

**GENERAL AGREEMENT  
ON TARIFFS AND TRADE**

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**Committee on Balance-of-Payments Restrictions**

**NOTE ON THE MEETING HELD ON 24 NOVEMBER 1993**

1. The Committee on Balance-of-Payments Restrictions met on 24 November 1993, under the Chairmanship of Mr. Peter Witt (Germany). It concluded the 1993 consultation with Nigeria (BOP/209/Add.1).
2. The Committee had the following other documents before it :
  - Communication from the Philippines BOP/312/Add.1
  - Communication from Turkey BOP/314/Add.1
  - Communications from Israel L/7293 and BOP/315/Add.1

**The Philippines**

3. In a brief introductory statement the representative of the Philippines drew attention to the notification of measures (BOP/312/Add.1) which had been requested during the consultation held and concluded in February 1993. The number of tariff lines affected by restrictions maintained for balance-of-payments reasons had been reduced from some 2800 to roughly 130 PSCC tariff lines (equivalent to approximately 230 tariff lines under the Harmonized System). The Committee's request for an announcement of a time frame for the removal of remaining restrictions and the disinvoication of Article XVIII:B was still under consideration by his Government.
4. Members noted with satisfaction that the communication by the Philippines appeared complete but reiterated their wish that a timetable for the reduction of these measures and the disinvoication of Article XVIII:B, assuming that the balance of payments situation had not changed substantially, be communicated to the Committee. One member asked for a listing of tariff bindings on lines remaining under restrictions. In addition, she asked for the rationale, from a balance-of-payments standpoint, behind restricting imports of energy products and automobiles.
5. At the request of the Committee, the IMF representative informally updated the information provided at the time of the consultation. As a result of a loosening of financial policies to support growth objectives, there had been a deterioration in the balance-of-payments situation of the Philippines, with external reserves falling from US\$6 billion in the first quarter of 1993 to under US\$5 billion in September 1993, and the exchange rate depreciating by some 15 per cent; inflation rates also had begun to rise, to which the manner of financing the budget deficit, from non-bank to banking sources, had contributed.
6. The representative of the Philippines suggested that, in the interest of time, the Secretariat be asked to identify the bound duties applicable to those tariff lines affected by balance of payments restrictions. He explained that, in order not to affect an excessive number of tariff lines, restrictions were applied to products which represented the largest share of imports. His authorities were expecting to liberalize the automobile sector by around 1998. As to a time frame for disinvoication, there were

still a number of problems; a clearer picture might emerge once the Uruguay Round had concluded, leading to improvements in market access and, as a result, in the balance of payments of the Philippines.

7. It was noted that these questions should be examined at a future meeting in the light of updated information on the balance-of-payments situation of the Philippines.

#### Turkey

8. The Chairman referred to the consultations held and concluded on 1 April 1993, during which Turkey had expressed its readiness to notify all tariff lines on which the combined incidence of the tariff and the Mass Housing Fund levy exceeded bound rates, and to implement the envisaged reduction. Turkey's notification was contained in document BOP/314/Add.1.

9. One member recalled that during the consultations with Turkey, fiscal problems rather than balance of payments constraints had been identified as the principal reason for maintaining restrictive measures. He, and other members, expressed disappointment over the imprecision of the notification and encouraged Turkey to provide full and detailed information. Referring to the need for greater transparency, one member reminded the Committee of the discussion in the GATT Council on 22 September 1993 during which members had commented on the difficulty of obtaining precise information on measures maintained for balance of payments purposes. Other members recalled that Turkey had made a commitment to eliminate the Mass Housing Fund by 1998 and requested information on a timeframe for the reduction and elimination of these restrictions and for the disinvocation of the GATT balance-of-payments provisions.

10. The representative of Turkey stated that she had taken note of the statements made. While she was not in a position to respond, she would transmit the points made and questions raised to her authorities.

11. The Chairman pointed out that full information was required, in order for the Committee to function properly, and that during the April 1993 consultation Turkey had agreed to provide such information in the coming weeks, not months. A meeting should be scheduled early in 1994 at an appropriate time to review the additional information. He suggested that such a meeting might be held concurrently with the forthcoming Trade Policy Review of Turkey, at which time the Committee could benefit from the presence of experts from Ankara.

#### Israel

12. The Chairman drew the attention of the Committee to a communication by Israel, in document L/7293, announcing the removal of the 2 per cent import levy as of July 1993. He also recalled that, at the consultations held with Israel on 1 to 2 July 1993, and not yet concluded, Israel had agreed to provide a list of balance of payments restrictions affecting agricultural products at the tariff line level for examination by the Committee. Israel's notification had been provided in document BOP/315/Add.1.

13. The representative of Israel noted that, since September 1991, Israel had been involved in a substantial reform of its trade régime, primarily by replacing quantitative restrictions with tariffs. In addition to the elimination of quantitative restrictions on industrial goods, measures had included the removal of the import levy, the opening up of financial markets, the launching of a privatization programme and the abolition of the exchange rate insurance scheme for exporters. However, political events, including the recent intensive negotiations on a peace agreement, would have immediate repercussions on the agricultural sector as well as on other economic sectors and could conceivably

slow the process of trade reform. In any event, the significant reduction of restrictions was already proof of considerable liberalization.

14. The Chairman sought clarification on whether Israel was justifying its agricultural restrictions under the balance of payments provisions or whether these measures were negotiable in the Uruguay Round, as mentioned in the communication from Israel.

15. Committee members repeated the request for a clarification by Israel as to the legal basis of its restrictions. While commending the abolition of the import levy and the exchange rate insurance scheme, members noted that the consultations in July 1993, having demonstrated an improvement in the balance of payments position, predicated the elimination of restrictions maintained under these provisions. In this connection, a timetable for the elimination of restrictions taken under balance of payments provisions and the eventual disinvocation of these provisions should be made available to the Committee.

16. The representative of Israel confirmed that restrictive measures listed in the notification were in place to safeguard the balance of payments and added that the balance of payments situation had worsened in recent months. The representative of the IMF, at the request of the Committee, provided an informal assessment of Israel's current economic situation. She welcomed the fact that Israel had removed remaining exchange rate restrictions and adopted the obligations of Article VIII of the Fund's Articles of Agreement. The macroeconomic situation had recently deteriorated as the budgetary situation had worsened and the trade deficit was likely to come in at about US\$6 billion rather than the earlier projected US\$5 billion. Although there was the need to move to remedy the fiscal situation, the external environment was such as to raise little doubt that the external deficit could be financed in the short term.

17. In the interest of concluding the 1993 consultation with Israel, the Committee decided that the evolution of the balance-of-payments situation be again reviewed as early as possible in 1994, the date to be determined subject to the availability of information from the IMF.