GENERAL AGREEMENT ON TARIFFS AND TRADE

CONFIDENTIAL

COUNCIL

11-12 July 1962

SUMMARY AND CONCLUSIONS ADOPTED

BY THE COUNCIL ON 12 JULY 1962

Summary

1. The Council noted the documentation (L/1805 and Add.1) submitted by the Government of Canada. 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 described the legislative limitations on the action open to the Canadian Government at this time which had a bearing on the nature of the steps taken. 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 were strictly temporary and would be removed as soon 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. Finally, he stated that the Canadian Government stood ready to consult with any individual contracting parties with respect to the measures which had been taken which might affect their trading interests. The Council noted the statement of the representative of Canada.

2. The Council also noted the background information supplied by the International Monetary Fund. Moreover, the representative of the Fund stated that, in the view of the Fund, 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 considered it necessary to take action which was inconsistent with its obligations under Article II of GATT through the imposition of surcharges on numerous items bound in Parts I and II of Schedule V to the General Agreement. There was serious concern about the effects of the import surcharges on exports of contracting parties and several representatives were of the view that it could reasonably be feared that these surcharges would have protectionist implications. It was also pointed out that the impact of the surcharges would fall in an unequal manner as between exporting countries as a result of the different rates of surcharges applicable to the various categories of products. Some delegates regretted that the Canadian Government, when taking these measures, had made no provision to exempt from these surcharges goods the export of which to Canada was the subject of contracts concluded prior to 24 June. These delegates expressed the firm hope that the Canadian Government would take steps designed to overcome the particular difficulties arising from this situation. 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 pointed out that, among the products on which the surcharges were applied, were certain items subject to export restraint. They questioned whether it was reasonable that these additional measures should apply to these items.

4. Several members questioned whether measures to restrict imports were the most appropriate to meet the kind of situation with which Canada was confronted. In this connexion members of the Council attached special importance to the assurances given by the Canadian representative that the import surcharges were strictly temporary and that the Canadian Government were already planning longer-term measures to rectify the situation. The hope was expressed that such measures would be introduced at an early date.

Conclusions

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.

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