THIRD COMMITTEE: COMMERCIAL POLICY

SUB-COMMITTEE A (ARTICLES 16, 17, 18, 19)

NOTES OF THIRTY-FIRST MEETING

Held on Thursday, 29 January 1948, 3.00 p.m.

Chairman: Dr. G. A. Lamsvelt (Netherlands)


1. Paragraph 1 - Continuation of discussion.

The delegate for Cuba strongly supported this proposal on the grounds that high taxes levied for fiscal purposes which had the effect of restricting trade and reducing consumption, contrary to the aims of Chapter I, should be subject to negotiation for their reduction or elimination. He did not believe this provision would constitute a limitation on the taxing power of Member Governments since it did not provide for outright elimination of such taxes, but only through negotiations on a selective basis.

The delegates for Australia, Denmark and Norway felt that this was a substantive proposal of considerable importance which would have the effect of widening considerably the scope of Articles 17 and 18. The Australian and Danish delegates stated that they would have to consult their Governments. The Danish delegate, while sympathizing with the principle that tariff bindings should not be nullified, doubted the necessity of adding any such provision to the Charter. He pointed out that it would be difficult to ascertain the effect of such existing taxes and that technical and administrative difficulties would arise from handling them in the same way as tariffs. Recourse would be available under Articles 89 and 90 in any event if the provisions of the Charter were circumvented. The Australian and Norwegian delegates considered that this provision would impose certain limits on the taxation powers and policies of Member Governments.

The delegate for the United States, as a member of Working Party which had recommended this proposal to Sub-Committee D, considered that it was not /intended
intended to deal with the impairment of tariff concessions, but sought merely to bring internal taxes so high as to reduce consumption within the scope of negotiations pursuant to Article 17. He suggested that this proposal be referred to the Working Party for redrafting in consultation with the Danish delegate.

The delegate for Colombia explained that this proposal was meant to apply both to existing and future internal taxes. As for the objections raised with respect to technical and administrative difficulties, or the effects of such taxes, these could be examined on a case-by-case basis during negotiations as in the case of tariffs. He supported the United States suggestion that the proposal be referred to the Working Party for redrafting.

The delegate for Brazil supported the Colombian proposal.

The delegates for New Zealand and the United Kingdom were awaiting instructions from their Governments, but meanwhile did not object to this proposal being referred to the Working Party.

The delegate for Mexico, supported by the delegate for Peru, while expressing sympathy with the objectives of this proposal, did not agree that the taxing power of governments should be bound. He suggested that this proposal be referred to the Working Party which should seek some alternative wording for the phrase "such tax...shall be treated as a tariff for the purposes of Article 17".

The delegate for China was unable to support the proposal in its present form, but was not adverse to its being referred to the Working Party for examination. Meanwhile, he would reserve his opinion.

The delegates for France, Netherlands and Turkey were of the opinion that the proposal should be referred to the Working Party without a decision as to its merits for the time being.

The Chairman concluded that it was difficult to ascertain the sense of the Sub-Committee with respect to paragraph 1 of this proposal since at least four members of the Sub-Committee were awaiting instructions. However, the majority of speakers had supported it, and a minority of speakers, while opposed to the proposal in its present form, were not adverse to referring it to the Working Party for examination pending receipt of instruction.

It was agreed to refer paragraph 1 of the proposal referred by Sub-Committee D to Working Party 3 for redrafting, and that members of the Sub-Committee should inform the Working Party of their views upon receipt of instructions from their governments.

2. The Chairman informed the Sub-Committee that he had consulted the Chairman of Committee III with respect to the Mexican suggestion (made after the Norwegian proposal (E/CONF.2/C.3/6/Add.5) had failed to obtain any substantial support) that a provision be added to the Charter to the effect that
that price stabilization schemes, in whatever form, would be acceptable provided they were not contrary to the commercial policy provisions of Chapter IV. (See Notes of the Twenty Second Meeting, 15 January 1948, E/CONF.2/C.3/A/W.34). The Chairman of Committee III had replied as follows:

"There is nothing in the Draft Charter which would preclude the operation of internal price stabilization schemes that do not conflict with the provisions of Chapter IV. Consequently, it is implicit in the Charter that internal price stabilization schemes can be operated so long as they do not conflict with the commercial policy provisions of Chapter IV."

It was agreed that no further action by the Sub-Committee was necessary.

3. Paragraph 2 of the proposal referred by Sub-Committee D

The delegate for Colombia said that he had had occasion to explain this proposal in Sub-Committee D, which had referred it to Sub-Committee A.

The United States delegate pointed out that the Colombian delegate had withdrawn his original proposal (Item 7, E/CONF.2/C.3/11) in favour of the more reasonable undertaking recommended by the Working Party of Sub-Committee D. He supported the Working Party's proposal on the grounds that it was a point of principle that should be covered somewhere in the Charter.

The delegate for Norway inquired in what kind of case it was contemplated this proposal would apply, and suggested that it be referred to a special Working Party, along with the Norwegian proposal relating to price stabilization schemes (E/CONF.2/C.3/6/Add.5) previously discussed in the Sub-Committee.

The Chairman recalled that the Norwegian proposal had received no substantial support when discussed by the Sub-Committee.

The delegate for Colombia replied that this provision would apply in the case of a country establishing a maximum control price for a commodity of which that country was such an important consumer that its price was likely to become the effective world price. If such a price were too low, it would be prejudicial to the interests of exporting countries.

It was agreed to continue the discussion of paragraph 2 of the proposal referred by Sub-Committee D at the next meeting.