

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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CONTRACTING PARTIES
Eleventh Session

FINAL REPORT OF THE WORKING PARTY ON BALANCE-OF-PAYMENTS RESTRICTIONS

United States Proposal for Consultations under Article XIII

1. The Working Party, in accordance with its terms of reference, has examined the United States proposal outlined in L/528 that contracting parties maintaining restrictions under Article XIII be invited to consult with the CONTRACTING PARTIES pursuant to the first part of the first sentence of Article XIII:4(b). In presenting this proposal the United States observed that, following the general examination of restrictions undertaken by the CONTRACTING PARTIES in 1951, many changes have taken place in the balance-of-payments position, productive capacity, economic development, internal economic stability, and trade interests of individual contracting parties. These changes have in turn brought about important changes in trade policy and numerous modifications of trade restrictions and their administration. The United States submitted that the free exchange of views that would take place on a realistic basis in the course of such consultations would contribute to a better mutual understanding of the problems facing the countries concerned, of the various kinds of measures taken by contracting parties to deal with the problems, and of the possibilities of further progress in the direction of freer, multilateral trade. The consultations would be conducted within the standards that are applicable under the existing text of the General Agreement, rather than those applicable under the revised text not yet in force. The United States suggested that the proposed consultations should be completed before the close of the Twelfth Session of the CONTRACTING PARTIES.

2. The Working Party considers that it would be in the common interest of the contracting parties to engage in the programme proposed by the United States, as benefits would accrue to both the contracting parties invited to consult and the other contracting parties.

3. The Working Party considers that the most value would be obtained from the consultation programme by having consultations with all contracting parties maintaining restrictions under Article XIII. On the other hand, having heard the views of its members and other delegations, it recognizes that it may be

difficult for certain contracting parties engaged in programmes that currently press upon their limited resources of technical staff to prepare for and engage in consultations during the period contemplated. In this connexion the Working Party has taken note of the fact that the CONTRACTING PARTIES have given special recognition to the situation of certain contracting parties in that, under the terms of the revised Article XVIII, such contracting parties would not be required to consult as frequently as other contracting parties. Finally, it has been observed that consultations before the end of the Twelfth Session with all contracting parties maintaining restrictions under Article XII might unduly tax the facilities that may be available to the CONTRACTING PARTIES.

4. With these considerations in mind, and having investigated the situation of individual contracting parties with their representatives and having reviewed the prospective consultation time schedule of the International Monetary Fund with the representatives of the Fund, the Working Party recommends that the CONTRACTING PARTIES currently invite the contracting parties listed in Annex A to consult pursuant to Article XIII:4(b) prior to the end of the Twelfth Session. Approximate times for such consultations are indicated in each case. The Working Party also recommends that the Executive Secretary be authorized to invite in the name of the CONTRACTING PARTIES any contracting parties not included in the annexed list that indicate their desire to be included.

5. The Working Party also recommends that the Executive Secretary be authorized to determine the precise date for each consultation, after consulting with the individual contracting parties concerned, the International Monetary Fund, and the Chairman of the Consultations Committee (the establishment of which is recommended below). In the determination of the precise dates, the Executive Secretary may change a consultation from one part of the schedule to another, recognizing, however, that a concentration of consultations near the end of the schedule may cause difficulties for the CONTRACTING PARTIES.

6. In accordance with Article XV:2, the CONTRACTING PARTIES will desire to invite the International Monetary Fund to consult with them in connexion with these consultations. The Fund has indicated that it will be pleased to cooperate with the CONTRACTING PARTIES in any appropriate way in connexion with the proposed consultations. The text of a letter of invitation, in the form used in previous invitations to the Fund concerning consultations under Article XII, is given in Annex B.

7. The subject matters for consultations under paragraph 4(b) of Article XIII are specified in paragraph 4(a) of that Article, viz: (a) the nature of the balance-of-payments difficulties; (b) alternative corrective measures which may be available; and (c) the possible effect of the restrictions on the economies of the contracting parties. Attention may also be drawn to the special report adopted by the CONTRACTING PARTIES in 1950 on the use of

quantitative restrictions for protective and other commercial purposes. It will be recalled that in that report the CONTRACTING PARTIES inter alia (a) made certain recommendations on methods to reduce undesirable incidental protective effects of balance-of-payments restrictions, and (b) drew certain conclusions regarding the use of such restrictions in a manner calculated to afford undue protection to domestic industries. These recommendations and conclusions are pertinent points to be taken up in the consultations.

8. In the report of the Working Party on Balance-of-Payments Restrictions adopted by the CONTRACTING PARTIES on 2 December 1955 (BISD, 4th Supplement, p. 44), it was stated: "The Working Party is of the opinion that future consultations would be greatly facilitated by advance preparation and by the use of such plans (of consultations). However, in view of the diversity of circumstances, these plans should not be regarded as rigid programmes but might require suitable modifications in each case." In the light of these comments the Working Party has drawn up a plan for the proposed consultations (see Annex C). This plan is based on the plan for consultations under Article XII used in 1955 (see BISD, 4th Supplement, pp. 44 and 45), but modified to take into account the nature of the proposed consultations. It is suggested that, in using this plan for the consultations, the Consultations Committee bear in mind the comments quoted above. The Working Party agreed that in the consultations the special problems of each consulting country relating to its balance of payments will perforce be given careful consideration. In this connexion, the Working Party also agreed that underdeveloped countries have additional special problems respecting their balances of payments that should likewise be taken into account while consulting with them.

9. In order that the consultations may be as effective and meaningful as possible, it is suggested that for each consultation the following stages of work should be performed.

10. On the basis of available information including information supplied by the International Monetary Fund, data supplied by the contracting parties concerned and information gathered from other appropriate sources, the secretariat will compile a basic document in connexion with each of the consultations. As the financial aspects of the restrictions will be fully dealt with in the background papers supplied by the Fund, the secretariat paper will concentrate on the trade aspects of the restrictions giving, as far as possible, a precise and comprehensive description of the restrictive systems and their administration, of the effects of the restrictions on trade, and of any measures taken in the preceding years to relax restrictions. In preparing these papers the secretariat will consult as fully as possible with the contracting parties concerned, and will give full opportunity to the contracting parties concerned to examine their contents and to make comments.

11. In principle, and except where circumstances dictate otherwise, a month before a consultation is to be opened, these papers should be circulated to all contracting parties together with the background papers and other relevant documentation supplied by the International Monetary Fund. To enable the secretariat to operate efficiently and without delay, the co-operation of the contracting parties concerned will be essential.

12. The Working Party considers that the CONTRACTING PARTIES should appoint a Consultations Committee comprising governmental representatives to conduct the consultations. This Committee, although it should not be so large as the present Working Party, should nevertheless reflect, as far as possible, the characteristics of the contracting parties generally, in terms of their geographic locations, external financial positions, and stage and nature of their economic development. It is considered particularly important that members of the Committee designate as their representatives persons of adequate qualifications and acquaintance with the problems to be dealt with by the Committee. Efforts should be made to ensure continuity in the representation on the Committee.

13. The Working Party considers, after consulting with many delegations, that a Consultations Committee of the following contracting parties would meet the objectives indicated in the preceding paragraph and recommends that the CONTRACTING PARTIES designate them as the members:

The list will be presented by the Chairman of the Working Party at the plenary meeting when the report is considered/

14. Since contracting parties other than those comprising the Consultations Committee may be especially interested in one or more of the consultations, they should be entitled, on their own motion or by invitation of the Committee, to be represented and participate fully in the discussions. The International Monetary Fund should be invited to be represented at the consultations.

15. At the conclusion of each consultation the Committee will draw up a report on the points covered which, in the light of the statement made by the United States representative at the plenary meeting (see SR.11/3), are appropriate for the proposed consultations under the first part of the first sentence of paragraph 4(b) of the existing text of Article XII. The report will be circulated to the contracting parties forthwith and transmitted to the CONTRACTING PARTIES at the Twelfth Session.

16. So that the CONTRACTING PARTIES will have time to consider all the reports of the Consultations Committee during the Twelfth Session, it has been considered desirable to keep the number of consultations at the Twelfth Session to a minimum. In this connexion, such consultations as are held at the Twelfth Session should be carried out early in the Session. In order to ensure continuity, the Working Party suggests that the Consultations Committee carry out the consultations held at the Twelfth Session.

Consultations and Report under Article XIV:1(g) in 1957

17. The Working Party was instructed to consider, in the light of its recommendations concerning consultations under Article XII, what arrangements should be made for holding consultations and for preparing the Annual Report in 1957, as required under Article XIV:1(g).

18. In the light of the recommendation in paragraph 4 above, the Working Party considered that any consultations that might be initiated in 1957 under Article XIV:1(g) should be combined with the consultations under Article XII with the same countries. In such cases the consultations should cover the points set out in the plan for Article XIV consultations (see BISD, Supplement IV, pp. 45 to 46) as well as those set out in Annex C to this Report. Contracting parties intending to consult with the CONTRACTING PARTIES under Article XIV:1(g) should be requested to notify the Executive Secretary in March 1957, so that he could invite the International Monetary Fund to consult with the CONTRACTING PARTIES in connexion with the consultations initiated.

19. As for the preparation of the Annual Report under Article XIV:1(g), the Working Party considers that no change need be made in the existing arrangements. Contracting parties acting under Articles XII and XIV should be requested to supply revised replies, or to bring up to date their latest replies, to the questionnaire reproduced in BISD, Supplement IV, pp. 65 to 68, by 15 July 1957, in so far as such information has not already been made available by that time to the secretariat in connexion with the preparation of their consultations under Article XII.

Arrangements for obtaining prompt action concerning changes in restrictions

20. The attention of the Working Party was called to the question of the effective implementation of paragraph 6 of the Intersessional Procedures (see BISD, Supplement III, p.11), which was raised by the Intersessional Committee in its Report (L/548 page 7). Specifically the Intersessional

Committee recommended that this Working Party should be asked to inquire into ways and means of effectively implementing that arrangement under which contracting parties making modifications in their import restrictions are required promptly to transmit information to the Executive Secretary. The Working Party recommends that the CONTRACTING PARTIES once again urge contracting parties applying import restrictions to pay due attention to that provision. It also recommends that the Executive Secretary be instructed to contact each of such contracting parties as necessary with a view to making practical arrangements to ensure that any such information would be promptly transmitted.

Points for decision:

Paragraph 4 and Annex A

Paragraph 5

Paragraph 6 and Annex B

Paragraph 8 and Annex C

Paragraph 13

Paragraph 18

Paragraph 19

Paragraph 20

ANNEX A

Provisional Time-Table for the Consultations

(Based on information available as at 15 November 1956)

June - July, 1957

Sweden
Norway
Denmark
Greece
Italy
Austria
Germany
Kingdom of the Netherlands
France

Immediately before Twelfth Session

Turkey
Finland
Japan
United Kingdom
Rhodesia and Nyasaland
Brazil¹

Early in Twelfth Session

Australia
Ceylon
New Zealand
Pakistan
Union of South Africa

¹ Brazil is listed here provisionally; whether and when a consultation with it should be held will depend on the developments in its current plans for tariff and foreign exchange reforms.

ANNEX B

Draft Letter to International Monetary Fund

I wish to inform you that the CONTRACTING PARTIES, acting under the first part of the first sentence of paragraph 4(b) of Article XII, have decided to invite the contracting parties applying import restrictions under Article XII to consult with them, such consultations to take place between the close of the Eleventh Session and the close of the Twelfth Session.

Accordingly, I have been directed to invite the International Monetary Fund to consult with the CONTRACTING PARTIES pursuant to paragraph 2 of Article XV in connexion with each of these consultations, and to transmit to you the attached provisional timetable for these consultations.

The Fund will be notified of any changes in the dates by which the consultations will take place and consequently the time by which the CONTRACTING PARTIES will wish to receive the relevant material from the Fund. Meanwhile, I should be grateful if you would inform me of the Fund's acceptance of this invitation to consult, and of any changes the Fund might wish to suggest in the timetable or in the related arrangements.

ANNEX C

PLAN FOR CONSULTATIONS TO BE HELD IN 1957
UNDER ARTICLE XIII:4(b)

I. Balance-of-Payments Position and Prospects

1. Balance-of-payments situation and prospects; factors affecting the balance of payments.
2. Level of monetary reserves and expected movements in reserves; special considerations affecting the availability of or the need for monetary reserves.
3. Effects of the restrictions on the balance of payments; expected effects on the balance of payments of any relaxation or elimination of the restrictions.
4. Expected duration of the restrictions; prospects of relaxation or elimination.

II. Alternative Measures to Restore Equilibrium

5. Internal fiscal and monetary measures to preserve or restore equilibrium.
6. Long-term measures (e.g. to raise productivity and export capacity to reduce structural disequilibrium or rigidities).
7. Other measures which may help to restore balance in international payments.

III. System and Methods of the Restrictions

8. Legal and administrative basis of the restrictions; methods used in restricting imports; categories of goods, and proportion of imports covered by each method used.
9. Treatment of imports from different countries or currency areas.
10. The use of state trading or governmental monopoly in imports; restrictive operation of such régimes.

IV. Effects on Trade

11. Protective effects of the restrictions on domestic production; difficulties or hardship that may be expected upon relaxation or elimination of the restrictions.
12. Steps taken to reduce incidental protective effects of the restrictions; steps taken to minimize the difficulties c. transition to the stage where balance-of-payments restrictions may be eliminated.
13. Steps taken to avoid unnecessary damage in accordance with Article XIII:3 (c)(iii).

