

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

C/W/87

18 December 1964

Limited Distribution

---

COUNCIL

18 December 1964

## DRAFT CONCLUSIONS OF THE COUNCIL ON THE UNITED KINGDOM TEMPORARY IMPORT CHARGES

The Council adopted the report of the Working Party on the United Kingdom Temporary Import Charges and its conclusions, which read as follows:

- "1. The Working Party, taking into account the findings of the International Monetary Fund, recognized that the United Kingdom was confronted with balance-of-payments difficulties of serious dimensions and that action was required to safeguard the balance of payments.
- "2. The Working Party took note of the reasons which the United Kingdom representative stated had motivated his Government's decision to use surcharges to restrict imports to safeguard the United Kingdom's balance-of-payments position. It was not disputed that the use of such charges, in so far as they increased the incidence of customs charges in excess of maximum rates bound under Article II, was inconsistent with the obligations of the United Kingdom under the provisions of the General Agreement. The Working Party agreed that it would be outside its terms of reference for it to discuss the substance of the question as to whether the use of surcharges was preferable to that of quantitative restrictions; its task was to concentrate its attention on the measures which the United Kingdom had in fact decided to take.
- "3. The Working Party welcomed the statement of the United Kingdom that the surcharges were being applied in a non-discriminatory manner (see paragraph 26 of Annex II) and that this principle would likewise be followed in the process of reducing and removing the surcharges.
- "4. The Working Party noted the assurance given by the United Kingdom representative that the surcharges were strictly temporary in character and that they would be reduced and abolished as soon as possible and his statement that it was intended that this process would begin in a matter of months.
- "5. As regards the nature of the United Kingdom's balance-of-payments difficulties, differences of opinion were expressed as to the relative rôle played by the various contributing factors and, consequently, as to the nature of measures best suited to meet the situation. The Working Party noted that measures were being taken and contemplated by the United Kingdom Government with a view to eliminating any undue pressure on the economy. The Working

Party further noted that the bank rate had already been increased, and that the Government intended to keep the situation under close review and to take any other necessary measures, in particular in the fields of credit, public finance and incomes policy.

"6. The Working Party was given to understand, however, that one factor in the United Kingdom's balance-of-payments difficulties was related to problems, partly of a structural nature, connected with its trade on the export side. The Working Party noted that some of the measures proposed by the United Kingdom, particularly those aimed at the rationalization of the economy and the modernization of industry, looked towards a solution of these problems. However, while some of these measures might have an effect within a reasonably short time, others were of a long-term character and some had not yet been formulated. The Working Party was concerned that the surcharges, if continued for too long, would afford protection to British industries and that this would run counter to these policies.

"7. The Working Party did not feel able to judge whether the measures taken, and to be taken, would in fact be sufficient or become effective in time to enable the United Kingdom to remove the surcharges at an early date. The Working Party felt that, in view of the great importance it attached to the expeditious removal of the surcharges, and in view of the conclusions drawn in the foregoing paragraphs, it was necessary for the CONTRACTING PARTIES to continue to address themselves to this problem and that the consultation with the United Kingdom should be resumed at an early date and the United Kingdom invited to submit further information about the steps taken or contemplated in connexion with the reduction and removal of the surcharges. It was understood that this consultation in no way prejudiced the rights of contracting parties under the General Agreement.<sup>1</sup>

"8. Without prejudice to the general principle that such action should not have a detrimental effect on the overall objective of the United Kingdom in the elimination of its balance-of-payments difficulties, the less-developed countries felt that, particularly in the light of the stress repeatedly put on the need for an expansion of the less-developed countries' export earnings in successive meetings of Ministers, in the proposed new part of the General Agreement to deal with Trade and Development etc., high priority should be

---

<sup>1</sup>With regard to Article XXIII, the Chairman of the Council clarified the position as follows:

"It follows from what is said in paragraph 2 of the conclusions that it would be legally open to any contracting party to invoke the provisions of Article XXIII. In view of the extensive consultations which have already taken place in the framework of the General Agreement, in the event of such invocation of the matter could be submitted directly to the CONTRACTING PARTIES. It would then be for the CONTRACTING PARTIES to reach a finding whether, as stipulated in Article XXIII, the circumstances were serious enough to justify the authorization of compensatory measures and whether whatever particular measures might be proposed were appropriate in the circumstances."

given to exempting from the surcharges products of which the less-developed countries were principal or substantial suppliers. Some members of the Working Party stressed the importance of maintaining the principle of non-discrimination in the process of reduction and removal of the surcharges. In their view, the selection of products for advance removal or reduction on the basis of the source of supply would be contrary to this principle. All members of the Working Party expressed sympathy for the plea of the less-developed countries and some members expressed the hope that, in the modification of the charges, consideration could be given to this plea without prejudice to the principle of non-discrimination.

"9. Attention was drawn by the less-developed countries and one developed country to the fact that some of the products exported by them were already subjected to other controls and the imposition of the surcharges meant, in their view, that exports of such products to the United Kingdom were being doubly impeded. These countries urged that this anomaly should be removed.

"10. The Working Party noted that the United Kingdom surcharges applied to goods imported under contracts concluded before 27 October 1964, the date on which the surcharges became operative, and that legislation was now under parliamentary consideration to enable overseas suppliers of goods imported into the United Kingdom under the terms of a pre-existing contract which bound them to pay all customs duties to make an addition of the amount of the surcharge payable to the contract price. The Working Party noted the explanations of the United Kingdom representative as to why his Government felt unable to exempt from the surcharges goods contracted for prior to 27 October 1964. Most members of the Working Party considered that the proposed legislation was not sufficient to relieve the hardship caused to overseas suppliers, and requested the United Kingdom Government to reconsider this point. The Working Party noted that this request would be transmitted by the United Kingdom representative to his Government.

"11. The Working Party noted the explanations given by the United Kingdom on the subject of the export rebates and the statement of the representative of the United Kingdom that these measures would be in conformity with Article XVI of the General Agreement and the Declaration of 19 November 1960 giving effect to the application of paragraph 4 of Article XVI. Some members of the Working Party indicated that they would wish to revert to the question of these measures when fuller information became available."

The Council invited the United Kingdom to supply the information referred to in paragraph 7 above and directed the Working Party to resume the consultation at \_\_\_\_\_.