

GENERAL AGREEMENT ON TARIFFS AND TRADE

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CONTRACTING PARTIES
Sixth Session

SUMMARY RECORD OF THE SEVENTH MEETING

Held at the Palais des Nations, Geneva
on Thursday, 20 September, at 3.00 p.m.

Chairman: Mr. Johan MELANDER (Norway)

- Subjects discussed:
1. United Kingdom Purchase Tax.
 2. General Reduction of Customs Tariffs (continued).

1. United Kingdom Purchase Tax (GATT/CP.5/SR. 20)

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Sir Hartley SHARCROSS (United Kingdom), introducing the discussion, expressed his regret that the expectation of the United Kingdom delegation at the Fifth Session that a satisfactory solution to the complaints of contracting parties concerning the purchase tax system in the United Kingdom, would be found before the Sixth Session, had not been fulfilled. Developments had occurred in his country which had delayed a solution, so that he had felt obliged to come to the Sixth Session of the Contracting Parties in person in order to explain the situation on behalf of his Government. During the Fifth Session the representative of the United Kingdom had made a considered statement which implied that the United Kingdom Government was working on a solution to the general problem of giving equal rights of exemption from purchase tax to domestic and foreign utility goods of the same type. A committee of experts from the Treasury, the Board of Trade and Customs and Excise had been appointed to advise the Government in these matters. At about the middle of the Torquay session this committee had handed in a report which made it abundantly clear that, even if it had been technically feasible to make special ad hoc administrative arrangements to exempt certain imported utility type goods from purchase tax, such methods could not be applied in general to all classes of goods in the utility production system. If such a measure were to be effected new legislation of considerable scope and complexity, as well as new administrative arrangements, would be necessary. In spite of this, the United Kingdom Government still considered, at the time of the Fifth Session, that a general solution to meet the entirely reasonable requests of importing countries could be found before long.

More recently, however, certain aspects of the problem, which previously had not been considered in their full implications, became apparent. In April of this year the Federation of British Industries submitted a report which threw a fuller light on the importance of the

current purchase tax and utility system as a regularising mechanism playing an important part in relation to price and wage levels, any adjustment of which could only be undertaken with due regard to the way in which its constituent parts were geared into the mechanism as a whole. The report concluded that certain definite adverse effects of a permanent character, bearing on costs of production, on exports, and on design and craftsmanship, had become apparent and would necessitate before long a general review of the whole purchase tax and utility system. In this connection the report mentioned not only the disadvantages of the system to the internal economy, but also the problem of discrimination against imports. The United Kingdom Government had then concluded that it would be impracticable to deal with the import problem in isolation and that a satisfactory long-term solution could only be found through a review of the problem in its entirety, i.e. including discrimination against imports and the requests for improvement of the system by the United Kingdom industry. His Government had, therefore, appointed an independent expert committee to re-examine the entire question. Although this committee was already well on the way with its work, time would be needed before final conclusions could be reached and put into effect. In these circumstances Sir Hartley begged the Contracting Parties to show understanding of the difficulties involved and sympathy with his Government in its endeavour to carry through important and desirable new economic measures. The United Kingdom Government sincerely intended to deal with the problems involved in a way which other countries would find fully satisfactory and to abolish as early as possible next year the discrimination against imports arising from the present system. X

Mr. ISBISTER (Canada) expressed his gratitude for the statement made by the United Kingdom delegate. He had been informed that a new Statutory Order had come into operation in the United Kingdom on 17 September, as a result of which exemptions from purchase tax were extended to several more utility goods, among them cotton dresses. The Canadian and United Kingdom Governments had frequently discussed the utility tax system and its disadvantageous effects on trade between their two countries. He therefore greatly welcomed the statement just made.

Dr. van BLANKENSTEIN (Netherlands) expressed his appreciation of the sincere intention of the United Kingdom Government to find a satisfactory solution, as evidenced by Sir Hartley's presence at this session. He wished to point out, however, that although the Dutch export products affected constituted only a small part of his country's trade with the United Kingdom, serious embarrassment was being caused to his Government, since promises made to exporting firms had not been fulfilled; this embarrassment had grown as a result of the extension of the tax system for utility goods in the United Kingdom during 1950, and although he had complete confidence in the intentions of the United Kingdom Government, he would enquire if an undertaking could be made that there would not be further extensions of the system.

M. LECUYER (France) said that the question under discussion had been of great concern to his Government. Although protection of industry in the United Kingdom had not been intended, protection had actually resulted, to the considerable detriment of French exports, especially textiles. He

felt considerable disappointment since Contracting Parties had been led at the Fifth Session to expect that the British Government would take appropriate action at an early date. He shared the hope of previous speakers that, if a solution were again postponed, there would at least be no further aggravation of the system. Moreover, he doubted whether the question would be finally resolved in 1952 if it was true that new legislation would have to be enacted. He therefore felt obliged to enquire seriously from the United Kingdom delegate if there were any possibility of introducing X provisional legislation having the same effect. Corr 1
Corr 1

Sir Hartley SHAWCROSS (United Kingdom) replied that he could only repeat his Government's undertaking to try their best to resolve the situation during the early months of 1952. He expressed his sincere gratitude for the understanding shown by the Contracting Parties of the dilemma in which his Government found itself, and he could only repeat his Government's sincere intentions to resolve the matter. The Contracting Parties should, however, realise that modifications of detail could not at all times be prevented so long as the present system was in force, and that even if it were true that some extension was being made in one direction, it was also certain that equivalent changes had been made in other directions, so that the resulting degree of discrimination at the present time was no greater than before. He could, however, state that no new discriminatory measure affecting a whole category of goods would be introduced.

The CHAIRMAN concluded that the Contracting Parties would take note of the statements made by the delegate from the United Kingdom and would, no doubt, wish to place the same item on the Agenda of the next session.

This was agreed.

2. General Reduction of Customs Tariffs (continued) (GATT/CP.6/23)

X Mr. Aziz AHMAD (Pakistan) recognised the importance of the French proposal but, like the delegate of the United States, would not be able to obtain definite instructions from his Government during this session. Corr 1
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Mr. DI NOLA (Italy) regretted that he had not heard the French Minister's presentation of the new proposal. There had not been much time to study the proposal, but his first impression was that it should be added to the Agenda. The many technical questions involved might make it necessary to submit the proposal to a working party. Since the proposal had a direct bearing upon some aspects of the tariff-problem, as discussed at Uruguay, the Contracting Parties might decide to refer it to the same working party, and he would not object to that procedure because the composition of that working party was in keeping with the world-wide implications of the new proposal.

Mr. ARGYROPOULOS (Greece) had much admiration for the originality of the French plan which, if implemented, would do much to further the cause of liberalising world trade. But he agreed with earlier speakers that it would be impossible, at this session, to make an exhaustive study of the

proposal because delegations would have to be carefully briefed by their Governments.

There was, however, one aspect which he thought he should stress. The French plan made far-reaching proposals on customs tariffs, but it made no mention of action against other, not less significant, trade barriers such as consumers' taxes and other charges which, in some instances, were of more importance than customs duties. Moreover, such charges often assumed a discriminatory character. He would class these measures in two categories: the first category consisting of established taxes and charges which were allowed to continue so long as the General Agreement was being applied provisionally, and the second category consisting of charges which were applied to imported goods of a class or kind not being produced within the importing country. As an example, he mentioned tobacco - a commodity on which tariffs were generally low, but on which an internal tax might be ten times the amount of the import duty. He urged the Contracting Parties to study these matters and to include them on the agenda of a future session.

Mr. PHILLIPS (Australia) also thought that no useful discussion could take place at this session and that therefore the proposal should not be put on the agenda. The problem was especially important for low-tariff countries and would require a full preliminary discussion before it could be studied by a working party. Moreover, a discussion by the Contracting Parties should lead to some conclusion as to the possibility of realising the objectives, but this was not possible at present since no delegation had instructions.

The CHAIRMAN considered that it was clear from the discussion that the item should not appear on the agenda of the present session. He mentioned the apparent difference of opinion as to whether the proposal should be referred to the intersessional Working Party established at Torquay. Although it was right for delegations to request a preliminary general discussion, since the French proposal did not fall wholly under the Working Party's competence, he had some sympathy with the argument, notably that of the countries which had originally raised the question at the Torquay Conference, that the terms of reference of the Working Party and the French proposal could not well be separated; for that reason, the Working Party should be able to draw on this and any other later proposal on the problem of tariffs in general which might come its way.

Consideration should also be given to the view that the Working Party's field of investigation should not be limited to European tariffs, since paragraph (b) of its terms of reference says that it should "consider the problems that may arise in relation to securing adequate compensation from such other countries as may be likely to benefit from the non-discriminatory extension to them of the arrangements proposed". He, therefore, concluded that the implications of the French proposal provided enough points of contact to make it useful and desirable for the Working Party not to exclude the proposal from its deliberations. Although the Working Party would not be able to make firm recommendations at this stage, it could study the French proposal and determine how far it fitted in with its own objectives, naturally, preparatory work only could be done, and the Contracting Parties could not expect more than a progress report at the end of the present session which should enable them to provide the Working Party with further instructions if necessary.

M. PFLIMLIN (France) expressed his gratitude to all contracting parties who had shown interest in his proposal. He understood that delegations would need further instructions from their governments but considered that in the meantime the present session could form an opinion in what manner his proposal should be studied further. He agreed with the procedure suggested by the Chairman.

Mr. van ELANKENSTEIN (Netherlands) also had no objection to the procedure suggested by the Chairman.

The CHAIRMAN considered that the different standpoints now appeared to have achieved a sufficient measure of agreement to conclude that the French proposal should be referred to the intersessional Working Party provided it did not interfere with its activities as originally planned.

Sir Stephen HOLMES (United Kingdom) thought that the term "referred to" was not quite in place, since it implied that a full discussion had taken place in the Contracting Parties. Since this was not so, might not the Chairman suggest that the French Delegation itself should submit its proposal to the Working Party; this course would, in his view, be more logical.

M. PFLIMLIN (France) agreed to this, provided the Contracting Parties would authorise the Working Party to study the French proposal when it was submitted.

Sir Stephen HOLMES (United Kingdom) considered this suggestion satisfactory if it implied agreement to the Working Party's priority on discussion of the French proposal.

Mr. PEREZ CISNEROS (Cuba) saw some difficulty in giving instructions to the Working Party when there had been no time to study the proposal fully or to receive detailed instructions from governments. He hoped that it would be clearly understood that the Working Party would not be considering the substance of the proposal before delegations were ready to do so after appropriate study and governmental instructions.

Mr. THORP (United States) thought it should be possible to formulate an agreement which would not lose sight of the undoubted right of the French Delegation to expect from the Contracting Parties that the terms of reference of the Working Party would imply the possibility of studying the French plan in its full implications.

The CHAIRMAN, answering the Delegate of Cuba, remarked that whatever the discussions on the French proposal in the Working Party or the plenary sessions might lead to, they could never, at this stage, result in any firm conclusions or decisions by the Contracting Parties since no delegation had governmental instructions. Summing up the discussion, he concluded that the Contracting Parties had decided not to place this proposal on the agenda of the present session, and that, in the first instance, it should be considered by the intersessional Working Party from which a progress report would be expected before the end of the session. On the basis of the report received the Contracting Parties would be able if necessary to give the Working Party further instructions.

The meeting rose at 6.20 p.m.

