

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

L/23

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Limited Distribution

CONSULTATIONS UNDER ARTICLE XIV:1(g)

1. Paragraph 1(g) of Article XIV reads, in part, as follows:

"In March 1952, and in each year thereafter, any contracting party still entitled to take action under the provisions of sub-paragraph (c) or of Annex J shall consult the CONTRACTING PARTIES as to any deviations from Article XIII still in force pursuant to such provisions and as to its continued resort to such provisions."

2. At their Sixth Session the Contracting Parties agreed upon a procedure for the initiation and conduct of consultations in 1952 under the foregoing provision (GATT/CP.6/52). Any contracting party still entitled to take action under the provision of paragraph 1(c) or of Annex J was invited to enter into consultation with the Contracting Parties by advising the Executive Secretary not later than 15 March 1952 that it was initiating a consultation and by furnishing details of the measures involved together with any other information which would assist the Contracting Parties in carrying out the consultation. In accordance with this procedure, the following governments initiated consultations or advised that they were prepared to consult:

Under the provisions
of Annex J

Ceylon
Southern Rhodesia
Union of South Africa
United Kingdom

Under the provisions
of paragraph 1(c)

Australia
Italy
Netherlands

3. In addition, the Government of New Zealand, although not a member of the International Monetary Fund and not having entered into a special exchange agreement with the Contracting Parties pursuant to Article XV:6 (and therefore not fulfilling the requirement of Article XIV:1(f)), advised that it was prepared to consult pursuant to Article XIV:1(g). In view of this situation the Contracting Parties will have to decide whether they will enter into a consultation with the Government of New Zealand.

4. The Executive Secretary was instructed to inform the International Monetary Fund of the names of the contracting parties which had initiated consultations and to invite the Fund to consult with the Contracting Parties in connection with these consultations in pursuance of the provisions of Article XV. The Fund was invited to consult and accepted.

5. In view of the provisions of Articles XIV and XV, the Contracting Parties considered at the Sixth Session that the consultations initiated pursuant to Article XIV:1(g) could be concluded more effectively if the Fund would make available the results of its consultations with the countries concerned pursuant to Article XIV of its Articles of Agreement. Accordingly, the Fund arranged its consultations with its Members in such a way as to ensure, as far as possible, that those with the governments which would also consult with the Contracting Parties would be completed in advance of the Seventh Session. Statements submitted by the Fund in this connection will be issued to delegations as soon as they are available.

6. The principal sources of information on the restrictions maintained by the consulting governments are the statements furnished in response to the successive questionnaires on balance-of-payment import restrictions, i.e.:

- (a) replies to questionnaire GATT/CP/39 of 7 October 1949 (these replies were reproduced in GATT/CP/62);
- (b) replies to questionnaire GATT/CP/89 of 8 January 1951 (these replies were summarised in the 1951 report on quantitative import restrictions);
- (c) statements submitted in response to paragraph 1(a) of GATT/CP/132 of 4 December 1951 bringing up to date earlier replies to GATT/CP/89 (copies were sent to contracting parties or will be given to delegations); and
- (d) statements supplied by some of the consulting governments in response to paragraph 1(b) of GATT/CP/132 giving details of the measures involved in the consultations together with additional useful information (copies were sent to contracting parties or will be given to delegations).

In addition, certain statements submitted by contracting parties in connection with other obligations under the Agreement provide information relevant to the restrictions maintained and have been taken into account in preparing the notes referred to in paragraph 7 below. These include:

Australia	L/3 (cf. also L/18)
New Zealand	L/7
Southern Rhodesia	GATT/CP/138 & Add.1 and L/4
Union of South Africa	L/8
United Kingdom	GATT/CP/134 and 143 and L/2

7. The Executive Secretary was instructed to prepare material to assist the Contracting Parties in their consultations. In accordance with this instruction, there is annexed to this document a note providing information relevant to each of the consultations. The notes are based on, and constitute in effect a brief summary of, the statements submitted by the consulting governments as mentioned in paragraph 6.

Point for Decision

Paragraph 3

AUSTRALIA

Prior to 8 March 1952, imports were admitted without restriction except from hard-currency areas. As from that date imports from all sources have been brought under licensing control, with the exception of certain specified goods. A few items, including petroleum products, however, have always been subject to control when imported from any source.

The importation of goods from the dollar area¹ and Japan is subject to annual planning. Imports are restricted to essential commodities which are not available in adequate quantities from other sources of supply, and each application for a licence is treated on its merits. The Australian Government states that "in this planning regard is paid to the availability of the necessary currency to Australia as a member of the sterling area and to the importance of the goods in the Australian economy". On 20 March 1952, the Government recalled for review all current import licences issued for goods of dollar-area origin, except those for bulk petroleum products and goods purchased under the 1950 IBRD loan. On 9 May the Government, after revalidating more than half of the recalled licences, decided to cancel approximately 20% of the total unconfirmed value (about £35 million) of those that remained. Between 21 March and the end of May virtually no dollar licences were issued. At the end of May licensing was resumed under a revised programme covering the period up to 30 September 1952, but at a lower rate than that provided for in the 1951-52 licensing year.

As from 8 March 1952, licences have been required for imports from all other sources except for a few items which are described in a published schedule. This control is based on a global quota principle and licences issued under any quota are valid for imports from any source except the dollar area and Japan. Goods are classified according to four categories:

- Category "A": The annual quotas amount to 60% by value of each importer's purchases of the goods in question during the base year 1950-51.
- Category "B": The annual quotas amount to 20% by value of each importer's total imports of all goods in this category during the base year.
- Category "Adm.": This category includes the most essential kinds of imports which could not appropriately be restricted to a percentage of base-year imports; the control is administered on a case-by-case basis.

¹ The "dollar area" for licensing purposes comprises the United States and dependencies, Canada, Colombia, Costa Rica, Cuba, Bolivia, Dominican Republic, Ecuador, Guatemala, Haiti, Honduras, Mexico, Nicaragua, Panama, El Salvador, Philippines and Venezuela.

Fourth Category:

This category also includes goods which lend themselves to regulation on the quota principle but which were not suitable for classification in "A" or "B". The percentages of base-year imports to be admitted may vary; at present they are either 80% or 100% of base-year imports.

CEYLON
(Annex J)

The import regulations provide for the prohibition of specified imports and the restriction of others, in order to ensure the entry of essential goods and the discouragement of luxuries. A licensing system operates for permissible imports.

Open general licences are established for various classes of goods but do not authorize importation of those grown, produced or manufactured in certain designated countries. For example, Open General Licence No. 1, which covers some 425 items, specifies that it does not apply to imports from the following: United States of America and any territory under its sovereignty, Philippine Islands, Bolivia, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Haiti, Honduras, Mexico, Nicaragua, Panama, Venezuela, Canada, Newfoundland, Germany and Japan. O.G.L. No. 2, on the other hand, provides for the free importation of some 197 items which are grown, produced or manufactured in the same countries which are excluded from the benefits of O.G.L. No. 1 with the exception of Germany and Japan. O.G.L. No. 3 authorizes the importation of 13 items, mainly meat, dairy products and oils from all countries except Germany, Japan and Australia. (Although Germany and Japan are excluded from the facilities provided in O.G.L. No. 1, individual licences for the importation of the goods concerned are issued freely to importers of Ceylonese nationality.)

For all goods not covered by open general licences, individual licences are required. Two lists are published, one showing the goods subject to licences from all areas, and the other showing goods under licence from dollar sources and Japan. Licences are issued without limitation for goods in the first list, subject only to the conditions specified therein. Setlings are provided for the importation of goods in the second list. In effect, therefore, restrictions are maintained only on certain imports from the dollar area and Japan, imports from other sources being almost free from control.

The Government of Ceylon states that "the only discrimination in Ceylon's import control system involving the restriction of imports about which Ceylon would wish to consult the Contracting Parties at the Seventh Session are those against the dollar area and Japan". The following two lists have been provided to indicate the nature and extent of these restrictions. Items subject to monetary ceilings in respect of imports from the dollar area:

Beer, ale and porter
 Spirits: Whisky
 Confectionery
 Fruits fresh: apples and grapes
 Fruits fresh: other than apples
 and grapes
 Currants
 Prunes
 Raisins
 Fruits dried or preserved
 Fruits preserved in sugar or
 spirits
 Food and drink n.e.s.
 Tobacco unmanufactured
 Glass and glassware: other
 Glass tumblers, bottles, lamp
 chimneys and globes
 Cutlery other than razor blades
 Razor blades
 Clocks complete and parts

Watches complete and parts
 Photographic goods
 Manufactures of paper and card-
 board
 Motor cars including station wagons
 Small arms including air guns
 Parts and accessories of small
 arms
 Imitation jewellery and haberdashery
 Musical instruments and parts
 Gramophones, records and parts
 Cosmetics, powder and toilet
 requisites
 Stationery other than paper
 Liquid ink
 Cereal foods prepared
 Vegetables preserved or tinned
 Goods manufactured n.e.s. and
 miscellaneous goods

Items subject to monetary ceilings in respect of imports from Japan

Beer, ale and porter
 Food and drink n.e.s.
 Photographic goods
 Mufflers and scarves etc.
 Silk and satin manufactures
 Silk and satin: apparel
 Camphor
 Manufactures of paper and cardboard
 Imitation jewellery and haberdashery
 Musical instruments
 Toys and parlour games
 Stationery other than paper
 Culture and natural pearls
 Goods manufactured n.e.s. and other miscellaneous
 goods

ITALY

The import policy is aimed at limiting to the greatest extent possible imports from dollar countries and from other countries for which payments have to be made in hard currencies. In initiating the consultation under Article XIV:1 (g) the Italian Government states that it "requests to be authorized to maintain quantitative restrictions on imports from the dollar area because the current account has not been balanced with that area".

Since the beginning of 1948 Italy has progressively relaxed its quantitative restrictions on imports from soft-currency countries. By a decree of 31 October 1951 the Government suspended all quantitative restrictions on imports (with the exception of some 16 tariff items) for which payments are made through the EPU, that is, from the following countries: (a) all the OEEC countries and their overseas territories, (b) the sterling area and "assimilated countries" (i.e. Afghanistan, Anglo-Egyptian Sudan, Egypt, Eritrea, Ethiopia and Thailand), and (c) Indonesia.

Imports of many items from countries with which Italy has concluded special agreements, but for which payments are not made through the EPU, are limited in accordance with quotas provided therein.

NETHERLANDS

Restrictions are exercised through a general prohibition of imports except under licence. Imports requiring payment in dollars are more strictly controlled than other imports and are programmed every year. The dollar import programme covers only goods that are not available elsewhere in comparable quality and at comparable prices.

Other imports have been liberalized to varying extent as follows:

- (a) Imports from Belgium and Luxemburg, as a result of agreements concluded with the B.L.E.U., have been freed from quantitative control up to about 90% of imports in 1948.
- (b) In accordance with the liberalization policy of the OEEC imports from its member countries have since March 1952 been liberalized up to 75% of the imports for 1948; only the remaining 25% is subject to quota control.
- (c) As for non-liberalized imports from the OEEC countries and imports from many countries outside the OEEC the Netherlands has concluded bilateral trade agreements on the basis of a system of import quotas the size of which is generally determined by the availability of currencies needed for payment. For many products the quotas are so ample as to provide for unlimited importation.

NEW ZEALAND

Control is effected through import licences without the fixing of quotas. Licences are required for all imports from "scheduled" (hard-currency) countries, but only for some imports from "non-scheduled" (soft-currency) countries.

Applications relating to imports from scheduled countries (Albania, Argentina, Bolivia, Bulgaria, Canada, Colombia, Costa Rica, Cuba, Dominican Republic, Ecuador, El Salvador, French Somaliland, Germany (Russian Zone), Guatemala, Haiti, Honduras, Hungary, Iran, Japan, Korea, Liberia, Mexico, Nicaragua, Panama, Philippines, Poland, Roumania, Tangier, Uruguay, United States, U.S.S.R., Venezuela and Yugoslavia) are considered individually, having regard to essentiality, the extent to which supplies are available from non-scheduled countries and in the light of an estimate of the overseas funds to be received during the licensing period.

In March 1952 the Government revoked all licences issued for imports from scheduled countries, except those for goods already in transit, covered by confirmed or irrevocable credits, etc. After examination of the commitments, the Government provided firm allocations for certain items, in some cases on the basis of 100% of the value of 1951 licences for the same goods from scheduled countries. It was estimated in June that the overall result would be that payments for imports from these countries in 1952 would reach about the same total as in 1951, i.e. approximately £NZ 30 million.

For imports from non-scheduled countries, (i.e. all countries not listed above, including sterling area countries) there has been a continuous relaxation of restrictions since 1948, and the list of items exempt from the licensing requirement has been frequently extended; the only exception has been the re-introduction in March 1952 of control over imports of motor vehicles. It is estimated that by March 1952 about 84% of imports from non-scheduled countries, representing 74% of all imports, had been freed from control.

SOUTHERN RHODESIA
(Annex J)

Import control was first introduced in September 1947 with a view to limiting the value of imports to the available amounts of the foreign currencies required for payment. At first the measure, generally known as "Dollar Control", affected only imports from certain countries in the Western Hemisphere. In 1948 and 1949 the permit system was extended to cover products from several non-dollar area countries by reason of the balance-of-payment difficulties between the sterling area and the countries concerned. Control was, however, removed from imports from most of these latter countries in 1950.

On 10 December 1951 the Government decided to re-institute control on imports from non-dollar countries outside the sterling area. The dollar import and non-dollar non-sterling import controls are administered separately.

An amount of dollars is allocated for imports from the dollar area and is divided into global amounts for the various groups of products. Individual importers receive separate allocations within these global amounts, and permits issued against these allocations can be utilized for imports from any country in the dollar area. These permits for imports from the dollar area are valid also for imports from non-dollar countries.

The "non-dollar non-sterling" control operates in respect of goods from all countries outside the dollar and sterling areas. The procedure is similar to that for dollar import control.

UNION OF SOUTH AFRICA
(Annex J)

The South African control is based on a distinction between hard and soft currencies. Generally, licences for importation are issued without specification of the country of origin, but in certain circumstances additional permits are issued for imports from soft-currency countries.

The principles upon which the control system is based were described in a Memorandum submitted to the Contracting Parties in 1950 as follows:

- (a) General permits, available for imports from any country, are issued up to the amount of South Africa's total current external income, i.e. the total of the current gold output available for sale abroad plus net current external earnings after provision for external invisible payments has been made.
- (b) In addition, general permits are issued to the amount of £2 for every £1 of available untied capital receipts from hard-currency countries, i.e. the dollar area.
- (c) If the inflow of capital from soft-currency countries exceeds that from hard-currency countries, restricted permits, available only for imports from soft-currency countries are issued to the extent that the general permits referred to under (a) and (b) would not be sufficient to meet the country's import requirements in full.

Soft-currency countries are defined for the purpose of the control as all countries other than Bolivia, Canada, Colombia, Costa Rica, Cuba, Dominican Republic, Ecuador, El Salvador, Guatemala, Haiti, Honduras, Mexico, Nicaragua, Panama, Philippine Republic, United States and possessions and Venezuela.

This scheme came into operation at the beginning of 1951 and is said to have resulted in "a very substantial relaxation of discrimination against imports from hard-currency sources". Imports from dollar countries increased more than those from soft-currency sources.

In order to assist the sterling area the South African Government decided early in 1952 to reduce the issue of general permits below the level envisaged in 1950 while enabling the hard-currency countries to maintain their proportionate share at least at the 1951 level. An alteration in the control system has been foreshadowed for 1953.

In initiating the consultation, the Government has emphasized that

"..... it regards this element of discrimination in its import control system as a temporary measure designed to meet a crisis, and it is its earnest hope that the important changes in economic and financial policies which are now being introduced in the United Kingdom and in other parts of the sterling area will create those conditions which are essential to the elimination of discrimination and the ultimate restoration of convertibility and multi-lateral trade.

"It is submitted that the problems with which the sterling area is at present confronted have been created by exceptional circumstances which could not have been foreseen when GATT was drafted. Moreover, South Africa's position as a member of the sterling area and one of the principal gold-producing countries in the world gives it a particular interest in, and ability to contribute to, the solution of these problems, which is such an essential pre-requisite to the ultimate full attainment of the Objectives of GATT."

UNITED KINGDOM
(Annex J)

Restriction of imports is effected through the general prohibition of imports except under licence. In the programming of imports a broad distinction is drawn between imports from the hard-currency and soft-currency sources.

For imports from the dollar area and other hard-currency sources (Albania, Argentina, Bolivia, Bulgaria, Canada, Colombia, Costa Rica, Cuba, Czechoslovakia, Dominican Republic, Ecuador, El Salvador, French Somaliland, Eastern Germany, Guatemala, Haiti, Honduras, Hungary, Iran, Japan, Korea, Liberia, Mexico, Nicaragua, Panama, Philippines, Poland, Rumania, Tangier, the United States, U.S.S.R., Venezuela and Yugoslavia) a definite programme for individual commodities is drawn up in the light of import requirements and availability from other sources. This programme covers goods imported both on Government account, and on private account. The programme for 1952 was reduced by approximately £100 million when measures were taken in January 1952 to reduce external expenditure.

Prior to November 1951 a great part of imports from soft-currency countries (i.e. all countries other than those enumerated above) was admitted under open general licences and open individual licences permitting, respectively, all residents and individual importers to import specified goods without limit of quantity. In November 1951 and in March 1952, the Government revoked many open licences for imports from the EPU countries, and from other countries outside the sterling area, replacing them by licensing arrangements in most cases of the "global quota" type. A distinction has thus been drawn between sterling and non-sterling countries in the administration of import restrictions.

The United Kingdom has bilateral trade and payments agreements with a number of countries, in connection with which import allocations for goods subject to individual licensing are periodically reviewed in consultation with the other country concerned.