In view of a possible conflict with certain procedures in operation in New Zealand, paragraph 1 of Article 9 of the United States Draft Charter in its present form would not, it is considered, be acceptable to New Zealand. The following observations are made for the purpose of indicating certain difficulties in that connection.

It is understood that it is proposed that the provision in that paragraph relating to the procurement by governmental agencies of supplies for public use should be made the subject of a separate Article and considered accordingly along with the provision relating to that matter in Article 8 of the Draft. Comment on that question is accordingly withheld in the meantime pending an opportunity to consider the proposed provision.

The following outline is given of the procedures referred to in the first paragraph hereof:-

Film Hire Tax.

At one time a revenue duty was imposed at time of importation on cinema films imported into New Zealand. This proved unsatisfactory and it was decided a number of years ago to abolish the import duty and substitute a Film Hire Tax representing a percentage of the net monthly rental receipts from sound-picture films. The rate of tax on British films is less than that on foreign films. Cinema films are at present being produced in New Zealand to a very small extent only and comprise almost exclusively documentary, educational and
news reels. Films made wholly in New Zealand are exempt from the tax. It would seem that under the article in question as at present drafted no higher tax could be levied on imported film than the tax (if any) imposed on film produced in New Zealand. However, in view of the present limited production in New Zealand, it would presumably not be held that the procedure followed offends the principle embodied in the proposed Article.

Unmanufactured Tobacco Leaf.

With a view to promoting the development of tobacco growing in New Zealand for local consumption, it is provided by regulation that tobacco manufacturers in New Zealand shall use not less than a certain percentage (at present thirty per cent) of New Zealand grown leaf in production per year of manufactured tobacco and cigarettes. This procedure was adopted in order to ensure that the producers might engage in the growing of tobacco involving considerable capital outlay, confident that a market would be available for leaf of satisfactory quality for which economic prices are guaranteed. There is only a small number of manufacturers in New Zealand and it is on these the growers depend for a market for their crops. The present procedure ensures that each manufacturer shall utilize not less than a certain proportion of domestic leaf. It has been found in the past that notwithstanding a margin of preference afforded under the tariff for domestic leaf, the industry had a rather precarious existence. Leaf is produced on a large number of relatively small holdings. The industry provides desirable employment for ex-Servicemen and many from World War I as well as from the war recently concluded are engaged in production. The Government are accordingly particularly anxious to safeguard the interests of the producers. They are desirous, therefore, of continuing the present procedure which has been found the most practicable in the circumstances.
Wool Packs (or Bales).

These articles, which are used as containers for wool for export, are produced in New Zealand from locally grown flax fibre. The manufacture of such articles was undertaken in the national interest and involved considerable capital outlay for plant. The industry proved of immense value throughout the late war. New Zealand is able to produce only a portion of its requirements, however, the remainder (packs made of jute) being imported from India. No duty is payable on the imported articles and in view of the fact that they are used in connection with the export of a primary product there is good reason why their cost should be kept as low as possible and why, accordingly, they should not be subject to duty. In any event, since the articles are exported, any duty payable on importation would, in conformity with general practice, be refunded on exportation.

Furthermore, the constantly fluctuating prices of jute would in any case render it extremely difficult to fix a tariff which would afford stability to the local industry. The procedure which has been followed, therefore, has been to require a certain number of locally produced packs to be utilized compared with a number of imported packs. This has given general satisfaction. It will be appreciated that no greater or lesser number of packs are imported than necessary to meet requirements; the procedure has many advantages over other methods of achieving the purpose, and in the circumstances it is submitted that provision should be made to permit of its being continued.

Unassembled Motor Vehicles.

With a view to encouraging the importation of rotor vehicles in an unassembled condition, thereby providing avenues for employment in New Zealand, provision was made in 1934 whereby vehicles which are imported in an unassembled condition and on which certain processes would be performed in New Zealand and certain locally produced materials would be used in their completion would be admitted at concessional rates of duty compared with the rates payable on vehicles imported in a completely
built-up form. The rate of duty payable under the British Preferential Tariff on unassembled vehicles is only five per cent ad. val. and on built-up vehicles fifteen per cent ad. val. It will be obvious, therefore, that unless special measures were adopted requiring that use be made of certain locally produced materials, e.g. upholstery cloth and leather, which are subject to low duties, the tariff would be no barrier to their importation. There are good reasons for not resorting to the tariff to achieve the purpose even if that were practicable since, apart from other factors, it is necessary to make certain dispensations to meet changing conditions, and the tariff is too inflexible to meet such circumstances. It will be seen that the effect of the legislation is to assist the importation of motor vehicles through the concessions in duty available thereon. It is not clear that the procedure in question is in conflict with the provisions of the proposed Article, but in any case it is considered that its maintenance should not be precluded by any provision ultimately made.

Each of the three procedures outlines above have as their objectives the utilization of material resources and manpower which are in accord with the general objectives of the ITO proposals. In this connection it is necessary to have regard to the fact that the question of industrial development is the subject of consideration by a joint committee of Committees I and II. It would seem, therefore, that the final sentence of paragraph 1 of Article 9 of the United States Draft must be considered in relation to the findings of that Committee.

Subject to that observation it is suggested in the meantime that consideration might be given to the making of provisions whereby Members who, at time of signature of the proposed Charter, are employing or who might thereafter find it necessary to employ procedures not closely conforming to the provisions decided upon regarding internal treatment of imported goods, should notify the Organization thereof,
giving full particulars and the reasons why it is necessary to utilize them, and should agree to discuss the matter with the Organization or with Members whose interests might be affected.