AD HOC COMMITTEE ON AGENDA AND INTERSESSIONAL BUSINESS

PAKISTAN LICENCE FEE AND DUTY ON EXPORTS OF JUTE

(Communication dated 4 February 1953 from the Delegate for India)

"I have examined document IC/SECRET/1 of 3 February 1953, relating to a communication of that date, from the Delegate for Pakistan. As this communication does not represent the latest position insofar as the Government of India is concerned, I attach copies of further correspondence which has taken place between the Governments of India and Pakistan, and hope that these documents will give a complete picture of what has transpired.

"2. The trend and the result of consultations that have taken place between the Governments of India and Pakistan since the conclusion of the Seventh Session will be clear from the copies of correspondence circulated. In accordance with the decision of the CONTRACTING PARTIES taken on 3 November 1952, consultations between the Governments of India and Pakistan have proceeded on the basis of the solution proposed during the Seventh Session by the Chairman of the Panel on Complaints. The essence of this proposal is:

'... each Government might consider the possibility of suspending the extra charges which have been imposed - in the case of India upon exports of coal, and in the case of Pakistan upon exports of raw jute. In making this suggestion it was not implied that the trade in coal is in any way related to the trade in jute, nor is it implied that either country has adopted retaliatory measures against the other. Furthermore, this suggestion is without prejudice to the ultimate disposal of the complaint before the CONTRACTING PARTIES. Suspension of these special charges would not in itself prevent either Government from reimposing them at some future date, if necessary. By adopting this suggestion, however, each country would have an opportunity to consider fully its continuing policies with regard to the measures involved.'

"3. The basic difference between India and Pakistan is that while India is prepared to implement fully the proposals made by the Chairman of the Panel on Complaints, by suspending the coal charges, and thereafter to enter into long-term discussions with the Pakistan..."
Government, the Pakistan Government has merely suggested early discussion of the proposal referred to above, along with discussions relating to long-term arrangements. For the reasons explained in the exchanges between the two Governments, we have made it clear that the acceptance by the Pakistan Government of the proposal put forward by the Chairman of the Panel on Complaints is an essential pre-requisite to further discussions.

"4. India's complaint refers to certain levies on exports of raw jute from Pakistan to India. The details of these levies have been set out in documents L/41/Add.1 and L/41/Add.2. It is the view of the Government of India that these levies are discriminatory and therefore constitute a violation of Article I of the Agreement. That being so, Article XXIII of the Agreement comes into operation. In these circumstances, the Government of India do not see their way to entering into further consultations with the Government of Pakistan relating to long-term arrangements, before the suspension of the levies which form the subject matter of our complaint to the CONTRACTING PARTIES. In other words, immediate suspension by both Governments of the charges referred to in the proposal put forward by the Chairman of the Panel on Complaints, is essential before further consultations can proceed.

"5. The decision of the CONTRACTING PARTIES taken on 3 November 1952 is unambiguous and categorical. It was left to India to decide whether it should, in the light of the circumstances and having regard to any consultations which may be proceeding between the two Governments, ask the CONTRACTING PARTIES to proceed with the discussion of the substance of the complaint. I have endeavoured to explain the circumstances and the nature of the consultations that have taken place between the two Governments; and in our view we are quite justified in requesting the CONTRACTING PARTIES, at this stage, to proceed to the discussion of the substance of our complaint. The requirement in the second part of the CONTRACTING PARTIES' decision has also been satisfied as a reasonable period has been allowed. The proposal of the Chairman of the Panel on Complaints was transmitted to the Governments of India and Pakistan in the third week of October 1952. I have already stressed during the discussions at the Seventh Session that this matter is of vital importance to the Indian jute industry, and that it is urgent.

"6. I am to request that copies of this letter, together with its enclosures, may please be circulated to the members of the Inter-sessional Committee. I shall furnish further evidence on any point, as may be necessary. I would also request that the documents attached hereto may be classified as "Strictly Restricted."
Telegram dated 31 January 1953 from Mr. Bhoothalingam in reply to Mr. Karamatullah's telegram dated 29 January 1953.

"Your telegram No. 480 dated 29 January. I am surprised at some of the statements made, particularly that subject-matter of our complaint to GATT was NOT discussed during Trade Talks at Delhi. You will remember that during the Talks you returned to Karachi specifically for obtaining instructions in this matter. You further state that it was the understanding that the proposal of the Chairman of the Panel on Complaints would be considered together with long-term arrangements. While this was your position I made it clear that while we would be willing to enter into talks for long-term arrangements, such talks could NOT take place so long as the discriminatory levies on jute continued in force. These levies included NOT only licence fee on exports of raw jute but higher rate of export duty on kutch bales which only are allowed to be exported to India.

"Basic difference between us is that while we are still prepared to implement in full recommendation of the Chairman of the Panel on Complaints and thereafter to enter into long-term negotiations also, you merely suggested early discussion of said recommendation along with long-term arrangements. For reasons explained in London and in my P/O, we consider that implementation of Chairman's proposal is a necessary pre-requisite to any such talks. We cannot therefore drop our case in GATT. Should you however at any stage indicate to us your acceptance of the Chairman's proposal we shall immediately suspend further action in GATT and arrangements can be made for a conference."

Note dated 12 January 1953 from the Government of India to the Indian High Commissioner in Karachi, for reply to letter dated 27 November 1952 from the Government of Pakistan to the Government of India.

(Copy of communication from the Indian High Commissioner in Karachi to the Government of Pakistan will be furnished as soon as available.)

"The Government of India regret that they cannot accept the view that the measures taken by the Government of Pakistan are in no way discriminatory to India merely because these measures are stated to have been taken with the sole intention of encouraging the export of raw jute from Pakistan. Membership of the GATT imposes certain limits on the kind of measures which the contracting parties may take to promote their trade. Whether certain measures are discriminatory or not, is a question of fact and has no relation to the intention underlying
those measures. While the Government of India appreciate the desire of Pakistan to expand her exports, they do not consider that Pakistan is justified in doing so by measures which are discriminatory and contrary to the provisions of the GATT which both countries have accepted.

"Nevertheless, the Government of India have been throughout desirous of settling all points of difference by friendly discussions and offered during the course of the trade talks in July 1952, to reduce the price which the Government of India charge the Pakistan Government for supply of coal if they would persuade the Pakistan Government to remove these discriminatory duties. It was only when a settlement on these lines was found unacceptable to the Pakistan Government that the Government of India had to raise the subject before the GATT.

"During the last session of the GATT, the Chairman of the Panel on Complaints, unofficially suggested a compromise, namely, that 'each Government might consider the possibility of suspending the extra charges which have been imposed - in the case of India upon exports of coal and in the case of Pakistan on exports of raw jute'. The object of this suspension was clearly to provide an opportunity for further consideration and settlement of the question by the two Governments.

"Further discussions to explore the possibility of a mutually satisfactory arrangement were held between the representatives of the two Governments who had recently gone to London in connection with the Commonwealth Prime Ministers Conference. In these talks the Indian representative indicated the willingness of the Government of India to accept the unofficial suggestion made by the Chairman of the Panel on Complaints of GATT. The Government of India confirm that they are still prepared to follow this course.

"In paragraph 3 of letter No. 1 (III)-7/7/52 of 27 November to the Indian High Commissioner, the Government of Pakistan have expressed their willingness to discuss proposals for long-term arrangements for the import of raw jute by India. The Government of India are willing to enter into a discussion of long-term problems but feel unable to do so as long as the present discriminatory measures continue to be in operation. They would therefore suggest that there should be an immediate suspension of the duties which form the subject matter of this correspondence. Simultaneously, the Government of India would reduce the price of coal to the Pakistan Government to a level equal to the lowest price charged to any other buyer outside India. Thereafter, discussions between the two Governments would take place on long-term problems as soon as convenient. The Government of India hope that this programme would be acceptable to the Government of Pakistan."