meet their contributions to international organizations should analyze the problem as a whole and should not bring their fears of increasing expenditure to bear on the one institution whose budget was only $3 million and whose value, as a forum of permanent negotiation between industrialized and developing countries, was proved daily. The fact that only symbolic cuts had been effected in the budget was proof enough of the spirit of austerity in which it had been drawn up.

The representative of Australia said that the issue facing the GATT in the field of budgetary matters was the crisis brought about by a lack of co-ordination between the decisions of the CONTRACTING PARTIES regarding the activities to be undertaken and the amount of money which governments were prepared to provide to meet these expanding activities. He underlined the importance of a fundamental re-examination of the financial position — particularly as regards the liquidity problem, as was recommended in paragraph 26 of the report — and said that budgets should be approached with better co-ordination between programming and financing. Some of the withdrawals from the Working Capital Fund on which the CONTRACTING PARTIES had decided in recent years may not have been wise financial practice. Although the increase in the estimates for 1967 could be regarded as substantial, analysis showed that the increase in current expenditure would amount to only 4.8 per cent. He noted further that the report of the Ad Hoc Committee of Experts appointed to examine the finances of the United Nations and specialized agencies had put forward certain principles which had since been approved by the General Assembly, and he hoped that the secretariat, which operates under the common administrative system, would eventually present its views on how these principles might be applied by GATT.

Several representatives expressed agreement with the remarks by the representatives of Australia and Chile and voiced their appreciation also for the extent and quality of the work of the GATT, accomplished within a relatively small budget.
The Director-General, replying to some of the remarks made and questions raised, pointed out that the estimates of expenditure for 1967 had been drawn up in accordance with his statement of policy, made to the Council during the budget discussions in 1965, namely, that after a period of relatively substantial expansion of the secretariat the budget would show a return to a more moderate rate of growth. The 1967 budget lived up to this promise, as it included no proposals for an increase of the professional staff nor any substantial increase in current expenditure. There would, of course, always be certain unavoidable increases resulting from annual salary increments, rising prices and the rising cost of living, or changes in rates of pay decided by the United Nations General Assembly and implemented by GATT and other organizations following the common system. The criticism voiced on the proposal to have recourse to a bank loan to meet cash requirements was disturbing because the current situation was such that staff salaries could not be met without resort to a bank loan before the end of the year, which was a serious reflection on the policies governing the provision of means to operate the secretariat. He concurred with the suggestion of the representative of Australia that a serious examination should be made of the financial situation and budgetary practices.

In reply to questions by the representatives of Ghana and Nigeria on recruitment and geographical representation on the staff, the Director-General assured members of Council that the paramount consideration in the appointment of staff remained the necessity for securing the highest standards of efficiency, and subject to that, to securing the widest possible diversity in the composition of the secretariat. All vacancies were advertised and communicated to contracting parties and associated governments. Applications were examined by an appointments board under the chairmanship of the Deputy Director-General, on which all departments of the secretariat were represented. The board followed the policy that, between candidates of equal qualifications, priority should be given to those from countries inadequately represented. It should be appreciated that in a small secretariat there was considerable difficulty in changing the geographical representation to correspond with the rapid additions to membership, particularly bearing in mind the CONTRACTING PARTIES' desire for economy.

The Council then examined the points of the report which required formal approval, and approved the text of the draft resolution on expenditure in 1967. The Chairman stressed the importance of adopting this resolution before the end of the year. Members of the Council who had authority to vote on behalf of their governments recorded their votes. The Chairman requested the secretariat to distribute ballot papers to contracting parties not present at the meeting.

The report was adopted.
8. Ceylon temporary duty increases (L/2687 and Add.1)

At the twenty-third session, the CONTRACTING PARTIES instructed the Committee on Balance-of-Payments Import Restrictions (when consulting later this year with the Government of Ceylon under Section B of Article XVIII) to examine the situation pertaining under the waiver granted to Ceylon in 1961, which authorized the maintenance of certain increased duties imposed for balance-of-payments reasons, and to take account of certain further increases in duties which had been introduced in 1965. The Committee was requested to submit recommendations to the Council. The consultation is scheduled to be held on 29 November. The Government of Ceylon has now announced further duty increases on bound items (L/2687 and Add.1) and has requested a new extension of the waiver, which is due to expire on 31 December.

The Chairman suggested that the additional information submitted by Ceylon and the request for an extension of the waiver should also be referred to the Committee on Balance-of-Payments Import Restrictions so that the whole matter can be thoroughly reviewed during the consultation, and that the Committee be requested to submit its recommendations to the Council as soon as possible.

This was agreed.

9. Accession of Korea (L/2690)

The Chairman recalled the recent decision of the Government of Korea (L/2690) to pursue its negotiations for accession separately from the Kennedy Round negotiations. Therefore, the terms of reference of the Working Party (announced in GATT/AIR/561 of 20 July) should be modified to read:

"To examine the application of the Government of Korea to accede to the General Agreement under Article XXXIII and to submit recommendations which may include a draft protocol of accession."

The Council agreed to the new terms of reference and to the Chairman's proposal that Mr. de Liedekerke (Belgium) be appointed Chairman of the Working Party, which would meet on 30 November.


The Chairman informed the Council of the programme of meetings (other than those related to the trade negotiations) which had been scheduled for the next two months. The Director-General had provided a list of these meetings in document C/W/108.
11. Twenty-fourth session of the CONTRACTING PARTIES

The Chairman recalled that at the last session in March it was left for the Council to fix the date for the next session "when the programme of work had developed sufficiently for plans to be made for 1967". There seemed to be a general consensus among contracting parties participating in the Kennedy Round that the negotiations should not be interrupted by a regular session of the CONTRACTING PARTIES and that, therefore, the twenty-fourth session should be held in the second half of 1967. He suggested that it was too early to fix the actual date of the session, but the Council might consider at this meeting whether it could be decided that the session would be held for a period of three weeks starting, perhaps, early in October. If so, the Council could revert to this matter at its next meeting, with a view to fixing the date for the session.

The representative of Chile, while agreeing with the proposal concerning the next regular session, expressed his delegation's hope that, before the end of the Kennedy Round, there should be a meeting at high level to take stock of the Kennedy Round. Several members supported this view. The representative of Peru said that, as Chairman of the informal group of less-developed countries, he was aware of the great interest expressed in that group for the idea that, during the last stage of the Kennedy Round, the Council, the Trade Negotiations Committee or a special session, should examine the expected outcome of the negotiations.

The Council took note of the interest expressed by some representatives for a meeting at high level, and agreed to revert to the matter at a future meeting.

12. Participation in the work of the Committee on Trade and Development

In his capacity of Chairman of the Committee on Trade and Development, the representative of Chile recalled that at the twenty-third session the CONTRACTING PARTIES had agreed that governments which had not undertaken to apply Part IV of the General Agreement should be urged to participate in the work of the Committee and to co-operate in the examination of possibilities of liberalizing their imports, in so far as these were of concern to the Committee. A country concerned had notified the CONTRACTING PARTIES of certain measures that had been taken, but there had been no response as regards participation in the Committee's work or concerning its remaining restrictions. At its last meeting the Committee was informed of this situation, and it expressed disappointment at the lack of response to the recommendation of the CONTRACTING PARTIES. The Committee proposed that the CONTRACTING PARTIES should take note of this situation, and that it should be brought to the Council's attention.

The Council took note of this statement.

A member asked that an opportunity be afforded for discussion of this question at a future meeting of the Council. This request was noted.