MEETING OF COUNCIL 11-12 JULY 1962

Draft Conclusion

1. The Council noted the documentation (L/1805 and Add.1) submitted by the Government of Canada and the statement made to the Council by the representative of Canada. In his statement the representative of Canada described the external financial and balance-of-payments difficulties which had caused his Government to take the action announced on 24 June. He pointed out that his Government had not taken action in the form of quantitative restrictions because there was no specific legislation for this purpose and no licensing machinery to administer such a system. He gave details about the temporary import surcharges and described the other measures taken as part of the programme announced on 24 June. He stressed that the surcharges would be temporary in character and would be removed progressively as circumstances permitted. He also stressed that his Government recognized the essential need for the development and adoption of longer-term measures of a positive and constructive character and had already begun intensive planning to this end.

2. The Council noted the background information supplied by the International Monetary Fund. It also noted the statement made by the Fund representative and the view of the Fund contained in that statement that the measures taken by the Government of Canada did not go beyond the extent necessary to stop the serious decline in Canada's monetary reserves.

3. Representatives gave their preliminary views on the Canadian notification. The serious difficulties which faced the Government of Canada in its present external financial and balance-of-payments situation was generally recognized. However, regret was expressed that Canada, which was a major trading nation, had found it necessary to take action which was in conflict with its GATT obligations through the imposition of surcharges on numerous items bound in Parts I and II of Schedule V to the General Agreement. There was concern about the effects of the import surcharges on exports of contracting parties and about the fact that the trade of countries to which the general rate of duty was applied by Canada would not be adversely affected by the surcharges, whereas the trade of countries to which the most-favoured-nation rate of duty applied would be so affected. Several representatives were of the view that it could reasonably be feared that the import surcharges would have protectionist implications. Representatives of the less-developed countries expressed the view that surcharges imposed by an important trading nation might have particularly harmful effects on the trade interests of their countries, but it was noted in the Council that a large number of the items of interest to the trade of less-developed countries were, in fact, exempted from the surcharges. Some representatives questioned the justification for the imposition of import surcharges on their countries' cotton textile exports which were already subject to restraint under the Short-Term Arrangement on cotton textiles, and which might also be subject to restraint under the Long-Term Arrangement if this came into force.
4. Questions were raised as to the most appropriate measures which might be taken to meet the kind of situation with which Canada was confronted. In this connexion the Council welcomed the assurances given by the Canadian representative in his statement that the import surcharges would be temporary in character and that the Canadian Government were already looking towards longer-term measures to rectify the situation.

5. It was felt in the Council that the matters which had been brought forward in the discussion required careful and detailed examination by all contracting parties. The Council recommended that the CONTRACTING PARTIES should undertake this examination at the forthcoming twentieth session, and take whatever definitive action might be required in the circumstances that prevailed at that time. The Council also recommended that the IMF should be invited to consult with the CONTRACTING PARTIES with respect to this question at the twentieth session. The period before the twentieth session would give contracting parties the opportunity to study the issues involved.

6. The Council noted that in the meanwhile the Canadian Government stood ready to consult with any individual contracting parties with respect to the measures which had been taken which might significantly affect their trading interests.

7. The Council recognized that the procedures it recommended above could in no way affect the rights of contracting parties under the General Agreement.