

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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REPORT OF THE WORKING PARTY ON THE UNITED KINGDOM IMPORT DEPOSIT SCHEME

1. The Working Party on United Kingdom Import Deposits was established by the CONTRACTING PARTIES on 25 November 1968, with the following terms of reference:

"To examine the Import Deposit Scheme introduced by the United Kingdom and its implication; to present a first report to the Council by 21 January 1969, and to continue to be available for consultation as necessary."

Mr. C. Besa (Chile) was Chairman of the Working Party.

2. The first report of the Working Party - covering four meetings on 9 December 1968, on 31 January 1969, on 12 February and 14 March 1969 - was contained in document L/3193. The Working Party examined the Import Deposit Scheme introduced by the United Kingdom on 27 November 1968 (L/3140 and Addenda) in the light of the findings of the International Monetary Fund that "the Import Deposit Scheme does not go beyond the extent necessary, in conjunction with other measures, to achieve a reasonable strengthening of the United Kingdom's reserve position". Taking into account this finding, the Working Party concluded that the United Kingdom's import deposits were not more restrictive than measures that an application of the provisions of Article XII of the General Agreement permits. The Working Party agreed that this conclusion was without prejudice to the rights of the contracting parties under the General Agreement. The Working Party took note of the United Kingdom's statement that the Import Deposit Scheme had been introduced for a period of one year only and would, if circumstances allowed, be terminated or alleviated before the expiry of that period. In any review of the measure by the United Kingdom, special attention would be given to the interests of the developing countries.

3. The second report of the Working Party covering the meeting on 21 January 1970 was contained in document L/3334. It recalled that at the meeting of the Council on 29 October 1969 the representative of the United Kingdom had announced that his Government had decided to extend the Import Deposit Scheme, which initially would have expired on 5 December 1969, for a further period of twelve months, the rate of the deposit to be reduced from 50 to 40 per cent. The Council decided to reconvene the Working Party and to invite the International Monetary Fund to report on its findings after its consultations with the United Kingdom. The Working Party heard the view of the International Monetary Fund that there had been a considerable improvement in the foreign trade accounts of the United Kingdom and the conclusion of the IMF that "the effect of the Import Deposit Scheme does not go beyond the extent necessary, in conjunction with other measures, to achieve a reasonable strengthening of the United Kingdom's reserve position. However, if the achievement of the balance-of-payments objectives should become compatible with some easing of policies within the overall financial programme, the Fund hopes that priority would be given to phasing

out the Import Deposit Scheme, a step which would strengthen international co-operation on trade barriers". Members of the Working Party expressed their appreciation of the recent recovery of the United Kingdom economy but regretted that this improvement had not been sufficient to warrant the abolition of the Import Deposit Scheme. They urged the United Kingdom to give priority attention to the desirability of gradually phasing out the restrictions. The representative of the United Kingdom stressed his authority's willingness to terminate the Scheme as soon as possible.

4. At the 9-11 June 1970 meeting of Working Group 5 of the Committee on Trade in Industrial Products, the representative of the United Kingdom stated that the rate of deposit under the Scheme had been reduced a second time on 1 May 1970 and stood at 30 per cent instead of 40 per cent. The United Kingdom Government had no intention of extending the Scheme when legislative authority for it expired at the beginning of December 1970. Early removal of the Import Deposit Scheme was urged in view of the substantive improvement in the United Kingdom's balance of payments.

5. On 4 August 1970, the CONTRACTING PARTIES were informed, in document L/3422 of a communication from the United Kingdom dated 24 July 1970. The communication recalled that on 22 July, the Chief Secretary to the Treasury had made a further announcement in Parliament that the rate of import deposit would again be reduced from the present level of 30 per cent to 20 per cent with effect from 1 September and that the Import Deposit Scheme would be terminated on 4 December 1970 on the expiry of the Customs (Import Deposits) Act. At its meeting of 29 September 1970, the Council noted this communication and agreed that if no further developments were registered before 4 December 1970, the secretariat should assist the Working Party by drafting a short final report, to be circulated and approved by its members after the Import Deposit Scheme had, in fact, been terminated.

6. The Scheme having been terminated on 4 December 1970, the Working Party considers that its work is concluded.