On earlier occasions in this Working Party, and particularly at the meeting in April, the Nordic countries have stated their position with regard to the basic problems concerning border tax adjustments. It is our impression that the dealings thereafter in the Working Party have tended rather to confirm our position in this respect. When we now are about to embark upon a discussion under point 2 of our Terms of Reference of proposals and suggestions concerning the GATT rules, it would therefore seem appropriate for me, speaking on behalf of the Nordic countries, to reiterate to a certain extent what we have said in our earlier statements.

We stated that no system of tax equalization could create full fiscal neutrality in international trade. The existing GATT rules are, however, to be preferred, not only because they have been applied for more than twenty years, but mainly because they are relatively easy to handle. We also said that we considered it useful to discuss such improvements of a technical character that would facilitate the practical handling of the rules.

During the long period, in which GATT rules have existed, they have contributed to a certain degree of harmonization between various tax systems, a process, which is still going on. Such a development is to be welcomed since it must be considered to be of great importance that Member countries of GATT, by and large apply the same kind of system for indirect taxation.

The wording of the rules has, however, led to varying interpretations of the obligations of the contracting parties to GATT, and to unequal practices in different countries as regards the scope of border tax adjustments. This has now and then created uncertainty in international trade and has also led to bilateral disputes over the possibilities to make border tax adjustments for different forms of taxation.

The Nordic countries consider that an important task for the Working Party is to clarify in more detail existing policy with a view to reach agreement on the taxes that may or may not be the subject of border tax adjustments.

This would facilitate control of the possible existence of concealed export subsidies. What form this action ought to take is an appropriate topic for this Working Party. One method might be to list - in analogy with what is being done in the field of export subsidies - the types of taxes which may or may not be equalized in connexion with import and export.
Some of the questions coming into the picture are how the expressions "like domestic product", "borne by the product", "levied on the product" and "a charge equivalent to an internal tax" should be interpreted. The rule ought to be that adjustments should be permitted for taxes which can be determined with certainty in each individual case without recourse to arbitrary elements or other devices. For countries with cumulative tax systems, special rules must apply.

We want to emphasize that we consider any adjustments of net income taxes inapplicable.

Several countries have in connexion with a changeover from for instance a cumulative to a TVA system taken transitional measures. In certain cases, such temporary transitional arrangements can be motivated to counter brusque changes. In the long run, the situation tends to develop towards a new equilibrium by virtue of national measures in other sectors affecting the price level. A solution to these temporary problems along the lines proposed by the United States would, however, hamper governments in undertaking tax reforms or tax amendments. On the other hand, it would seem desirable that countries undertaking important changes in their tax system consider to the greatest possible extent, the problems their measures may create in other countries.

A possible way to try to come to grips with the problems involved in this matter might be to institute a complaints and consultation procedure for dealing with problems arising with respect to border tax adjustments.