

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

C/M/11

19 July 1962

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COUNCIL
11-12 July 1962

MINUTES¹ OF MEETING

Held at the Palais des Nations, Geneva,
on 11-12 July 1962

Chairman: Mr. J. LACARTE (Uruguay)

Subject discussed: Canadian temporary import surcharges

The Council was convened to consider a communication from the Government of Canada dated 25 June 1962 in which contracting parties were informed that, effective from that date, the Government of Canada, in order to safeguard its external financial position and its balance of payments, had imposed on certain categories of products temporary import surcharges of 5, 10 or 15 per cent ad valorem. The products included numerous items in Parts I and II of Schedule V to the General Agreement. Documentation supplied by the Government of Canada was distributed to contracting parties in document L/1805 and Add.1.

The Council noted the documentation submitted by the Government of Canada. The representative of Canada described the external financial and balance-of-payments difficulties which had caused his Government to take the action announced on 24 June. He described the legislative limitations on the action open to the Canadian Government at this time which had a bearing on the nature of the steps taken. He gave details about the temporary import surcharges and described the other measures taken as part of the programme announced on 24 June. He stressed that the surcharges were strictly temporary and would be removed as soon as circumstances permitted. He also stressed that his Government recognized the essential need for the development and adoption of longer-term measures of a positive and constructive character and had already begun intensive planning to this end. Finally, he stated that the Canadian Government stood ready to consult with any individual contracting parties with respect to the measures which had been taken which might affect their trading interests. The Council noted the statement of the representative of Canada.

¹At the request of delegations, and so as to assist the CONTRACTING PARTIES in their further examination of this matter at the twentieth session, a brief record of statements made by delegations at the meeting of the Council will be distributed.

The Council also noted the background information supplied by the International Monetary Fund. Moreover, the representative of the Fund stated that, in the view of the Fund, the measures taken by the Government of Canada did not go beyond the extent necessary to stop the serious decline in Canada's monetary reserves.

Representatives gave their preliminary views on the Canadian notification. The serious difficulties which faced the Government of Canada in its present external financial and balance-of-payments situation were generally recognized. However, regret was expressed that Canada, which was a major trading nation, had considered it necessary to take action which was inconsistent with its obligations under Article II of GATT through the imposition of surcharges on numerous items bound in Parts I and II of Schedule V to the General Agreement. There was serious concern about the effects of the import surcharges on exports of contracting parties and several representatives were of the view that it could reasonably be feared that these surcharges would have protectionist implications. It was also pointed out that the impact of the surcharges would fall in an unequal manner as between exporting countries as a result of the different rates of surcharges applicable to the various categories of products. Some delegates regretted that the Canadian Government, when taking these measures, had made no provision to exempt from these surcharges goods the export of which to Canada was the subject of contracts concluded prior to 24 June. These delegates expressed the firm hope that the Canadian Government would take steps designed to overcome the particular difficulties arising from this situation. Representatives of the less-developed countries expressed the view that surcharges imposed by an important trading nation might have particularly harmful effects on the trade interests of their countries, but it was noted in the Council that a large number of the items of interest to the trade of less-developed countries were, in fact, exempted from the surcharges. Some representatives pointed out that, among the products on which the surcharges were applied, were certain items subject to export restraint. They questioned whether it was reasonable that these additional measures should apply to these items.

Several members questioned whether measures to restrict imports were the most appropriate to meet the kind of situation with which Canada was confronted. In this connexion members of the Council attached special importance to the assurances given by the Canadian representatives that the import surcharges were strictly temporary and that the Canadian Government were already planning longer-term measures to rectify the situation. The hope was expressed that such measures would be introduced at an early date.

It was felt in the Council that the matters which had been brought forward in the discussion required careful and detailed examination by all contracting parties. The Council recommended that the CONTRACTING PARTIES should undertake this examination at the forthcoming twentieth session, and take whatever definitive action might be required in the circumstances that prevailed at that time. The Council also recommended that the IMF should be invited to consult with the CONTRACTING PARTIES with respect to this question at the twentieth session.

The Council recognized that the procedures it recommended above could in no way affect in the meantime the rights of contracting parties under the General Agreement.