

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

W.13/36

13 November 1958

Limited Distribution

Original : English

CONTRACTING PARTIES
Thirteenth Session

CONSULTATION FOR 1958 WITH THE UNITED KINGDOM UNDER ARTICLE XIV:1(g)

Statement by the United Kingdom Delegation

The CONTRACTING PARTIES, at their meeting on 20 October 1958, agreed to the recommendation of the Intersessional Committee that the 1958 consultation under Article XIV:1(g) with the United Kingdom should be commenced at this Session but substantive discussions should be postponed until next spring to be combined with the Article XII:4(b) consultation to be held at that time. The Working Party on Balance-of-Payments Restrictions agreed that at this stage it would be sufficient for the United Kingdom delegation to supply a statement to inform the CONTRACTING PARTIES of the present situation and recent developments. Any questions arising out of that statement could be taken up when substantive discussions started in 1959.

Accordingly, the following statement has been submitted by the United Kingdom delegation.

1. Measures taken by the United Kingdom in September 1957 have worked a transformation in the United Kingdom's external and internal position, without the high unemployment and major loss of production which some feared and with a continued high level of investment both at home and overseas. In this the United Kingdom has been greatly helped by the terms of trade but they alone would not have brought about the improvement. In the first half of 1958 the United Kingdom's surplus on current account amounted to £334 million which was more in six months than in any twelve months since the war. Over the year 1957-58 the surplus was £488 million comprised of a surplus with the rest of the sterling area of £527 million and a deficit of £39 million with non-sterling area countries.
2. For thirteen months in succession the United Kingdom's gold and dollar reserves have risen, even through the normal autumn pressure. Although a third of the rise of £473 million has been due to special borrowings, it has nevertheless been substantial. Sterling liabilities have fallen. Confidence in sterling is high.

3. These are the result of sound internal policies. Together with the fall in demand in export markets they have led to a moderate fall in the utilization of capacity, and, in particular, to a small rise in unemployment. On the other hand, they, together with the fall in import prices, have yielded a very close approach to price stability over the last twelve months. At the same time, the rate at which new capacity has been created, by capital investment, has remained at a very high level.

4. Because of these developments the United Kingdom has been able to make further progress with the reduction of discrimination and the liberalization of imports. By 1957 62 per cent of all dollar imports were free of restriction. Early in 1958 the United Kingdom substantially increased quotas for canned salmon, abolished discrimination against the dollar area in the licensing arrangements for apples, and gave extended commercial quotas for other dollar fruit. In July they made a further major step forward by abolishing discrimination against the dollar area in imports of industrial chemicals and allied products. Finally, during the Commonwealth Trade and Economic Conference at Montreal the President of the Board of Trade announced the Government's decision:

- (a) to make almost a clean sweep of the controls on dollar imports of industrial, agricultural and office machinery, leaving only a limited range of machinery subject to control;
- (b) entirely to free canned salmon from import control with the exception of salmon from the Soviet bloc;
- (c) to free newsprint from control.

Colonial Governments have also been invited to make relaxations of their restrictions on a wide range of dollar goods.

5. By these measures almost all raw materials, basic foodstuffs and "tools of trade" will be freed from restriction.

6. The President went on to announce that the next move would be to make a start in freeing imports of consumer goods and the remaining foodstuffs. All being well the intention is, making a start in 1959, first to remove the controls on as wide a range of consumer goods and foodstuffs as possible; second, to establish, or increase, quotas for items where the cost of total liberalization might be greater than could be afforded at that time (the next stage would be progressively to increase these quotas until the items were completely free); third, the remaining limited number of items, presenting special difficulties, would each be considered over a period of time on their merits.

7. When considering these matters it should be remembered that the extremely favourable conditions of the last year, of which United Kingdom policies enabled them to take full advantage, cannot be counted upon to recur. The figures quoted above owe much to the fall in import prices and the stability in the volume of United Kingdom imports. The surplus in the balance of payments cannot be expected to continue at the high level recently achieved. Indeed United Kingdom exports are already falling. Moreover, it is too early yet to claim that any lasting solution for the problem of maintaining price stability has been found. The United Kingdom is greatly dependent upon the position of world trade and industrial activity. This year for the first time since the war the free world has faced an actual decline in world trade. This is a serious matter because so much depends on steady economic growth based on dependable currencies. Continued caution is thus essential. It is the United Kingdom's firm determination to move forward at a rate which can be sustained. There must be no question of risking a setback.

8. Over the years since 1952 the United Kingdom has progressed steadily towards the elimination of discrimination. Even during the balance-of-payments difficulties of 1957 there was no intensification of import restrictions. The contracting parties can rest assured that this progress will be continued as rapidly as conditions permit.