In accordance with its terms of reference, and on the basis of information supplied by Uruguay in support of its recourse to paragraph 2 of Article XXIII in respect of Czechoslovakia, the Panel discussed with the delegations of Uruguay and Czechoslovakia the facts concerning the maintenance of the restrictive measures included in the Uruguay submission, the effects of these measures on trade, and the relationship between these measures and the provisions of the General Agreement.

1. Measures in force

The Panel confirmed that Czechoslovakia maintained State trading in respect of all the items included in the submission by Uruguay.

2. Effects of State trading in Czechoslovakia on the export trade of Uruguay

The Panel noted the contention of the Government of Uruguay that the system of State trading as practised in Czechoslovakia, restricted normal business contacts and 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 US$4 a kilo. Pricing of this nature tended to curb consumption and therefore imports. The Government of Czechoslovakia maintained that State trading in Czechoslovakia had increased the volume of trade beyond that which would have prevailed without it, and that, under the Czechoslovak economic system, domestic consumer prices could not be compared with import prices but rather with the general level of internal prices which took into account not only production and transport costs but also included an element to cover the costs of services rendered to the consumer free of charge (such as health, social services and education), although in some cases, pricing policy was indeed 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. 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.

3. Status of the measures in terms of Czechoslovakia's GATT obligations

The Panel noted that in the opinion of the Government of Czechoslovakia the State trading measures in force in Czechoslovakia were operated in conformity with the provisions of Article XVII of the General Agreement, and did not involve any quantitative restriction of imports in contravention of Article XI of the Agreement.

4. Recommendations

(To be drafted)