

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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CONTRACTING PARTIES  
Thirteenth Session

Working Party on Balance-of-Payments Restrictions

## ARRANGEMENTS AND PROCEDURES FOR CONSULTATIONS UNDER ARTICLES XII:4(b) AND XVIII:12(b)

### Proposals by the Executive Secretary

1. In accordance with the provisions of Article XII:4(b) and Article XVIII:12(b) contracting parties applying import restrictions for balance-of-payments reasons should enter into periodic consultations with the CONTRACTING PARTIES one or two years after a general review of restrictions, according to whether the country operates under Article XII or under Article XVIII. The review of restrictions was initiated at the beginning of 1958 and, consequently, the series of consultations with countries acting under Article XII should begin early in 1959 and those with countries acting under Article XVIII, early in 1960. At the Twelfth Session the Executive Secretary was instructed to make recommendations on arrangements and procedures for the carrying out of these consultations; it was suggested that such recommendations should be formulated in the light of the experience gained in the course of the consultations held in 1957.<sup>1</sup>
2. The following suggestions and recommendations have been formulated accordingly, and are submitted for consideration and approval by the CONTRACTING PARTIES.

### Contents of the Consultations

3. The subject matters for such consultations, as specified in Articles XII:4 and XVIII:12, include the nature of the balance-of-payments difficulties of the contracting party applying the restrictions, alternative corrective measures which may be available, and the possible effect of the restrictions on the economies of other contracting parties. In the past, consultations on import restrictions have always provided an opportunity for the free exchange of views which usually contributed to a better understanding of the problems facing the consulting countries, of the various kinds of measures taken by contracting parties to deal with their problems, and of the possibilities of further progress in the direction of freer, multilateral trade. It is suggested that

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<sup>1</sup> See BISD, Sixth Supplement, pages 40-41.

these consultations on import restrictions should continue to be conducted so as to give an opportunity for a free and full exchange of views between delegations concerned. In view, however, of the new provisions of Article XII:4(c) and Article XVIII:12(c) the conduct of the consultations should provide for an opportunity for the CONTRACTING PARTIES to consider any questions of inconsistency or damage raised in the course of the consultations. In future, the consultations may thus involve the examination of, and reporting on, such questions by the Consultations Committee (the establishment of which is proposed below).

4. In conducting consultations on balance-of-payments restrictions in the past, the CONTRACTING PARTIES have developed and relied upon certain "Plans" which set out the questions to be discussed.<sup>1</sup> In 1957 the CONTRACTING PARTIES conducted a general series of consultations with contracting parties applying import restrictions on the basis of a plan drawn up for that purpose. That plan may be suitably modified and adopted for these new consultations to be held under Article XII:4(b) and Article XVIII:12(b) in future (see the text reproduced in Annex I). Having regard to the diversity of circumstances, the plan should not be regarded as a rigid programme but might require suitable adaptation in each case. Further, the special problems of each consulting country relating to its balance of payments should perforce be given careful consideration.

#### Documentation for the Consultations

5. Past experience has shown that advance preparation is of great value both in expediting the consultations and in making them more meaningful and fruitful. In 1957 the basic documents prepared by the secretariat for use in the consultations were found to be very useful and it is suggested that this practice be continued. On the basis of available information, including data obtained from the contracting parties concerned and from other sources, the secretariat should compile a basic document for each consultation. (In the case of countries which consulted in 1957, this will mean the keeping up-to-date and revision of the basic documents prepared in that year.) As

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<sup>1</sup> The three plans which have been adopted are:

Plan for consultations on discriminatory application of restrictions, under Article XIV:1(g) (see BISD, Fourth Supplement, pp. 45-46).

Plan for consultations on introduction or intensification of restrictions, under the provisions now constituting Articles XII:4(a) and XVIII:12(a) (see BISD, Fourth Supplement, pp. 44-45).

Plan for general consultations on restrictions upon invitation by the CONTRACTING PARTIES, under the old provisions of Article XII:4(b) (see BISD, Fifth Supplement, pp. 55-56).

the financial aspects of the restrictions will be fully dealt with in the background papers supplied by the International Monetary Fund, the secretariat paper should concentrate on the trade aspects of the restrictions, giving as far as possible a precise and comprehensive description of the restrictive systems, their administration, the effects of the restrictions and any measures taken in the preceding year. In preparing these papers the secretariat, as in the past, should consult as fully as possible with the contracting parties concerned, and full opportunity should be given to the latter to examine the contents of the papers.

6. Such papers should in general be circulated a month before the relevant consultations are to be held. In order that this may be achieved, the co-operation of the contracting parties concerned will be essential. The CONTRACTING PARTIES should agree that the contracting parties applying import controls and restrictions should regularly keep the secretariat informed of any changes in their control systems, and transmit to it all relevant documentation (such as new laws and decrees, regulations, programmes, policy statements, public notices and licensing instructions, etc.) which would enable the secretariat to prepare the basic documents for the consultations.

#### Time Schedule for the Consultations

7. Available information indicates that fourteen contracting parties are acting under Article XII and are therefore required to consult under Article XII:4(b) in 1959.<sup>2</sup> Three other contracting parties (as well as four among the fourteen), on account of their resort to certain provisions of Article XIV, are required to consult annually under Article XIV:1(g), and for the purpose of programming, it will be convenient to take all these into account. Subject to indications contrary to the secretariat's assumption, the countries which are required to consult in 1959 will be the following:

<u>Under Article XII:4(b)</u>	<u>Under Articles XII:4(b) and XIV:1(g)</u>	<u>Under Article XIV:1(g)</u>
Austria	Australia	Ceylon
Denmark	New Zealand	Ghana
Finland	United Kingdom	Malaya
France	Rhodesia and Nyasaland	
Italy		
Japan		
Netherlands		
Norway		
Sweden		
South Africa		

<sup>1</sup> The CONTRACTING PARTIES may also wish to decide to ask each contracting party to designate an official for the purpose of keeping contact with the secretariat.

<sup>2</sup> It will be necessary for the CONTRACTING PARTIES, at this Session, to decide which contracting parties will have to consult next year under Article XII; for this purpose the CONTRACTING PARTIES will have to determine which contracting parties are entitled to invoke the provisions of Section B of Article XVIII.

8. A proposed approximate time-table for the consultations in 1959 is given in Annex II. Having regard to the number of consultations to be completed in the year, it is considered undesirable to concentrate the programme in a single short period; past experience shows that the Consultations Committee could work most efficiently if no more than five or six consultations were handled at a time. The division of the consultations into three groups would on balance appear to be the most convenient from the point of view of all concerned. This tentative schedule has been drawn up in the light of past experience and taking account of unofficial information obtained from various sources; in recommending this time-table, the secretariat has in mind that each GATT consultation should in so far as possible be held a short time after a country's consultation with the International Monetary Fund is completed. Further modifications may be necessary in the light of circumstances. It is suggested that the Executive Secretary be authorized to determine the precise date for each consultation after consultation with the individual contracting party concerned, the International Monetary Fund and the Chairman of the Consultations Committee. In the determination of the precise dates, the Executive Secretary should aim at avoiding the concentration of a large number of consultations in any one part of the schedule.

9. As far as practicable the meetings of the Consultations Committee would be held, at least in part, immediately before a session of the CONTRACTING PARTIES or of the Intersessional Committee. This arrangement would be more convenient for the secretariat in matters of staffing and conference arrangements and, presumably, also for the contracting parties concerned.

#### Consultations Committee

10. The CONTRACTING PARTIES should at the Thirteenth Session appoint a Consultations Committee comprising governmental representatives to conduct the consultations in 1959. The Committee should reflect as far as possible the characteristics of the contracting parties generally in terms of their geographical location, external financial positions, and stage of their economic development. On the other hand, it is clearly desirable to limit the size of the Committee so that discussions could be conducted expeditiously and in an efficient manner. As on the previous occasion, it is considered particularly important that members of the Committee designate as their representatives persons of adequate qualifications and acquaintance with the problems to be dealt with by the Committee. Efforts should be made to ensure continuity in the representation on the Committee.

11. The composition and the chairmanship of the Consultations Committee should be decided upon by the CONTRACTING PARTIES before the close of the present Session.

12. In accordance with the rules of procedure of the CONTRACTING PARTIES any governments which are not members of the Consultations Committee, but which are interested in one or more of the consultations, will be entitled to be represented and participate fully in the discussions.

Consultations with the IMF

13. In accordance with paragraph 2 of Article XV, the CONTRACTING PARTIES should invite the International Monetary Fund to consult with them in connexion with these consultations. The Executive Secretary should therefore be authorized to extend the necessary invitations to the Fund. Documents supplied by the Fund as a part of the consultations should be circulated to the contracting parties as early as possible before the opening of each consultation. The Fund would be invited to be represented at meetings of the Consultations Committee.

Reports on the Consultations

14. At the conclusion of each consultation, the Committee should draw up a report on the discussion. Such reports should be succinct and record all the important points discussed and the conclusions arrived at. It is not considered useful to have a detailed rendering of the individual interventions; the aim should be to produce a set of documents which reflect the important problems and the collective views of the CONTRACTING PARTIES rather than a record of individual speeches or statements on points of detail.

15. The reports should be circulated to the contracting parties as and when they are completed by the Committee, and should be submitted to the CONTRACTING PARTIES for approval at the last plenary session to be held in 1959.

ANNEX I

Plan for Consultations under Articles XII:4(b) and XVIII:12(b)

(Draft, to be revised)

**I. Balance-of-payments position and prospects**

1. Balance-of-payments situation and prospects; factors affecting the balance of payments.
2. Level of monetary reserves and expected movements in reserves; special considerations affecting the availability of or the need for monetary reserves.
3. Effects of the restrictions on the balance of payments; expected effects on the balance of payments of any relaxation or elimination of the restrictions.
4. Expected duration of the restrictions; prospects of relaxation or elimination.

**II. Alternative measures to restore equilibrium**

5. Internal fiscal and monetary measures to preserve or restore equilibrium.
6. Long-term measures (e.g. to raise productivity and export capacity to reduce structural disequilibrium or rigidities).
7. Other measures which may help to restore balance in international payments.

**III. System and methods of the restrictions**

8. Legal and administrative basis of the restrictions; methods used in restricting imports; categories of goods, and proportion of imports covered by each method used.
9. Treatment of imports from different countries or currency areas.
10. The use of state trading or governmental monopoly in imports; restrictive operation of such régimes.

**IV. Effects on trade**

11. Protective effects of the restrictions on domestic production; difficulties or hardship that may be expected upon relaxation or elimination of the restrictions.
12. Steps taken to reduce incidental protective effects of the restrictions; steps taken to minimize the difficulties of transition to the stage where balance-of-payments restrictions may be eliminated.
13. Steps taken to avoid unnecessary damage in accordance with Article XII:3(c) (iii).

ANNEX II

Proposed Tentative Time Table for Articles XII:4(b) and XIV:1(g)  
Consultations in 1959

MARCH

France  
Netherlands  
New Zealand \*\*  
United Kingdom \*\*  
South Africa

JUNE

Ceylon \*  
Denmark  
Finland  
Ghana \*  
Malaya \*  
Rhodesia and Nyasaland \*\*

OCTOBER

Australia \*\*  
Austria  
Italy  
Japan  
Norway  
Sweden

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Note: The delegations of the contracting parties mentioned here are requested to notify the secretariat or the Chairman of the Working Party on Balance-of-Payments Restrictions of any views they may have on the dates proposed for their respective consultations.

\* Consultations under Article XIV:1(g) only.

\*\* Consultations under both Article XII:4(b) and Article XIV:1(g). All others are consultations under Article XII:4(b) only.