

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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CONTRACTING PARTIES  
Twenty-first Session

Page 35

## SUMMARY RECORD OF THE FOURTH MEETING

Held at the Palais des Nations, Geneva,  
on Thursday, 5 March 1964 at 2.30 p.m.

Chairman: Mr. J.H. WARREN (Canada)

	<u>Page</u>
<u>Subjects discussed:</u>	
1. Peruvian import surcharges	36
2. Central American Free Trade Area and Nicaragua-El Salvador Free Trade Area	39
3. Subsidies - the "Standstill" on Article XVI:4	40
4. Provisional accession of Switzerland	40
5. Provisional accession of Iceland	40
6. Reports under waivers	
(a) Ceylon - temporary duty increases	42
(b) Italy - trade with Somalia	43
7. Uruguayan import surcharges	44
8. Status of protocols	47
9. Financial and administrative questions	
(a) Report by Committee on Budget, Finance and Administration	48
(b) Regional liaison arrangements	49
(c) Absence on military service	52
(d) Final 1963 budget position	53
(e) Assessment of additional contributions	53
(f) Reclassification of Geneva for purposes of post adjustment	53

1. Peruvian import surcharges (L/2156)

The CHAIRMAN drew attention to the request in document L/2156 by the Government of Peru for a waiver from the obligations of Article II for a period of three years in order to maintain a surcharge of 10 per cent ad valorem on imports of items bound in the Peruvian schedule, pending the introduction of a new customs tariff and the renegotiation of Peru's concessions.

Mr. LETTS (Peru) drew attention to document L/2156 which had summarized the reasons which had compelled his Government to implement certain extraordinary measures. The Peruvian Government had tried not to interfere with imports until it had done all that was possible through internal taxation to alleviate the situation in Peru. The balance of trade and payments had continued to deteriorate despite the many internal measures which were taken. Peru as a developing country had no invisible earnings and existed by its export trade. In the past the trade balance had been favourable; in 1961, for example, there had been a favourable balance of approximately \$58 million, but in 1963 there had been an unfavourable balance of more than \$50 million. It was generally recognized that the position of the developing countries was precarious due to the general trends and patterns of international trade for which no solution had yet been found. The difficult situation in the developing countries could sometimes be aggravated by measures taken to overcome these harmful trends in world trade. The situation in Peru was an emergency one and had to be tackled as such; the Peruvian Government was endeavouring to effect a real social revolution and this effort sometimes required unavoidable and extraordinary measures. In the circumstances, he hoped that sympathy and understanding would be extended by the contracting parties to the Government of Peru in the present temporary but difficult situation.

Mr. Letts then referred to the new customs tariff which his Government intended to put into effect. He said that in introducing the new tariff it was the intention of his Government to renegotiate its schedule of concessions. Although this meant in effect that Peru was making two requests to the CONTRACTING PARTIES, these requests were linked because they arose from the same fundamental cause to which he had referred. The purport of the new tariff was not to cut down the volume of imports but to simplify the tariff structure, adapt it to the Brussels Tariff Nomenclature and establish principles for a sound and healthy economy. The new tariff was also necessary in connexion with the forthcoming Kennedy round of trade negotiations. As there would not be a session of the CONTRACTING PARTIES before the commencement of the Kennedy round he hoped that at the present session the CONTRACTING PARTIES acting in the new spirit now prevailing would assist Peru in its difficulties and adopt fair decisions in dealing with the two requests.

Mr. DE SMET (Belgium), speaking on behalf of the member States of the European Economic Community, said that while his delegation did not like the kind of waiver requested, it would be willing to agree to the Peruvian request because of the exceptional circumstances, the provisional nature of the measures and the fact that there would not be another session of the CONTRACTING PARTIES before the opening of the Kennedy round of negotiations.

Mr. EVANS (United States) noted that the question under discussion related to two distinct requests. With regard to the request for the maintenance of surcharges, the Peruvian Government had indicated that the surcharges would be subsumed within the proposed new tariff. On the question of the tariff itself, his delegation was sympathetic with the reasons which had led Peru to put into effect a new tariff pending the beginning of the Kennedy round. However, as his delegation had some difficulties with the procedure to give a waiver for the modification of a tariff which had not yet been seen, he would suggest that a waiver be given to cover the surcharges. Action could then be deferred as far as the schedule was concerned until Peru could make the new tariff available for examination. The CONTRACTING PARTIES through the Council could then take the necessary steps to enable Peru to take action on its new tariff.

Mr. LETTS (Peru), commenting on the suggestions made by the United States delegation, said that his Government hoped very shortly to make available at least an outline of the new tariff, in which case the Council might be instructed to consider the matter. His Government did not wish to delay the entry in force of the new tariff, but he would leave it to the CONTRACTING PARTIES to decide on the best way of solving the time problem.

Mr. BOSCH (Uruguay) supported the request made by the delegation of Peru.

Miss LOVAT-WILLIAMS (United Kingdom) while sympathizing with the difficulties faced by Peru, said that the United Kingdom delegation nevertheless found itself in some difficulties owing to the absence at this stage of the new Peruvian tariff. Miss Lovat-Williams suggested that a working party be established to examine Peru's request as there were a number of points which required more detailed consideration.

Mr. VALLADAO (Brazil) said that the Peruvian delegation had submitted a problem which was crucial for the achievement of the social and economic goals of Peru. The request for a waiver for the surcharges should not be the subject of any investigations by a working party. The reasons now put forward in support of the request would only be repeated. With regard to the proposed new tariff some procedure outside the customary framework of action by the CONTRACTING PARTIES could no doubt be adopted in view of the urgency of the case. A working party might be established on a stand-by basis to commence work as soon as Peru was in a position to submit its new tariff. This procedure would have the advantage that the matter would already have been considered by the CONTRACTING PARTIES.

Mr. HANZA (United Arab Republic) supported the request by Peru for the reasons which the Peruvian delegation had given. He stressed the importance of the steps which Peru was taking and expressed his doubts as to the need for a special group to study the question. His delegation understood the problems faced by Peru.

Mr. DE SMET (Belgium), speaking on behalf of the member States of the European Economic Community, said that his delegation did not like surcharges but as waivers covering similar situations had been given on previous occasions, the request by Peru could be granted. As to the question of the new tariff, if a working party were set up, he wondered what Peru's situation would be at the opening of the Kennedy round, since the Peruvian Government had stated that it would be unable to provide a new tariff before six months.

Mr. EVANS (United States) pointed out that a waiver could be given to cover the surcharges and to provide for subsequent action by the Council when the new tariff was made available. A working party would be required at some point, so that if there were any questions in the minds of delegations concerning the situation in Peru they would have a chance to put them forward. Further, in considering the surcharges, there could be a preliminary examination of the Peruvian schedule pending action before the commencement of the Kennedy round.

Mr. LETTS (Peru) thanked the various delegations for the cordial way in which they had expressed appreciation of his country's difficulties. It was recognized that there was a problem of time involved in the setting up of a new tariff before the opening of the Kennedy round and he could therefore accept the proposal that a working party be set up to consider the question.

The CHAIRMAN said that there seemed to be a disposition to grant a waiver to Peru for the maintenance of the surcharges but that there was some doubt as to the length of time required to deal with the introduction of a new tariff by Peru. He therefore proposed that a working party be established with the following membership and terms of reference:

Chairman:

Mr. K.L. PRESS (New Zealand)

Members:

Argentina	European Economic Community	Peru
Brazil	India	Sweden
Canada	Nigeria	United Kingdom
		United States

Terms of reference:

- "(i) To examine the request of Peru for authority to maintain a surcharge on bound duties and to conduct renegotiations with a view to establishing a new list of concessions in place of the present Schedule XXXV; and
- (ii) to report to the CONTRACTING PARTIES before the end of the present session."

This was agreed.

2. Central American Free Trade Area and Nicaragua-El Salvador Free Trade Area (L/2085)

The CHAIRMAN said that by Decisions taken in 1951 and 1956, the CONTRACTING PARTIES agreed that Nicaragua was entitled to claim the benefits of the provisions of Article XXIV in order to participate in certain free-trade area arrangements with other countries in Central America. These Decisions required the Government of Nicaragua to submit annual reports on the development of these free-trade area arrangements. A report by the Government of Nicaragua was received in November 1963 and had been distributed in document L/2085.

Mr. MULLHAUPT (Nicaragua) drew attention to the statistical data contained in his Government's report. In 1962 Nicaraguan imports from the Central American market represented only about 4 or 5 per cent of total imports, while Nicaraguan exports to the area amounted to about 3 per cent of total exports. Nicaragua was intensifying its industrialization, which had commenced a few years ago within the framework of the Central American Economic Integration Programme, and had stimulated the setting up of sound industries for the processing of its primary products. The present Government had refrained from supporting monopolies in order that the country's industries would develop in a sound and competitive atmosphere. The Executive Secretary had written to the Nicaraguan Government requesting certain details on the legal aspects and the progress made within the Central American Economic Integration Programme. It had not been possible to provide these details in time for the session; however, a delegation of experts would be arriving shortly in Geneva, and would be prepared to give the required information to the Executive Secretary.

The CHAIRMAN suggested that in view of the explanation given by the delegate of Nicaragua, the CONTRACTING PARTIES might instruct the Executive Secretary to contact the Nicaraguan experts on arrival in Geneva, obtain the necessary information and submit it to the Council for any necessary action.

This was agreed.

Mr. EVANS (United States) in agreeing to the suggestion made by the Chairman, expressed the continuing interest of the United States in the economic integration of Central America. He welcomed the procedure adopted as it would enable his delegation to learn more about the developments which were taking place in Central America.

3. Subsidies - the "Standstill" on Article XVI:4 (W.21/5)

The CHAIRMAN recalled that at the third meeting the CONTRACTING PARTIES had decided to draw up a Declaration further extending the standstill provisions of paragraph 4 of Article XVI. The text proposed by the Executive Secretary had been distributed in document W.21/5.

Mr. SEN GUPTA (India) said that he had no comments to make on the text before the CONTRACTING PARTIES, but wished to record his delegation's reservation on the item as a whole.

The text of the Declaration contained in document W.21/5 was approved.

The CHAIRMAN said that the formal instrument containing the text of the Declaration would be prepared by the Executive Secretary and opened for acceptance.

4. Provisional accession of Switzerland (L/2151)

The CHAIRMAN said that under paragraph 1(b) of the Declaration of 22 November 1958 on the Provisional Accession of Switzerland, the Swiss Government was required to submit an annual report on the measures maintained consistently with the reservations set out in that paragraph. The third report submitted under these provisions had been distributed in document L/2151.

Mr. WEITNAUER (Switzerland) said that as the report showed, the Swiss agricultural legislation had been implemented in such a way as to increase access to Swiss markets, and there was no likelihood that there would be any change in the future.

The report was noted.

5. Provisional accession of Iceland (L/2170)

The CHAIRMAN said that an application from the Government of Iceland to accede provisionally to the General Agreement had been received towards the end of 1963. This application had been considered by the Council at its meeting in December 1963 and the Council had arranged for the establishment of a Working Party to examine the request and to submit recommendations to the CONTRACTING PARTIES at the current session. The report of the Working Party had been distributed in document L/2170.

Mr. EMMEL (Federal Republic of Germany), Chairman of the Working Party, in introducing the report, paid tribute to the courtesy and helpfulness of the Icelandic delegation which had made it possible for the Working Party to complete its work in so short a time. He drew attention to paragraph 8 of the report where the Working Party recommended that, pending negotiations for the accession of Iceland under Article XXXIII, to be held during the forthcoming Kennedy round of trade negotiations, the CONTRACTING PARTIES should make arrangements for the provisional accession of Iceland. To this end the Working Party had prepared drafts, annexed to the report, of a Declaration on the Provisional Accession of Iceland and of a Decision on the participation of Iceland in the work of the CONTRACTING PARTIES.

Iceland's application for provisional accession was warmly welcomed by many speakers who all looked forward to the negotiations for full accession.

The CHAIRMAN said that the text of the Declaration providing for the provisional accession of Iceland required approval by a majority of two thirds of the CONTRACTING PARTIES. As it appeared from the discussion that the proposal met with unanimous approval, he suggested that it would not be necessary to take a formal vote.

The CONTRACTING PARTIES unanimously approved the text of the Declaration providing for the provisional accession of Iceland. The CHAIRMAN said that this Declaration would be prepared, and opened for acceptance by the Government of Iceland, by contracting parties and by governments which had acceded provisionally to the GATT.

The CONTRACTING PARTIES then adopted the decision inviting Iceland to participate in the work of the CONTRACTING PARTIES and adopted the report of the Working Party.

Mr. BENEDIKTSSON (Iceland) said that the reason for Iceland's application had been its desire to be associated as closely as possible with the work of the GATT and in particular with the forthcoming trade negotiations in which Iceland hoped to negotiate for full accession to the GATT. The Icelandic Government attached great importance to the principles of the General Agreement and would do its best to participate actively in the work of the CONTRACTING PARTIES. Mr. Benediktsson also said that he was instructed to convey the appreciation of his Government for the prompt and favourable attention which had been given to Iceland's application. It would be a source of great pleasure to convey to his authorities, the many and warm expressions of welcome that had been addressed to the Icelandic delegation.

6. Reports under waivers

(a) Ceylon - temporary duty increases (L/2068 and Add.1)

The CHAIRMAN recalled that at the twentieth session the CONTRACTING PARTIES had adopted a Decision waiving certain obligations of the Government of Ceylon under paragraph 1 of Article II to allow Ceylon to apply temporary increases in certain customs duties as an emergency measure designed to overcome a threat to its monetary reserves. The waiver would expire on 31 December 1964. Under the Decision the Government of Ceylon was required to submit a report on action taken to reduce or eliminate the additional duties. The report by Ceylon was distributed on 5 October 1963 in document L/2068 and a supplementary statement had been issued in document L/2068/Add.1. The Government of Ceylon was required under the Decision to consult with the CONTRACTING PARTIES at this session as to the nature of its balance-of-payments difficulties, alternative corrective measures which may be available and the possible effect of the additional duties on the economies of other contracting parties.

Mr. DE SILVA (Ceylon) in presenting his Government's report said that the balance-of-payments details for the fourth quarter of 1963 were not yet available, but the movement of external assets had indicated a substantial deterioration. By the end of 1963 the external assets had fallen to Rs. 462.3 million, while the international reserve of the Central Bank stood at Rs. 114.2 million, indicating a decline of Rs. 90.6 million during the last quarter of 1963. The Government was therefore compelled to adopt restrictive measures such as a revision of the import allocation in the foreign exchange budget. In any assessment of the external situation the Government of Ceylon had had to take into account its foreign exchange liabilities. Drawings amounted to Rs. 107.6 million from the International Monetary Fund which would have to be repaid in full by 1967. The sterling loan of Rs. 60 million fell due for payment in 1964 while a similar loan of Rs. 24.6 million had to be repaid in 1965. Export earnings constituted the only satisfactory means of relief but the prices of Ceylon's primary products had generally declined. On the other hand matters had been aggravated by the increase in the prices of rice, flour and sugar which were Ceylon's major imports. It could thus be seen that Ceylon would continue to experience serious balance-of-payments difficulties for some time.

The CHAIRMAN pointed out that in connexion with the consultation with the Government of Ceylon the CONTRACTING PARTIES were required under the provisions of Article XV of the General Agreement to consult with the International Monetary Fund. He enquired whether the representative of the Fund wished to make a statement.

Mr. ANDERSON (IMF) said that the Fund had transmitted to the CONTRACTING PARTIES the Executive Board's decision of 8 March 1963 regarding the last consultation with Ceylon under Article 14 of the Fund Agreement, as well as background material prepared in connexion with that consultation. The Fund had also transmitted a supplementary background paper dated 14 February 1964 dealing with developments since the conclusion of the Fund's consultation in 1963. The material provided by the Fund indicated that Ceylon continued to experience balance-of-payments difficulties and that it was currently reconsidering its import programme. The general level of the various restrictive and temporary tariff measures being applied had not gone beyond the extent necessary at the present time to stop a serious decline in Ceylon's monetary reserves.

The CONTRACTING PARTIES agreed that the statements by the representatives of Ceylon and the International Monetary Fund be deemed to constitute the consultations required under the waiver.

The report by the Government of Ceylon was noted.

(b) Italy - trade with Somalia (L/2069 and L/2168)

The CHAIRMAN said that in 1960 the CONTRACTING PARTIES had granted a waiver to the Government of Italy to authorize the continuation of special customs treatment for imports of certain products from the Republic of Somalia. This waiver had been granted for five years. At the end of the third year the Governments of Italy and Somalia were required to submit reports on the development of trade under this special treatment. The reports by Italy and Somalia had been distributed in documents L/2069 and L/2168.

Mr. GARRONE (Italy), in presenting his Government's report, said that the statistical data on the evolution of trade between Italy and the Republic of Somalia showed very clearly that Italy was still a very important outlet for the products exported by Somalia. However, it could be seen that Italian imports from Somalia had decreased considerably in the years covered by the report. The Italian delegation would be willing to give any additional information that might be required.

Mr. HASSAN (Somalia) said that his country like most less-developed countries depended on agriculture. The Somali Government was aware of the problems inherent in such dependence, particularly in dependence on one cash crop. Bananas, which were the main cash crop, played a very important part in the economy of the Republic, accounting for 45 per cent of its exports. In order to balance this dependence the Government had formulated a policy which was designed to diversify agricultural production and to encourage the establishment of industries. In fact more than 180 million Somali shillings

had been allocated for industrial and agricultural diversification during the next five years. Plans were on foot, for increasing sugar production for local consumption from 12,000 to 40,000 tons per year and at the same time to double the amount of land under cultivation for all purposes. In the industrial sector it was planned to establish a cotton textile factory to be supplied with locally grown cotton. The factory would commence operation in 1965, but was not expected to reach full production for some time. The establishment of a meat processing factory to produce over 4,500 tons of meat and allied products was also planned; this project was expected to provide an assured market for cattle, encouraging the increased production of cattle and to secure better value for the sale of cattle by the nomads. This would also play an important rôle in the improvement of the subsistence sector of the economy and in earning substantial foreign exchange. It was also planned to establish small-scale industries. Mr. Hassan hoped that these developments demonstrated that during the period of the waiver Somalia was taking steps to reduce its dependence on the Italian market.

The reports were noted.

7. Uruguayan import surcharges (L/2016 and Add.1 and 2 and L/2103)

The CHAIRMAN said that in a report submitted under the Decision of 8 May 1961 which permitted the maintenance of certain surcharges on imports, the Government of Uruguay had asked for an extension of the waiver for three years until 1 July 1966. The Council had given preliminary consideration to this request and on its recommendation the waiver had been extended by postal ballot until the close of the twenty-first session. The matter had also been considered by the Committee on Balance-of-Payments Restrictions which consulted in this connexion with the International Monetary Fund and had submitted a report in document L/2103. As stated in its report the Committee had concluded that "factors bearing directly or indirectly on the balance-of-payments and monetary reserves of Uruguay justified at present the extension of the waiver Decision".

Mr. BOSCH (Uruguay) stated that the reasons underlying the request by Uruguay for an extension of the waiver Decision were contained in document L/2016. In addition, he pointed out that it was expected that Uruguay's balance-of-payments deficit would amount to \$16 million in 1964 and his Government felt justified in requesting a continuation of the waiver for a further period of three years.

Miss LOVAT-WILLIAMS (United Kingdom) said that the United Kingdom Government sympathized with Uruguay in the face of the difficulties outlined by the representative of Uruguay and enumerated in the report of the Balance-of-Payments Committee. While the need for exceptional measures to deal with these difficulties was recognized, serious dissatisfaction had been aroused in the United Kingdom by the continued application of the import surcharges in a manner which discriminated against goods brought to Uruguay in foreign ships. It was the hope of the United Kingdom Government that the

discrimination practised in the application of the surcharges would soon be discontinued. Whilst the United Kingdom did not accept that such discrimination was necessary or helpful in meeting balance-of-payments difficulties, it recognized that Uruguay's balance of payments did not allow the removal of the surcharges at the present time. In December the Committee on Balance-of-Payments Restrictions had concluded that an extension of the waiver Decision of 8 May 1961 was justified. Since December there did not appear to have been any change in Uruguay's financial position which would alter this conclusion. Accordingly, the United Kingdom supported the extension of the waiver without prejudice to their views on the discriminatory manner in which the surcharges were applied.

Commenting on the time-limit for extension of the waiver, Miss Lovat-Williams said that the report by the Committee on Balance-of-Payments Restrictions had been based on conditions which might no longer prevail in mid-1965. In this connexion she recalled that in his statement to the Committee, the representative of the Fund had suggested that Uruguay's need for devices such as the import surcharges as a means of affecting directly the balance of payments should have been considerably lessened by the exchange rate adjustment of May 1963, and that the new exchange rate, provided it was supported by appropriate domestic policies, should facilitate the removal of the surcharges as soon as fiscal requirements could be met by other means. The United Kingdom delegation hoped that the Fund's assessment would be justified and that the Uruguayan Government would succeed within the next year in securing a substantial improvement in the country's financial position. She suggested that it would be appropriate to extend the waiver until 31 March 1965 when the matter could if necessary be looked at again in the light of the progress made during the year towards a more satisfactory and stable balance of payments.

Mr. VLACHOS (Greece) stated that his country was also concerned about the flag discrimination practised by Uruguay in favour of goods carried in Uruguayan ships. His Government would, however, agree to an extension of the waiver.

Mr. SOMMERFELT (Norway) emphasized that Norway took a serious view of the continued flag discrimination practised by Uruguay and would have to abstain from any decision relating to the extension of the waiver.

Mr. RYDFORS (Sweden) stressed the serious concern of his Government over the discriminatory manner in which Uruguay administered the surcharges. His Government would also abstain from any decision extending the waiver.

Miss NIELSEN (Denmark) underlined the grave concern felt by her country concerning the continued discriminatory application of the surcharges. It was the intention of the Danish delegation to abstain on any vote on the extension of the waiver.

Mr. VALLADAO (Brazil) said that the delegation of Uruguay had submitted cogent reasons for the maintenance of the surcharges. Certain countries had expressed reservations on the manner in which the Uruguayan Government had attempted to improve the balance-of-payments position by saving on freight charges. In an earlier discussion of this matter, it had been revealed that Uruguay had only four ships; in his view, therefore, the discrimination she practised could not be regarded as a significant threat to the interest of maritime countries. He pointed out that the whole problem of freight rates and flag discrimination would be discussed in the United Nations Conference on Trade and Development, and he hoped that it would also be scrutinized within the GATT. Brazil fully supported the Uruguayan request for an extension of the waiver which arose from the inadequacy of the rules of the GATT in relation to the problems of less-developed countries. He hoped that the Committee on the Legal and Institutional Framework of the GATT would be able to rectify this position.

Mr. LETTS (Peru) recalled that in the discussion on the Peruvian import surcharges, it had been revealed that Peru did not enjoy any invisible income as a means of ameliorating her balance-of-payments position. He considered that Uruguay should be permitted to take steps to increase her earnings from invisibles by fostering the development of her merchant navy. The question of flag discrimination could perhaps be solved within the context of the GATT.

Mr. GARCIA OLDINI (Chile), in supporting the request of Uruguay for an extension of the waiver, expressed his regrets that it had been found necessary to raise the question of flag discrimination. The creation of merchant fleets was of great importance to developing countries, particularly those distant from the main consuming centres, and the problem of discrimination needed to be solved in a manner which would enable such countries to improve their position as regards ocean freight. As part of its new functions, the GATT should attempt to look into the whole question of flag discrimination.

Mr. MIGONE (Argentina) stated that his delegation was fully convinced of the validity of the arguments employed by the Uruguayan representative in support of the request. The problems of Uruguay in relation to the balance-of-payments position were common to most less-developed countries which experienced difficulties in exporting and such countries must be able to solve their balance-of-payments problems by recourse to such devices as flag discrimination which enabled the establishment of merchant fleets. In the case of Uruguay the damage inflicted on the interest of the maritime countries must be considered minimal in view of the small number of ships in the Uruguayan merchant navy and the fact that these ships were of low tonnage. The question of flag discrimination should be the subject of study at an appropriate time.

Mr. EVANS (United States) expressed the support of his delegation for the Uruguayan request on the basis of the reasons provided by Uruguay and by the International Monetary Fund. The United States views on flag discrimination were, he continued, well-known, but the United States would support the United Kingdom proposal for an extension of the waiver for one year under the conditions previously in force.

In summing up the CHAIRMAN noted that there were no countries opposed to the waiver although three delegations had expressed concern over the maintenance of flag discrimination by Uruguay and had announced the intention of their governments to abstain. Other countries had also expressed concern on this point but would nevertheless vote for the extension of the waiver. He suggested that the waiver should be granted on the same conditions as before, until the end of March 1965 at which time the situation could be reviewed in the light of the balance-of-payments position prevailing at that time. The Executive Secretary should prepare a draft decision for consideration at a later meeting.

This was agreed.

Mr. BOSCH (Uruguay) thanked the representatives of those countries which had spoken in support of the Uruguayan request. He regretted that some countries had found it necessary to record abstentions as a result of the flag discrimination practised by Uruguay. On the question of flag discrimination Mr. Bosch pointed out that in terms of the relevant decree a committee would be established to study the protection given to the merchant marine of Uruguay with a view to proposing appropriate legislation. It was expected that this study would soon be completed, and it was possible that as a result of the study alternative measures would be found to replace the flag discrimination presently in force. In any case the interests of the maritime countries would be taken into account in the drafting of any legislation pertaining to the protection of the Uruguayan merchant navy. Reverting to the period of the extension of the waiver Mr. Bosch recalled that the Uruguayan request had been for a period of three years. However, it was possible that conditions by March 1965, as a result of the trade negotiations presently being undertaken, might have improved to such an extent that the balance-of-payments problems giving rise to the surcharges would have disappeared.

#### 8. Status of protocols (W.21/3)

The CHAIRMAN recalled that at an earlier meeting, the CONTRACTING PARTIES had agreed to extend for a further period, the closing date for the acceptances of the protocols amending the General Agreement which were drawn up in 1955. A draft decision prepared by the Executive Secretary had been circulated in document W.21/3.

Mr. BOSCH (Uruguay) assured the CONTRACTING PARTIES that the Uruguayan delegation had done its utmost to expedite acceptance of these protocols by the Uruguayan Government. He was convinced that Uruguay would signify its acceptance before the twenty-second session of the CONTRACTING PARTIES.

Mr. VALLADAO (Brazil) expressed the hope that, by the twenty-second session, other new amendments to the General Agreement would be open for acceptance by contracting parties.

The text of the Decision in document W.21/3 was adopted.

9. Financial and administrative questions

(a) Report by Committee on Budget, Finance and Administration (L/2064 and Add.1, W.21/4)

The CHAIRMAN pointed out that the report on budget, finance and administration, including the budget estimates for the financial year 1964, (L/2064 and Add.1) had been submitted to the Council in September. The Council had recommended the adoption of this report, the recommendations contained therein, and the annexed report by the Working Group on Printing Costs. The resolution on expenditure in 1964 had already been adopted by postal ballot.

Mr. MIGONÉ (Argentina) recalled that, in the course of the last meeting of the Committee on Budget, Finance and Administration, the Executive Secretary had stated that there would be an additional allocation to meet the expenditure of printing more GATT documents in the Spanish language. It seemed, however, that no provision of this nature was contained in the estimates for the financial year 1964.

Mr. BOSCH (Uruguay) stated that it was his understanding that the Executive Secretary had already taken steps to ensure that more GATT publications would be translated into the Spanish language and the provision for the additional expenditure entailed was contained in the budget estimates, although not as a separate item. He thanked the Executive Secretary for the translation of "International Trade 1962" and expressed the hope that other publications would appear in Spanish in accordance with the conclusions reached in the Budget Committee.

The DEPUTY EXECUTIVE SECRETARY confirmed that the provisions for expenditure included the costs of meeting the requests of Spanish-speaking delegates regarding the printing of documents in Spanish.

The report was adopted.

(b) Regional liaison arrangements (W.21/4)

The DEPUTY EXECUTIVE SECRETARY drew attention to document W.21/4 which contained certain proposals relating to regional liaison arrangements to which reference had been made in paragraph 6 of the report by the Committee on Budget, Finance and Administration. The report underlined the urgency with which the Executive Secretary regarded the establishment of closer links between the Geneva headquarters of the GATT and individual contracting parties particularly those geographically distant. The Executive Secretary's report mentioned three possible approaches to this end. In the first place reference was made to the establishment of three liaison offices, a proposal which had been considered by contracting parties without any decision being reached. The second possibility was that of more frequent visits by the Executive Secretary and senior officials. It had recently been found possible to increase the number of such missions. The third proposal related to regional meetings outside Geneva, particularly at times preceding sessions of the CONTRACTING PARTIES. At such meetings, which could be serviced by the secretariat, it would be possible to discuss items of particular interest to the countries of the region in question. This suggestion had been made earlier, but it was the first time that a formal proposal had been submitted to the CONTRACTING PARTIES, and the Executive Secretary would like to have the reaction of contracting parties to this proposal. In conclusion, the Deputy Executive Secretary emphasized that the adoption of any one proposal would not rule out another but it might be desirable to agree upon some order of priority.

Mr. DE SMET (Belgium) speaking on behalf of the member States of the European Economic Community said that in his view it would be unwise to take any immediate decision on the question of establishing liaison offices. It would therefore seem desirable to approach the matter in stages and regional meetings preceding sessions could be instituted on an experimental basis. Experience gained would give a better idea of the desirability and cost of establishing permanent liaison offices.

Mr. STONER (Canada) was of the view that, as document W.21/4 had only just been circulated and contained a new suggestion on regional meetings, it would be desirable for contracting parties to have time to reflect and comment on the proposals particularly in view of their budget implications.

Mrs. WHITNACK (United States) said that her delegation considered that there were both merits and difficulties inherent in all three proposals. The third proposal relating to regional meetings was interesting and promising. In view of the complexities of the issues raised it would seem desirable to consider the three alternatives proposed by the Executive Secretary, and any other proposal concerning liaison, in a working party.

Mr. OCAYA (Uganda) emphasized the interest of his country in the proposals. The ideal would be to establish liaison offices but, as this did not seem possible at present he would support the proposal concerning the holding of regional meetings. All contracting parties were interested in improving liaison. Experience gained by the Uganda Government in acting as host to a GATT African training course indicated the value of having GATT better understood in Member countries.

Mr. ONYIA (Nigeria) said that whilst he had no instructions on the matter he welcomed the Executive Secretary's proposals. He pointed out that the third proposal might give rise to a number of organizational difficulties. He suggested that as there would not be enough time to take any decision during the course of the current session it would be desirable to receive further details of the proposals so that the subject could be taken up again during the twenty-second session.

Mr. BAKER (United Kingdom) stated that his delegation had read the Executive Secretary's proposals with interest and considered it desirable that the objectives and achievements of the General Agreement should receive wider circulation through the use of liaison devices. The proposal relating to regional meetings was a new one and as such deserved more time for consideration than could be given during the current session. He would therefore support the proposal for the creation of a working party and would suggest that it be convened after the end of the session to discuss all proposals relating to liaison.

Mr. GARCIA OLDINI (Chile) said that for one reason or another GATT was not widely known amongst those not directly connected with it and that there was now general agreement that the GATT should attempt to achieve a wider degree of publicity for itself. Liaison offices had advantages in that they were permanent and could assure a constant watch on developments in their respective regions. It had been argued however that the establishment of liaison offices was not practicable at present. For this reason and without intending that it should be a substitute for liaison offices, he would suggest the sending of missions by senior officers of the GATT secretariat. As regards the suggestion for regional meetings, Mr. Oldini suggested that they would represent a welcome step in the right direction without removing the desirability of permanent liaison offices. In this connexion he recalled that certain other international organizations held their regular meetings in different capitals. He urged contracting parties not to aim at perfection and pointed out that it would be possible for the whole scheme to languish if attempts were made to make complete studies of its feasibility. He would propose therefore that a working party should be set up immediately to consider the matter and that the system of holding regional meetings be instituted as soon as possible.

Mr. HAMZA (United Arab Republic) in welcoming the proposal for regional meetings pointed out that the Executive Secretary had already had discussions with the Executive Secretary of the Arab League with a view to achieving closer co-operation between the GATT and the League. As far as he was aware, the Executive Secretary of the Arab League had invited the GATT to send an observer to League meetings dealing with economic subjects. He pointed out that two League members, Tunisia and the United Arab Republic, had acceded provisionally to the General Agreement and that at the present session Algeria, Iraq, Libya, Sudan, Syria and Yemen were represented by observers.

Mr. SEN GUPTA (India) recalled that other international bodies held annual sessions by rotation in the Member countries. He suggested that it would be desirable to obtain the views of contracting parties before the creation of a working party. This would give time for individual countries to consider the proposals in detail, particularly their financial implications.

Mr. CARMODY (Australia) stated that Australia supported the visits to the various regions by senior officials. It also supported, in principle, the proposal for regional meetings but pointed out that studies were necessary particularly in relation to the costs of the meetings. Australia would co-operate in these studies but he experienced some disquiet concerning the proposal for the creation of liaison offices. In the Budget Committee it had been proposed that an ad hoc sub-committee should look into the question. Australia supported this proposal. It had also to be borne in mind that action may be taken in another organization which would have a bearing on the Executive Secretary's proposals, and that the creation of regional trade offices was a possibility; it would be undesirable for the GATT to duplicate such offices. He supported the creation of a working party.

The CHAIRMAN in summing up said that there was a concensus in favour of improving liaison but that there was a divergence as to how this should be achieved. In particular the view had been expressed that more time was needed before any decisions could be reached and that more precise details were needed on which to base any decisions. He proposed therefore that a working party be established in which all interested contracting parties could participate. The working party would examine the proposals made by the Executive Secretary and any other proposals and would report to the Council or the twenty-second session depending on how progress was made. The working party could commence its work during the current session.

This was agreed.

(c) Absence on military service (L/2145)

The CHAIRMAN said that in document L/2145 the CONTRACTING PARTIES were invited to consider a new proposal concerning absence on military service and on which the Committee on Budget, Finance and Administration had not been able to arrive at a unanimous recommendation. Consequently the Council had agreed at its December meeting to refer the matter to the CONTRACTING PARTIES for consideration at this session. In the new proposal (paragraph 8 of L/2145) it was suggested that absence on military service should remain, as prescribed by the United Nations Staff Rules, chargeable in full to special leave without pay or annual leave on the understanding that the Executive Secretary, as a matter of administrative discretion, might grant up to a maximum of ten days additional leave to staff members regularly called up for short periods of military service.

Mrs. WHITNACK (United States) said that whilst her delegation attached considerable importance to the maintenance of uniformity in the practices of the various United Nations bodies, it recognized the desirability of making exceptions in certain cases in the interest of suitable personnel policies, and her delegation accepted the proposal. This acceptance was subject to the understanding that the question could be looked at again should the other international organizations in Geneva obtain general agreement on the adoption of a different common rule.

Mr. BAKER (United Kingdom) stated that his delegation had in the past considered it desirable for the GATT to follow United Nations practice in this regard, although it had been appreciated that the problem was smaller in the GATT. The United Kingdom noted that the principle of adherence to United Nations Staff Rules was recognized in the proposal and if it were acceptable to the CONTRACTING PARTIES the United Kingdom would not oppose it.

Mr. CARMODY (Australia) welcomed the new suggestion by the Executive Secretary but asked for clarification on the Executive Secretary's discretion mentioned in the proposal.

The CHAIRMAN pointed out in this connexion that the discretion was to apply to "staff members regularly called up for short periods of military service".

The proposal in document L/2145 was adopted. It was understood that were the Geneva organizations to achieve agreement on a different treatment of the matter it could be raised again.

(d) Final 1963 budget position (L/2144)

In drawing attention to paragraph 3 and the annex of L/2144 concerning contributions in arrears, the CHAIRMAN stated that the Governments of Uruguay, Upper Volta and Dahomey had signified their intention to pay their contributions at an early date. He invited representatives of countries which remained in arrears with their contributions to bring to the attention of their governments the desirability of meeting their obligations at an early date.

The Chairman drew attention to paragraphs 6 and 8 of document L/2144 and enquired whether the proposed transfers were approved.

The proposals were approved.

(e) Assessment of additional contributions to the 1963 budget and advances to the Working Capital Fund (L/2051 and L/2089)

The CHAIRMAN said that documents L/2051 and L/2089 contained proposals for the assessment of contributions to the 1963 budget and advances to the Working Capital Fund by governments which had acceded to the General Agreement under the provisions of Article XXVI:5(c) during the course of 1963. L/2051 had been included in the report of the Committee on Budget, Finance and Administration and consequently had already been approved with the approval of that report.

The proposals were approved.

(f) Reclassification of Geneva for purposes of post adjustment (L/2140)

The CHAIRMAN observed that document L/2140 contained an explanation of an adjustment, payable to staff in the professional category, which became payable as from 1 January 1964 following upon an increase in the Geneva post adjustment index. He enquired whether the CONTRACTING PARTIES were prepared to approve the proposals in paragraphs 5 and 6 as the means of meeting this increased cost in 1964.

The proposals were approved.

The meeting adjourned at 6 p.m.