

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

W.7/34

24 October 1952

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## WORKING PARTY 5 ON BALANCE-OF-PAYMENT IMPORT RESTRICTIONS

Revision of first draft (W.7/23)

for the

Third Report on the Discriminatory Application  
of Import Restrictions (Article XIV:1(g))

Revision of the INTRODUCTION and of Section I

### INTRODUCTION

1. The maintenance of import restrictions by contracting parties in order to safeguard their balances of payments and monetary reserves is permitted in specific circumstances under Article XII of the General Agreement on Tariffs and Trade. During the so-called postwar transitional period, the governments which have adhered to the General Agreement have not been required to observe fully, upon becoming contracting parties, the rule of Article XIII for the non-discriminatory administration of such quantitative restrictions. But contracting parties have undertaken that the discriminatory policies applied under Article XIV in the use of such restrictions will be designed to promote the maximum development of multilateral trade possible during the post-war transitional period and to expedite the attainment of a balance-of-payment position which will no longer require resort to the use of restrictions for these purposes.

2. Under paragraph 1 (g) of Article XIV, the contracting parties are required to report annually on any action still being taken by contracting parties under the provisions for the use of discrimination. At the time of writing this third report<sup>1</sup> in October 1952, twenty-one of the thirty-four

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<sup>1</sup> The 1950 report was entitled First Report on the Discriminatory Application of Import Restrictions. The second report (1951) was written during the Sixth Session and was incorporated in the CONTRACTING PARTIES' report on their review of all the restrictions applied under Article XII as required by paragraph 4(b) of that Article; that report is entitled The Use of Quantitative Import Restrictions to Safeguard Balances of Payments.

contracting parties to the Agreement have stated that they maintain restrictions on imports to safeguard their balances of payments and are exercising some degree of discrimination between sources of supply; these are Australia, Austria, Brazil, Ceylon, Chile, Denmark, Finland, France, Germany, Greece, India, Italy, Netherlands, New Zealand, Norway, Pakistan, Southern Rhodesia, Sweden, Turkey, Union of South Africa and United Kingdom.

3. The Governments of Czechoslovakia and Indonesia also apply balance-of-payment restrictions under Article XII but have advised that their restrictions are non-discriminatory. Nine contracting parties, namely Belgium, Canada, Cuba, Dominican Republic, Haiti, Luxemburg, Nicaragua, Peru and United States, have reported that they are not restricting imports for balance-of-payment reasons. The Governments of Burma and Liberia have not advised the CONTRACTING PARTIES whether they maintain restrictive measures under the provisions of Article XII.

4. This third report is based upon the statements received from the governments exercising discrimination and on discussions with their delegations attending the Seventh Session of the CONTRACTING PARTIES in October 1952. In order to avoid repetition of what has been said on this subject on the two previous occasions, the report is devoted, principally, to an examination of the changes that have taken place in the discriminatory practices of governments since the close of the Sixth Session in October 1951. In addition, the report examines some of the commercial implications as well as the financial basis for the discrimination policy and contains a note on the consultations which have taken place, during the Seventh Session, with certain governments on the continuance of their discrimination policy.

5. In Part II will be found notes describing briefly the discriminatory action currently practised by each of the twenty-one governments. These notes were compiled principally from information furnished by the governments themselves and were verified by the delegations attending the Seventh Session of the CONTRACTING PARTIES.

I. DISCRIMINATION IN 1952

6. At their Sixth Session, in October 1951, the CONTRACTING PARTIES reviewed the import restrictions maintained to safeguard the exchange reserves of governments adhering to the General Agreement on Tariffs and Trade. They were then able to report that the external financial position of many countries had greatly improved when compared with the situation in the earlier post-war years. Substantial progress had been made in removing or relaxing restrictions on imports and in mitigating the discriminatory application of those restrictions which remained. Now, a year later, the CONTRACTING PARTIES note that the improvement of 1950 and 1951 has not been maintained by all countries. For a number of countries the balance-of-payments difficulties have become more severe and monetary reserves have again been reduced. Consequently, some restrictions have been tightened and governments are exercising a stricter scrutiny of their external expenditure in order to match their commitments to available exchange.

7. At the end of 1951 a number of contracting parties began to experience severe balance-of-payment difficulties, which continued into 1952. For some of these countries a major factor was a reversal of their payments position in the EPU, entailing settlement in gold. This resulted in some modifications of the policy of discrimination described in previous reports. In a number of instances the intensification of restrictions against imports from soft-currency areas was not matched by comparable intensification of restrictions from the dollar area, thus reducing the degree of discrimination. These factors had their effects particularly on the trade relations of the countries participating in the two group arrangements described in the earlier reports.

8. These reports showed that the degree of discrimination exercised by most contracting parties practising discrimination was strongly influenced by the existence of group arrangements to which they were parties. Of the twenty-one contracting parties practising discrimination, eleven, (Austria, Denmark, France, Germany, Greece, Italy, Netherlands, Norway, Sweden, Turkey and United Kingdom), are members of the Organization for European Economic

Co-operation, while seven others in addition to the United Kingdom, (Australia, Ceylon, India, New Zealand, Pakistan, Southern Rhodesia and South Africa), belong to the sterling area. In the sterling area group there was a wide freedom of trade; in the OEEC group the relaxation of restrictions came with the successive steps of the liberalization programme. Moreover, there were many instances of the relaxation being extended by members of one group to members of the other, thus further accentuating the discrimination between trade conducted in soft currencies and that requiring payment in the hard monies.

9. In November 1951, the United Kingdom Government announced a wide re-imposition of controls on imports previously allowed in free from Western Europe and other non-dollar and non-sterling countries. The measures introduced then and in the first half of 1952 terminated many of the open general licences, under which a great part of the private purchases from soft-currency countries had been imported, and introduced quotas allowing imports without discrimination as among these countries. This action was followed shortly by the suspension of OEEC liberalization by the Government of France; licensing requirements were re-established for all imports from the area of the European Payments Union. Meanwhile, a number of the European countries, including the United Kingdom, intensified their restrictions on dollar imports, as part of the measures to cope with the deterioration in their payments positions.

10. Some members of the OEEC maintained and others even extended their liberalization of trade with other EPU countries in 1952. Germany, Netherlands and Norway have achieved the 75 per cent liberalization of imports on private account from other OEEC countries; while Italy and Sweden have gone even further.

11. Other countries in the sterling area also intensified import restrictions. Australia, which had previously only applied restrictions on imports from the dollar area in Japan, introduced stringent licensing of imports from other sources in March 1952. For this group of countries newly brought under licensing, quotas were established on the "global" principle and cover

imports from any country other than the dollar countries and Japan. An additional measure taken by the Australian Government was the recall for consideration of all outstanding licences for imports from the dollar area and Japan; reductions were made in some cases and the estimated amount of imports is now lower than that of twelve months ago. New Zealand also recalled and reviewed outstanding dollar licences and applied a stricter criterion of essentiality on dollar imports. In March 1952 imports of motor vehicles from non-dollar sources were brought under quantitative control and non-discriminatory rationing of foreign exchange was introduced. Ceylon, Pakistan, South Africa, Southern Rhodesia and several overseas dependencies of the United Kingdom modified their restrictions in 1952 with varying effect upon their trade with the various currency areas; the measures not only affected dollar expenditure but also had an impact on trade with EPU and other non-sterling countries.

12. The two contracting parties in Latin-America which apply restrictions - Brazil and Chile - also experienced payments difficulties in 1952 and tightened their import controls.

13. During the past year, the intensification of restrictions against the dollar area has been fairly widespread, particularly by contracting parties in the sterling area. The reduced allocations for dollar purchases have been announced by some of these governments, but the extent of further cuts by the countries of Europe and South America can often be seen only after the event. In most areas, however, the discrimination against dollar goods has actually been reduced by virtue of the greater intensification of the restrictions against soft-currency imports. The United Kingdom, for example, has reduced the discrimination between European and dollar imports, though it has deepened that between sterling and other goods. Although Australia has introduced a stricter dollar control, the imposition of licences for imports from the United Kingdom has probably had the effect of reducing the margin of discrimination between British and American goods. The French suspension of liberalization presents a clear case of intensified restrictions, but reduced discrimination.]