GATT COUNCIL CONSIDERS
UNITED STATES TRADE MEASURES

Working Group Established

The GATT Council of Representatives met in Geneva on 24 and 25 August, under the chairmanship of Mr. Erik Thrane (Denmark), to consider the import surcharge and other trade measures imposed by the United States. These measures were notified to GATT by the United States Government on 16 August 1971, the day on which they took effect.

The representative of the United States said that his Government was facing the stark possibility of a liquidity deficit that was running at the staggering annual rate of $17 billion and that a trade deficit of about $2 billion was forecast for 1971, before the adoption of the programme announced by President Nixon. He explained this programme referring to its domestic and international aspects. With respect to the import surcharge, he stressed its temporary and non-discriminatory character. Although his Government considered itself entitled to invoke the provisions of Article XII of the General Agreement to institute quantitative restrictions, it was not doing so. It felt that the present trade and monetary situation in which every country had a fundamental stake transcended any particular article of GATT. His Government was seeking lasting improvements in the world trade and payments system. Re-emphasizing the temporary nature of the surcharge, he said that its duration would be related to the speed and effectiveness with which collectively the trading nations could deal with the circumstances which dictated its use. The United States Government stood ready to consult promptly with Contracting Parties on all aspects of the surcharge and would support the establishment of a working party.

General understanding was expressed of the seriousness of the United States balance of payments situation and of the need for the United States Administration to take action to meet it. It was stressed that the measures taken would be

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1The full text of the notification is reproduced in press release GATT/1087.
far-reaching in their effect on world trade, not only because of their nature but because they were being applied by the world's leading trading nation. Most delegates questioned the appropriateness of the measures adopted as a remedy for the United States balance-of-payments difficulties, which they felt had arisen for reasons which were largely unconnected with trade. They also doubted the conformity of the surcharge with the provisions of the General Agreement. The surcharge, it was suggested, might indeed impede other necessary adjustments, notably in the monetary field.

Delegates called for the early removal of the surcharge. They stressed that this was necessary both in order to bring to an end the serious immediate damage caused to trading relations and, in the longer term, to avoid putting at risk the achievements of the multilateral trading system built up over many years under GATT. Many delegates stressed the importance of avoiding actions that might tend to exacerbate the present situation.

In addition to the surcharge, many delegates referred to the proposals for a tax credit on investment which would benefit United States producers only and would thus be discriminatory, and for a Domestic International Sales Corporation which they claimed would introduce a subsidy to exports.

Delegates from developing countries believed that the surcharge should not be applied to exports from their countries, which in their view bore no responsibility for the difficulties experienced by the United States. They laid stress on the severe handicap which the surcharge would represent to their efforts to diversify their exports into manufactures, and emphasized that it ran counter to the objectives of the Generalized Scheme of Preferences.

The Council decided to establish a working group to examine the temporary surcharge and to exchange views on other measures in the United States programme of a non-monetary nature which have a direct impact on international trade. The working group is to consult with the International Monetary Fund, and will submit a report to the Council.

The terms of reference of the working group are attached.
Decision of the Council

UNITED STATES TEMPORARY IMPORT SURCHARGE

Decision

The Council,

without prejudice to the legal issues involved,

DECIDES

to establish a working party with the following terms of reference:

(a) In the light of the provisions of the General Agreement and of the discussion in the Council, to examine the United States temporary import surcharge introduced on 16 August 1971 as notified in L/3567, and to exchange views on other measures in the United States programme of a non-monetary nature which have a direct impact on international trade. In executing this task the Working Party will take into account, inter alia, the nature of the balance-of-payments difficulties; the rationale for the surcharge and the modalities of its implementation; the anticipated effects on trade; the possible effect on the economies of other contracting parties and, in particular, the effect on the economies of the developing countries;

(b) to consult with the International Monetary Fund in pursuance of Article XV;

(c) to submit a report for consideration by the Council at a meeting not later than 20 September, on the assumption that the necessary determination by the International Monetary Fund is available, on its examination of the United States temporary import surcharge, and a record of any exchange of views in the Working Party on the other measures referred to above; and

(d) to continue to be available for consultations as necessary.

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1See GATT/1087
Membership of the Working Group is as follows:

**Chairman:** H.E. **Mr. K.A. Sahlgren** (Finland)

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