

THIRD COMMITTEE: COMMERCIAL POLICY

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

NOTES OF THE TWENTIETH MEETING

Held on Tuesday, 13 January 1948, 6.00 p.m.

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

ARTICLE 18 - NATIONAL TREATMENT ON INTERNAL TAXATION AND REGULATION

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

Item 65 - (Argentina)

The Chairman requested that discussion of the Argentinian amendment be limited to its effect on paragraph 1 of Article 18.

The Argentinian delegate indicated that he would be prepared to withdraw his amendment if the Colombian amendments (Items 49 and 54) (which were analogous in intent to his proposal) were accepted or a suitable solution found for the particular problem to which he had previously referred (see Notes of Nineteenth Meeting, 12 January 1948, E/CONF.2/C.3/A/W.31); otherwise he would reserve his right to maintain the amendment.

It was agreed to refer Item 65 insofar as it related to paragraph 1 of Article 18 to the Working Party for consideration along with Items 49 and 54.

Item 56 - (Peru) (E/CONF.2/C.3/6/Add.2)

The Peruvian delegate pointed out

(a) that Committee III had agreed that exemptions from import duties on equipment or materials would not be contrary to the provisions of Article 18 which related purely to internal taxes (E/CONF.2/C.3/SR.11/Corr.1), and

(b) that Sub-Committee H of Committee III (Article 25) had implied that exemptions from income taxes would constitute a form of subsidy permissible under Article 25 and therefore not precluded by Article 18.

If this interpretation were accepted, his delegation would withdraw its amendment.

It was agreed by the Sub-Committee that neither exemptions from import duties nor from income taxes came within the terms of Article 18 since this

/Article refers

Article refers specifically to internal taxes on products.

The delegate of Mexico proposed an exception to Article 18 to permit exemptions from internal taxes for development purposes.

It was agreed to defer discussion of the Mexican proposal until the text was available.

Item 75 - (Cuba)

There was no substantial support for the Cuban proposal, on the grounds that exemption of domestic products from internal taxes as a means of indirect subsidization would open a way for an increase in the margin of protection even on bound items, thereby nullifying existing concessions, and could invalidate the "National Treatment" rule established in paragraph 1 of Article 18.

Item 53 - (Sweden)

The Swedish delegate explained that the main purpose of his delegation's proposal was to ensure equal treatment with respect to like domestic and imported products, irrespective of whether the domestic product was composed primarily of domestic or imported raw materials. He indicated that he would be prepared to withdraw his amendment if it were made clear in the Sub-Committee's report that the term "of national origin" in the first sentence of paragraph 1 was interpreted in this manner.

The delegate of France, supported by the delegate of China, agreed that the words "of national origin" could be deleted because the point was covered by the term "domestic production".

The delegate of the United States was of the opinion that if a product involved only a limited amount of processing, the source of the raw materials should be taken into consideration.

The delegate of New Zealand pointed out that the text in interpreting this clause should be whether or not any protection was afforded. He suggested that the difficulty might be solved by amending the first sentence to read "..... to like products of national domestic origin" and deleting the term "of national origin" in the second sentence.

The delegate of Norway agreed that the basic concept of Article 18 was to eliminate protection by the use of differential internal taxation but pointed out that the first sentence of the paragraph contained no reference to protection. He suggested that the whole paragraph might be redrafted with this point in mind.

It was agreed that Item 53 involved primarily a drafting point, not a question of substance, and should be referred to the Working Party.

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