

RESTRICTED

GENERAL AGREEMENT ON
TARIFFS AND TRADE

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UNITED STATES TEMPORARY IMPORT SURCHARGE

The following communication dated 16 August 1971 has been received by the Director-General from the United States mission in Geneva.

"I have been instructed to inform you that effective 16 August 1971 the United States will impose generally a 10 per cent surcharge on all dutiable imports not subject to United States quantitative limitations. This temporary measure is designed to stem the rate of increase in imports in view of the critical United States balance-of-payments situation. This step is being taken in co-ordination with other measures which should bring long-range improvement in the United States balance of payments. The text of the United States official announcement concerning the surcharge is enclosed."

The text of the United States official announcement on temporary import surcharge mentioned in the above communication and dated 16 August 1971 is as follows.

"The rate of increase in imports will be stemmed through a broad temporary surcharge designed to achieve relatively quick benefits to our balance of trade. Accordingly, effective today all dutiable imports not subject to quantitative limitations imposed under statute by the United States will be subject generally to a surcharge of 10 per cent.

"Imports not subject to duty, and therefore excluded from the surcharge, are ordinarily products not available in the United States. Notably this exclusion would generally exempt coffee, fish, raw materials such as ores, and other items. To a large extent, this involves exports from the lesser developed countries of the world. The nature of these excluded products and our propensity to import them is such that the added cost of an import surcharge would be unlikely to significantly influence the rate at which products of this type are imported and only serve to raise the domestic price level.

"Most of the products covered by mandatory quotas are also subject to tariffs. However, since imports of these products are already limited, the surcharge will not cover these items. The most important items in this category are crude oil, petroleum products, meat, sugar, dairy products, and cotton textiles.

"Imports bearing the surcharge, that is, dutiable items not also subject to mandatory quantitative restrictions, represent about 50 per cent of the value of total imports. With total imports running at a rate of over \$45 billion per year, annual revenues are estimated at \$2.1 billion.

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"The Administration also plans to submit to the Congress promptly legislation providing for a Domestic International Sales Corporation (DISC). This will afford our exporters tax treatment more comparable to that provided many of their competitors abroad in the expectation it will contribute to a more vigorous export effort.

"The General Agreement on Tariffs and Trade allows members to protect their trade positions when faced with severe balance-of-payments difficulties. The United States is prepared to confer on this temporary measure with other members of the GATT at their convenience.

"The surcharge will be applied under the authority of the Trade Expansion Act of 1962."