GENERAL AGREEMENT ON

TARIFFS AND TRADE

RESTRICTED

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COUNCIL
29 October 1987

MINUTES OF MEETING

Held in the Centre William Rappard
on 29 October 1987

Chairman: Mr. A. Oxley (Australia)

Subject discussed: Request by the Director-General for authorization to make bank overdrafts if expected contributions by contracting parties are not received by 28 October 1987 (C/151, Spec(87)52)

The Chairman referred to GATT/AIR/2497 of 19 October 1987. He said this additional meeting of the Council had been convened to consider a sole agenda item, namely the request by the Director-General for authorization to make bank overdrafts if expected contributions by contracting parties were not received by 28 October 1987.

The representative of the European Communities said that it was not usual for a Council meeting to have a single agenda item unless it sought to emphasize that very point; otherwise, it drew disproportionate attention to the matter. It would have been desirable to have other items to consider in order to remain in GATT's usual framework and not to emphasize its problems to the outside world. However, he understood that this step had been carefully taken after consultation. The Community had wanted another item added to the Agenda but had not insisted on this. That item would have been the Panel report on Japan's customs duties, taxes and labelling practices on imported wines and alcoholic beverages (L/6216) which had already been circulated on 13 October; normal practice for the Council would have been to consider it at the first meeting after that date. He emphasized the urgency in adopting the Panel's report in November because Japan's legislative timetable provided for a deadline of mid-December for matters to be considered for adoption for the fiscal year beginning on 1 April. Short of that, the Community would have to wait until 1989 for any implementation of the Panel's recommendations. He reiterated the "disappointment credit" that the Community was putting on record, and hoped this matter would be given serious attention at the regular Council meeting on 10-11 November.

The representative of Japan said that although the subject mentioned by the Community was not on the Agenda of the present meeting, the Community's statement contained a matter of substance; his delegation thought that was out of order. Japan would explain its position when the subject was duly registered on the Council's agenda.

The Council approved the Agenda.

Mr. Carlisle, Deputy Director-General, referred to document Spec(87)52 and said that the Secretariat had asked for this additional Council meeting because GATT was facing a critical cash situation. In round numbers, GATT's financial obligations through the end of the current week were Sw F 700,000, while its cash on hand was only Sw F 400,000. The basic problem, which was well known, was that a number of contracting parties were in arrears in their contributions, amounting to roughly Sw F 32 million. The Secretariat had had numerous and intensive contacts with some contracting parties as to whether they could pay, shortly, all or part of their outstanding 1987 contributions, and with others regarding early payment of their 1988 contributions. As of the preceding night, none of these efforts had borne fruit. Accordingly, in document C/151 there was a draft decision which would grant the Director-General the necessary authority to make overdrafts.

The representative of the United States said that his Government was aware of the difficulties caused by the delay in its own payments and the arrears of others. This was a regrettable structural problem associated with a legislative process that could not be easily changed. He stressed that the lateness in US payments did not represent any diminution of his country's attitude toward the GATT as an institution. The United States was making every effort to deal with this problem, and by close-of-business the following day, would have deposited in GATT's bank account Sw F 2.4 million. By doing so, the United States would assist GATT's short-term cash problems and would show that it continued to accept its responsibilities for its own arrears and current assessment.

The representative of Colombia noted that document Spec(87)52 indicated Colombia still owed Sw F 33,207, although on 20 October 1987 it had made a payment of US$17,000, or roughly Sw F 25,000. Consequently, his country owed only Sw F 7,000 as of that date.

The representative of the European Communities, speaking on behalf of their member States and of the European Communities, expressed satisfaction with the statements by the United States and Colombia, and said that the Community's member States had been exemplary contributors up to the present day. There was a clear cut difference between arrears and delays, the latter being sometimes only of a technical nature. Delays alone would not be important if there had not also been arrears. There was also a collective responsibility and there should be no question of blaming one or another contracting party. Rather there should be a collective search for a solution to enable GATT to function, to maintain its reputation and, in particular, its credibility, and to keep it from being swept away by the budgetary tornado affecting the international organizations. The Community was ready to agree to the Director-General's request should it be maintained. However, this was only a palliative measure, and he wondered what the situation would be in the years to come given the institution's ambitions. He expressed dismay at the fact that on almost the same day as GATT's 40th anniversary, a meeting had been called to deal with its financial difficulties. Even if the short-term problems were alleviated,

there was a need to pose the problem in an extremely serious manner in order not to frustrate the institution's ability to meet the challenges it faced.

The Chairman said that he took the Community's interest in a long-term constructive solution as, by implication, a pressure to remedy the short-term situation.

The representative of the European Communities, speaking on behalf of their member States and of the European Communities, said in response that both the short and long terms were linked and that in 1988, within the framework of each member State's legislative and administrative procedures, every effort would be made to ensure that timely contributions were made.

The Chairman noted the Community's statement that it was incumbent on all contracting parties to appreciate the full consequences of what was before the Council. While statements at the present meeting indicated that the immediate cash crisis was over, the Secretariat was still Sw F 30 million short of what it should have if contracting parties had been paying their contributions on time. While it had been pointed out that there was a difference between arrears and late payments which, when combined, created a cash crisis, this difference was not significant in the short-term. On the basis of consultations held prior to the meeting and judging from the statements by representatives, he would not propose the draft decision in document C/151. The fact remained, however, that while the immediate problems of shortfalls on liquidity were past, the situation had to be monitored. He therefore proposed that the Council request the Director-General or his Deputy to report at the next Council meeting on GATT's cash situation.

Mr. Carlisle, Deputy Director-General, said that while the payments announced at the present meeting were welcome and the immediate cash crisis was over, the basic problem had not been solved. The Secretariat had on hand Sw F 2.6 million, including the announced contributions; however, through the end of November 1987, the Secretariat had Sw F 4.4 million in obligations. Further on in 1987, these same obligations would increase to Sw F 8.7 million against the same cash availability of Sw F 2.6 million. He emphasized that it was therefore extremely important that all contracting parties which were late payers or in arrears make renewed efforts to pay their contributions in full. Otherwise the Secretariat would have no choice but to seek overdraft authority.

The Council took note of the statements and requested the Director-General to report on GATT's cash situation at the Council's next regular meeting under the agenda item for the Report of the Committee on Budget, Finance and Administration.