

GENERAL AGREEMENT ON TARIFFS AND TRADE

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UNITED STATES - MANUFACTURING CLAUSE

European Communities - Request for Authorization to Suspend Concessions Pursuant to Article XXIII:2

The following communication, dated 28 February 1986, has been received from the delegation of the European Communities.

The report of the Panel set up to investigate the Community's complaint against the United States on the Manufacturing Clause (L/5609) was adopted by the Council on 15 May 1984.

It is recalled that the Panel found that the Clause was inconsistent with the General Agreement and its renewal in 1982 constituted a prima facie nullification or impairment of benefits accruing to the Communities under the GATT. The Panel accordingly concluded that the United States should bring its legislation into line with its obligations under the General Agreement. Taking up this point at the time of adoption of the Panel report, the United States representative said that the United States would make every effort to make its practice conform with GATT provisions.

In light of the foregoing, it is a matter of deep concern that legislation has now been tabled in the United States Congress with a view not only to render the Clause permanent but even to expand its coverage. Such new legislation, if enacted, would come into force on 1 July 1986, when the present Manufacturing Clause expires. Were such legislation to be adopted, the United States would not only have failed to implement the Panel recommendation; it would knowingly have enacted new legislation in breach of its international obligations and commitments.

Confronted with the prospect of a continued and even exacerbated measure found to be inconsistent with the provisions of the General Agreement, and in clear contradiction with the Panel recommendations, the Community has no choice but to request the authority of the CONTRACTING PARTIES, in conformity with Article XXIII, paragraph 2, to suspend the application of concessions towards the United States equivalent to the economic damage caused to the Communities. The Community proposes that such suspension should become applicable in the event that further legislation inconsistent with GATT comes into effect in the United States in succession to the present Manufacturing Clause after its expiry on 30 June 1986.