

GENERAL AGREEMENT ON
TARIFFS AND TRADE

RESTRICTED

L/3589
4 October 1971

Limited Distribution

Original: English

UNITED STATES TEMPORARY IMPORT SURCHARGE

The Director-General has received the following communication from the United States delegation.

You may recall that during the recent GATT Working Party examination of the United States temporary surcharge and other elements of the United States economic programme, questions were raised as to whether price increases in an import into the United States brought about by fluctuation in exchange rates could be passed on to the consumer or whether such increases had to be absorbed by the importer (reference paragraph 19 of L/3573).

The Cost of Living Council has issued a ruling to clarify the matter which we would appreciate your circulating to contracting parties. The full text of the ruling is as follows:

"Fluctuations in international exchange rates: as previously ruled, an import price increase due to a change in the world market price may be passed on so long as the product is neither physically transformed by the seller nor incorporated as a component of another product.

"An import price increase due to appreciation in the value of a foreign currency in relation to the dollar is treated in exactly the same way as an increase arising from changes in world market prices.

"These provisions apply only to import transactions that took place after 15 August. They do not apply to goods in inventory on that date.

"Sellers of imported goods who pass on price increases to their customers must maintain adequate records to document the increase and must, on request, provide this information to buyers.

"Note: Changes in prices arising from appreciation in the value of a foreign currency in relation to the dollar and changes instituted by foreign suppliers are treated differently from the supplemental duty (the import surcharge) in two respects:

"(A) The surcharge may be passed on to the final customer even when the import is transformed or incorporated into another product.

"(B) Sellers who pass on the surcharge must show the amount of the surcharge on the sales ticket or invoice, with the exception that retailers may elect to follow an alternate procedure."

./.