Statement by the Representative of the United States on 20 December 1967

1. My Government is seriously concerned over the introduction last July by the British Steel Corporation, a monopoly created by law, of a temporary loyalty rebate to British purchasers of certain specifications of steel. Under this scheme, the British Steel Corporation rebates a portion of the purchase price to all users of medium plate and sheet steel who after six months are able to certify they have purchased no imports of such steel.

2. The United States has protested to Her Majesty's Government about this loyalty rebate (1) because it raises serious questions of conformity with the spirit and letter of GATT, (2) because of the potential impact on United States exports and the value of GATT bindings, and (3) because it could result in the deflection of third country steel exports to the United States.

3. The United States believes the rebate contravenes GATT Article III:4 which provides for national treatment for imports "in respect of all laws, regulations and requirements". The British Steel Corporation was created by Her Majesty's Government, is financially backed by the State and can use pricing policy to restrain imports only because this power has been bestowed on it by the State. Thus, British Steel Corporation pricing policy amounts to Government discrimination against imports contrary to Article III. Even though the rebate system may be partially in the commercial interest of British Steel Corporation, this is not a valid reason for condoning restrictions on imports. The British Government should not disclaim its responsibility and commitment to avoid discrimination of this kind against imports by granting powers to the British Steel Corporation to act in this field and then claiming Her Majesty's Government is unable to influence British Steel Corporation's decision on such issues.

4. Article XVII and paragraph 4 of Article II recognize the State has special responsibilities in regard to monopolies and enterprises given special privileges and that such firms may restrain trade. While we recognize British Steel Corporation's action is not a violation of the letter of Article XVII, we believe Article XVII concepts of governmental responsibility apply to the broad language of Article III:4 regarding regulations and requirements.

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5. Finally, we believe a very important principle is involved in the British Steel Corporation's loyalty rebate because of the prevalence of nationalized industry throughout the world. If we were to accept that the scheme is compatible with GATT, very broad use could be made of nationalized companies to discourage imports. Continuation of the scheme will encourage other countries to search for other indirect devices to restrict imports. Our concern is therefore much greater than might appear to be warranted by the coverage of the loyalty rebate scheme.