

GENERAL AGREEMENT ON TARIFFS AND TRADE

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13 December 1950
ORIGINAL : ENGLISH

CONTRACTING PARTIES
Fifth Session

SUMMARY RECORD OF THE TWENTIETH MEETING

Held at the Marine Spa, Torquay, on
Monday, 11 December 1950 at 5 p.m.

Chairman: Mr. TONKIN (Australia) followed by
Mr. SVEINBJØRNSSON (Denmark)

- Subjects discussed:
1. Composition of Working Party "L" on the Continuing Administration of the Agreement
 2. Item 18 - Effect of U.K. Purchase Tax on certain Imports into the United Kingdom with reference to Article III (GATT/CP.5/12)
 3. Item 31 - Subsidies (GATT/CP.5/36)

The CHAIRMAN (Mr. TONKIN) explained that he was in the Chair to receive a statement regarding the composition of the Working Party "L" on the Continuing Administration of the Agreement.

Mr. SVEINBJØRNSSON (Denmark) raised a point of order. When the Contracting Parties had established the membership of Working Party "L" Denmark had been proposed by the Chairman and elected a member of the Working Party. After the meeting the Norwegian representative had expressed the interest of his Delegation in being a member of this Working Party. There had not been time during the meeting for the usual consultation on matters of this kind between members of the Scandinavian delegations. In order to meet the wish expressed by the Norwegian representative, he asked the Contracting Parties to permit the withdrawal of Denmark from the Working Party and to substitute Norway. He added that his Delegation continued to have great interest in the discussions in the Working Party and would be content to follow these discussions as an observer. He also wished to emphasize that this should not be a precedent for the future. Finally, he said that there was full agreement between the Norwegian, Swedish and Danish Delegations on this matter.

It was agreed that the composition of Working Party "L" should be altered by the inclusion of Norway instead of Denmark.

The CHAIRMAN then called attention to Rule 11 of the Rules of Procedure and in accordance with this Rule, Mr. SVEINBJØRNSSON (Denmark) was unanimously elected Chairman for this meeting on the proposal of Mr. ISBISTER (Canada) supported by Mr. LEHTINEN (Finland).

2. Item 18 - Effect of the United Kingdom Purchase Tax on certain imports into the United Kingdom, with reference to article III (GATT/CP.5/12)

Dr. van BLANKENSTEIN (Netherlands) explained that his Delegation had placed this matter on the agenda for the Contracting Parties with great reluctance as they considered it a matter which could be better settled between the two countries concerned. They had, however, been trying for several years to obtain a solution to this question and it was only the unsuccessfulness of these efforts that had induced them to place the matter before the Contracting Parties. The Netherlands Delegation was convinced that the utility system had not been introduced with any protectionist purpose in mind. The net result,

however, had been a very high protection for certain industries. Furthermore, the scope of tax exemption for utility goods had been widened and extended even to the export market. The need for finding a solution was therefore becoming more urgent. His delegation in their statement had alluded to the procedure under article XXIII. They did not, however, propose that a working party be instituted now for this purpose. His delegation still hoped that it would be possible to settle the matter without further reference to the Contracting Parties. He would like to hear the statement by the United Kingdom representative before making further suggestions.

Sir Stephen HOLMES (United Kingdom) made the following statement:

"The Netherlands representative has spoken to the paper submitted by his country's delegation which is before us this afternoon. I would say - at the outset of my own remarks - that I do not propose, and have no wish, to take any exception to the case in regard to the United Kingdom purchase tax as developed either in the papers or by Dr. van Blankenstein himself. Both statements of the position seem to me fair and moderate and I would not quarrel with the presentation of the facts of the position.

"Nor would I suggest that there is anything unreasonable in the decision of the Netherlands Delegation to take the matter before the Contracting Parties on this occasion. It is quite true that some time has elapsed since the Government of the Netherlands brought the matter to the notice of the United Kingdom authorities and asked that, in some way or other, means might be devised whereby goods imported from the Netherlands - and this would no doubt apply to other sources also - could be given the same treatment in regard to exemption from purchase tax as is given to comparable home produced goods. It is true that a formal approach was made by the Netherlands Minister of Foreign Affairs to the Government of the United Kingdom in March of this year.

"In the circumstances I doubt whether I need go into the history of the utility system in this country or into the relations between the utility system and the purchase tax insofar as they bear upon the matter now before us. The system dates back to the early years of the war and it has never been suggested - Dr. van Blankenstein was careful himself not to suggest - that the object of the system was protective. But that it has in fact come to have a protective effect in practice is a matter which I would not deny and this, of course, is the point at issue. Our realisation of the discrimination in respect of imported goods which the existing practice involves has been demonstrated by our extension to certain classes of imported goods comparable with our own utility goods of the purchase tax exemptions enjoyed by the latter. I entirely realise that this by no means fully deals with the problem, but I mention it to show that we have been ready to consider sympathetically, and to take action upon the representations made to us by the other Governments.

"I can assure the Contracting Parties that the greatest attention has been paid to the problem of devising means to adjust the system to all those other categories of imports which are adversely affected and, as the Netherlands authorities would claim, affected unfairly by our purchase tax arrangements. For some considerable time the various United Kingdom Departments concerned have been engaged in a comprehensive and detailed study of the technical difficulties involved, in a genuine anxiety to reach a solution acceptable to the Netherlands and indeed to other countries which habitually export to the United Kingdom those goods which, if produced here, would, in certain circumstances, qualify as of the utility class and therefore be exempted from the tax in question. I would go further and say that we are grateful to the Netherlands representative for not having pressed for the consideration of this item by the Contracting Parties to take place immediately the session started. This was in order to give us a little longer to study the matter in all its aspects.

"I regret that this study has not yet been completed, but I can say that it has advanced to a point at which it has been possible for His Majesty's Government in the United Kingdom to authorise me to say that they are working on a solution to the problem, and are very hopeful that it will be possible for the discrimination, with no very great further delay, to be removed. I am glad to be able to hold out this prospect of action to satisfy the complaint which has been made by the Netherlands Government. On the other hand, I regret that, despite the late date in the present session at which - through the courtesy of the Netherlands Delegation - this matter has been taken up, I am not able to afford full satisfaction by saying that it will be possible for the discrimination to be removed immediately. I believe that those who have had occasion to study the problem from its various administrative and legal aspects will readily accept the fact that it is, as I have suggested, one of considerable complexity and difficulty. I trust that the Contracting Parties will accept the assurance which I have been authorised to give. I would also like to say that, should it be the wish of the Contracting Parties, or the Netherlands Delegation in particular as the initiators of this discussion, to retain the item on the agenda so that it can be discussed further if necessary at our next session, I should feel that that would be an entirely reasonable course, and one which would not, I think, add greatly to our labours on that occasion. "

Mr. ISEISTER (Canada) wished to associate the Canadian Delegation with what had been said by the Netherlands representative about the discriminatory nature of the Utility Scheme in the United Kingdom, under which numerous consumer goods had been exempted from purchase tax. With minor exceptions, the utility schemes had applied only to goods produced in the United Kingdom. Canadian manufacturers had been concerned for some time about the burden of discrimination thus created against their goods and the Canadian Government had on several occasions made official representations to the Government of the United Kingdom in connection with the difficulties encountered by the rubber footwear industry, in particular.

For these reasons, he welcomed the significant and valuable statement which had been made on behalf of the United Kingdom. His delegation would accept the assurances implicit in this statement that some means would be found to rectify the situation. Since the Canadian Government first took the matter up in London, much time had elapsed while alternative methods of solution were considered in the United Kingdom. His government was conversant with the complexity of the problems. At the same time, he expressed disappointment that the United Kingdom had not yet found it possible to advise the future plans for the utility schemes. The Canadian delegation accepted, however, the procedure proposed and agreed that the item should remain on the agenda for the next session of the Contracting Parties. At the same time, his delegation felt confident, in the light of the statement made on behalf of the United Kingdom, that there would be no need to discuss this case at the next session, and he was instructed to express the hope that a solution would be acted upon in the very near future.

Finally, he proposed that the statement of the United Kingdom Delegation be reproduced in full and that a suitable press release be issued on this discussion.

Mr. LECUYER (France) thanked the United Kingdom representative for his statement. Certain French industries also had been affected by the utility scheme and his Government had entered into consultations with the United Kingdom Government on this matter. He would agree to take note of the United Kingdom statement at this session and to keep the item on the agenda of the next session for further discussion if necessary.

Mr. DI NOLA (Italy) explained that the application of the purchase tax had long been considered by his Government to be of the highest importance and consequently he had heard the statement of the United Kingdom representative with great satisfaction. He hoped that the situation would shortly be improved, thanks to the measures which the United Kingdom proposed to take. He enumerated the principal difficulties of the present regulations and cases of discrimination which could result, and wondered whether, even against the intention of the United Kingdom Government, these regulations did not in fact become a system of administrative protection. He was therefore glad to take note of the reassuring statement which had been made.

In this connection, Mr. DI NOLA wished to draw the attention of the Contracting Parties to the complexity of the problem of protectionism. The Contracting Parties were making great efforts to reduce and stabilise tariff protection and barriers to trade. There was a danger, however, that these efforts would achieve only a part of their purpose if other barriers to trade which, under various names, and when added to the customs duties, were capable of turning a seemingly moderate protective system into a highly protectionist one were not also investigated. He did not refer to any country in particular but thought this was a general problem worthy of examination. This study

would bring out some of the causes of the present disparities in the tariff level of different countries.

Dr. van BLANKENSTEIN (Netherlands) thanked the United Kingdom representative for his statement. His Government of course shared the regret that no final conclusion could be reached at this session. The confidence of the Netherlands Government that the problem could be solved without taking up too much of the time of the Contracting Parties had been justified and he agreed to keep this matter on the agenda for the next session to be taken up if it were then necessary. He supported the proposal of the Canadian representative that the United Kingdom statement be reproduced in full. Concerning the matter of publicity, it was clear that the task of his Government and others would be eased if full publicity were given to the British representative's statement. This might, however, cause difficulties for the British Government and he therefore felt that the British delegation should agree on the degree of publicity to be given to that statement.

Dr. BYSTRICKY (Czechoslovakia) said that the Czechoslovak Government had had the same experience as the Netherlands and others in that the purchase tax was collected in a discriminatory manner on a great many imported goods where many identical United Kingdom goods were exempted. This was, of course, at variance with article III. His Government had also made representations to the United Kingdom Government on this matter and had been told that it was under study. He understood that the utility scheme had been introduced as a war measure and hoped that some arrangement would be now arrived at soon enough to obviate the need to place the matter on the agenda of the next session.

The CHAIRMAN said that discussion indicated the importance all countries attached to the problem. The representatives taking part in the discussion had expressed their confidence that a result satisfactory to all would be reached in a short time. There remained the question of publicity and the records of this meeting.

Sir Stephen HOLMES (United Kingdom) agreed with the Canadian proposal that his statement be reproduced in full. It was for the Contracting Parties to decide on the question of press release and his delegation would try to agree with the Information Section on a suitable text. He thanked Dr. van Blankenstein particularly for the friendly way in which the British statement had been received. He also thanked other delegations for their friendly replies. He assumed that no reply was required from him on the more general remarks of the Italian representative. All delegations were of course concerned that concessions should not be frustrated by unnecessary administrative regulations. He hoped that it was not suggested that his Government was a particular offender in this matter. He looked forward to the time when all unnecessary administrative regulations could be abolished and insofar as his Government was concerned, the matter would naturally be given all consideration.

The CHAIRMAN thanked the Netherlands delegation for raising this important question and the United Kingdom representative for his reply. The matter would be retained on the agenda for the Sixth Session and it was hoped that a satisfactory solution could be arrived at in the meantime.

3. Subsidies (GATT/CP.5/36)

The EXECUTIVE SECRETARY wished to clarify two points. The last paragraph referred to the production of a single document containing all the replies. This would not, of course, be published but would be circulated as a restricted document to the contracting parties. The

intention was to issue the documents in a more accessible and useful form for study. As to paragraph (b) and the proposal that failure to reply would be considered as a negative reply, the object was merely to establish a complete record. It seemed undesirable that the position of certain contracting parties should be left in doubt because of failure to reply. If it was agreed that a compilation as suggested in the last paragraph should be undertaken, notice would be given to the countries which had not replied by the date on which the compilation would be issued. If there were still no reply forthcoming, they would be recorded as having notified that they did not maintain the measures in question.

U S.W. OHN TIN (Burma) said that he thought it was correct to construe the failure to reply as a negative reply, but he had not as yet received instructions from his Government.

Mr. GUNUCIO (Chile) said that his country maintained no subsidies and had considered that it was not therefore necessary to make any reply.

The CHAIRMAN put sub-paragraph (a) to the meeting.

Mr. EVANS (United States) hoped it would be made clear that in taking note the Contracting Parties had not in fact examined the notifications and that they would have the right to examine them any time in the future.

The CHAIRMAN said that it would be made clear in the record that any problems arising out of the notification of subsidies could be raised at any time.

Mr. CASSIERS (Belgium) agreed with the Chairman's interpretation. He wished to enquire what contracting parties should do to correct any errors or deal with any facts which they considered to be mis-stated in statements of other contracting parties. He thought it would be useful to have replies compiled as proposed by the Executive Secretary.

Mr. DI NOLA (Italy) considered that the documentation submitted up to now was incomplete and unequal and that the compilation would be more useful if, before the information was collected in one document, those countries which had sent merely summary statements, as well as those which had not replied at all, were asked to complete the information submitted. All the material thus compiled could be submitted to a working party at a later session for investigation in order to clarify the situation with regard to subsidies.

Subsidies were a very important aspect of the general trade policy of governments and it would be interesting for the Contracting Parties to investigate this matter.

The CHAIRMAN said that any compilation made now would only be a working document. Any countries which wished to complete their statements would have the right to do so. A time limit would be established for supplementary statements to be submitted and the Secretariat would then produce the compilation. At the Sixth Session the Contracting Parties could decide what further action, if any, be taken on this matter.

Mr. SCHMITT (New Zealand) thought that Article XVI imposed a clear enough obligation on the contracting parties to supply certain information to the Contracting Parties as a whole. He believed that the action taken at the Fourth Session calling for notifications was sufficient to draw the attention of contracting parties to their obligation to supply this material and to the fact that this obligation was a continuing one.

Any changes in the information submitted should, of course, also be notified. Furthermore, it was his opinion that the best and more complete replies would be used as a guide by countries in submitting their information in the future. With regard to the suggestion of the Italian representative that further information be sought with a view to an investigation, he felt that it would be premature to decide now that such an investigation would be undertaken at the Sixth Session, for which a heavy programme was already contemplated. Any individual contracting party which felt that serious prejudice was caused or threatened would certainly consider bringing the matter before the Contracting Parties as a whole. He therefore supported the proposal of the Executive Secretary.

Mr. EVANS (United States) was in general agreement with the remarks of the New Zealand representative. It was probably premature to decide now whether subsidy reports should be considered at the next session. He proposed that the Executive Secretary be authorized to notify to contracting parties the date on which a collection would be begun with the request that any countries which had not as yet submitted information should do so and any which had submitted summary replies should supplement them. This would make the compilation more valuable without the need of any formal decision. With regard to sub-paragraph (b), he proposed a change in the wording to make it clear that the absence of reply should be considered as a notification that no subsidies were maintained.

Dr. BOTHA (Union of South Africa) considered that the countries who had not replied should be asked specifically if this meant that they did not maintain subsidy measures.

It was agreed to follow the procedure proposed by the United States representative with a specific request to countries which had not replied as proposed by the South African representative.

The CHAIRMAN added that governments could then give consideration to the various replies and if a country considered any reply inaccurate it could approach the country in question and transmit its comments to that country.

Sir Stephen HOLMES (United Kingdom) agreed with the procedure proposed but enquired as to the situation of acceding governments.

The EXECUTIVE SECRETARY suggested that the compilation might be issued on 1 May with a deadline of April 15 for the submission of supplementary statements. With regard to the question of the United Kingdom representative, there was a precedent established at Annecy; acceding governments had been invited to supply information which, at the time they became contracting parties, they would be required to supply. It might be appropriate to do the same in this case.

This was agreed and the meeting adjourned at 7 p.m.