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SECOND SESSION OF THE PREPARATORY COMMITTEE OF THE
UNITED NATIONS CONFERENCE ON TRADE AND EMPLOYMENT.

Continuation of Second

Third Meeting of the Executive Committee held on

Tuesday, 22nd April, 1947, at 3 p.m.

in the Palais des Nations, Genève.

M. MAX SUTENS (Chairman) (Belgium)

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CHAIRMAN: (Interpretation): The meeting is now called to order.

We shall start with point number three, the exposé of the Czechoslovakian delegation.

Mr. AUGENTHALER: (Czechoslovakia): Mr. Chairman, Ladies and Gentlemen. The Czechoslovakian tariff is different from the tariff of the great majority of countries participating at the Geneva Conference. First of all we have no troubles with our overseas, nor even over-rivers territories. Then it is not an ad velorum but a specific tariff. The majority of countries like Great Britain, the Dominions and the United States' adhere to an ad velorum tariff, that is the duty to be paid is expressed by a certain percentage of dutiable goods. That means that if the exchange rate of the currencies changes the incidence of the tariff remains the same.

The case of Czechoslovakia is different. The war caused a depreciation of the Czech currencies and since Czechoslovakia has a specific tariff expressed by a fixed amount in Czech crowns for a quintal, hectoliter or a metric measurement of dutiable goods this change below its pre-war value meant a reduction of the tariff incidence by the amount by which the depreciation occurred.

Therefore, I should like to emphasize that, as a difference from the new tariff of the new Belgo-Luxembourg Custom Union or from the new French tariff, the new Czechoslovak tariff means only an adaptation of the tariff rates, whereas the tariff schemes remain unchanged.

This new Czech tariff which will come into force on the 1st July 1947 is in reality the Czechoslovak pre-war tariff taken over from Austria-Hungary after the First World War. Its rates were adapted by a series of laws to the economic conditions of Czechoslovakia in the years 1919-1938.

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Hitler, when he occupied Czechoslovakia in 1939 and created the so-called independent Slovak state abolished the Czechoslovak tariff and applied in his stead the German tariff. In Slovakia a new tariff, whose rates were adapted partly to the economic structure - which was mostly agricultural - of the so-called new state, partly to war contingencies, was created. This new Slovakian tariff was worked out on the old Czechoslovak scheme but Czechoslovak rates on industrial products of those branches of industry which did not exist in Slovakia were considerably lowered, whereas rates on agricultural products were considerably raised. I am mentioning these facts for this reason that some delegations mistakenly made a list of tariff concessions to be requested from Czechoslovakia on the basis of the so-called Slovakian tariff which juridically and in fact is not in force.

After the liberation of Czechoslovakia the old Czechoslovak tariff was re-applied at tariff rates as they were in force on the 29th September 1938.

As a consequence of food shortages and conditions in industry caused by German occupation almost all duties were suspended. These suspensions were prolonged every six months, and, as economic conditions improved, the list of articles which were temporarily duty free was gradually reduced in scope. The last suspension of duties remains in force till the 30th June 1947 and relates mostly to raw materials, half finished products and food stuffs.

Notwithstanding this suspension of duties the need of a more stable adaptation of tariff duties of the Czechoslovak tariff which apart from a few exceptions knows only specific duties, was acutely felt. A lot of changes happened between the

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29th September 1938 that is the basic date taken for the re-application of tariff rates in liberated Czechoslovakia and present times. These changes are:

1. , Plant and equipment of various branches of industry were damaged to a great extent. Much equipment was taken by the Germans to the Reich, much was destroyed during hostilities, and the rest was worn out or was not renewed and became thus obsolete. On the other hand, plant and equipment of countries which were not occupied brought to a high degree of perfection by the application of all the new inventions and technical advance caused by the war.

2. Prices of agricultural and industrial products as compared to their level in 1938 have risen not only in Czechoslovakia but in the whole world and consequently the tariff incidence of specific duties fell.

3. The exchange rate of Czechoslovak crown as compared to its pre-war height, fell. Expressed in relation to the U.S. dollar, it is fifty crowns to one dollar now, whereas before the war it was thirty crowns to one dollar.

This fact alone would be an argument for a rise in duties by two thirds, expressed in Czechoslovak crowns according to its exchange rate measured in gold.

But Czechoslovakia is no partisan of high tariff barriers and adheres to the proverb "Do not do unto others that others may not do unto yourself". After careful consideration and a democratic balancing of the interests of home production and home consumption, he issued a newly modified tariff, which states the above mentioned circumstances, entitling her to a valorization of specific duties into account in a very sober manner.

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The working out of the new Czechoslovak tariff was done entirely in the spirit of the recommendations of the first session of the Preparatory Committee. We can compare the value of Czechoslovak imports in the last normal year before the war, that is, the year 1937, because in 1938 a considerable part of Czechoslovakia was already occupied by the enemy. We can also compare the incidence of pre-war duties to the incidence of present duties. We arrive then at the following results:

(a) items representing about 2 per cent of our pre-war imports are absolutely lower than they were in 1938;

(b) 51 per cent of total imports are duty free; this percentage is the same as before the war;

(c) 13 per cent of total imports have the same duties as in 1938;

(d) $2\frac{1}{2}$ per cent of total imports show a moderate valorisation which, however, is less than would correspond to the changed parity of the Czechoslovak crown to the U.S. dollar;

(e) 28 per cent of total imports show a valorisation corresponding to the devaluation of the crown, that is, by a coefficient of 1.7;

(f) only about $3\frac{1}{2}$ per cent of total imports show a valorization higher than would correspond to the relation of 30 to 50.

If we consider the new adaptation of Czechoslovak duties, we have to take into account the following facts: the height of the tariff cannot be judged only by purely monetary standards but one has to take into account another important element, which is the real purchasing power of the Czechoslovak crown and its influence on the tariff incidence. If we compare this tariff incidence according to average prices of imported goods from 1933 to 1937 with the tariff incidence according to average prices in 1946, we come to the conclusion that the tariff incidence for the sixteen countries represented at this table is, according to our new tariff, only 45 per cent of the pre-war incidence. Thus the new modification means an actual lowering of tariffs by about 55 per cent. That the present adaptation of Czechoslovak duties means a real lowering by more than one half follows also from a comparison of wholesale price indexes before the war and now. If we take the year 1937 as a 100, then the index of wholesale prices in January 1947 amounts to 310.4, so that at a nominal rise in tariff rates which, on an average, does not even reach the coefficient of 1.5, the index of wholesale prices rose by more than three times its pre-war level.

We are willing to prove this lowering, representing an average of all imports of more important goods from sixteen countries, by figures which we would be only too glad to put at the disposal of this Conference.

I should like to point out, however, that on 611 items out of a total of 1751 items, Czechoslovakia is applying lower conventional tariff rates according to tariff conventions which Czechoslovakia concluded before the war and which are still valid. The majority of countries with whom we had these tariff conventions are represented at this Conference and Czechoslovakia hopes that she will, on the basis of mutual tariff concessions for Czechoslovak

exports, be able to agree about a reasonable arrangement of new tariff conventions with these States as well as with any other State represented at the Conference.

Czechoslovakia therefore confidently expects that other countries also will reach a full understanding of the spirit of the Charter and will harmonise their reduction of duties with the provisions of the Charter by granting it to the same extent as Czechoslovakia did already before the opening of tariff negotiations.

It is for these reasons that Czechoslovakia enters these negotiations imbued with a spirit of goodwill and expects the same attitude from other countries.

CHAIRMAN: Does anybody wish to speak on the Czechoslovakian tariff?

M. SPEEKENBRINK (Netherlands): May I ask one question here? If I rightly understood, the new Czechoslovak tariff will be on the basis of specific duties, and all the factors have been taken into consideration--the rate of exchange of the crown and the present prices of the commodities entering into Czechoslovakia, so that many of these conclusions might have to be changed--but me see, the prices of the commodities will change again. Is my understanding correct?

M. AUGENTHALER (Czechoslovakia): This is the sense I would like to convey, gentlemen: We have based our new tariffs on the old tariff, to a specific tariff, when the crown was considered as gold crown. Therefore, we were faced with the necessity to apply the co-efficient 1.7 and multiply all the duties--all the taxes--by 1.7 or else to consider each case individually. We have preferred to take the second course, and thereby we have already taken into consideration the possibility of a further lowering of the prices.

CHAIRMAN: Are there any other questions?

(No questions)

Then we can pass on to the following item on the Agenda, which is Report by the Working Party on the methods to be adopted for the conduct of negotiations. The paper was distributed yesterday to the Chairmen's Council under the number E/PC/T.47. A certain number of suggestions have been made for amendment of these Reports, and they have now been incorporated in the new paper which you have before you, E/PC/T.47/Revision 1. It has been decided at our meeting yesterday that the Working Party, which had been so ably presided over by Ambassador Wilgress, will go on meeting regularly and supervising the general conduct of the negotiations, up to the time when we thought it fit to bring into being a more integrated body to do that. Ambassador Wilgress, when presenting the Report yesterday, made a certain number of comments, but as yesterday's Meeting is exactly the same as today's meeting, I do not believe

any useful purpose would be served if we asked Ambassador Wilgress to give those comments again. If, however, one of the Delegations here present, after having taken cognizance of today's paper, should feel like making some observations on the matter, I will gladly yield the floor to him.

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MR. WILGROSS (CANADA): Mr. Chairman, Mr. Nash has correctly interpreted the intention of the Working Group, and I agree with him that it might be an improvement if the word "only" was omitted, because it does seem to weaken the mandatory force of this sentence somewhat. We had intended that this second sentence should imply an obligation on the part of the delegations to supply copies of the list of offers to all those delegations with which they have already commenced negotiations. The word "only" was intended to indicate that they had no obligation to supply it to delegations with which they were not in negotiation, but as Mr. Nash pointed out, it makes the meaning somewhat obscure and does weaken the mandatory character of the sentence. Therefore it would be quite agreeable personally, and I am sure to the other members of the Working Group, if that were omitted.

CHAIRMAN (Interpretation): I suppose everybody agrees on this amendment which, I think, is particularly helpful.

Agreed.

Are there any other observations?

This Committee considers that the Report is adopted and that the procedure of negotiations will be carried out accordingly?

We have got through our Agenda. Does anybody on the floor wish to discuss any other point?

The meeting stands adjourned.

(The meeting adjourned at 3.55 p.m.)