1. The fact that the United Kingdom was confronted with balance-of-payments difficulties of serious dimensions was recognized by the Working Party.

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 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 action in this direction could be expected to be taken 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 rôle which inflationary pressures had played and consequently, as to the nature of measures best suited to meet the situation. The Working Party noted, however, that measures were being taken by the United Kingdom Government which were putting a check on the rate of economic activity, including an increase in bank rate, and that the Government intended to keep the situation under close review and to take such other measures as they might deem necessary to redress the situation.

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.

7. In the light of the above considerations the Working Party was concerned as to whether, or not, the measures contemplated would in fact be sufficient or become effective in time to enable the United Kingdom to remove the surcharges at an early date. This concern was accentuated by the fact that the surcharges and the protective effect they would give British industries ran counter to stated United Kingdom policy.

8. 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 removal of the surcharges.
9. 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 Working Party agreed 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., there was a case for giving priority to exempting from the surcharges products of which the less-developed countries were principal or substantial suppliers. In this connexion particular attention was drawn by less-developed countries to those products already subjected to other controls in the United Kingdom.

10. [Contracts]

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 were 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. The Working Party did not, in view of its terms of reference, pursue the question of the legality of these measures.