

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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Ninth Session

Review Working Party III on Barriers to Trade
other than Quantitative Restrictions or Tariffs

ADDITIONAL REPORT OF SUB-GROUP III-B

ON STATE TRADING

1. In its report of 5 February 1955 (W.9/177) the Sub-Group recommended that it be instructed to submit detailed recommendations on the principles which would apply in respect of negotiations concerning the protection which is afforded through the operation of a state monopoly. This recommendation was approved by the Working Party at its meeting of 7 February 1955. The Sub-Group had to wait till Review Working Party II had reached definitive conclusions in respect of the principles for tariff negotiations. At its meeting on 18 February 1955 that Working Party approved the text of a new Article (00) on tariff negotiations, which is attached as Annex A to document W.9/203 of 17 February 1955.
2. The Sub-Group examined a proposal submitted by the Danish delegation and which envisaged the incorporation of two new paragraphs in Article XVII, as amended, spelling out the principles and procedures to be followed in negotiations concerning protection afforded by State monopolies.
3. The Sub-Group decided, after some discussion, to recommend to the Working Party the insertion of a new paragraph 3 into Article XVII, which would read as follows:

"The contracting parties recognize that enterprises of the kind described in paragraph 1(a) might be operated so as to create serious obstacles to trade; thus negotiations on a reciprocal and mutually advantageous basis designed to limit or reduce such obstacles are of importance to the expansion of international trade."

The addition of this paragraph would require that the number of the new paragraph 3 appearing on page 8 of the Sub-Group's earlier report (W.9/177) be changed to 4, and that the interpretative note appearing on the same page refer to paragraph 4(b) of Article XVII.

4. The Sub-Group also decided to recommend to the Working Party the insertion of an interpretative note to the new paragraph 3, which would read as follows:

"Negotiations which contracting parties agree to conduct under this paragraph may be directed towards the reduction of duties and other charges on imports and exports or towards the conclusion of any other mutually satisfactory arrangement consistent with the provisions of this Agreement. (See paragraph 4 of Article II and the interpretative note to that paragraph.)"

5. The above recommendations are supported by a majority in the Sub-Group. The delegate for the United States of America, while in agreement with the purpose of these additions to the Agreement, was opposed to the method recommended and suggested that the same effect could be accomplished by a relatively small amendment or an interpretative note to the new tariff-negotiations article. The delegate of Italy reserved his position in respect of the interpretative note, because of lack of instructions.