STATEMENT MADE BY THE REPRESENTATIVE OF YUGOSLAVIA

The delegation of Yugoslavia wishes to express its agreement with the opinion expressed here by most of the delegates during our earlier meetings, that any change of principle in the present GATT rules on tax adjustments would be neither justified nor economically rational. Many arguments have been put forward in favour of this opinion which, in our view, prove quite adequately that any change aimed at extending eligibility for adjustment to other categories of tax or at introducing evaluation of the real incidence of taxes as a condition of eligibility for adjustment, would lead to a technically inapplicable and economically far less neutral trading system than that currently in force. This is why we consider that we should maintain the existing GATT rules which lay down standards for tax adjustments, while accepting the possibility of making any necessary improvements to the present provisions and procedures which would facilitate stricter interpretation and application of those provisions. However, in seeking such improvements, we must take care not to compromise the basic principles underlying the system and the sovereign right of countries to an autonomous tax policy.

It is our understanding that the members of our Working Party agree that any change in tax adjustments, without a corresponding change in or addition to internal taxes, could adversely affect the trade of other countries. It is difficult not to agree with this statement and to deny the countries concerned, which consider themselves to have been adversely affected, the right to raise the question of protection in any case in which such practices are prevalent. The whole present GATT system is based on the principle of the neutrality of tax adjustments in so far as international trade is concerned. One essential condition of this neutrality is the principle of fiscal non-discrimination as between domestic products and imported products.

We consider that support should be given to the proposals and suggestions put forward here by certain delegations, according to which stricter application of the principle of non-discrimination in indirect taxation should be ensured by means of more adequate use of existing procedures or the creation of new procedures.

This question of non-discrimination is intimately linked with that of the interpretation to be given to the GATT provisions concerning "like domestic products". Paragraph 2 of Article III of the GATT provisions on border tax adjustments states that "the products of the territory of any contracting party imported into the territory of any other contracting party shall not be subject, directly or indirectly, to internal taxes or other internal charges of any kind in excess of those applied, directly or indirectly, to like domestic products".

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As I have already stressed, we are in favour of strict application of identical tax treatment for all products regardless of their origin. It is probable that certain difficulties may arise in the interpretation of the expression "like domestic products", and we agree with the proposals that the concept of "like product" should be defined.

On the other hand, we cannot accept the proposals that overall limits be set on the extent of changes and the magnitude of border tax adjustment. Such a possibility is, in our opinion, incompatible with the sovereign right of countries to determine their tax systems and tax policy autonomously. So long as a country which makes tax changes respects the principle of an equal burden for domestic and imported products, we cannot see what principles could be invoked to limit its right to choose the tax system and to set the tax rates that it considers best suited to its economic situation, to the capacity of its administration and to other factors which determine the characteristics of a tax system in the specific conditions in which it is applied.