

GENERAL AGREEMENT ON TARIFFS AND TRADE

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CONTRACTING PARTIES
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PROCEDURES FOR CONSULTATION ON BALANCE-OF-PAYMENTS RESTRICTIONS WITH LESS-DEVELOPED COUNTRIES

Note by the Executive Secretary

1. Under the provisions of the General Agreement, contracting parties applying restrictions under Article XII or Article XVIII:B to safeguard their monetary reserves are required to enter into periodical consultation with the CONTRACTING PARTIES. Until now all such consultations have been conducted by the Committee on Balance-of-Payments Restrictions and discussions have been conducted in accordance with a single "Plan for Consultations" (BISD, Seventh Supplement, pages 97-98) which is based on those provisions in the General Agreement. No distinction is drawn between consultations with less-developed countries and those with contracting parties not belonging to that category.
2. As contracting parties are aware, the present provisions of Article XVIII were introduced into the Agreement in 1955 after a thorough review of the operation of the General Agreement in the preceding years. As noted in the Review Working Party report, it was felt at that time that less-developed countries faced additional problems justifying the provision of certain special facilities for them. As far as the use of restrictions for balance-of-payments reasons is concerned, the new provisions "recognize that the reserve problem for these countries is one of the adequacy of the reserves in relation to their programme of economic development; ... in order to safeguard their external position, these countries may need over a period of time to control the general level of their imports in order to prevent it from rising beyond the means available to pay for imports as the progress of development programmes creates new demands" (see BISD, Third Supplement, page 183, paragraph 44). This recognition is spelt out also in paragraph 2 of the new Article XVIII. In the "Plan for Consultations" referred to above, provision is made for the discussion of "special considerations affecting the availability of, or the need for, monetary reserves" and "factors, either external or internal, affecting the various elements of the balance of payments, such as exports and imports". Although this plan was to be used for consultations with less-developed countries and other countries alike, experience has shown that questions relating to export earnings are prone to come up more prominently particularly in consultations held with non-industrialized countries.
3. Since 1958, the CONTRACTING PARTIES, in the light of the findings of the Haberler report, have given increasing attention to the problems faced by less-developed countries in their attempt to expand their exports in order to increase their capacity for making import and other payments. There has been a growing

recognition that less-developed countries cannot be expected to meet their development requirements without some improvement in the world market, or better access to various markets, for their products. It is generally agreed that improvements in this direction could be more easily brought about with a better understanding of the needs of the less-developed countries and the problems they faced. To this end, Committee III on the Expansion of Trade has been set up and in the last three years has deliberated these problems from various angles. In the course of its work, the Committee has gained valuable experience not only in the problems faced by less-developed countries in expanding their exports, but in the balance-of-payments implications of their development plans. Following an examination of the latest Indian Five-Year Plan, the Committee has made arrangements for the discussion of any development plans or elements thereof that might be submitted to it.

4. It would appear that consultations with less-developed countries on their import restrictions and deliberations in Committee III have the same objective. A duplication of efforts could very well be avoided if there were greater co-ordination or an amalgamation of the efforts so far separately pursued. It is suggested that, in conducting consultations on balance-of-payments restrictions with less-developed countries, the CONTRACTING PARTIES should take advantage of the valuable knowledge and experience that has been gained by Committee III.

5. It is therefore proposed that consultations with less-developed countries on their balance-of-payments restrictions be hereafter conducted by Committee III on the basis of the existing provisions of Article XVIII:12 which naturally will continue to govern such consultations. If this were agreeable to the CONTRACTING PARTIES, the Committee should be instructed either to conduct such consultations itself or to make suitable arrangements for the conduct of such consultations under its supervision. The present Committee on Balance-of-Payments Restrictions would continue to conduct the consultations with contracting parties under Article XII.