

ARTICLE II

FRENCH SPECIAL TEMPORARY COMPENSATION TAX ON IMPORTS

Decision of 17 January 1955
SR.9/29 - 3S/26

Having considered the complaint submitted by the Italian Government regarding a special temporary compensation tax imposed by the French Government on certain goods imported into its customs territory,

Having examined carefully, in the light of the provisions of Articles I and II of the General Agreement, the circumstances in which the French Government introduced the tax,

Having heard the explanation given by the French Government that its purpose has not been to replace the incidental protection afforded by the maintenance of quantitative restrictions under Article XII of the General Agreement by additional tariff protection, but solely to resort to a temporary and transitional device designed to facilitate the removal of quantitative restrictions on imports into France of the goods affected from the other countries members of the Organization for European Economic Co-operation, that the French Government would otherwise have felt entitled, under the provisions of the said Article XII, to maintain these restrictions, and that there was no question of charging the tax on any imports for which these restrictions were maintained,

The CONTRACTING PARTIES have reached the following conclusions:

1. whatever may have been the reasons which motivated the French Government's decision, and whatever may have been the French Government's interpretation of the relevant provisions of the General Agreement in respect of many of the goods affected, the tax has increased the incidence of customs charges in excess of maximum rates bound under Article II, and the application of the tax introduces, in respect of the products affected, an increase in the incidence of preferences in excess of the maximum margins permissible under Article I; and
2. it follows that the action of the French Government justifies the invocation of the provisions of Article XXIII and that any contracting party whose trade is adversely affected has grounds to propose under paragraph 2 of that Article such compensatory action as it may think appropriate for authorization by the CONTRACTING PARTIES.

The CONTRACTING PARTIES regret, in view of the foregoing, that the French Government should have decided to impose the tax without first presenting its case to them for their consideration.

The CONTRACTING PARTIES

Take note of the action taken on 16 November 1954 by the French Government to reduce the incidence of the tax for a number of goods,

Take note further of the declaration in which the French Government:

- (a) has undertaken to remove the tax as soon as it is possible to do so, and
- (b) has expressed its firm intention of adopting definite measures to assure effective progress towards a more liberal system of trade,

Instruct the Intersessional Committee to follow closely the measures taken by the French Government to implement the undertaking referred to in paragraph (a) of the above-mentioned declaration,

Recommend that the French Government take steps to reduce the present degree of discrimination against the trade of contracting parties whose exports are subject to the tax but to which the liberalization measures taken by the French Government do not apply,

Call upon the French Government to report to the Intersessional Committee on the measures taken by it to implement the undertaking and recommendation referred to above, the first report to be communicated to the Executive Secretary before 1 April 1955 and circulated forthwith to all contracting parties; and to participate in any consultations which the Ad Hoc Committee may initiate at the request of any contracting party or parties,

Decide to review this matter at the Tenth Session in the light of progress achieved in carrying out the aforesaid undertakings of the French Government and recommendation of the CONTRACTING PARTIES.