

GENERAL AGREEMENT ON TARIFFS AND TRADE

AGREEMENT BETWEEN FINLAND AND CZECHOSLOVAKIA

Second Report of the Working Party

1. At its meeting on 14 June 1976 the Council adopted the First Report of the Working Party on the Agreement between Finland and Czechoslovakia, covering the meetings held in October 1975 and April 1976.¹ At that meeting of the Council the delegations of Finland and Czechoslovakia indicated that they were prepared to pursue the examination of the Agreement within the Working Party at an appropriate time, on the basis of additional information, as some members of the Working Party had requested.
2. Following consultations with delegations, the Working Party met on 24 and 26 September 1979 to continue its examination under the terms of reference agreed by the Council at its meeting in February 1975, as follows:

"To examine, in the light of the relevant provisions of the General Agreement, the provisions of the Agreement between Finland and Czechoslovakia signed on 19 September 1974; and to report to the Council." (L/4150/Rev.3)
3. The meeting was chaired by Mr. P.R. Barthel-Rosa (Brazil).
4. The Working Party had before it the text of the Agreement, which had been circulated earlier with document L/4138/Add.1, as well as the questions submitted by contracting parties and the replies provided by the parties to the Agreement, circulated earlier in document L/4197. The Working Party also had additional documentation, including trade statistics furnished by the parties in May 1978 in accordance with the Calendar of Biennial Reports on developments under regional arrangements and circulated in document L/4664, as well as more recent trade statistics, also furnished by the parties and circulated in documents L/4828 and L/4828/Add.1.

I. General considerations

5. The representatives of Czechoslovakia and Finland referred to the statistics concerning their mutual trade under the Agreement, and expressed the view of their authorities that the Agreement was functioning normally and that it had

¹L/4342, BISD 23S/67.

contributed to an increase in each party's trade with the other, in full compliance with the provisions of Article XXIV of the General Agreement. Some members of the Working Party noted fluctuations in trade between the parties to the Agreement in 1977 and 1978, and regretted that on the basis of the statistical data available to them no comparison had been possible of trade between the parties to the Agreement and trade with other contracting parties. The parties to the Agreement noted that statistical data on their trade with all contracting parties was regularly made available to the GATT secretariat and could be consulted by any member of the Working Party.

6. Some other members of the Working Party referred to the views earlier expressed by their delegations, as reflected in the First Report of the Working Party, and stated that their authorities continued to have doubts concerning the compatibility of the Agreement with Article XXIV. In their opinion, the wording of the Agreement and the explanations given had not dispelled substantive doubts regarding the feasibility of concluding such free-trade agreements between market-economy countries and centrally-planned economy State-trading countries. Indeed, in centrally-planned economy State-trading countries factors other than customs duties played an important rôle.

7. The representative of Czechoslovakia referred to the views of his delegation expressed earlier with respect to the rôle of the Czechoslovak customs tariffs, and stated that tariffs in Czechoslovakia were a meaningful and essential instrument of trade control (of regulation of trade), and that the Agreement had been concluded between contracting parties having full rights, under Article XXIV. The representative of Finland expressed the view that the experience gained thus far clearly demonstrated that this free-trade agreement - although concluded between countries of different economic systems - had in practice functioned well and had thus proven its feasibility and usefulness.

8. Some other members of the Working Party, also referring to their delegations' views as reflected in the First Report of the Working Party, continued to be of the opinion that the Agreement was in full conformity with the provisions of Article XXIV.

II. Operation of the Agreement

9. In response to a question concerning an apparent difference of opinion as to the price level at which certain Czechoslovak products had been sold on the Finnish market, the representative of Czechoslovakia said that all commercial terms were discussed under the Agreement, including prices. With respect to the prices in question, an exchange of views had led to an amicable settlement, and no further problems of that kind were foreseen.

10. Several members of the Working Party enquired with respect to the operation of Article 9 of the Agreement. In response, the representative of Czechoslovakia expanded upon the information which his delegation had furnished earlier in this respect, drawing attention to the relevant passages in the First Report of the Working Party. The representative of Finland said that his authorities considered the Agreement as a whole and intended to make full use of its provisions as the case might arise. Thus far, the Agreement had operated to the satisfaction of his authorities, so that no specific measures had been necessary.

11. With respect to the relationship between the Agreement and trade arrangements that Czechoslovakia had entered into with other centrally-planned economy State-trading countries, the representative of Czechoslovakia said that Finnish products covered by the Agreement were preferred whenever they were offered on commercial terms more favourable than those offered by the other countries in question, subject to the availability of the necessary foreign exchange.

12. In response to a question concerning the Czechoslovak measures which had replaced Decree No. 326 of 18 November 1975, the representative of Czechoslovakia said that the new measures did not contain governmental guidelines affecting foreign trade, and that decisions were now left to the discretion of the enterprises and organizations.

III. Conclusions

13. Several members of the Working Party said that they still could not, on the basis of the available information, express a view on the question whether the Agreement was in conformity with the provisions of Article XXIV. They requested that the Working Party should continue the examination within eighteen months on the basis of additional information then available.

14. The parties to the Agreement, supported by two other members of the Working Party, were of the opinion that the Agreement was in full conformity with the provisions of Article XXIV. They considered furthermore that sufficient information had been given to enable the Working Party to assess the compatibility of the Agreement with Article XXIV and to report its views to the Council. They stated that any further action in respect of the Agreement should be identical with action in regard to other free-trade areas already examined in other working parties and in accordance with the Decision by the CONTRACTING PARTIES relating to free-trade area agreements concluded under Article XXIV.

15. Several members of the Working Party felt that agreements between market-economy countries and centrally-planned economy State-trading countries raised serious and novel questions which required thorough exploration and which had not existed at the time that Decision was taken.

16. The representative of Czechoslovakia stated that the Agreement had been concluded between contracting parties having full rights, under Article XXIV.

17. As the Working Party could not reach any unanimous conclusion as to the compatibility of the Agreement with the provisions of the General Agreement and as to the continuation of its work, it considered that it should limit itself to reporting the opinions expressed to the Council.