

GENERAL AGREEMENT ON TARIFFS AND TRADE

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COUNCIL
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MINUTES OF MEETING

Held in the International Labour Office, Geneva,
on 16 September 1971

Chairman: Mr. Erik THRAANE (Denmark)

Subject discussed: United States Temporary Import Surcharge

United States temporary import surcharge (L/3573 and Corr.1, L/3574, L/3575 and
Corr.1)

The Chairman recalled that at its special meeting held on 24-25 August 1971 the Council had had a long discussion on the United States temporary import surcharge, introduced on 16 August 1971, and on certain other measures of a non-monetary nature. The Council had established a working party to have a more detailed examination of the surcharge and an exchange of views on the other measures. The results of the Working Party's deliberations had been distributed in documents L/3573, L/3574 and L/3575 with two corrigenda.

The Chairman of the Working Party, Mr. Sahlgron (Finland), in introducing the documents, noted that the essential part of the meeting of the Working Party had been devoted to the examination of the surcharge. With regard to the balance-of-payments aspect, the Working Party had discussed, in the light of views and information supplied by the International Monetary Fund, the United States balance-of-payments and monetary reserve position, the necessity for action to cope with the balance-of-payments situation, and the appropriateness of using the import surcharge, given that necessity. As to the modalities of the surcharge, the report set out the information supplied by the United States delegation, as well as representations made by members of the Working Party in this regard. On the question of the effects of the surcharge on trade, the United States delegation had supplied a series of statistics showing the extent to which trade of the different areas of the world would be affected by the surcharge. Other members of the Working Party had stressed the harmful effects of the measure on their respective economies. The Working Party had devoted considerable attention to the effects of the surcharge on the exports of developing countries. Representatives of developing countries had expressed concern at the likely effect of the measure on their exports, particularly of manufactured products, and had discussed the possibility of exemption for their exports.

The conclusions contained in paragraphs 39 to 44 of the Report were presented to the Council for its consideration and adoption.

The Working Party had also, in accordance with its terms of reference, conducted an exchange of views on the Job Development Tax Credit and on the proposal for the DISC. The Chairman of the Working Party drew attention to a divergence of understanding with respect to the DISC as to the scope of the exchange of views to be held. The papers did not contain any conclusions or recommendations.

There was general support in the Council for the Report as a whole, as well as for its conclusions. The Report was considered to be a well-balanced and cogent statement of the problems at stake and to reflect clearly the different views expressed. It was noted that the Report brought out the various points raised in the Working Party with regard to the special problems facing the developing countries as a consequence of the temporary import surcharge imposed by the United States.

Many members of the Council, recalling that the import surcharge had been introduced as a temporary measure, appealed to the United States to bring about its early removal. If, in their view, the surcharge was not removed within a short time governments might feel more and more obliged to take measures to lessen the harmful and far-reaching effects the surcharge had on their trade, which in turn would lead to a further worsening of the international economic climate. The early removal of the surcharge, on the other hand, would help in creating an atmosphere that was conducive to a move toward further trade liberalization. One representative furthermore urged the United States to take into account that an important change had arisen in the circumstances in which the United States had felt compelled to adopt the temporary import surcharge. Another representative stressed that it was not appropriate for the United States to make action in the monetary field by other countries a condition for the elimination of the surcharge.

Several representatives reiterated their view that the temporary import surcharge was, in the light of all the circumstances, an inappropriate measure which was not in conformity with the General Agreement. Neither the rôle of the trade balance within the overall balance, nor the reasons for the United States trade deficit justified the imposition of the temporary surcharge. Some delegations specifically reserved all their rights under the General Agreement, in particular those pursuant to Article XXIII. The representative of Greece recalled that his delegation had reserved its position on the question of the appropriateness of the measure in the Working Party. In his view, a judgment on the appropriateness of the United States surcharge entailed by necessity two value judgments, one on the balance-of-payments situation and at the same time one on the general policy adopted by the United States, since a particular balance-of-payments always reflected a specific monetary and trade structure. Such value judgments, however, were in his delegation's view, not within the competence of the CONTRACTING PARTIES.

Some members noted that the United Kingdom import surcharge could not be considered as a precedent, since the conditions under which the United Kingdom had imposed the surcharge had been very different from the situation that faced the United States. The United Kingdom, for example, had applied the surcharge with the aim of avoiding a change in the exchange parity of sterling. Furthermore, it had in no way disputed that the measure had been in contravention of Article II of the General Agreement. It had, however, been clearly justified in view of the trade and payments situation the United Kingdom had found itself in at the time. These members felt that the situation in the present case was clearly different.

Some representatives voiced their serious concern with regard to the intentions of the United States as to the implementation of the fifth round of Kennedy Round cuts. They expressed their hope that the United States delegation would be able to assure other contracting parties that the United States was intending to implement this last step of the Kennedy Round concessions so as not to endanger the equilibrium of the results of the Kennedy Round.

Several members expressed their special support for those parts of the Report of the Working Party which dealt with the problems of the developing countries. They urged the United States to reconsider the issue of the exemption from the surcharge of products originating from developing countries. In the light of Part IV and of the other commitments undertaken by developed countries, there was full justification for such exemption. The developing countries could in no way be held responsible for the situation at hand, yet their economies were more seriously affected by the surcharge than those of developed countries. The exemption of developing countries from the surcharge would not be discriminatory; on the contrary, it was the uniform application of the measure to countries with different levels of economic development which had unjust effects. It was also their hope that the implementation of the Generalized System of Preferences would be in no way hampered or delayed by the surcharge. They were pleased to note the statement by the United States representative reproduced at the end of paragraph 38 in the Report, to the effect that his delegation would bring these matters to the attention of his authorities.

Some representatives described the way and the extent to which the economies of their own countries would be particularly affected by the temporary import surcharge. Their countries had already a negative balance in their trade with the United States which now, due to the surcharge, would become even worse.

One representative noted the risk of anti-dumping action to which exporters were exposing themselves if they tried to maintain their level of exports to the United States by reducing their prices. He hoped that steps would be taken to neutralize this unexpected effect. Another representative took note of the Exchange of Views held with regard to the proposed Job Development Tax Credit and stated that in the view of his authorities the measure as proposed would be inconsistent with Article III of the General Agreement. Should the measure be implemented, it would have to be examined in the framework of GATT.

The representative of the United States stated that his Government's views were adequately reflected in the Working Party's report. He noted that the Working Party had recognized that the United States was in a serious balance-of-payments situation which required urgent action and he observed that neither the International Monetary Fund nor the Working Party had any alternative proposals to make. With regard to the duration of the surcharge, he recalled the statement by his Government's representative at the last Council meeting, viz that the duration of the surcharge was related to the speed and effectiveness with which the circumstances that had dictated the use of the surcharge could be dealt with.

With regard to the implementation of the fifth cut of the Kennedy Round negotiations, he stated that his Government had not changed its schedule in this respect, although certain technical and legal questions as to the relationship - if any - between the surcharge and the Kennedy Round concessions were still under study.

With regard to the DISC, the representative of the United States objected to the inclusion of document L/3574 in the set of records of the Working Party. He recalled that in the Working Party his delegation had abstained from an exchange of views - to the extent that there had been one. The DISC was, in his authorities view, clearly outside the terms of reference of the Working Party.

The representative of the United States considered it appropriate to keep the Working Party in existence and to have it meet again when circumstances warranted another meeting.

The representative of the United States recognized the general concern of the Working Party over the situation the United States was in and the measures it had taken. He assured members of the Council that he would report all views expressed to his authorities for fullest consideration.

The Council adopted the report of the Working Party and its Conclusions.

In view of the importance and urgency of this matter, the Council decided to keep it under close review and, for that reason, to keep it on its agenda. The Council further agreed that the Working Party which, under its terms of reference, was to be available for consultations as necessary, would be reconvened in the light of developments.

The Council agreed that the Council's decisions, together with the full text of the Conclusions of the Working Party, should be made available to the Press.

The representative of the United States understood that the adoption of the report would not imply that the United States agreed with or accepted all views of the other members of the Working Party as reflected in the report.

In reply to a request by the United States representative for clarification, the Chairman said that the decision by the Council to keep the matter on its agenda would not mean that the item was included automatically in each future Council agenda, but rather that any member of the Council at any time could ask for its inclusion and that the Council when adopting the agenda would include the item, if so requested.

The representative of the United States observed that advance notice would be desirable so that delegations could come sufficiently prepared to the meeting.

The representative of the International Monetary Fund, referring to the release of the Conclusions, stated that the Fund had no objection to references to the IMF findings remaining in the Conclusions.

The Council took note of the Exchange of Views on the Job Development Tax Credit (L/3575 and Corr.1) and regarding the DISC (L/3574).

The representative of the United States said that his delegation could not take note of document L/3574 to which the United States had already objected.