One notifying country pointed out that a variety of measures were used to limit trade in motion-picture and television films. It considered certain restrictions as inconsistent with the General Agreement, namely quantitative restrictions, discriminatory taxes, local printing, sub-titling and dubbing requirements, export subsidies and television screen quotas, and referred also to the OECD code of liberalization of current invisible transactions.

This country proposed that all illegal restrictions be removed promptly or, if this was not possible, by 1 January 1972. Countries maintaining illegal restrictions after that date should be required to seek waivers of their GATT obligations or pay appropriate compensation. The other notifying country supported this view.

For screen-time quotas permitted under Article IV, a standstill should be agreed. Moreover, Article IV envisaged negotiations in this field.

Discussion took place on the question of whether television screen quotas were inconsistent with the General Agreement. One delegation pointed out that the practice contravened Article III which, inter alia, prohibits the use of "mixing regulations". Other delegations expressed the view that Article IV, in their interpretation, did not exclude television quotas.

One notifying country expressed the view that subsidies tended to distort trade in films. A solution was envisaged along the lines of that proposed in Working Group 1 for domestic aids:

(a) All contracting parties should notify their subsidies by 1 July 1970 in the form prescribed in the Annex to the report by the Panel of 1960.

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(b) On request, notifications should be followed by consultations among interested parties or with the contracting parties in accordance with Article XXII or, if no satisfactory solution were found, as provided for in Article XXIII.

Moreover, it was suggested that criteria along the following lines should be developed to ensure that film subsidies have no trade-distorting effects.

(a) No subsidies could be paid which would result in production of an entertainment film which would not otherwise have been made.

(b) Government aids should be limited to those designed to raise the competence of film makers and increase the quality of films.

(c) Governments should not subsidize exports.

(d) There should be no discrimination in taxation treatment in favour of domestic films.

(e) Any subsidies paid should also be extended to foreign films.

(f) Production subsidies should not be paid with the object of transferring the film industry from one country to another.

One group of countries considered that proposals on this subject were of a technical nature and required consideration by film experts.

One delegation, while agreeing with the principle of freedom of trade in films, said that a case could be made for a subsidization of the film industry in developing countries, at least during a transitional period.