THE POSSIBILITY OF A MULTILATERAL APPROACH TO THE PROBLEM OF REVENUE DUTIES AND INTERNAL TAXES

Note by the Swedish Delegation

1. In the view of the Swedish delegation revenue duties and internal taxes - other than general sales' taxes, which are outside the scope of this discussion - form part of the fiscal policy of governments. This criteria also pertains to import duties on tropical products, in industrialized countries, which have no domestic production of such products and where the import duty has consequently no protective character. Import duties on tropical products are thus also elements of the fiscal policy of the governments of the industrialized countries and should - as has been recognized by the Committee - be considered together with revenue duties and internal taxes. It follows that all these taxes (import duties, revenue duties and internal taxes on tropical products) should be discussed together.

2. Individual action to reduce or eliminate these taxes might be taken at any time by the industrialized countries, most of which apply them in one form or the other. However, unilateral reduction or abolishment of these taxes by individual countries is not likely to have the desired effect as regards improvement in volume and/or terms of trade for the underdeveloped countries, unless such isolated actions are undertaken by a majority of the main importing countries. The reason for this is obvious. If for example one importing country should abolish its taxes on, let us say, coffee, this would not materially affect the current world price and/or consumption of coffee and the short-term effect would probably be no more than a windfall (in the form of lower import prices) in favour of the coffee importers and the coffee consuming public in the importing country concerned. Thus, only a comprehensive and massive adherence to the declared intent of the Ministers in their November 1961 declaration to reduce, or preferably to abolish, all these taxes would generate the desired effect, namely improved terms of trade for the exporting less-developed countries and increased market access and sales volume for their products.

3. It is equally obvious that it will be more difficult to achieve results by relying on individual national "sacrifices" in the form of giving up the revenue sources under discussion than to achieve results by concerted multilateral action according to a pre-determined plan.
4. For the reasons stated the Swedish delegation would prefer consideraton being given to action according to a multilateral plan. By the expression "multilateral plan or approach" the Swedish delegation means a collective commitment or declaration of intent by the industrialized countries to reduce or eliminate, according to an agreed plan of action, and within a given period of time (that is within a reasonable period of time), the duties and taxes involved. It should be emphasized that this formula is not tantamount to tariff negotiations, which, in the opinion of the Swedish delegation, would not present a solution to a problem which requires action primarily by the importing countries, as the less-developed countries would probably not be in a position to give any substantial compensation in this context.

5. The mandate of Committee III to examine plans for the reduction or removal of all such duties and taxes is clear. In the view of the Swedish delegation a thorough discussion of the possibilities of a multilateral approach in this respect should be held before the question is referred back to the CONTRACTING PARTIES at a ministerial meeting.