NOTE ON THE DISCUSSIONS OF THE PANEL WITH CZECHOSLOVAKIA

1. On 19 July, the Panel held discussions with Czechoslovakia represented by Mr. Benes. The Panel had before it document Spec(62)158 containing information supplied by Uruguay on its earlier representations to and consultations with Czechoslovakia and information supplied by Czechoslovakia as contained in Spec(62)195. Mr. van Wijk took the Chair and the discussions followed the procedure laid down in Spec(62)187.

I. Establishment of Facts

2. The Czechoslovakian representative confirmed that the list of measures appearing in L/1662 was correct. As in fact all imports into Czechoslovakia fall within the scope of State trading it has not been thought necessary to reproduce the Table of products and measures as in the case of the other fourteen countries concerned. The Czechoslovakian representative was not of the opinion that the State-trading structure of his country would be altered.

3. The Czechoslovakian representative maintained that the State-trading measures in force in Czechoslovakia were operated in conformity with the provisions of Article XVII of the General Agreement. Insofar as the policy of the State-trading organizations in Czechoslovakia was to purchase purely on commercial consideration, this policy met the requirements of paragraph 1 of Article XVII.

The delegate of Uruguay did not wish to question at that stage the conformity of Czechoslovakia's State-trading measures with the provisions of the General Agreement.

II. Nullification and Impairment

4. The Uruguayan representative was not yet in a position to produce statistical information of the type suggested in II(b) of Spec(62)187.

5. There was, however, some discussion as to the effects of State trading in Czechoslovakia on Uruguay's export trade to that country. The Uruguayan delegate maintained that the system of State trading, as practised in Czechoslovakia, restricted normal business contacts. They also had the effect of, in many cases, pricing imports at a level higher than could be justified in terms of cost alone. In the case of meat Czechoslovakia was able to purchase at 50 cents per kilo but the retail price was $4 a kilo. Pricing of this nature tended to curb consumption and therefore imports.

6. The Czechoslovakian representative maintained that State trading with Czechoslovakia had increased the volume of trade beyond that which would have prevailed without it. Referring to the question of prices, he explained that in the Czechoslovak economic system domestic consumer prices cannot be compared
with import prices but rather with the general level of internal prices which take into account not only production and transport costs but also include an element to cover the costs of services rendered to the consumer free of charge (such as health, social services and education). He admitted that in some cases, pricing policy was employed to curb consumption of certain items (e.g. spirits) and to encourage that of others (e.g. books). As regards meat, however, the pricing policy adopted had not been restrictive. As could be seen from the figures (see Annex), per capita consumption of meat had increased steadily over the last decade. At the same time, local production of meat had remained static so that it could be deduced that imports were benefiting from increases in meat consumption in Czechoslovakia.

ANNEX

STATISTICS RELATING TO MEAT CONSUMPTION IN CZECHOSLOVAKIA

I. Consumption per capita

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