On 16 September 1971 the Council adopted the report of the Working Party on the US temporary import surcharge and its conclusions, a copy of which is attached.

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, is to be available for consultations as necessary, would be reconvened in the light of developments.

END
CONCLUSIONS

The Working Party took note of the findings of the IMF and recognized that the United States had found itself in a serious balance-of-payments situation which required urgent action. While noting the contrary views of the United States, the other members of the Working Party considered that the surcharge, as a trade restrictive measure, was inappropriate given the nature of the United States balance-of-payments situation and the undue burden of adjustment placed upon the import account with consequent serious effects on the trade of other contracting parties.

In the spirit of Part IV of GATT, and in view of the possibilities opened up by the newly adopted GSP, the Working Party explored with the United States the feasibility of exempting more products exported by developing countries from the surcharge. The Working Party fully understood the keen desire and the urgent need of developing countries to expand their exports as well as the importance of the United States market to them, and generally agreed that in spite of the exemption of many raw materials and primary products normally exported by them, the import surcharge significantly affected the export interest of developing countries. The Working Party wished to stress this as an a fortiori reason why the measure should be eliminated within a short time. In the meantime, the United States should keep the situation under constant review so as not to overlook any possible opportunity of adding to the exemptions list products of particular export interest to developing countries.

The United States, taking into account the findings of the IMF, considered itself entitled under Article XII to apply quantitative restrictions to safeguard its external financial position and balance of payments but had chosen instead to apply surcharges, which were less damaging to world trade. It noted that while a number of other contracting parties had taken similar action there was no uniform precedent in the GATT for dealing with situations of this kind. The other members of the Working Party concentrated their attention on the measures which the United States had actually adopted in this respect, and noted that the surcharge, to the extent that it raised the incidence of customs charges beyond the maximum rates bound under Article II was not compatible with the provisions of the General Agreement.

One member reserved his position concerning the inappropriateness of the surcharge.
The Working Party noted that the surcharge, if not removed within a short time, could not but have far-reaching effects on the world economy and international trade, particularly having regard to the inhibitive effect it would have on international co-operation necessary for the continuation of the liberalizing trade policies that have been pursued since the inception of GATT.

The Working Party noted the statement by the United States confirming that the import surcharge would be temporary and, in the light of the above, urged that it be removed within a short time.

It was understood that this examination in no way prejudiced the rights of contracting parties under the General Agreement.