SECOND SESSION OF THE PREPARATORY COMMITTEE
OF THE UNITED NATIONS CONFERENCE ON TRADE AND EMPLOYMENT

VERBATIM REPORT

FIRST MEETING IN EXECUTIVE SESSION
HELD ON WEDNESDAY, 16TH APRIL, 1947
AT 10.30 A.M. IN THE PALAIS DES NATIONS GENEVA

M. MAX SUETENS (Chairman) (Belgium)

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CHAIRMAN (Interpretation): The meeting is called to order.

Gentlemen, as you have been told by the respective representatives of the three countries, Belgium, Luxembourg and the Netherlands in public declaration in the public meeting, you understood that those three countries will now present themselves as a bloc and will enter discussion on a basis of a new tariff order that this new tariff may be more closely and rapidly scrutinised. It has come rather late to you and as this is the first experiment of such a tariff union since the war, I thought it might be expedient if I asked the gentlemen to comment briefly on this new tariff. Therefore, I will ask Mr. Paymans to open the discussion.

As the acoustics of the room are rather bad, I will ask him to take his place at the top table.
PAYMANS (NETHERLANDS): Mr. Chairman and Gentlemen: The Nether­lands, Belgium and Luxembourg Delegations are very glad to have the opportunity of giving a short explanation of the new tariff belonging to the Convention between the Netherlands and the Belgium-Luxembourg Union. In view of the new tariff negotiations, the two partners Belgium and the Netherlands are in a difficult position, for the new tariff that the three countries have adopted will be the basis for negotiations, and only a few weeks ago we were in a position to publish this tariff. This is not only a handicap for us, but also a hindrance for the other countries. The requests which Belgium-Luxembourg and the Netherlands received from other countries are based on the old tariff and on the old rates of the two partners in the new Convention. The two delegations of Belgium, Luxembourg and the Netherlands are, however ready to give a reply to the requests they have received already, unless the countries in question wish to re-examine their lists in the light of a common Belgium-Luxembourg-Netherlands tariff. On the other hand, the two delegations have the intention to base their concessions on the new common tariff. The original Convention between the Nether­lands and the Belgium-Luxembourg Union was signed in London on 5th September 1944. During the negotiations after the War between the three countries, the Convention, and particularly the tariff list and tariff rates, were completed; and the law to agree the Convention was presented respectively on 26th March in Belgium, on 27th March in the Netherlands and on the 29th March in Luxembourg. The concluded Convention between the Netherlands and the Belgium-Luxembourg Union only consists in the application for the two partners of the same tariff with regard to the importations from third countries and of an exemption of import duties with regard to goods in the mutual traffic. In view of the future, this may be seen as a first stage. This means that there is not a complete customs union, but only, as I would
mention it, a customs or a tariff community. The customs frontier between the Netherlands and Belgium will not fall yet. As soon as the convention will be in force there will be an exemption in the mutual trade for the import duties only. There will not be an exemption in this traffic for the excise duties, nor for compensation duties, nor for special duties as the compensation for the turnover tax, nor for the tax on petrol, the extraordinary tax for champagne, the tax on gold and silver articles, the statistical charges.

As I said the tariff community will be the first stage of the cooperation between the Netherlands and the Belgium-Luxembourg Union. We, however, have the intention to extend the cooperation.

The second stage will be the unification of other duties and taxes in the three countries, as the excises, the turnover tax, the already mentioned special taxes levied by the import of goods. But still then, when also these taxes and duties will be unified, the frontier between the partners in the community cannot disappear for then there still will be the import and export regulations and the regulation of the exchanges. But this second stage will not be the end. The Netherlands and the Belgium-Luxembourg Union will negotiate further to reach the third stage, the economic union, when this stage is reached there will be a free traffic between the three co-operators.

I want to say a word about the free traffic during the first stage. As I said already there will be an exemption of import duties for the goods of provenance from the other partner, this means that the exemption only counts for goods which are in a free circulation, that is to say which are not under customs supervision.

I now have to say a few words about the new common tariff. Belgium-Luxembourg and the Netherlands have not just amalgamated their previously existing tariffs, but they created a completely new tariff, they set up an autonomic tariff for the two territories so
as a whole. The order in which goods are listed has been based on the draft customs nomenclature of goods which has been suggested by the League of Nations in 1937; this was for the Netherlands a quite new system, for till now the Netherlands tariff was a simply alphabetical list in which only the dutiable goods were mentioned. Not mentioned goods were free. For Belgium-Luxemburg the alteration of the nomenclature was not so great, for there existed already a systematical system. On the other hand the previously existing tariff of the Netherlands was already an ad valorem tariff whereas the Belgium tariff generally had specific duties. Now the new common tariff for the two partners is a systematical tariff with ad valorem rates, except a few, I mean thirteen positions. The level of the rates of the new tariff lies between the two rates; this means that, taken as a whole, the new rates are higher than the previous Netherlands rates and lower than the previous Belgian rates. To fix this level in most cases the average between the two rates is taken. To make this possible the specific rates of the previous Belgian tariff were converted in ad valorem rates on the basis of the prices of 1939. I hereby must ask your attention, Mr. Chairman, to the fact that the rates in the new tariff do not exceed the highest rate applied by one of the partners in 1939.

As has been said already, the common tariff is an ad valorem one, and thus it is of importance to know which is the definition of the value. This is laid down in the preliminary regulations. The value is the normal price of the goods, the normal price is the price which is estimated to be able to be conditioned by the first hand in the foreign country on the day of the customs declaration for delivery on the place of the final customs clearance, without the duties and taxes imposed in the import country. For goods delivered in accordance with a normal purchase and sale the value may be the purchase price with
the addition of the not yet included costs for the delivery on
the place of final customs clearance, and reduced with the duties
and taxes imposed in the import country, if these are included.
It is not permitted to declare the purchase price mentioned above
if the normal price is higher.

The combined tariff conforms to the principles of the Charter.
There is one apparent contradiction between article 9 and the
taxation applied to wines (no. 153). The tariff does not mention
any duty for importation. There is, however, an excise tax, which
is not paid by local wines. That is to say Luxembourg wines. This
was the case previously in the Belgian-Luxembourg Economic Union.

The reason for this disposition is that in our legislation
no credit can be allowed to importers in regard to customs duties,
while this is possible for excise duties. In the case of wine
the excise tax is in reality a customs duty.

If it would help to clarify things, the Belgium-Luxembourg-
Netherlands Customs Union is willing to consider inserting the
excise rate in the tariff as a Customs Rate.

I hope, Mr. Chairman and Gentlemen, that the statement given
by me was clear enough to satisfy you.
DR. A.B. SPEEKEMBRIJN (Netherlands): I would like to say a few words also, after the information given to the meeting by Mr. Payman, on behalf of the combined delegation of Belgium, Luxembourg and the Netherlands.

The first thing is that we will try to issue a formal statement working out the statement of Mr. Payman in a little more detail especially in regard to the valuation for customs purposes, which might be useful to all delegates.

The second point is this: I would like to explain that when we have sent in our lists of requests, we have done that for all the Customs territories of the Netherlands, Belgium-Luxembourg. That is to say, there are requests from the Netherlands, Belgium-Luxembourg, and there are requests from the Netherlands Indies, Surinam, Curacao, and also from the Congo. This joint declaration will in this way act for all these Customs territories. On the other hand, when we have to send in our lists of concessions, we shall have to do that keeping in mind that there are five different Customs territories, so that there will be a list of concessions for the Netherlands, Belgium-Luxembourg Customs territory, there will be a list for the Netherlands East Indies, there will be a list for Surinam, there will be a list for Curacao, and there will be a list for the Belgian Congo. We are working on that and hope to send in our reply to the questionnaire of the Secretariat in this way.

That is all I have to add at this moment to the statement of Mr. Payman.

CHAIRMAN: (Interpretation): Does any delegation wish to put further questions on that matter?
MR. J.P.D. JOHNSON (New Zealand): I gather from what Dr. Speekenbrink said that the Netherlands East Indies is a separate Customs territory and that goods from the Belgium-Luxembourg, Netherlands Union will not have free entry into the Netherlands East Indies.

The other question that I was wishing to ask is whether the rates as now set out in the new schedule are intended to apply generally or whether the rates fixed under existing agreements will continue to apply. I have in mind there some special rates fixed under the agreement between Belgium and New Zealand.

Dr. A.B. SPEiJLIeINK (Netherlands): I will answer the second question. The first question I should like Mr. Gotzen, who is behind me here, to answer on behalf of the Netherlands East Indies, but I would answer to the second question that this new tariff is a basis for negotiations, so we shall have to see at the end of the negotiations whether there is still any reason to refer to the old agreements between, say, New Zealand and any other countries - in this case, Belgium. It may be that Mr. Forthomme has something to add to that, but our idea is it is a base for new relationships with all the countries in this meeting.

With regard to the first point, it may be that Mr. Gotzen could answer that.

Mr. L. GOTZEN (Netherlands): Mr. Chairman, the answer to the first question of the delegate of New Zealand is in the affirmative. The Netherlands East Indies have always been a separate Customs territory and they will remain that even if the United States of Indonesia will have been formed.
Mr. PIERRE FORTOMME (Belgium): (Interpretation): I must say this it has not always been possible when combining the new tariffs to take into account the existing consolidations in former agreements, but we are of the opinion that because of the negotiations the conference concerned will always be able to bring forward their demands and that it is our earnest purpose to take it into account whenever possible and consider those demands.

Dr. A.E. SPEEKENBRINK (Netherlands): I would like to add one thing to the question of the Netherlands which might apply. I will remind you that in London I have made a statement that we are still in a peculiar circumstance. The products of the Congo in the Netherlands have more or less free entry, that is for the Congo and Belgium, and that up to now it has not been so much the case with regard to the products from the Netherlands Indies in the Netherlands. We have to find the solution to that problem and it might be that we will also in that way have to accord to the products of the Netherlands Indies or Indonesia the same free entry as has been accorded to the products from the Congo and to Belgium, and therefore in the Netherlands Belgium Luxembourg Customs Union.

Mr. PAYMANS (Netherlands): In the preliminary disposition of the new customs tariffs there is the principle of the preferences for goods coming from the Congo and coming from the Netherlands Indies to the new combined territories of the Netherlands and Belgium. It is laid down in Article 17 of this preliminary disposition and I will read it in French.
TRANSULATION OF ARTICLE 17

"Goods coming from the Belgian Congo, territories administered by the Belgian State in Africa or the Netherlands territories beyond the seas, are admitted with total or partial exemption from the rate provided for by the customs tariffs."

That is the general rule. Now the second part of this Article makes an exception.

"Those exceptions can only be applied to goods which are designated by competent ministers and which satisfy the conditions of specification of time or limitation or others which are determined by those ministers. Designations or conditions are taken from the proposals of the administrative council of customs."

That is to say as long as now goods are listed there will be no preference for goods coming from the Congo or the Netherlands East Indies.

Mr. PIERRE FORTHOMME (Belgium): (Interpretation): I must add this. It is our intention to maintain the free entrance of goods coming from the Congo which were admitted up to now freely to the Belgo-Luxembourg Union. However the difficulty which the adherents of the Netherlands to this new Union brought about, will probably oblige us to admit some transitory measures for the time being. It is our clear intention that we should come back to the free entrance and therefore I may state quite generally that the products coming from the different territories will be listed as entering freely into the new Union. The upper limit of the list of those products being constituted by the list of the products which hitherto have entered freely into the Belgo-Luxembourg Union.

Mr. S.L. HOLMES (United Kingdom): Might I ask one or two questions? One is, could the representative of the country concerned - in this
case it is Belgium - say on what basis the calculations would be made when converting the previous specific Belgian rates to an ad velorum rate for the purpose of combining the tariffs for the year 1938. I ask that because our own calculations might have been wrong. Do you suggest that in quite a number of cases the new tariff appears to be at any rate as high as the higher of the two tariffs? It may be a miscalculation on our part or it may be, of course, a coincidence that we are interested in reductions of high rates.

The other point is this. We are ourselves putting this request on Belgium and Luxembourg and we also put this request on the Netherlands, in both cases based upon the previous tariffs. It is the intention that we should endeavour to put in a single list of requests of the new combined tariffs? Now, Sir, that of course could be done but it would entail a certain delay, not perhaps a very great delay, if we concentrate on that work, but there is the danger I think that if we have to do that, it may perhaps set us back a little in the other tasks which we have, regarding the preparations of offers to countries to whom as yet our offers are not quite finalised.

Mr. FORTHOMME (Belgium): On the first question my reply is that conversion from specific rates to ad velorum rates was operated on the basis of the 1939 prices and rates in force in 1939. I understand that the commission which works on the subject also calculated the incident of the said specific rates in force in 1939 on the average prices of the years 1936, 37 and 38, as a measure of reference and a sort of check. And I also understand that it was found that it most cases the incidents calculated for the years 1936, 37, 38 did not vary from the incidents calculated on
the basis of the 1939 prices. Now as to the fact that you find in our tariff that the rates approximate more closely the higher of the two rates that were in existence before the war, the Netherlands and the Belgian rates, the general principle was that the new rates were fixed as a sort of mean between the two previously existing rates. That was not an absolute principle, certain other considerations such as the necessities of industries or even fiscal reasons such as income have dictated in certain cases that throughout, the higher of the two rates should be the rule adopted but as a general level of the tariffs is lower than the previous Belgian tariff and slightly higher than the previous Netherlands tariff.

On the second question we have received lists of demands on the Netherlands and on the Belgium Luxembourg. Some of these lists including the list on the United Kingdom, give requests based on the previously existing rates. It is our intention to examine these lists and to try an amalgamate them into one list on which we can make offers of concession. The list we would make would be more or less in this form. As you have followed two different tariffs schedules it is sometimes a bit difficult to put the demands together because you can take an example. In one list for instance to Belgium there was a demand for dried apples because we had a specific item for dried apples. In the demand presented to Belgium just there was no specific demand for dried apples but one for fruit as they had a specific item for fruit. We will try and combine these two lists extracting from the list what we think are the products meant. We will list these products, we will put alongside each product the tariff number in our new tariff as far as we think it is the one applied to the product and we think has been asked from us - the rate which is applicable in the new tariff and our concess. I think that ought to satisfy most of the delegations but on the other hand the delegations wish to revise their lists of requests in the light of our new tariff it is their choice.
Dr. SPEEKENBRINK (Netherlands): Mr. Chairman I might only add that though we are prepared to do what we can to assist the other Delegations in this way, we have only a limited number of experts available here. We will try to get a few more of them from The Hague, but it would assist us a great deal if, on the other hand, the negotiating team for Belgium and Luxembourg would do the same thing and try to revise their lists accordingly, and we will be happy to give them all information possible.

CHAIRMAN (Interpreted): Are there any other questions on that point?

Mr. SLOOMES (U.K.): Mr. Chairman, I was about to thank the Belgian representative for his very helpful statement and to say that the procedure he mentions would be very satisfactory to us. Now, Mr. Speekenbrink has rather dashed my hopes because I do feel that the situation is a little complicated and that it is perhaps easier and more effective for Belgium-Luxembourg and the Netherlands to do the necessary sorting out than it would be for us. However, I think I may say we will certainly do our best to facilitate progress.

M. P. FORTHOMME (Belgium): Well, there is no exact contradiction between what Mr. Speekenbrink has said and what we have said. In fact, what we have to do is this: When we have made some sort of amalgamated abstract of the two lists we have received, it will be practical policy to submit it immediately to the negotiating teams of the parties to the negotiations, to find out if our interpretation is right before proceeding, for instance, to go on to the study of concessions on the subject. I mean just the way we intend to work informally in constant contact with the negotiating teams of other countries.

CHAIRMAN: (Interpreted): Are there any other questions?

H.E. Mr. Z. AUGENTHALER (Czechoslovakia): (Interpreted): There is just one question of a practical character. If we have to ask something
of the three Delegations, must we go to the three Delegations separately, or have the three Delegations taken steps to make one person responsible?

M. FORTHOMME (Belgium) (Interpreted): The answer is very simple. The three countries constitute one union and we have not designated one single man to deal with these questions. The three officials are close to each other and when a question is put to us it comes immediately to the team and each demand and question which is asked of one Delegation will be dealt with equally by all Delegations.

CHAIRMAN (Interpreted): Are there any other questions? (After a pause). Gentlemen, if there are no other speakers before we adjourn the meeting, I would like to make some remarks. It has been decided to send to all Heads of Delegations a questionnaire relating to the time when they think their negotiations could start. It would be useful if the answers to the questionnaire could be studied by a small working party who would report as soon as possible to the Chairman's Council. It is essential that this small working party should be composed of a small number of experts and I propose the following gentlemen:—

Mr. Wilgress, Head of the Canadian Delegation; Mr. Holroyd; Mr. Hawkins, Mr. Speakmantrick and M. Baraduc, to meet as soon as possible and to report as soon as possible to the Chairman's Council. This implies, of course, that those Delegations who have not yet answered the questionnaire should be asked to do so as soon as possible.

Is everybody agreed on that arrangement? (After a pause) I therefore invite the working party to meet together as soon as possible.

The meeting stands adjourned.

The Meeting rose at 11.45 a.m.