

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

SR.9/43

15 March 1955

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CONTRACTING PARTIES
Ninth Session

SUMMARY RECORD OF THE FORTY-THIRD MEETING

Held at the Palais des Nations, Geneva,
on Friday, 4 March 1955, at 3 p.m.

Chairman: H.E. Mr. L. Dana WILGROSS (Canada)

- Subjects discussed:
1. Protocols of Amendments and Date and Place of the Tenth Session (continued)
 2. Legal and Drafting Changes to certain Articles
 3. Export Steel Prices of European Coal and Steel Community
 4. Reservation by France on paragraph 23 of the Report of Working Party III

1. Protocols of Amendments and Date and Place of the Tenth Session (continued)

The CHAIRMAN reverted to the discussion of the date by which the instruments should be signed and for the beginning of the Tenth Session. (See SR.9/42). He proposed that it be provided that the relevant date should be 27 October. If any government reported that their legislature had been unable to complete the necessary process of ratification by that date the CONTRACTING PARTIES would grant an extension.

Mr. FINNMARK (Sweden), Mr. HAYTA (Turkey) and Mr. CLULOW (Uruguay) accepted the proposed date on the understanding that an extension would be granted to countries unable to sign by then.

It was agreed that the instruments should remain open for signature until 27 October, an extension to be granted beyond that date to countries unable to sign by then.

It was agreed that the Tenth Session should open on 27 October 1955 in Geneva.

2. Legal and Drafting Committee Changes to Certain Articles (W.9/236 and W.9/239)

The DEPUTY EXECUTIVE SECRETARY referred to the Note by the Legal and Drafting Committee (W.9/239) relating to drafting improvements applicable to the French text. The Legal and Drafting Committee found that there were a number of discrepancies between the English and French text, as it existed at present, and had concluded that, in the case of Articles or paragraphs

where no changes had been made in the English text in the course of the review, the changes to be effected in the French text for the sake of correcting the drafting should be made by a special Protocol to be drawn up immediately after the review.

Mr. MACHADO (Brazil) was willing to accept this procedure but noted the implication that the original text was the English text. He suggested that the Legal and Drafting Committee in its next report should indicate whether the original text which had been considered by the Committee was the English or French one.

Mr. PEREZ CISNEROS (Chairman of the Legal and Drafting Committee) said that the Legal and Drafting Committee worked on the basis of both the official texts.

It was agreed that the necessary approval by two thirds of the contracting parties for the draft amendments to the French text should be obtained by postal ballot.

Mr. PEREZ CISNEROS (Chairman of the Legal and Drafting Committee) introduced the drafting changes proposed by that Committee and contained in document W.9/236.

The texts proposed by the Legal and Drafting Committee were approved with certain corrections noted and to be included in the final Protocols.

3. Export Steel Prices of the European Coal and Steel Community (L/308, L/307)

Mr. SEIDENFADEN (Denmark) stated that the Danish Government had carried out bilateral talks with the High Authority to explore the differences between them regarding export prices on the steel market. These talks had not yet been concluded and would be resumed in the near future. In view of this, and of the wish of the CONTRACTING PARTIES to conclude the Ninth Session, his delegation considered it preferable not to discuss the points it had raised at the present Session. They reserved their right, if they were not satisfied with the outcome of the bilateral talks, to bring the matter again before the CONTRACTING PARTIES.

Mr. ANZILOTTI (Italy) speaking for Member States and the High Authority of the Community, said that they noted with satisfaction the statement by the Danish representative.

The CONTRACTING PARTIES noted these statements.

4. French reservation on Paragraph 23 of the Report of Working Party III (L/334)

Mr. LARRE (France) referred to the explanation already given of the political problem for his Government of the application of Article XVI and particularly of paragraph 5(b). His delegation had already indicated that if a strict and uniform rule relating to subsidies were applied, it would have been possible for his Government to ask the Parliament to undertake

equally strict obligations which would lead to abandoning within a certain period of time of the system presently in effect of the reimbursement of social security charges. But it was clear that a uniform and equally rigorous rule covering different forms of export assistance was not possible. Firstly, a very wide gap had been created by the requirements of one large country with respect to agricultural subsidies. Secondly, equality of treatment was not provided with regard to industrial subsidies since the reimbursement of certain fiscal taxes was not considered as a subsidy, whereas the reimbursement of social charges was prohibited. The French delegation did not consider that a clear distinction existed between indirect taxes and social charges, nor consequently between the reimbursement of the two. When the question was discussed before the Working Party, the delegation had demonstrated that if two similarly priced automobiles were taken, on the one hand a Hillman and on the other a Peugeot 203, the amount of indirect tax reimbursed to the exporter of the Hillman was greater than the amount of indirect taxes and social charges reimbursed to the French exporter of a Peugeot. Clearly the expenses of the state were financed by taxes whatever the taxes might be called. In these conditions the variety of treatments which had gradually been included in Article XVI made it impossible for the French Government to present this Article for ratification to its Parliament which could not fail to see that the undertakings assumed by France would be stricter than those assumed by other countries. They would not only refuse to accept the Article but considerable political difficulties would result because of the importance attached by the French Parliament to its treatment of social charges, which it regarded as a social and economic progress over that practised in certain competing countries.

Mr. Larre referred to the various solutions his delegation had envisaged and which he had described at a preceding meeting (SR.9/41). The solution of a reservation seemed the most acceptable both for his Government and the majority of contracting parties. However, if the reservation were recorded only at the time the Agreement was ratified there would be no assurance of its being accepted by the CONTRACTING PARTIES. Moreover, if the reservation were not legally related to the work of the present Session, there might be pressure by the Parliament to inscribe reservations to other Articles, which various groups in the Parliament might oppose. He had therefore been instructed to request that the reservation be debated by the CONTRACTING PARTIES in order to obtain the assurance that it would be acceptable to them. He understood that a two-thirds majority would be required to accept the reservation, that was to say the same majority as that for approving amendments.

Mr. Larre wished to explain the sense and scope of the reservation sought by his Government which read as follows:

"The French delegation reserves the position of its Government in respect of the application of Article XVI:5(b) to the refund of social charges to exporters (a system at present practised in France).

It, however, announces its readiness to consider any recommendation which the CONTRACTING PARTIES may draw up should this practice not have been abolished by 1 January 1958."

Although his Government could not submit the maintenance of their system of rebates of social charges after 1 January 1958 to a decision of the CONTRACTING PARTIES they would, nevertheless, be prepared to consider any recommendation which the CONTRACTING PARTIES might deem necessary to make on this matter. Secondly, the reservation applied only to paragraph 5(b) and did not limit the application of the standstill. Thirdly, the reservation was applicable only to the reimbursements of social charges and therefore would not apply to any other forms of subsidy existing or likely to be established. This problem had been under study by the Organization for European Economic Cooperation, and debated in that Organization for several years. The French Government was aware of the importance attached by many countries to a reform of the system so as to replace the rebate of social security charges by a rebate of indirect taxes as soon as political circumstances permitted. He observed that whether the French Government continued to reimburse the social charges within the framework of GATT or outside GATT could make no material difference to contracting parties. In order to relieve some of the disquiet he called attention to the fact that the acceptance of the French reservation would not have the effect of changing the nature or legal description of these charges which would continue to be considered as indirect subsidies falling under Article XVI, and it would be open to the CONTRACTING PARTIES to apply compensatory duties to the extent they deemed necessary to defend their economies.

This was a problem of vital interest and of a political nature for the French Government, and he hoped that the CONTRACTING PARTIES would support the reservation requested.

Mr. BRONDI (Uruguay) said that his delegation had supported the French view in the Working Party and considered it in conformity with the principle set forth by his delegation at the opening of the Review that the GATT had a social function at least as important as its economic function. Any measure whose objective was to raise the standard of living or improve the conditions of life of the inhabitants of a country was compatible with the principles of the GATT. His delegation had seen no difficulty in extending the Interpretative Note to the Article to cover social charges. The question of taxation was moreover an internal matter and any limitation went beyond the freedom which each country should have over its individual economy, and tended to the idea of supra-national control over economic problems. The Uruguayan delegation therefore proposed the addition of a reference to social charges in the note (page 11 of the Report).

Mr. CRAWFORD (Australia) regretted the impasse which had arisen and that the problem had been brought so late to the CONTRACTING PARTIES. He would appeal to the countries concerned to attempt to reach a compromise on the matter. It was most undesirable to force delegations into reservations by a vote. The Australian delegation had been impressed by the argument that

rebates of a social service tax was not primarily intended as an export subsidy and by the comparisons which had been drawn between them and purchase tax. Whatever the solution reached now, he would wish the matter reviewed at the Tenth Session. If the French proposal were put to a vote they would support it because of their sympathy with the French position, on the understanding that the matter would be re-examined at the Tenth Session. However, he considered it a deplorable procedure to threaten the CONTRACTING PARTIES with the disapproval of Parliaments with respect to individual amendments.

Mr. COHEN (United Kingdom) thought that the text of the Article as proposed by the Working Party was being attacked more severely than it warranted. The Article did not oblige governments to abolish export subsidies but only that they should not extend the scope of subsidization beyond that existing on 1 January 1955. This seemed to his delegation a good provision and he regretted that it was not acceptable to the French delegation. He also regretted the support that was being given to the French view. There was no question that the rebates to which the French reservation referred were an export subsidy, and they were not at all comparable to exemption from ordinary taxes such as purchase tax or turnover tax. He could not accept any definition of them as not being export subsidy.

Mr. Cohen was aware, however, that the political difficulties mentioned by the French representative must be met and that the judgment of the French delegation of these political difficulties must be accepted. He would propose a compromise text, the effect of which would be to put all contracting parties in the same position and not to apply the compromise only to France.¹

A number of contracting parties having indicated that they must consult their governments on the proposal, it was agreed to defer discussion of this matter.

The meeting adjourned at 5.15 p.m.

¹ The discussion of this matter was continued at the forty-seventh Meeting, see SR.9/47.