STATEMENT BY REPRESENTATIVE OF THE NORDIC COUNTRIES
ON 23 APRIL 1969

As in other GATT work the Nordic countries are closely co-operating on this issue. What I am going to say will be on behalf of all the four countries. When we now start considering which general conclusions we can draw from this material we would first like to sketch the general way we see the problem of BRA.

The use of BTA has in the General Agreement been restricted to the very modest but necessary task of ensuring that technically speaking taxes on consumption are taken out in the country where products are consumed, equal for domestic and imported goods, but not on products that are exported. For this purpose, the present GATT rules can be regarded as generally well suited and relatively easy to administer.

As everyone knows, prices on goods and services are affected by various measures of economic policy and thereby the allocation of resources. These measures may well tend to counter-balance each other. The effect of each particular set of measures is difficult to assess. The fact that an element is eliminated does thus not necessarily mean that the degree of distortion of competitive conditions in a certain country is smaller than before.

The exercise we have gone through has confirmed the differences in the existing tax systems of the various GATT countries. Not only are there structural differences but the total tax burden varies from country to country and so does the amount of total fiscal revenue that comes from different kinds of taxes, as well as the proportion of total expenditure that is covered by taxes. Each government can also pursue the economic and fiscal policy that is best suited to favour the economic and social development of its country within the limits laid down by international obligations. In these circumstances, it is not likely that full fiscal neutrality in international trade can ever be achieved.

The use of BTA as a means to achieve fiscal neutrality would be too ambitious a task. As will be understood, we are also very doubtful as to the technical possibilities for the calculations of BTAs that would lead to full fiscal neutrality in international trade. Furthermore, the present rules have been in force for more than twenty years and have thus influenced matters in various countries. Any action with respect to the General Agreement or its interpretation should then be restricted to such improvements of a technical character that could facilitate the practical handling of the rules.
In the discussions that have taken place concerning BTA in OEEC, it has been recognized that changes in BTA in a specific country may temporarily affect the balance-of-payments position of the country in question. This particular aspect of BTA would not seem to have been considered in depth when the General Agreement was drafted. The Agreement does, however, include a machinery for consultations and it could perhaps be useful to further explore the possibilities that machinery offers also with respect to changes in BTA. In this connexion, I should perhaps mention, as we have stressed in the country-by-country examination, that the fiscal changes now enforced or contemplated in the Nordic countries are not likely to have any such balance-of-payments effects.

The balance-of-payments considerations relative to BTA raise the whole question of recourse to trade policy measures for the restoration of balance-of-payments equilibrium. The Director-General of the GATT alluded to this question at the twenty-fifth session of the CONTRACTING PARTIES. I would also like to draw the attention to the fact that OEEC is presently carrying out a study with a view to preparing for a general discussion of these problems. We believe that many of the fundamental issues brought to light in our exercise could be usefully considered in the course of such a review to which we attach great importance. As this is outside the scope of this Working Party I shall, however, not now elaborate further on this theme.

To conclude, Mr. Chairman, it appears from what we have said that we find the present GATT rules fairly adequate having the great advantage over any conceivable alternative to be relatively easy to administrate. At the same time we consider it useful to have a discussion on the possibilities of improvements of a technical character that could facilitate the practical handling of the GATT rules.