

GENERAL AGREEMENT ON TARIFFS AND TRADE

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CONTRACTING PARTIES
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IMPORT RESTRICTIONS RETAINED AFTER THE END OF BALANCE-OF-PAYMENTS DIFFICULTIES

Note from the United States Delegation

At the Tokyo meeting of the CONTRACTING PARTIES the delegation of India raised as a general question the problem of quantitative import restrictions maintained by contracting parties no longer in balance-of-payments difficulties. Other delegations spoke to the question, and the Chairman proposed that the suggestions made in the discussion be taken up at the sixteenth session.

Since the Tokyo meeting several additional contracting parties have strengthened their external finances to the point where they have given up, or are about to give up, their resort to Articles XII or XVIII:B of the General Agreement.

It was recognized during the Review Session of the CONTRACTING PARTIES, having in mind the incidental domestic protective effects of quantitative import restrictions long maintained for balance-of-payments reasons, that in certain cases contracting parties might find it difficult to remove such restrictions. The "hard core" decision of 5 March 1955, as extended from time to time, made provision for dealing with such cases. The decision, in effect, called upon contracting parties to make requests for the temporary relief provided by the decision before they ceased to be entitled to maintain import restrictions for balance-of-payments reasons. It appears, however, that contracting parties have found it difficult or undesirable to make such requests in advance.

It has been common to find that a contracting party will come out of its balance-of-payments difficulties without having eliminated, or otherwise taken action on, a substantial range of restrictions previously justified on balance-of-payments grounds. The emergence of situations of this kind was not expected by the United States and probably not by other contracting parties, particularly after agreement on the "hard core" decision in 1955.

The United States Government has given extended thought to the questions raised in the Tokyo discussion. Just before this session began, the United States delegation began informal discussions with a considerable number of other delegations on these questions. The interest displayed by contracting parties has been lively and widespread.

Through an informal exchange of ideas, the United States delegation has sought to ascertain whether the procedures specified in the General Agreement and established pursuant thereto by the CONTRACTING PARTIES are considered adequate to meet the problem of residual restrictions. It seemed generally agreed that the provisions of Article XII:4(c) and Article XVIII:12(c), although important in so far as they apply, do not touch upon the main problem. That is, they are applicable to restrictions maintained by a contracting party still in balance-of-payments difficulties, but not to a contracting party no longer desirous of resorting to, or not entitled to resort to, the balance-of-payments exception. There are, however, important provisions specified in Articles XXII and XXIII of the General Agreement supplemented by procedures established by the CONTRACTING PARTIES. (See, in particular, Basic Instruments and Selected Documents, 7th Supplement, page 24.)

In the discussions some took the view that the existing procedures were adequate to deal with problems of residual restrictions. Others, however, expressed doubts or concerns about the adequacy of the existing procedures and emphasized the desirability of changes in the direction of more detailed and uniform rules. Some of these concerns were also present in the United States delegation.

During the sixteenth session we have seen certain developments that may point the way toward a resolution of some of the questions in the minds of contracting parties. The leader of the Australian delegation announced, for example, that Australia expects to inform the CONTRACTING PARTIES before its scheduled consultation under Article XII that it is no longer applying restrictions to safeguard its balance of payments (L/1204). The Australian authorities expect thereupon to provide a complete statement on all their remaining import restrictions and on their policy and procedural proposals for dealing with them. The Australian authorities look forward to the opportunity of discussing with the CONTRACTING PARTIES the ways of handling any restrictions that may then remain. On the same day the United Kingdom delegation announced that it would circulate the list of its residual restrictions and offered to consult with contracting parties whose trade interests are affected by the restrictions. Malaya, of course, left Article XVIII:B with very few restrictions, and these are to be removed soon.

It seems to the United States delegation, particularly in the light of these developments, that the CONTRACTING PARTIES cannot fail to recognize the reasonableness of the expectation that, if a contracting party retains restrictions formerly maintained under the balance-of-payments exception, it will promptly notify them to the CONTRACTING PARTIES and also state its plans and policies for dealing with them. A readiness to consult on the residual restrictions is something that the CONTRACTING PARTIES should also be able to count upon.

Certain procedures specified in the General Agreement and established thereunder by the CONTRACTING PARTIES have been referred to earlier in this note. It seems to the United States delegation that the CONTRACTING PARTIES can affirm without hesitation that these procedures will be applied in an effective and expeditious manner in keeping with the importance of the

problems posed by the residual restrictions. In addition, the CONTRACTING PARTIES should remove any doubt that may exist in the minds of contracting parties about the appropriateness of resorting to the procedures of Article XXIII and related procedures when trade interests are adversely affected by restrictions maintained by another contracting party. Contracting parties should be able to feel confident that they will have the collective support of the CONTRACTING PARTIES throughout in their efforts to maintain the principles of the General Agreement and to deal expeditiously and effectively with export problems created by maintenance of quantitative restrictions.

The United States delegation believes, moreover, that the doubts and concerns referred to above could be diminished by the actions and attitudes of the contracting parties that succeed in terminating their balance-of-payments difficulties. It would seem almost unnecessary to say that contracting parties which reach that fortunate stage cannot fail to regard as a routine development the resort to agreed procedures if residual restrictions are maintained.

The United States delegation does not intend to make specific proposals on this matter at this session. We would, however, welcome in plenary discussion the comments of other delegations on the views expressed in this note. We would hope these views will find general favour.

We wish, finally, to express the hope that contracting parties still resorting to the balance-of-payments exception will accentuate their efforts to prepare for the final removal of quantitative restrictions when their balance-of-payments difficulties terminate.