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THIRD COMMITTEE: COMMERCIAL POLICY

SUB-COMMITTEE A (ARTICLES 16, 17, 18, 19)

NOTES OF THE EIGHTEENTH MEETING

Held on Saturday, 10 January 1948, 10.30 a.m.

Chairman: Dr. G. A. LAMSVELT (Netherlands)

ARTICLE 18 - NATIONAL TREATMENT ON INTERNAL TAXATION AND REGULATION

(Reference: E/CONF.2/C.3/6)

"National Treatment" rule; exceptions thereto (paragraph 1, first sentence and paragraph 5, second part)

Item 49 (Colombia)

1. The delegate of Colombia asked the Sub-Committee to consider the following problem. Spirits imported into Colombia were subject both to customs duties and to internal taxes imposed by local authorities who also had a monopoly of the domestic production for revenue purposes. Abolition of these taxes might leave the local authorities without adequate sources of revenue. He was concerned that the Colombian Government, unable for constitutional reasons to require the elimination of such internal taxes, might be subject to challenge by other Members under Article 18. The main purpose of his delegation's proposals (Items 49 and 54) was to provide a transitional period during which alternative sources of revenue could be found or appropriate taxation legislation passed.

The delegates of the United States and France suggested that (a) the Colombian proposals were much broader than required to meet the particular problem explained by the delegate of Colombia and (b) since it was primarily local, not national, taxes which were causing concern, it might be possible to find a solution under Article 99 rather than under Article 18.

It was agreed (a) to refer Item 49 to a Working Group; (b) that the delegate for Colombia would prepare an explanatory statement for the benefit of the Working Party, and (c) to defer further discussion of Item 54 until the delegates of Ireland and Uruguay, whose delegations had submitted similar proposals, could participate in the discussion. ✓

/2. Item 50

2. Item 50 (Syria and Lebanon)

This proposal would preclude the levying of new internal taxes on products bound in the General Agreement in excess of those applied directly or indirectly to like products of national origin, and would make unbound items subject to the same procedure as customs tariffs. The delegate of Syria explained that it was also their intention to delete the second and third sentences of the first paragraph, primarily because of the difficulties involved in defining "directly competitive or substitutable products". His delegation's proposal was designed primarily to permit the retention of existing internal taxes applied by municipal authorities in addition to customs duties on unbound items.

The delegate of France suggested that since the taxes cited by the Syrian delegate would have the effect of increasing the customs duties, they would not be precluded by the provisions of Article 18. It might be useful, however, to refer to the General Agreement which in paragraph 1 (b) of Article II makes a distinction between ordinary customs duties set forth in the Agreement and other duties or charges on importation existing as of the date of the Agreement.

The delegate of the United States supported the statement made by the French delegate on the assumption that the taxes referred to by the Syrian delegate were in effect separate customs duties levied by the municipal authorities.

The delegate of Syria was of the opinion that the taxes in question were not customs duties but were in fact separate internal taxes. He agreed, however, that a reference to the General Agreement would help solve part of the problem, but not that contemplated by the proposal to delete the second and third sentences of paragraph 1.

The Brazilian delegate referred to his previous statement in support of the general principles of the Venezuelan proposal to amend Article 17 (Item 42) which he had preferred to discuss in connection with Article 18 (See Notes of Twelfth meeting, 31 December 1947, E/CONF.2/C.3/A/W.22). He suggested that the Working Party define internal taxes, since this might help resolve the Brazilian point, and reserved his position pending the Working Party's report on the Colombian (Item 49) and related amendments.

The delegate of France recalled that the cases with the Venezuelan delegate had been concerned to cover by his amendment was a limited one involving a release to convert to a customs duty an internal tax on an item bound under an agreement other than the General Agreement on Tariffs and Trade. He proposed that the Sub-Committee ascertain how many such cases there were, what specific products were included, and by what treaties they

/they were bound,

they were bound, so that the magnitude of the problem would be known.

The Cuban and United States delegates supported the French proposal, as amendment by the Australian and United Kingdom delegates and the Chairman, i.e., to consult those countries expressing concern with the problem raised by Venezuela, other than parties to the General Agreement, and to refer this problem to the Working Party for study along with all associated issues and all relevant amendments to Article 18.

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