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NEGOTIATIONS  
THE URUGUAY ROUND**

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Negotiating Group on GATT Articles

CONSULTATIONS HELD IN THE COMMITTEE ON BALANCE-OF-PAYMENTS RESTRICTIONS  
UNDER ARTICLES XII AND XVIII:B SINCE 1975

Note by the Secretariat

Introduction

1. This paper, which is prepared at the request of the Negotiating Group on GATT Articles, provides information on the consultations held in the Committee on Balance-of-Payments Restrictions under Articles XII and XVIII:B since 1975. It contains the following sections: -

- (A) Brief description of the relevant provisions and procedures, and of the documentation on which consultations are based;
- (B) Invocations and disinvocations of Articles XII and XVIII:B and consultations held in the Committee;
- (C) Main elements of the discussions which have taken place during consultations;
- (D) Conclusions and recommendations of the Committee;
- (E) Discussion and adoption by the GATT Council of reports by the Committee.

2. The description of the relevant provisions and procedures under Section A is confined to Articles XII and XVIII:B and is deliberately abbreviated, since Articles XII, XIV, XV and XVIII have been described in full in an earlier paper prepared for the Negotiating Group by the secretariat (MTN.GNG/NG7/W/14).

A. Brief Description of the relevant provisions and procedures, and of the documentation on which consultations are based

I. Basic Provisions<sup>1/</sup>

3. Articles XII and XVIII:B were put into their present form in October 1957, following the overall review of the General Agreement undertaken in 1955. Articles XII and XVIII:B have been amplified by

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<sup>1</sup>Most of the material included in this section has been taken from MTN.GNG/NG7/W/14.

detailed consultation procedures introduced in 1970 (BISD 18S), by "simplified" consultation procedures for developing countries introduced in 1972 (BISD 20S) and by provisions on the application of the Articles and consultation procedures laid down in the 1979 Declaration on Trade Measures Taken for Balance-of-Payments Purposes (BISD 26S/205), which extend the GATT examination of the balance-of-payments provisions from quantitative restrictions alone to all trade measures taken for balance-of-payments purposes.

(i) Article XII

4. Article XII of the General Agreement provides contracting parties with a permitted deviation from the provisions of Article XI concerning the prohibition of quantitative restrictions (paragraph 1). It lays down criteria for the level of restrictions to be applied (paragraph 2(a)), and specifies conditions for the time period of their application and for their progressive relaxation and elimination "when conditions would no longer justify their institution or maintenance" (paragraph 2(b)). It also establishes an essential link between trade measures for balance-of-payments reasons and domestic policies (paragraph 3(a)); however, this is modified by recognition in paragraph 3(d) that domestic policies aimed at full employment may give rise to a high level of demand for imports and that contracting parties should not be required to withdraw or modify restrictions "on the ground that a change in these policies would render unnecessary restrictions which it is applying under this Article".

5. The clear aim of Article XII is to distinguish temporary measures taken for balance-of-payments purposes from quantitative restrictions applied for protective reasons, and to discourage the use of the former for the latter purpose.

6. Article XII, paragraph 4 sets out the basic provisions for annual consultations by countries applying balance-of-payments restrictions. Such consultations cover the nature of balance-of-payments difficulties, alternative corrective measures which may be available, the possible effect of the restrictions on the economies of other contracting parties, and any special external factors adversely affecting the export trade of the contracting party applying restrictions (3S/173, paragraph 12: Interpretative Note to Article XII).

(ii) Article XVIII:B

7. Article XVIII recognizes that developing contracting parties "tend to experience balance-of-payments difficulties arising mainly from efforts to expand their internal markets as well as from the instability in their terms of trade" (paragraph 8). The criteria for introducing balance-of-payments restrictions (paragraph 9) are broadly the same as those contained in Article XII. However, in paragraph 9(a), the word "imminent", in relation to a threat of a serious decline in reserves, was not felt appropriate because "the reserve problem for these countries is one of the adequacy of the reserves in relation to their programme of economic development" (idem).

8. Article XVIII:B contains similar provisions to those of Article XII in respect of the incidence of quantitative restrictions (paragraph 10), the relationship with domestic policies, and the progressive relaxation of restrictions (paragraph 11).

9. In respect of external factors, while no specific provisions exist in Article XVIII comparable to those in paragraph 4(e) of Article XII, the Working Party agreed "that the scope of consultations under paragraph 12 of Article XVIII was the same as that of consultations under Article XII and that the clarification contained in paragraph 4(e) of Article XII and in the related interpretative note would apply equally to consultations undertaken under Section B of Article XVIII" (BISD 3S/184, paragraph 49).

Actions inconsistent with Articles XII and XVIII:B

10. Articles XII:4 and XVIII:12 provide for appropriate recommendations and actions by the CONTRACTING PARTIES in the event that restrictions are applied in a manner involving minor or serious inconsistencies with the provisions of the Articles or of Article XIII (non-discrimination). These provisions have not been used in the period under review.

(iii) The 1979 Declaration on Trade Measures Taken for Balance-of-Payments Purposes (BISD 26S/205)

11. This Declaration, adopted by the CONTRACTING PARTIES at the end of the Tokyo Round, expands the scope of balance-of-payments consultations from quantitative restrictions alone to "all" import-restrictive measures taken for balance-of-payments purposes, and clarifies provisions relating to notification, consultation procedures, and the membership of the Committee on Balance-of-Payments Restrictions. In drawing up the Declaration, the CONTRACTING PARTIES established a certain number of principles which had not been previously spelled out or which required amplification:

(a) that restrictive trade measures "are in general an inefficient means to maintain or restore balance-of-payments equilibrium";

(b) that restrictive import measures taken for balance-of-payments purposes "should not be taken for the purpose of protecting a particular industry or sector" and that contracting parties should "endeavour to avoid that [such measures] stimulate new investments that would not be economically viable in the absence of the measures";

(c) that the less-developed contracting parties "must take into account their individual development, financial and trade situation" when implementing such measures, and that the impact of trade measures taken by developed countries on the economies of developing countries can be serious;

(d) that developed contracting parties "should avoid the imposition of restrictive trade measures for balance-of-payments purposes to the maximum extent possible".

12. The Declaration introduced three new conditions for application of balance-of-payments measures, i.e. that preference shall be given to the measure which has "the least disruptive effect on trade" while abiding by disciplines provided for in the GATT; that the simultaneous application of more than one trade measure for balance-of-payments purposes shall be avoided; and that whenever practicable, contracting parties shall publicly announce a time schedule for the removal of the measures. In addition, developed contracting parties undertake to take into account the export interests of developing countries if they do apply balance-of-payments trade measures, and are permitted to exempt from such measures products of export interest to less-developed contracting parties.

## II. Conditions for the use of Balance-of-Payments Provisions

13. The conditions and criteria for the invocation of Articles XII and XVIII:B are fully described in NG7/W/14, paragraphs 29-45, under the headings "Coverage of Articles XII and XVIII:B"; "Notification Requirements"; "Criteria for invocation of Balance-of-Payments Provisions"; "Nature and Level of Restrictions"; "Duration and Phasing-Out of Restrictions"; and "Relationship to Domestic Policies".

14. Any "introduction or intensification" of measures taken for balance-of-payments purposes is to be promptly notified to the GATT. Reverse notifications may be made by any contracting party which has reason to believe that a restrictive import measure applied by another contracting party is taken for balance-of-payments reasons. The GATT secretariat may also be asked to seek information on a measure and make it available to contracting parties. Paragraph 36 of NG7/W/14 lists the cases of recourse to these provisions in recent years.

## III. Procedures for Consultations

15. All restrictive import measures taken for balance-of-payments purposes are subject to examination under Article XII or Article XVIII:B, i.e. to consultation in the Balance-of-Payments Committee (1979: 1 and 4). Before 1979 only quantitative restrictions were subject to such examination. In a number of cases, however, the Committee was expressly requested by the Council to examine particular non-quantitative measures which the Council saw it as appropriate to consider along with existing balance-of-payments quantitative restrictions: these included import surcharges and/or deposits applied by Brazil, Finland, Israel, Portugal, South Africa and Yugoslavia. The Council also delegated to the Committee the responsibility for preparing decisions on the GATT waiver covering the Stamp Duty applied by Turkey.

### (a) Full Consultations

16. Contracting parties applying restrictions under Article XII are required to consult annually: those applying restrictions under Article XVIII:B are required to enter into consultations "at intervals of

approximately, but not less than, two years according to a programme to be drawn up by the CONTRACTING PARTIES". Any contracting party applying new restrictions or raising the general level of its existing restrictions by a substantial intensification of the measures applied "shall immediately after instituting or intensifying such restrictions (or, in circumstances in which prior consultation is practicable, before doing so) consult with the CONTRACTING PARTIES as to the nature of its Balance-of-Payments difficulties, alternative corrective measures which may be available, and the possible effect of the restrictions on the economies of other contracting parties".

17. The basic procedures under which consultations under Articles XII and XVIII(b) are carried out were laid down in 1958, since when they have been modified and adapted from time to time to meet changing circumstances and the exigencies of particular cases. The Plan of Discussion for Consultation is described in paragraphs 35 and 36 below.

18. In January each year the secretariat normally submits to the Council a schedule for the consultations to be held in that year, after consultation with the countries concerned and in the light of consultations with the International Monetary Fund.

(b) Simplified Consultations under Article XVIII:B

19. On 19 December 1972, the Council adopted procedures permitting simplified consultations with developing countries consulting under Article XVIII:B. It had been noted by the then Chairman of the BOP Committee in October 1971 that only 7 of the 15 consultations scheduled for 1971 had been carried out, a number of countries having requested postponement, sometimes at the last moment. He detected a feeling among delegations that in some cases detailed discussions every two years on the external financial justification for restrictions were not necessary and that consultations might become a mere formality, not justifying the effort expended in preparing for them. On the other hand, many contracting parties would have been concerned if the requirement for consultations, whose purpose is clearly defined in the General Agreement, were to be simply ignored. The solution adopted was intended to preserve the legal requirements of the General Agreement and maintain opportunities for considering the balance-of-payments situation of developing countries invoking Article XVIII:B while lessening the burden on the CONTRACTING PARTIES and on the consulting countries themselves.

20. In simplified consultations, the Committee is called upon only to recommend to the Council whether full consultations are desirable (20S/48 paragraph 3(c)). The IMF does not participate actively in the consultations. The 1979 Declaration introduced five non-exclusive criteria for the decision to hold full consultations (paragraph 8):

- (a) the time elapsed since the last full consultations;

- (b) the steps the consulting contracting party has taken in the light of conclusions reached on the occasion of previous consultations;
- (c) the changes in the overall level or nature of the trade measures taken for balance-of-payments purposes;
- (d) the changes in the balance-of-payments situation or prospects;
- (e) whether the balance-of-payments problems are structural or temporary in nature.

21. The simplified procedures relate only to periodic consultations under Article XVIII:12(b). Full consultations are held under XVIII:12(a) on new restrictions or an increase in the general level of restrictions.

#### IV. Documentation on which consultations are Based

22. Since the entry into force of the 1979 Declaration the material prepared for consultations consists of three basic documents: (i) a "Basic Document" prepared by the consulting country in case of a full consultation, or a "Written Statement" prepared also by the consulting country in case of a simplified consultation; (ii) a "Background Paper" prepared by the GATT secretariat; and (iii) a "Recent Economic Developments" document prepared by the IMF. Before 1979, the secretariat did not provide a background paper; although the procedures for consultations agreed in 1970 allowed for the basic document to be provided by the secretariat or the consulting country, it was always submitted by the country.

23. The Basic Document for a full consultation under Articles XII:4(b) or XVIII:12(b) covers the following points:

- (a) Legal and administrative basis of the import restriction;
- (b) Methods used in restricting imports;
- (c) Treatment of imports from different sources including information on the use of bilateral agreements;
- (d) Commodities, or groups of commodities, affected by the various forms of import restrictions;
- (e) State trading, or government monopoly, used as a measure to restrict imports for balance-of-payments reasons;
- (f) Measures taken since the last consultation in relaxing or otherwise modifying import restrictions;
- (g) Effects of the import restriction on trade;
- (h) General policy in the use of restrictions for balance-of-payments reasons.

24. The Background Paper by the secretariat for full and simplified consultation currently covers two main fields: the trade and exchange policies introduced by a consulting country to alleviate a deterioration in the balance of payments, and the economic situation of the consulting

country. The section dealing with policies generally gives information on the direct trade measures introduced, including quantitative measures, tariff surcharges, import deposits, or any other relevant policy measure, and attempts to provide some assessment of the economic effects of the measures. To the extent possible, the secretariat attempts to place measures taken for balance-of-payments purposes in the context of the general structure of the consulting country's trade policy. The Background Paper, by also covering other measures taken to restore equilibrium, gives an opportunity to assess the domestic policies followed by the consulting country. The "economic developments" section of the Background Paper is intended to cover all relevant economic and trade developments since the last full consultation, with a focus on those developments with longer term implications - i.e. developments in trade and payments which have led to the situation which the measures taken are intended to relieve; developments in domestic production, consumption, exports and imports; exchange rate policy and its effect on trade flows; and the evolution of the trade and current account balances and of reserves. Secretariat background papers are checked for accuracy with the consulting country before circulation.

25. The IMF document on "Recent Economic Developments" presents a comprehensive summary of the economy of the consulting country, including the discussion of macro-economic trends, public sector operations, financial intermediation and the external sector. Up to 1977 the Fund also normally provided, as part of its documentation for both full and simplified consultations, the Executive Board's Decision on the status of a consulting country's exchange measures. In most cases this was either quoted in or annexed to the report of the consultations. This practice ceased after 1977. Furthermore, in earlier consultations the conclusions of the IMF statements, which were frequently cited, or at least borne in mind in the Committee's own conclusions, normally included a judgement on whether the level of restrictions was within the bounds necessary to stop a serious decline in the country's monetary reserves or to contain a deterioration of the balance-of-payments. At present, Fund statements for balance-of-payments consultations focus largely on the adjustment, financial and monetary policies being pursued by the consulting country.

B. Invocations and disinvocations of Articles XII and XVIII:B and consultations held in the Committee

26. In the fourteen-year period under review, twenty-five countries have consulted in the Balance of Payments Committee, four of them under Article XII and nineteen under Article XVIII:B; in the remaining three cases the Article under which the consultations took place was not specified. Tables 1 and 2 below show the countries consulting and the number and type of consultations held during the period. It should be noted that of the twenty-five countries, nineteen had been consulting since before 1975, some of them having entered into consultations with the Committee soon after its

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\* Greece is counted twice as it has consulted both under Article XVIII:B and subsequently under Article XII.

establishment in 1959. (The year in which each consulting country began consulting with the Committee is indicated in Tables 1 and 2.) Invocations of Article XII or XVIII:B during the reference period are understood to mean either the first invocation by a particular country or a reinvocation after previous disinvocation of the relevant Article.

27. The countries which have invoked the BOP provisions de novo and entered into consultations with the Committee since 1975 are the following: Argentina (1986, having disinvoked XVIII:B in 1978); Brazil (1976, having disinvoked XVIII:B in 1971); Colombia (1984); Greece (invoked XII in 1986, having disinvoked XVIII:B in 1984); Hungary (1983); Italy (1981); Nigeria (1984); Philippines (1980); Portugal (1975). Italy, New Zealand (consultation on deposit requirement for purchases of foreign currency) and South Africa also consulted with the CONTRACTING PARTIES on an ad hoc basis in 1974-76, over their imposition of import deposits for balance of payments purposes, but in special Working Parties established for the purpose.

28. Only three countries have thus consulted under Article XII de novo (or procedures assimilated to it) during the review period: Italy, which consulted in 1981 following the introduction of prior exchange purchase deposit requirements; Hungary, which consulted in 1983-84 over the introduction of quantitative restrictions; and Greece, which invoked Article XII in 1986 over prior import deposits and disinvoked in 1987. Finland also consulted in 1975-78 on its maintenance of import-licensing requirements, but had been consulting before 1975.



TABLE 1

BALANCE OF PAYMENTS CONSULTATIONS HELD IN THE PERIOD  
1975-1988CONSULTATIONS UNDER ARTICLE XII  
(BOP/R/ Report References in brackets)

COUNTRY	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	TOTAL	F
Finland	F(79)	F(87)	F(95)	F(102)E											4	
Greece <sup>1/</sup>												F(160)	E		1	
Hungary									F(131)	F(141)	E				2	
Italy							F(119)	E							1	

CONSULTATIONS WHERE RELEVANT ARTICLE NOT SPECIFIED  
(BOP/R/ Report References in brackets)

COUNTRY	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	TOTAL	F
Israel		F(90) <sup>2/</sup>		F(101)		F(113)		F(129)		F(142)	F(155)		F(170)		7	
Portugal	F(82)	F(93) <sup>2/</sup>		F(96) <sup>2/</sup>	F(106) <sup>2/</sup>	F(111)	F(118)	F(125)	F(134)	F(145)	F(152)	E			10	
South Africa		F(92) <sup>3/</sup>													1	

NOTES: F = Full Consultation

E = BOP Measures Eliminated

<sup>1/</sup>See also consultations under Article XVIII<sup>2/</sup>Examination of temporary import deposit scheme and import surcharge<sup>3/</sup>Examination of temporary import deposit schemeFirst Consultation with the Committee on Balance-of-PaymentsRestrictions Following its Establishment in 1959

Finland (1959); Hungary (1983); Italy (1981); Israel (1961); Portugal (1975); South Africa (1959).

TABLE 2

BALANCE OF PAYMENTS CONSULTATIONS HELD IN THE PERIOD  
1975-1988CONSULTATIONS UNDER ARTICLE XVIII:B  
(BOP/R/ Report References in brackets)

COUNTRY	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	TOTAL	
															S	F
Argentina	S(33.35)			S(97)E								F(159)		S	3	1
Bangladesh		S(89)		S(105)		S(116)		S(128)		S(147)		S(161)		S(175)	7	
Brazil		F(88)		S(100)F(103)		S(116)	F(124)		F(135)1/		S(157)		F(172)		3	5
Chile	S(90)			S(97)E											2	
Colombia											F(156)		S(166)		1	1
Egypt	S(93)		S(94)		S(108)		S(117)		S(133)		S(157)			F(176)	6	1
Ghana		S(89)		S(105)		S(116)		S(128)	F(136)		S(157)		S(169)		6	1
Greece 3/		S(89)		S(100)		F(114)	F(123)			E					2	2
India	S(83)			S(97)F(104)		S(112)		S(125)		S(143)		S(163)	F(168)		6	2
Indonesia	S(83)		S(94)		S(108)E										3	
Korea	S(83)	F(86)		S(105)	F(109)		S(117)		S(133)	F(146)		S(163)	F(171)		5	4
Nigeria										F(139)		S(163)		S	2	1
Pakistan	S(83)		S(94)	F(98)		S(112)		S(126)			S(150)		S(169)		6	1
Peru	F(94)		S(94)		S(108)		S(120)		S(137)			S(161)	F(173)		5	2
Philippines						F(115)		S(129)		S(147)		F(164)		S	3	2
Sri Lanka	S(83)		S(94)		S(108)		S(117)		S(133)		S(153)		S(169)		7	
Tunisia		S(89)		S(105)	F(110)		S(121)		S(137)		S(157)			S	6	1
Turkey	F(81) 2/		F(99) 2/		F(107)2/		S(120)		S(137)		S(153)		S(166)	F	4	4
Yugoslavia		F(91)		S(105)			S(117)F(122)			S(143)		S(163)		S	5	2

NOTES: F = Full Consultation

S = Simplified Consultation

E = BOP Measures Eliminated

1/ See also BOP/R/130 (report on "Other Business" of 3 December 1982)

2/ Examination of stamp duty

3/ See also consultations under Article XII

First Consultation with the Committee on Balance-of-Payments  
Restrictions Following its Establishment in 1959

Argentina (1972); Bangladesh (1974); Brazil (1962); Chile (1961); Colombia (1985); Egypt (1963); Ghana (1959); Greece (1960); India (1960); Indonesia (1960); Korea (1969); Nigeria (1984); Pakistan (1960); Peru (1968); Philippines (1980); Sri Lanka (1960); Tunisia (1967); Turkey (1960); Yugoslavia (1963).

29. Of the countries which have invoked Article XVIII:B de novo since 1974, three - Bangladesh, Colombia and the Philippines - did so on their accession to GATT, and consulted with the BOP Committee shortly afterwards; Colombia following a request by another contracting party for information on Colombia's import measures. Nigeria began consulting in 1984 following a "reverse notification" by another contracting party. Portugal began consulting in 1975, on the introduction of a prior import deposit scheme, but the Committee was not able to agree whether its economy properly fell within the criteria of Article XVIII:B (i.e. one with a low standard of living and in the early stages of development).

30. Hungary disinvoked Article XII in 1985 and Greece in 1987. It was reported to the Council in March 1982 that the Italian exchange deposit had been phased out on 7 February 1982 (C/M/156). Finland's last consultation with the Committee was held in 1978; the Committee, welcoming a marked improvement in Finland's balance-of-payments and reserves position, questioned whether the existing level of trade restrictions would continue to be warranted on balance-of-payments grounds, should the favourable trend be maintained. It therefore recommended Finland to initiate the process of relaxation of its import restrictions in parallel with the strengthening of its external position. Although no further consultations were held, Finland is not noted as having disinvoked Article XII or liberalized its remaining restrictions. In respect of Italy's consultations in 1981 on its deposit requirement for purchases of foreign currency, the Committee urged Italy to remove the measure as soon as possible and agreed to keep the progressive elimination of the deposit requirement, which was to be phased out by February 1982, under review. No further reports were made by the Committee on the Italian case. Hungary notified in January 1985 that all remaining trade measures taken under Article XII had been abolished (L/5771); this was duly noted by the Committee.

31. Four countries have removed restrictions maintained for balance of payments purposes, and thus are considered to have disinvoked Article XVIII:B since 1974: Argentina in 1978 (reinvoked 1986); Chile in 1978; Indonesia in 1979 and Greece in 1984. For Argentina and Chile, the Committee noted at simplified consultations held in 1978 that the two countries in question no longer applied trade restrictions for BOP purposes which would warrant consultations under Article XVIII:12(b). A similar observation was made for Indonesia in 1979. For Greece, the Committee took note in March 1984 of a notification that the previously existing prior import deposit had been eliminated from 1 January 1984 in conformity with the Treaty of Accession of Greece to the European Communities. Portugal, similarly, notified the elimination of its BOP measures and disinvoked the balance-of-payments provisions of GATT on 31 December 1985.

Simplified consultations under Article XVIII:B

32. Since the introduction in 1972 of simplified procedures for consultations under XVIII:B, the majority of consultations have taken this

form. In the period 1975 -June 1988 there have been 106 consultations under XVIII:B, of which 77 have been simplified. In simplified consultations the BOP Committee is called upon merely to recommend to the Council whether full consultations are desirable. It has recommended full consultations 17 times since 1974. Table 3 below shows the total number of consultations under XVIII:B in each year, the number of full and simplified consultations respectively, and the number of occasions on which, in its report on a simplified consultation, the Committee has recommended a full consultation. It will be noted that the number of full consultations is greater than the number of recommendations by the Committee. This is because full consultations can arise for other reasons - e.g. on the first consultation of a new contracting party, or following a "reverse notification" or a request for information in the Committee.

Table 3

Consultations under Article XVIII:B, 1975-June 1988

	'75	'76	'77	'78	'79	'80	'81	'82	'83	'84	'85	'86	'87	June '88	TOTAL
Total Consultations	10	7	6	13	7	7	10	5	8	6	8	8	9	2	106
Simplified	8	4	5	10	4	5	7	5	6	4	7	6	5	1	77
Full	2	3	1	3	3	2	3	-	2	2	1	2	4	1	29
Number of simplified consultations resulting in recommendation of full consultation	1	-	1	4	-	1	1	1	1	1	1	3	2	-	17

33. Before 1979, the BOP Committee did not normally indicate why it believed that a full consultation was desirable. Since that date, it has always done so, pursuant to paragraph 8 of the 1979 Declaration. Factors which have been mentioned include significant changes in the import régime or the balance of payments situation of the consulting country, and the length of time elapsed since the last full consultation.

34. Table 1 above shows that in the period 1975 to date the following full consultations have been held under Article XVIII:B: Argentina (1), Brazil (5), Colombia (1), Egypt (1), Ghana (1), Greece (2), India (2), Korea (4),

Nigeria (1), Pakistan (1), Peru (2), Philippines (2), Tunisia (1), Turkey (3), Yugoslavia (2). A full consultation with Turkey is scheduled for 1988. Full consultations, where the relevant Article was not specified, were also held with Israel (7), Portugal (10) and South Africa (1). The table also shows that the requirement that consultations under Article XVIII:B should take place every two years has been generally respected; consultations have, however, from time to time been postponed for various technical reasons.

C. Main Elements of discussions which have taken place during consultations

35. The Plan of Consultations for full consultations under Articles XII and XVIII:B, established in 1970 (BISD 18S/48) contains four main elements:

- (I) Balance-of-payments position and prospects
- (II) Alternative measures to restore equilibrium
- (III) System and methods of restrictions
- (IV) Effects of restrictions

Within each main element, the plan lays down guidelines for the aspects to be covered. The Note by the Chairman of the Committee on the procedures for regular consultations (BISD 18S/48) states that

"Having regard to the diversity of circumstances, the Plan should not be regarded as a rigid programme, but might require suitable adaptation in individual cases. The special problems of each consulting country relating to its balance of payments should perforce be given careful consideration. Account should be taken of all factors, both internal and external, which affect the balance-of-payments position of the consulting country."

36. The practice followed by the Committee has been to group the discussion of items (I) and (II) together and (III) and (IV) together in aggregate headings covering (a) balance of payments position and prospects, alternative measures to restore equilibrium; (b) system, methods and effects of restrictions. Since 1983 (following the report by the Chairman circulated in C/125) the Committee has, if a consulting developing country requests it, in addition paid special attention to factors relating to Paragraph 12 of the 1979 Declaration, which states that:

"In the course of full consultations with a less-developed contracting party, the Committee shall, if the consulting contracting party so desires, give particular attention to the possibilities for alleviating and correcting the balance-of-payments problem through measures that contracting parties might take to facilitate an expansion of the export earnings of the consulting contracting party, as provided for in paragraph 3 of the full consultation procedures.

37. The following paragraphs attempt to describe the types of questions raised in the Committee under the different headings of the plan of consultation, without making specific references to particular consulting countries.

38. The discussions which take place in the Committee depend considerably on the nature and completeness of the documentation provided by the consulting country, the Secretariat and the IMF, as well as the statements delivered by representatives of the consulting countries and the Fund at the meetings. In addition, general comments have been made in the Committee on such aspects as the adequacy of notifications or the timeliness of documentation submitted for the consultations.

39. Under the first heading of "Balance-of-Payments position and prospects" the plan of consultation outlines six suggested topics: the balance-of-payments situation and level of monetary reserves; balance of payments prospects and expected movements in reserves; special factors affecting the availability of or the need for monetary reserves; factors, either external or internal, affecting the various elements of the balance of payments, such as exports or imports; effects of the restrictions on the balance of payments and expected duration of the restrictions; and prospects of relaxation or elimination and likely effect of such action on the balance of payments.

40. Discussions under this heading have covered a wide range of factors affecting the balance-of-payments situations of the individual countries. The general position and past evolution of the trade, invisibles, current account and overall balances has normally been the first point reviewed. The Committee has usually taken note of any special factors affecting the balance of payments, such as the evolution of imports and exports, remittances from expatriate workers, flows of aid or investment and so forth. "External" factors touched on under this heading have included the effects of climatic conditions such as droughts or floods, the effects of major exchange rate fluctuations on trade prospects (in particular, effects of the wide fluctuations which have taken place in the international value of the United States dollar), the effects on trade of the international recession of the early 1980s, protectionist pressures on exports, the extent of foreign indebtedness of the countries under consultation and the burden of debt servicing. Reserves levels have not expressly been reviewed in all cases, although examples show that in particular instances where reserves appeared either adequate for the situation (e.g. India 1978) or to have declined particularly rapidly (e.g. Brazil 1981) this has been mentioned.

41. Discussions of prospects for the balance of payments have been somewhat less thorough than those of the historical development of the situation. In some cases (e.g. the relatively frequent full consultations with Korea and Israel) weight has been placed on the outlook for such aspects as the trade balance, export performance, or the invisibles account and the Committee has looked into factors which might affect developments in the future, such as possible protectionist tendencies and the prospects for diversification of exports. In other cases, elements seen as affecting

the prospects for the balance of payments in particular cases included export diversification, dependence on oil imports or exports; diversion of imports, especially of oil, into domestic substitutes, the prospects for the balance of services trade and the rôle of such factors as tourism and inward remittances, the situation of world prices for commodities exports, and in one case the differential impact on the balance of payments of trade with convertible-currency and non-convertible-currency areas.

42. The second heading "Alternative measures to restore equilibrium" contains three sub-heads: internal monetary and fiscal situation and other relevant matters which may affect the balance of payments; internal action to preserve or restore equilibrium, including long-term measures such as those designed to raise productivity and export capacity or to reduce structural disequilibrium or rigidities; and other measures which may help to restore the country's balance of payments. It thus concentrates heavily on domestic macro-economic policy questions as well as measures aimed at increasing productivity and export competitiveness.

43. The depth of discussion under this heading has again varied considerably according to case: it has also leaned heavily on the information provided by the IMF in its "Recent Economic Developments" papers and statements to the Committee. The types of domestic measures touched on in this context have included budgetary policy, exchange rate policy, monetary policies; policies adopted to control inflation; industrial licensing and production controls; adjustment policies pursued under IMF stand-by programmes or, more recently, under adjustment lending by the World Bank; pricing, subsidization and incomes policies. Members of the Committee have also posed questions regarding policies such as export diversification or promotion, the effects of exchange rate policies on the growth of exports, promotion of foreign investment, fiscal incentives for exports, conditions for repatriation of profits by foreign investors and measures taken to re-establish investment and savings flows into the consulting country.

44. The third heading, "System and methods of the restrictions" covers four aspects: the legal and administrative basis of the restrictions, methods used in restricting imports, treatment of imports from different countries or currency areas, and the use of State trading or governmental monopolies in imports and the restrictive operation, if any, of such regimes. Throughout the period under review, this heading has been taken together with the fourth, "Effects of the restrictions", which covers protective effects of the restrictions on domestic production, difficulties or hardships that may be expected upon relaxation or elimination of the restrictions; steps taken to reduce incidental protective effects of the restrictions; steps taken to minimise the difficulties of transition to the stage where balance-of-payments restrictions may be eliminated; and steps taken in the light of Article XII:3(C) and the proviso to Article XVIII:10, which cover damage to interests of other contracting parties, failure to admit imports in minimum commercial quantities, importation of samples and impairment of patent, trademark,

copyright or similar procedures. It is perhaps inevitable, given the Committee's focus on trade measures taken for balance-of-payment purposes, that questions relating to the system and methods of restrictions have been the most detailed area of the discussions.

45. General comments made by the Committee under these headings have included questions relating to the structure and administration of quantitative restrictions in the context of the overall level of protection in a consulting country (although the Committee has no mandate to examine tariff protection as such unless a balance-of-payments measure affects a GATT binding included in the consulting country's schedule of tariff concessions). They have also included questions regarding the adequacy or timeliness of notification of measures taken for balance-of-payments purposes, in particular under the provisions of paragraph 3 of the 1979 Declaration. Overall comments have often also related to the complexity of import restrictions, their multiplicity, insecurity created for traders by such complex structures, and the possibilities for liberalization of particular restrictions.

46. The types of quantitative measures applied for balance-of-payments by countries invoking Article XVIII:B have ranged from the monitoring of import licences, through general or specific quotas, to the suspension or prohibition of imports for longer or shorter periods. Questions have been posed on the criteria for application of such measures, their coverage, their restrictiveness, and the transparency of their application. In some cases, there has also been discussion of procedures for foreign exchange allocation and their effects on trade, where these are seen to have parallel effects to those of import restrictions. Where import restrictions have been in force over considerable periods of time, members of the Committee have sometimes questioned whether Article XVIII:B is being appropriately used, and have suggested other provisions of the General Agreement which might be considered more appropriate, such as Article XVIII:C. In some cases consulting countries have been asked to specify the restrictions which are considered to be justified under balance of payments provisions rather than under other provisions of the General Agreement. Reference has also been made to the observation of the "minimum commercial quantities" provisions of Article XVIII:10, in the case of import prohibitions or suspensions of import licences. Questions have also been asked concerning the administration and effect of regulations governing imports competing with goods already produced in the consulting country (e.g. the "law of similars" applied in Brazil).

47. In respect of prior import deposits, import surcharges and similar measures, questions have covered such aspects as the rates of such deposits or surcharges, product coverage, time limits, review procedures, exemptions, and application to imports from different sources. The monetary policy effects of prior import deposit schemes, and their consequent likely effects on the pattern of demand, have also been raised.



48. Other trade measures forming part of the spectrum of measures taken by individual consulting countries, discussed under this heading, have included state trading provisions, minimum pricing requirements, drawback provisions applying to imports of goods destined for export production, barter and other countertrade requirements, local content requirements, the operation of bilateral clearing arrangements, emergency and temporary tariff protection, the effects of the allocation of trading licences, the use of systems implying recommendation of imports by competing industries, and special measures applied to trade in particularly sensitive products. Members of the Committee have also commented on such questions as the use of subsidies, and on policies towards regional groupings: others have questioned whether such discussions fall within the Committee's mandate or competence.

49. With regard to the effects of trade measures, references have been made to the effects on trade of complex or multiple import restrictions, of lack of transparency in import systems, of discretionary or arbitrary decision-making processes, of delays in approving import licence applications or letters of credit, of restrictions applied through industrial associations, of allocation of trading licences; to the effects of import deposit schemes on imports and on domestic demand; to the discriminatory effects on imports, as against domestic transactions, of certain types of taxation; to the possible protective effects of long-standing import restrictions; and to the effects of barter or other countertrade requirements.

50. As indicated in paragraph 12 above, the 1979 Declaration established three particular new and additional criteria for the application of trade measures for balance-of-payment purposes: that in applying restrictive measures "contracting parties shall abide by the disciplines provided for in the GATT and give preference to the measure which has the least disruptive effect on trade" (it being understood that less-developed contracting parties must take into account their individual development, financial and trade situation when selecting the particular measure to be applied); that the simultaneous application of more than one type of trade measure for this purpose should be avoided; and that whenever practicable, contracting parties shall publicly announce a time schedule for the removal of the measures (BISD 26S/206, paragraph 1). In full consultations since 1979, frequent references have been made in the Committee to elements of this paragraph: particularly to the simultaneous application of different trade measures and the possibility of establishing time schedules for the removal of such measures.

51. Since 1983, following the report by the Chairman of the Committee to the Council in C/125, the question of external factors relating particularly to Paragraph 12 of the 1979 Declaration has been included in eight full consultations with six countries (Brazil in 1983 and 1987, Korea in 1983 and 1987, Colombia in 1984, Argentina in 1986, and India and Peru in 1987). In each case, the subject has been approached somewhat differently. Some consulting countries (Brazil, Colombia, Peru) have

presented product-oriented request lists, informally or formally, to their trading partners. More commonly, countries have identified more or less specifically problems affecting their exports in different markets, including declining commodity prices, quantitative restrictions and VERs considered by the consulting countries as contrary to GATT rules, specific sectoral restrictions including restrictions on textiles and clothing, discrimination in the application of GSP schemes, anti-dumping or countervailing measures, consumption taxes on many tropical products, and unfair competition on world markets for agricultural products through competitive subsidization. Some countries (e.g. Korea in 1987) have quantified the share of trade affected by restrictions in foreign markets. In one case (Brazil 1983) specific proposals for actions which countries might take in favour of indebted developing countries were put forward, including rollback of import restrictions inconsistent with GATT on products of interest to these countries, suspension, for the duration of IMF programmes, of safeguard actions on their export products, and non-imposition for the same periods of anti-dumping or countervailing duties.

52. Other members of the Committee have reacted to the points made by consulting countries in various ways. For example, it has been stated that the main orientation of balance-of-payments consultations should remain the measures taken by consulting countries to alleviate the balance-of-payments situation and the extent of justification for balance-of-payments measures; that any examination of external trade factors should not be limited to specific types of measures, or to those taken by only some countries; that certain restrictions were introduced for sound economic reasons and were legally justifiable under GATT Articles or MTN Codes; that anti-dumping or countervailing measures are taken to counter unfair trading practices, including illegal dumping or subsidization; that certain proposed actions could upset the balance of rights and obligations under the General Agreement; that some of the information presented gave an exaggerated picture of the growth of protectionism; that protective measures taken by developed countries must be related to the problems faced by them in achieving adjustment in a socially and politically acceptable manner; that the Committee was not a negotiating body and that many of the issues raised fell outside its preview; that all aspects of agricultural trade fell within the ambit of the Uruguay Round; that the absence of market-opening measures was not the only reason why a particular country's exports did not expand; and that trade liberalization through the Uruguay Round negotiations would offer the best means of improving the general trading environment for consulting countries.

#### D. Conclusions and recommendations of the Committee

53. Annex I sets out all the conclusions drawn by the Committee in full consultations held between 1975 and June 1988. The following paragraphs give very general indications of the topics covered in the Conclusions of consultations and the way in which the Committee has dealt with them.

54. All elements of the Committee's reports are agreed texts, but it is natural that the conclusions of full consultations should be most closely scrutinized by the consulting countries and other participants in the consultations. In virtually all cases the Committee's conclusions have been the unanimous expression of the views of all members present. However, there were a few cases, particularly in 1987, where differences of opinion between members of the Committee did not allow a unanimous view to be expressed.

I. Justification of Balance-of-Payments measures under GATT provisions

55. In a number of cases, the Committee expressly stated that it considered the trade measures taken by a consulting country justified under the relevant GATT articles, in view of the balance-of-payments or reserves situation. In some instances, it linked the justification to the temporary maintenance or nature of the measures. In some cases, particularly in earlier years, it also made reference to the opinion of the International Monetary Fund. The Committee's recognition of the justification for balance-of-payments measures may be stated in less direct ways (for example in the case of Finland (1975), Pakistan (1975), Israel (1984) or Nigeria (1984). Reference was on occasion made to the conformity of particular measures (e.g. an import surcharge, before 1979) with the criteria laid down in the General Agreement for import restrictions for balance-of-payments purposes. On other occasions the Committee simply drew attention to the facts of a balance-of-payments deterioration in the period under review, together with the apparent causes thereof, perhaps thus implicitly recognising justification for the measures taken.

56. The Committee has not used standard language in describing the situation of individual countries; the wording used has reflected the Committee's appreciation of each case. Where several consultations have taken place, it is possible to see the variations in the Committee's appreciation of the situation, and the degree of justification for measures taken, over the time involved. This may involve a movement from a clear declaration that measures were justified to a view that import restrictions could no longer be justified; or the expression of more varying opinions in cases where the direction in which the balance-of-payments situation is evolving is less clear.

57. In the period, the Committee has never said explicitly that a particular measure was unjustified under the balance-of-payments provisions of the GATT. However, various levels of tone have been used to indicate the strength of the Committee's doubts concerning the justification of measures in particular circumstances. The Committee has, for example, "questioned" whether existing levels of trade restrictions would continue to be warranted; has expressed a "prevailing view" that the current situation and outlook was such that import restrictions could no longer be justified under balance-of-payments provisions; has "expressed doubts" whether restrictions could be fully justified; has "regretted" that one consulting country had introduced import measures in addition to domestic adjustment measures.

## II. Comments on domestic adjustment policies

58. The Committee's conclusions have frequently, although not always, referred to the domestic adjustment measures undertaken by consulting countries. The Committee has "welcomed" adjustment measures taken or proposed, "appreciated" efforts being made to restore internal and external equilibrium, "noted with appreciation" that the direction of domestic and external policies had been towards greater liberalization, "commended" authorities for their internal adjustment and external liberalization policies, "noted with satisfaction" the introduction of a new stabilization programme and a new orientation in exchange rate, monetary and budgetary policies, or "noted" the aims of adjustment programmes. On the other hand, it has "regretted" that a country did not rely on policies of a more general nature than trade policies, "encouraged" countries to pursue their efforts to restore equilibrium through appropriate domestic policies, remarked that an increase in the restrictiveness of an import regime "could have been avoided" through strengthening other more fundamental adjustment measures, "invited" countries to give careful consideration to domestic adjustment policies, "urged" countries to adopt alternative and more fundamental policies. In this context again, reference has on occasion been made to the views of the IMF.

## III. References to external factors

59. The Committee's conclusions have often recognised the importance of various types of external factors in balance of payments problems. Reference has been made at various times to the course of world market prices, the impact of the world economic recession, difficulties of external financing, the effects of drought and floods, and the existence of a number of external factors beyond the control of the authorities. In a number of cases, specific reference has also been made to trade measures affecting exports from the consulting country, and to the discussion held under Paragraph 12 of the 1979 Declaration.

## IV. Nature of trade measures

60. The Committee has commented on a number of aspects of trade measures taken by consulting countries. Since 1980 it has sometimes, although not always, related these comments to the provisions of the 1979 Declaration, where appropriate. Comments have been made on increases or decreases in the level of import restrictions, on the complexity, lack of transparency, severity or multiplicity of trade measures, and on the simultaneous application of different types of trade measures (in this case references have been made to Paragraph 1(b) of the 1979 Declaration). Comments have been made that trade measures are an inefficient means of restoring balance-of-payments equilibrium and that import restrictions taken for balance of payment purposes should not be used to protect particular industries or sectors. On the other hand, the Committee has, where appropriate, "welcomed" measures in the light of elements of Paragraph 1 of the 1979 Declaration, or "noted" that measures were in conformity with such elements.

V. Aspects related to time

61. One of the elements to which the Committee has given most significance in its conclusions has been the question of the temporary nature of balance-of-payments trade measures, and the length of time measures have been maintained by consulting countries. Although this aspect has been reinforced by Paragraph 1(c) of the 1979 Declaration, to which reference is made in some conclusions, it was explicitly mentioned in many earlier conclusions. Thus the Committee has "expressed deep concern" on the trade-disruptive effect of restrictions, should they be enforced for a lengthy period of time; "emphasised" that import restrictions authorized under GATT balance-of-payments provisions were to be temporary and applied only for the time needed for fundamental measures to be taken to restore equilibrium; concluded that import restrictions, "other than on a very temporary basis", were not the appropriate means of restoring equilibrium; "invited" a consulting Country to establish a timetable for the phasing out of restrictions, "noted with satisfaction" that a fixed time-table had been set up for the progressive removal of import measures; "welcomed" a statement that measures were temporary in nature; "concluded" that remaining restrictive import measures were "justified as a temporary means"; "regretted" that countries did not consider it possible to announce a time schedule for removal of measures; or "expressed concern" that no such time-table had yet been announced.

VI. Requests for further information

62. In a few cases, (Brazil 1983, Yugoslavia 1981, Israel 1984, Egypt 1988) while being in a position to conclude the consultations, the Committee has requested consulting countries to provide further information on particular aspects of their trade regime or to notify or give a detailed description of measures which had not been supplied for the consultations. In two of these cases, the Committee requested the Secretariat to prepare in collaboration with the authorities (and in one case in consultation with the IMF) a completed background paper or a factual addendum to its background paper.

VII. Recommendations

63. The Committee's recommendations have varied according to its view of the severity of the situation of particular consulting countries or of the extent to which it considered that the direction of policies conformed with the norms set out in the General Agreement. Positive comments have taken the form of "encouraging" consulting countries to continue and strengthen existing policies, "welcoming" indications that liberalization would be extended, or "noting with satisfaction" such indications. In other cases, the Committee has "invited" countries to "give consideration to" taking certain steps, "expressed the hope" that measures might be taken, or "recommended" that countries pursue existing policies of liberalization. Stronger views are expressed through such phrases as "inviting", "requesting" or "urging" countries to terminate certain types of restrictions "as soon as possible", "at the earliest possible time" or to give "high priority" to certain measures, to undertake measures "expeditiously", "stressing the need" to take measures, or "expressing the

expectation" that countries would take measures. The Committee has also on occasion said that it would keep the evolution of measures under review or urged the consulting country itself to review measures periodically with a view to their reduction or elimination.

#### VIII. Discussions under "Other Business"

64. In 1982, the Committee agreed that the Secretariat should prepare notes on discussions under "Other Business" in the Committee, in particular relating to follow-up action on consultations and to notifications of trade measures taken for balance-of-payments purposes. (Reports on "Other Business" are contained in BOP/R/127, 130, 132, 138, 144, 148, 149, 151, 154, 158, 162, 167, 174 and 177.) Subjects noted in these reports have included follow-up on a number of consultations, including requests by the Committee for information and reactions by one consulting country to the responses by other contracting parties to proposals for alleviation of its balance-of-payments problems; remarks by the Committee about the late arrival of documentation; discussions on notifications by individual contracting parties of measures taken or abolished, and general remarks on notifications; requests for information on contracting parties which appeared to be taking trade measures for balance-of-payments reasons, some of which led to consultations, others to clarification of measures, and still others to no outcome; the trading environment and balance-of-payments problems; and schedules of Committee meetings.

#### E. Discussion and adoption by the GATT Council of reports by the Committee

65. Reports on all consultations in the Balance-of-Payments Committee are submitted to the Council for discussion and adoption. The Council's adoption of the reports, which are introduced by the Chairman of the Committee, gives effect to the recommendations of the Committee. All reports by the Committee have been adopted by the Council. In most cases, particularly in the earlier part of the period, they have been adopted without discussion, but from time to time reports have given rise to discussion in the Council, often initiated by the country which is the subject of the report. It is possible to identify a number of recurrent themes in these discussions.

66. On a number of occasions contracting parties, while not opposing the adoption of reports, have used the occasion of their adoption to express regret at the continued maintenance of import restrictions and to press for faster or more complete liberalization. In some cases, countries have also reserved their GATT rights in relation to measures which they saw as damaging their interests and whose maintenance they believed not to be in conformity with GATT. For example, in 1985 Japan reserved its rights in relation to measures maintained by Portugal, and Hungary did so in relation to a Turkish measure (C/M/194). In November 1987 the point was made that contracting parties retain all their GATT rights in respect of measures maintained for balance-of-payments purposes, and that review of such restrictions by the Balance-of-Payments Committee, and adoption by the Council of the Committee's report, did not constitute acceptance that they were consistent with GATT.

67. Reports on consultations have also on occasion given rise to comment by the consulting country. For example, in February 1979, noting that the Committee had expressed doubts whether his country's measures could be fully justified under Article XVIII:B, the representative of Brazil said that the Committee seemed to have underestimated the balance-of-payments difficulties faced by Brazil, and should have taken into consideration the provisions of Article XVIII:11 that no contracting party should be required to withdraw or modify restrictions on the grounds that a change in its development policy would render unnecessary the restrictions which it had been applying (C/M/131). In 1984, following full consultations, the representative of Nigeria stated that protectionist measures, decreasing foreign exchange earnings and falling commodity prices were among the factors which had resulted in his country's balance of payments problems: Nigeria had not invoked paragraph 12 of the 1979 Declaration but did not exclude the possibility of doing so in future should the need arise (C/M/178).

68. The Council has on a number of occasions discussed procedural matters arising from reports by the Balance-of-Payments Committee or its Chairman. In 1977, reporting differences of view in the Committee on whether full consultations with one country were desirable, the Chairman of the Balance-of-Payments Committee expressed the view that the simplified procedures were an exception to the general rule and could only apply if there was a consensus in the Committee that full consultations were not desirable. A number of contracting parties maintained that simplified procedures should be the general rule for consultations with developing countries, and that an absolute consensus that full consultation was not desirable should not be required. Other representatives stressed that the simplified procedures were established as an exception to the provisions of Article XVIII:12(b) and maintained that they were basically intended for countries in the early stages of development which lacked the machinery to prepare adequately for a regular consultation. The point was also made that the basic objective of the consultations was to foster understanding of the balance-of-payments problems of the developing countries concerned and to provide opportunities for exploring constructive solutions to these problems (C/M/122). In November 1987, in relation to the report on a full consultation with India (BOP/R/168 and Add.1) it was argued that the procedure and timing for each consultation should be decided according to the procedures in paragraph 8 of the 1979 Declaration, and after consulting with the interested parties: the other speakers agreed that this report did not modify the established procedures for consultations. In the same meeting one delegation said it could not accept the position of some contracting parties that review - including full review - of trade restrictions by the Balance-of-Payments Committee constituted acceptance of such measures as being GATT-consistent: in adopting Balance-of-Payments Committee reports contracting parties retained all their GATT rights (C/M/215).

69. The question of the balance of representation in the Balance-of-Payments Committee arose in April 1978 following a full

consultation with Pakistan. It was suggested that the membership should reflect a suitable balance between developed and developing contracting parties. In response the Director-General said that members of the Committee were designated by the Council, which had never refused an application for membership (C/M/124). (The membership of the Committee since 1974 is set out in Annex II).

70. There have been extensive discussions in the Council, particularly since 1984, regarding the effects on the balance-of-payments position of consulting countries of the external economic environment confronting them. Broadly speaking, these discussions have been of two kinds: those on the general macroeconomic environment, including the impact of recession and especially the burden of debt and debt-servicing; and those concerning the trading environment, and particularly the market access conditions, confronting consulting countries. The Council has also held discussions of a more general kind on the balance between the obligations of developed and developing contracting parties in the matter of surveillance of their trade policies.

71. The problem of adjustment to balance-of-payments difficulties by heavily indebted countries was raised in 1985, when the Chairman of the Committee, introducing a report circulated as C/132, noted that an increasing number of developing countries had taken on intensified balance-of-payments measures leading to new calls for full consultations. It was pointed out that in many developing countries the primary means of adjustment to this problem had been severe contraction of imports. For example, there was a marked decline in the imports of developing countries from industrialised countries in 1981-83 and the trade of sixteen particularly indebted countries in 1984 showed a continued decline in imports from all sources. To enable these countries to adjust through export growth and to re-expand their import capacity, it was suggested, was in the interest of their trading partners as well as themselves. The Chairman suggested that the Council or another appropriate GATT forum should give across-the-board consideration to this question (C/M/186).

72. There have been several discussions in the Council about the effect on the balance-of-payments position of consulting countries of import restrictions maintained by their trading partners, and about the scope for alleviating balance-of-payments difficulties through the elimination or suspension of such restrictions. In March 1984 the Chairman of the Balance-of-Payments Committee reported to the Council (C/125) on consultations undertaken by him at the invitation of the Consultative Group of 18 on the question as to how the trading environment confronting consulting countries could be given greater weight in the Committee's deliberations. The report was discussed in June 1984, when a number of contracting parties supported its recommendation that the Committee should examine in depth the external trading environment confronting consulting countries. On the other hand, concern was expressed that the primary focus of the Committee's work should continue to be the responsibility of the consulting country to obtain balance-of-payments stability through



adjustments in its own domestic policies, and that to focus too sharply on individual countries might lead contracting parties to depart from the principles of multilateralism and non-discriminatory treatment. It was also said that it would be a mistake to see the problem of developing countries' debt as an exclusively North-South problem and that a distinction should be made between areas in which priority action for developing countries would be appropriate - as in the dismantling of quantitative restrictions - and other areas such as anti-dumping, countervailing and safeguards (C/M/178).

73. Brazil, having drawn attention early in 1984 to the effects on its balance-of-payments position of restrictions on access to export markets, later submitted to its major trading partners a list of suggested actions which they might take on an m.f.n. basis to facilitate Brazil's balance-of-payments adjustment, and offered to enter into bilateral consultations with these countries. Brazil and other contracting parties expressed disappointment at later meetings at the lack of response to this initiative. Other contracting parties, accepting the argument for adjustment through export growth, said that Brazil's proposal had not fallen on deaf ears; efforts had been made to help Brazil by rejecting certain protectionist pressures. However, it was suggested that assistance to countries in balance-of-payments difficulties should basically be a matter for cumulative efforts by all contracting parties to reverse current trends (C/M/174, 179, 183).

74. A proposal was made by Chile, also in 1984, to supplement existing procedures in the Balance-of-Payments Committee by holding prior consultations on possibilities for export expansion through elimination of trade barriers (especially those inconsistent with GATT), so as to forestall the need for consulting countries to deal with their balance-of-payments problems through import contraction. Consultations on this proposal were held by the Chairman of the Balance-of-Payments Committee, who subsequently reported to the Council (C/132) that a number of contracting parties, while expressing interest and sympathy for the approach suggested, expressed doubts about the impact of unilateral trade liberalization measures on the current balance-of-payments situation of a consulting country. They also stressed that consideration of external factors should not take precedence over the normal function of the Balance-of-Payments Committee, which was to examine the effects of the measures taken by consulting countries and alternative policies to restore equilibrium. However, it was recognized that nothing prevented a contracting party in balance-of-payments difficulties from holding prior consultations with the Committee under Articles XII:4(a) and XVIII:12(a). These would be full consultations taking account of all factors, including external factors, affecting the balance of payments of the consulting countries as laid down, inter alia, in paragraphs 2 and 3 of the 1970 consultation procedures and paragraph 12 of the 1979 Declaration. In a subsequent meeting of the Council Chile expressed satisfaction that its initiative had been accepted.

75. The question of "imbalance" between Balance-of-Payments consultations with developing countries and the lack of consultation procedures with other countries taking protective measures has been raised in the Council by developing countries on two occasions. In 1978 Pakistan, referring to this question, suggested that Article XIX measures should also be subject to regular periodic review, leading up to appropriate conclusions and recommendations (C/M/124). In 1984 the delegation of Colombia proposed a GATT procedure under which developing countries could make as detailed an examination of developed country measures as was made of their own in the Balance-of-Payments Committee. Existing fora, such as Part IV consultations and the Sub-Committee on Protective Measures, were in Colombia's view ineffective, and some protective measures taken by developed countries in the "grey area" were never notified or examined at all. Reporting on consultations on this question (C/132), the Chairman of the Balance-of-Payments Committee said that a number of contracting parties had difficulty in accepting the idea that there existed a fundamental imbalance in the examination of measures taken by developed and developing countries. There were a number of GATT fora in which measures by developed countries were examined on a continuing basis, and if looked at in relation to the balance-of-payments consultations procedures the Colombian proposal seemed to be covered in the earlier report by the Chairman of the Balance-of-Payments Committee dealing with the trading environment confronting a consulting country (C/125).

ANNEX I

CONCLUSIONS AND RECOMMENDATIONS IN THE BALANCE-OF-PAYMENTS COMMITTEE

In this Annex, paragraphs of the Balance-of-Payments Committee's reports containing the Conclusions and Recommendations of the Committee have been reproduced in full.

Entries have been arranged in alphabetical order under the following headings:

- Consultations under Article XII
- Consultations where relevant Article not specified
- Consultations under Article XVIII:B

The date when each consultation took place appears following the BOP/R reference number.

CONSULTATIONS UNDER ARTICLE XII

FINLAND

BOP/R/79 (24 March 1975)

1. The Committee regretted that Finland had to impose an Import Deposit Scheme, but expressed understanding for the particular situation of Finland's balance-of-payments and the low level of its reserves.

2. The Committee noted with satisfaction that the Import Deposit Scheme was applied on a non-discriminatory basis. As applied at present import restrictions including the Deposit Scheme, were not under the circumstances more restrictive than measures authorized under Article XII of the General Agreement. The Committee welcomed the statement by Finland that the Import Deposit Scheme would not be applied longer than absolutely necessary, and hoped that the Finnish balance-of-payments situation would be redressed in the near future so as to allow an early termination of import restrictions, including the import deposits. In the meantime, they urged Finland to make as liberal a use as possible of the exemption possibilities of the Deposit Scheme, in particular for investment goods for export-oriented industries, and to review the measure periodically with a view to reducing deposit rates at an early date.

BOP/R/87 (29 April 1976)

3. Import deposits. The Committee expressed understanding and sympathy for the Finnish balance-of-payments situation and the various objectives the authorities were attempting to attain. While it regretted that the import deposit scheme could not be terminated in March 1976 the Committee welcomed the established programme to phase out the scheme by reducing the rates gradually in view of final termination on 31 December 1976. The Committee noted the need to keep the matter under review. The Committee took into account the finding of the International Monetary Fund to the effect that in view of the low level of Finland's external reserves the extension of the import deposit requirement did not go beyond what was necessary to prevent a further fall in the level of reserves. The Committee noted with interest that the primary aim of the import deposit scheme was one of liquidity control rather than reduction of volume of imports. The Committee noted that the exceptions granted under Article 13 of the Import Deposit Act were non-discriminatory as to origin of imports and based on purely commercial grounds. Finally, the Committee expressed the hope that the economic conditions in Finland and on the international markets would improve sufficiently in the course of 1976 to allow Finland to redress the disequilibrium in its balance of payments.

4. Import restrictions. The Committee noted that Finland maintained quantitative restrictions on certain products, including some agricultural products, and that it invoked the provisions of Article XII to justify the maintenance of these restrictions.

BOP/R/95 (24 May 1977)

5. The Committee welcomed the termination on schedule of the Import Deposit Scheme and appreciated Finland's observance of GATT notification and consultation obligations.

6. Taking into account the Fund's view that despite the improvements in Finland's balance-of-payments on current account, no improvement could be expected in 1977 in the low level of Finland's external reserves, the Committee recognized that there was need for a degree of trade restriction. The Committee noted that some Finnish restrictions - global quotas and licensing - were imposed for balance-of-payments and other reasons, and welcomed the Finnish authorities' intention to consider further limitation of the level of trade restrictions in case the balance-of-payments situation would permit such relaxation.

7. The Committee expressed some concern as to the possible trade effects of the Cash Payments Scheme, as enlarged in April 1977. Although it noted that the Scheme was introduced primarily as a monetary measure, it felt that any detrimental effects on trade should be avoided.

BOP/R/102 (23 May 1978)

8. The Committee welcomed the marked improvement in Finland's balance-of-payments and reserve position, and also the further improvement that was expected in 1978. It questioned whether the existing level of trade restrictions would continue to be warranted on balance-of-payments grounds should the favourable trend be maintained. It therefore recommended that Finland initiate the process of relaxation of its import restrictions in parallel with the strengthening of its external position.

9. The Committee noted that the coverage of the cash payment scheme had been reduced and invited the Finnish authorities to further relax this measure which, though primarily of a monetary nature, could be detrimental to trade by its possible import substitution effects.

GREECE

BOP/R/160 (22 April 1986)

10. The Committee observed that there had been a serious deterioration in the Greek economy in 1984 and 1985, with growing external and internal imbalances and increasing inflation. A large part of this deterioration could be ascribed to domestic disequilibria, particularly to a growing public-sector deficit; however, Greece's competitive position in external markets had also worsened, as a result of increasing unit costs of labour and also of the exchange rate policies pursued in preceding years.

11. The Committee noted that the adjustment programme introduced by Greece in October 1985 was principally addressed to redressing internal economic imbalances, restoring price stability and improving Greece's international

competitiveness through a variety of fiscal, monetary, price, income and exchange rate policy measures.

12. The Committee regretted that the Greek authorities had considered it necessary to reintroduce an import deposit scheme in addition to the domestic adjustment measures aimed at achieving an improvement in the current account of the balance-of-payments and the desired tightening of liquidity. It noted with satisfaction, however, that the import deposit scheme was non-discriminatory in nature, and welcomed the assurances by Greece and the European Communities that the deposit was a temporary measure intended to have a rapid effect in anticipation of the effects of other adjustment policies. The Committee also noted that certain modifications had already been made to the import deposit scheme, and welcomed the readiness expressed by the Community and Greek authorities to notify these and any subsequent modifications and any other relevant information.

13. The Committee noted that a marked improvement in the current account was foreseen by the Greek authorities for 1986 and that the programme established by Greece envisaged the elimination of all net public-sector foreign borrowing by 1988. Bearing in mind all the above factors, the Committee expected Greece to phase out the temporary import deposits as soon as possible on a non-discriminatory basis, and invited the Greek and Community authorities to establish a time-table for this purpose, pursuant to paragraph 1(c) of the Declaration on Trade Measures Taken for Balance-of-Payments Purposes.

#### HUNGARY

BOP/R/131 (8 March 1983)

14. The Committee noted that Hungary's balance-of-payments situation had deteriorated sharply in the early part of 1982 against the background of worsening external economic conditions, adverse trade policy measures, increased difficulties in foreign borrowing, the withdrawal of short-term funds by some lenders, and domestic demand policies that were less effective than expected. The Committee further noted that the Hungarian authorities had decided in the latter part of 1982 to strengthen their adjustment efforts by adopting further measures of demand management, structural reforms and more active exchange rate policies, and to temporarily introduce measures to reduce imports paid in convertible currency by imposing quotas on several primary products and a 20 per cent surcharge on imports of components.

15. The Committee recognized that Hungary had serious balance-of-payments problems which had led to the invocation of Article XII. The Committee noted, however, that Hungary, in responding to these problems, had introduced measures interfering with imports of particular products settled in convertible currencies, and regretted that Hungary did not rely solely on measures and policies of a more general nature. The Committee welcomed

the temporary nature of the restrictive import measures taken and their relaxation in early 1983, but it regretted that Hungary did not consider it possible at this time to announce a time schedule for the removal of the quotas and the surcharge as provided for in paragraph 1(c) of the Declaration on Trade Measures Taken for Balance-of-Payments Purposes. The Committee requested Hungary to pursue its adjustment effort, announce a time-table for the removal of the quotas and the surcharge as soon as possible and gradually withdraw the restrictive import measures as the balance-of-payments situation improves.

BOP/R/141 (22 May 1984)

16. The Committee noted that since the last consultation Hungary's balance-of-payments situation had improved as a result of the demand management measures taken, despite some continuing negative external factors. The Committee welcomed the efforts made by Hungary to ease the restrictions introduced in 1982, in particular the lifting of the 20 per cent import surcharge on 1 April 1984 and the partial elimination of quantitative restrictions, and noted the transparency of the measures taken. Taking into account the various internal and external factors affecting Hungary's balance-of-payments position, the Committee reiterated the hope that in the light of progress achieved in internal adjustment, Hungary would soon be in a position to announce a time-table for the phasing out of the remaining restrictions and the return to automatic licensing, in accordance with paragraph 1(c) of the 1979 Declaration on Trade Measures Taken for Balance-of-Payments Purposes.

ITALY

BOP/R/119 (13 October 1981)

17. The Committee examined the advance deposit scheme introduced by Italy on 28 May 1981, initially for a four-month period, under which most purchases of foreign exchange were made subject to the requirement of a 90-day non-interest bearing deposit equivalent to 30 per cent of the amount of the transaction. It noted that the deposit requirement was applied on a non-discriminatory basis, that the deposit rate had been reduced to 25 per cent on 1 October 1981, that it was to be progressively reduced further in accordance with a fixed time-schedule, and that the scheme was now to terminate at the end of February 1982.

18. The Committee appreciated that the deposit requirement was introduced at a time of serious political and economic uncertainty which had led to a steep decline in foreign reserves and noted the statement of the representative of Italy that in this situation rapid action was required. However, it shared the view of the International Monetary Fund that macro-economic policy action of a more general nature would have been preferable, in addition to the actions of that kind that had already been taken by the Italian Government. The Committee noted that the deposit scheme, though monetary in form, had some effect on trade and that, in so

far as these trade effects were concerned, the scheme could be considered in the spirit of the Declaration on Trade Measures Taken for Balance-of-Payments Purposes, in which the CONTRACTING PARTIES recognize that developed contracting parties should avoid restrictive trade measures for balance-of-payments purposes to the maximum extent possible. In this connection the Committee noted that the establishment of a fixed phasing-out programme for the deposit scheme was in keeping with paragraph 1(c) of this Declaration according to which contracting parties shall, whenever practical, publicly announce a time-schedule for the removal of measures taken for balance-of-payments purposes.

19. The Committee urged the Italian authorities to remove the measure as soon as possible and encouraged them to pursue their efforts to achieve a lasting improvement of the external financial position through monetary restraint and a strengthening of the public sector's finances.

20. The Committee agreed to keep the progressive elimination of the deposit requirement under review.

CONSULTATIONS WHERE RELEVANT ARTICLE NOT SPECIFIED

ISRAEL

BOP/R/90 (1 November 1976)

21. The Committee was understanding of the seriousness of Israel's balance-of-payments difficulties, especially on the trade and services accounts. The particular constraints of Israel's economy indicated that equilibrium of the balance-of-payments would not be achieved in the short-term. The Committee noted with satisfaction the statement by the representative of Israel that despite these constraints, it was his Government's policy to maintain and pursue as liberal a trade policy as possible.

22. The Committee noted with satisfaction that the import deposit scheme had been eliminated, that the rate of the import surcharge had been reduced to 15 per cent and that some import liberalization had taken place. It recalled that the import surcharge was a temporary measure and as such should be phased-out or eliminated. It was regretted that Israel, because of the current economic situation, was not in a position to give any positive indication as to an eventual removal of the surcharge. The Committee drew attention to the finding of the Fund that "the present level of restrictions, including the maintenance of the temporary import surcharge, may be viewed as warranted to prevent a deterioration in the balance-of-payments until more fundamental policy measures can be implemented", and invited the Israeli authorities to pursue these more fundamental policy measures, which should enable them to further liberalize trade.



BOP/R/101 (29 May 1978)

23. The Committee congratulated the Israeli authorities for the measures taken in October 1977 which had allowed an unprecedented degree of trade liberalization. It welcomed the improvements in Israel's external position and the favourable forecasts for the balance-of-payments in 1978. However, the Committee appreciated that the large trade deficit, the level of foreign reserves and the size of the foreign debt were factors of uncertainty for the future. In this context it welcomed the statement that it was the Israeli authorities' policy not to resort to further import restrictions to reduce its deficit on the trade account, but hoped to achieve balance through increased exports.

24. The Committee invited the Israeli authorities to keep under review the remaining import restrictions and to make further efforts to shorten the list of products subject to import licensing.

BOP/R/113 (9 May 1980)

25. The Committee noted the sharp deterioration in the balance-of-payments situation of Israel that had taken place since the last consultation and it commended the Israeli Government for the very comprehensive set of measures of an internal character it had adopted in order to restore equilibrium and fight domestic inflation. The Committee also welcomed the renewed commitment of the Israeli Government to a liberal trade policy and to methods of adjustment which aimed to avoid the use of import restrictions to the fullest extent possible.

26. The Committee noted that a temporary import deposit scheme had been introduced in November 1979 at a relatively moderate level as part of an overall package of counter-cyclical policies. Recognizing that the restrictive effect of the scheme was small, the Committee took note of the fact that the Israeli delegation was not yet in a position to announce a firm time-table for its removal. The Committee, recalling the conclusions of the last consultation concerning products subject to import licensing, noted that the Israeli authorities considered that in present circumstances it would be premature to remove the residual quantitative restrictions that they maintained on a limited number of products.

27. Noting that Israel's balance-of-payments prospects for 1980 remained a cause for concern, the Committee encouraged Israel to pursue its efforts to restore equilibrium through appropriate domestic policies and expressed the hope that the balance-of-payments situation would soon improve sufficiently to enable the Israeli authorities to announce a time-table for the gradual phasing-out of the import deposit scheme.

BOP/R/129 (30 November 1982)

28. The Committee welcomed the fact that Israel had terminated in November 1980 the import deposit scheme introduced in November 1979.

29. The Committee noted that, during the course of 1981 and thus far in 1982, the Israeli currency had appreciated in real effective terms while the competitiveness of Israel's exports had declined and the current account deficit widened. The Committee further noted that the Israeli Government, to reduce this deficit, had added twenty-eight import categories to the list of quantitative restrictions and introduced a 3 per cent surcharge on all imports.

30. The Committee recognized that the effect of the additional restrictive measures on imports was relatively small. However, it believed that the increase in the restrictiveness of the import régime could have been avoided through a strengthening of the other, more fundamental, adjustment policies which the Israeli authorities are pursuing. For this reason the Committee welcomed the temporary nature of the surcharge and expressed the hope that it would not be extended beyond 1 April 1983, when the present legislation expires, and that the authorities, as a result of further adjustment efforts, would place themselves in a better position to shorten the list of quantitative restrictions.

BOP/R/142 (23 May 1984)

31. The Committee recognized that Israel faced serious and persistent balance-of-payments difficulties, and that policies pursued in the recent past had not led to an improvement of the situation. The policies now being followed comprised a wide range of measures, priority being currently given to alleviating balance-of-payments problems. There were initial signs that these policies were showing positive effects.

32. The Committee noted that, in relation to its balance-of-payments situation, Israel had not had excessive recourse to trade restrictive measures. However, several trade policy instruments were being used simultaneously, as mentioned in paragraphs 18-20 above. In this connection, the Committee asked the secretariat to seek clarification about the status of the licensing measures notified by Israel.

33. The Committee recommended that, pursuant to paragraphs 1(b) and 1(c) of the 1979 Declaration on Trade Measures for Balance-of-Payments Purposes, Israel avoid the cumulation of different trade measures taken for similar ends, and indicate, as soon as practicable in line with improvements in the balance-of-payments situation, a time schedule for the phasing-out of the restrictions.

BOP/R/155 (3 December 1985)

34. The Committee took note of the improvement in Israel's current account balance during 1984 and 1985 to date. It welcomed the renewed efforts made by the Israeli authorities to re-establish internal and external financial balance and to reduce inflation and recognized the importance of the comprehensive economic programme adopted in mid-1985 for achieving these objectives.

35. The Committee also noted the various import measures adopted by Israel since the previous consultation. It welcomed the elimination of the general 15 per cent import deposit and the replacement of import prohibitions on luxury goods by a degressive special import deposit scheme, while observing with some concern that the process of reduction in the rate of this deposit had been interrupted. The Committee noted that the future of this measure, as well as that of the 2 per cent import levy in force since 1982, would be subject to review in the light of developments in the balance-of-payments and the stabilization of the domestic economy. The Committee, noting that a number of import measures were still applied concurrently, encouraged Israel, in line with what had been achieved to date, to pursue its efforts to eliminate remaining import measures taken for balance-of-payments reasons.

BOP/R/170 (28 October 1987)

36. The Committee took note of the improvement in Israel's balance-of-payments position since the last consultation. It commended the government on the sustained implementation of its economic adjustment policies and on its efforts towards the liberalization of trade, which had produced goods results. It recognized that a certain number of problems remained, in particular the need to reduce inflation further, to bring import growth under firmer control through continued demand management measures, and the need to reverse the decline in the savings rate.

37. The Committee welcomed the confirmation which had been given that the import deposit scheme would be abolished in January 1988. It took note of the statements that had been made with regard to the government's intention to abolish the import levy when it considered the timing to be right, expressed concern that no time-table had yet been announced for its removal, and urged that this be done at the earliest opportunity and that the government keep in mind in this respect the provisions of paragraph 1(c) of the 1979 Declaration on Trade Measures Taken for Balance-of-Payments Purposes that "whenever practicable, contracting parties shall publicly announce a time schedule for the removal of the measures".

38. The Committee questioned the extent to which the import licensing system in general, and quantitative restrictions in particular, were of value in maintaining or restoring balance-of-payments equilibrium. It expressed views about the adverse effects of the prolonged maintenance of restrictions on the structural adjustment of the Israeli economy. While noting the statement of the representative of Israel that the licensing system was currently operated on a flexible and liberal basis, it saw a need for greater transparency in the administration of the import licensing system and in the nature of the trade restrictions that were being employed.

39. The Committee welcomed Israel's commitment to continue its programme of macro-economic measures in order to restore a sustainable balance-of-payments situation, demand management being its major tool, and

its statement that further progress in this area would permit the removal of the remaining import measures. It urged the Government of Israel to pursue its intentions in these areas resolutely.

PORTUGAL

BOP/R/82 (28 July 1975)

40. The Committee noted that Portugal invoked the applicable balance-of-payments provisions of the GATT, in the light of relevant precedents, to justify the application of its import surcharge.

41. The Committee also noted that the import surcharge was temporary, until 31 December 1975, and that in its application it conformed to the criteria laid down in the relevant Articles of the General Agreement on import restrictions for balance-of-payments purposes.

42. The Committee welcomed Portugal's early notification of the surcharge, and expressed understanding for the serious economic situation prevailing in Portugal. It hoped that an early removal of the surcharge would be possible and that alternative economic policy measures would take into account the interest of Portugal's trading partners.

BOP/R/93 (15 November 1976)

43. The Committee recognized the serious problems facing the Portuguese economy and balance-of-payments and the need for corrective measures. It regretted that the surcharges had been extended and the rates increased, and that in addition, an import deposit had been introduced on non-essential products. These measures were considered severe.

44. The Committee viewed with concern the enabling legislation on quantitative restrictions adopted on 28 October 1976 and urged the Portuguese authorities to refrain from applying it. It invited Portugal to give careful consideration to the adoption of a comprehensive programme of domestic policies and external measures to achieve the required adjustment in its balance-of-payments, as indicated in the finding of the International Monetary Fund. In this context, it was hoped that the Portuguese authorities would thereby find it possible to relax or remove the temporary surcharges and import deposit. In the meantime, the Committee expressed the hope that the internal measures already taken to redress the economy would be successful.

45. The Committee welcomed the fact that the trade measures adopted, as well as the surcharge exemptions granted, were applied on a non-discriminatory basis. It also welcomed the statement by the representative of Portugal to the effect that these measures were temporary and that it was his authorities' firm intention not to apply trade restrictions beyond the time and level of what was strictly needed to protect the balance-of-payments.

BOP/R/96 (26 January 1978)

46. The Committee recognized that Portugal had serious balance-of-payments difficulties which justified the resort to surcharges and import restrictions as temporary measures to contain the current account deficit while more fundamental policies were being implemented. It welcomed the abolition of the import deposit scheme as of the end of last year and asked Portugal to pursue its plans to replace the import surcharges by internal fiscal measures or to phase them out as soon as the balance-of-payments situation permits. It shared the view of the International Monetary Fund that the establishment and the public announcement of a schedule for the gradual removal of the restrictive measures and their early abolition would help avoid a further aggravation of the existing resource allocation problems in Portugal and would facilitate the return to a liberal trade régime.

BOP/R/106 (30 April 1979)

47. The Committee welcomed the improvement registered in 1978 in Portugal's balance-of-payments position, and the gradual relaxation of import restrictions taken for balance-of-payments reasons. It fully shared the view of the International Monetary Fund that "the surcharge and other restrictions should be used only on a temporary basis while additional domestic and external policy measures are implemented to strengthen the underlying balance-of-payments situation". The Committee expressed the hope that the policies adopted by the Portuguese authorities would contribute to further reductions of its external current account deficits and that Portugal, in the foreseeable future, would no longer need to resort to import restrictions to safeguard its balance-of-payments position.

ROP/R/111 (5 May 1980)

48. The Committee noted with satisfaction that Portugal's external financial position had substantially improved in 1979 and that the Portuguese authorities had lowered the main surcharge to 10 per cent, reduced its coverage and removed major items from the list of goods subject to the quota system for consumer goods. The Committee regretted however that Portugal had not been able to take advantage of the favourable payments situation in 1979 to relax the restrictive import measures further.

49. The Committee noted that Portugal's external financial position had deteriorated in early 1980, that the outlook for the remaining part of the year was uncertain and that this created problems for the immediate removal of restrictive import measures. However, it also noted that according to the International Monetary Fund appropriate financial policies should make it possible to meet the financing requirement for the deficit expected in 1980 by net capital inflows and official borrowing on a moderate scale. The Committee therefore concluded that efforts towards a further relaxation and early removal of the restrictive import measures imposed for balance-of-payments purposes should be made.

50. The Committee noted that Portugal had so far not announced a time schedule for the removal of the 10 and 60 per cent surcharges and the quota system on consumer goods. Recalling paragraph 1(c) of the Declaration on Trade Measures Taken for Balance-of-Payments Purposes the Committee recommended that the Portuguese authorities announce such a time schedule as soon as practicable. The Committee expressed the hope that the Portuguese authorities would find this possible before the next consultation.

BOP/R/118 (13 May 1981)

51. The Committee noted that the current account of the balance-of-payments had gone into deficit in 1980 and that this deficit was expected to increase in 1981. It also noted that the Portuguese authorities had not relaxed substantially the restrictive import measures in place nor announced a time-table for such relaxation as had been recommended by the Committee last year. At the same time it noted the statement of intent made by the Portuguese authorities to phase-out these measures as soon as circumstances permit.

52. The Committee recognized that some of the factors adversely affecting Portugal's balance-of-payments were outside the control of the Portuguese authorities but that the current account deficit appeared to be manageable, especially if appropriate internal policies were followed.

53. The Committee considered that further efforts towards relaxation of the restrictions should be made with a view to their early removal. The Committee expressed the hope that no intensification of restrictive import measures would take place. Finally, the Committee recommended that a time-table for the removal of such measures should be announced by Portugal in the near future.

BOP/R/125 (23 June 1982)

54. The Committee noted that Portugal's external position had deteriorated sharply in 1981 and that this had hindered further progress in the elimination of the surcharges and quotas on certain consumer goods. It also noted that the administration of the general import licensing system had become more restrictive. The Committee encouraged Portugal to pursue monetary and fiscal policies which would foster an improvement in the current account and allow a gradual elimination of the restrictive import measures and a more liberal administration of the import licensing system.

55. The Committee noted with concern that the surcharges and import quotas had now been applied for more than six years and that no time schedule for the removal of the measures had as yet been announced. The Committee considered it important to ensure that investors do not expect the measures to be permanent features of the import régime since this expectation would lead to a misallocation of resources and render the eventual abolition of the measures more difficult. The Committee therefore reiterated the

recommendation made in previous consultations that Portugal announce a time schedule for the removal of the restrictive import measures in the near future.

BOP/R/134 (11 October 1983)

56. The Committee noted that Portugal, faced with a sharp deterioration in its balance-of-payments in 1982, had increased in February 1983 the 10 per cent surcharge to 30 per cent and had retained the 60 per cent surcharge and the import quotas for certain consumer goods and unassembled vehicles.

57. The Committee regretted that, although the surcharges had been applied since 1976 and the import quotas for consumer goods since 1977, no time schedule for the removal of these measures had as yet been announced in conformity with paragraph 1(c) of the Declaration on Trade Measures for Balance-of-Payments Purposes and the Committee's recommendations in previous consultations. The Committee therefore again requested the Portuguese authorities to announce a time-table for the removal of the restrictive import measures as soon as possible.

58. The Committee was concerned about indications that the procedures for the issuing of import licences had been used for restrictive purposes. It therefore welcomed the statement of the Portuguese representative that the licensing systems were not intended to be restrictive as well as the intention of the Portuguese authorities to make the import licensing procedures more transparent and to avoid delays in the issuing of licences.

59. The Committee noted with satisfaction that the Portuguese authorities had recently embarked on a comprehensive programme to bring about lasting improvement in the external position and that they intended to roll-back the 30 per cent surcharge to 10 per cent by 1 January 1984. The Committee asked Portugal to reduce its reliance on restrictive import measures for balance-of-payments purposes as soon as the stabilization efforts begin to produce results.

BOP/R/145 (30 October 1984)

60. The Committee noted the improvement that had taken place in Portugal's balance-of-payments in 1983, as well as the prospects for further improvement in 1984/85 as a result of the policy measures taken in 1983 and 1984. The Committee welcomed the actions taken by Portugal in 1984 to reduce the import surcharge and simplify import licensing procedures, in line with its previous recommendations.

61. The Committee noted with satisfaction the plan of the Portuguese authorities to replace the present 60 per cent import surcharge by a value-added tax system to be introduced by mid-1985. In welcoming Portugal's intention to abolish the 10 per cent import surcharge and to eliminate quantitative restrictions on most products by 1 January 1986, coincident with Portugal's accession to the European Communities, the Committee looked forward to these ends being achieved consistently with the expected improvement in Portugal's balance-of-payments situation.

BOP/R/152 (8 October 1985)

62. The Committee took note with satisfaction of the favourable development of Portugal's external balance in 1984 and the outlook for 1985 resulting in particular from the programme of economic stabilization undertaken by the authorities, strong external demand and good production performance in agriculture in 1984. It was recognized that the two latter elements might not play such an important rôle in the future as in the past. The domestic costs of adjustment in terms of demand and employment were also recognized. In relation to price inflation, the situation was relatively satisfactory although some progress remained to be made. The Committee also took note of the generally beneficial effects on Portugal's external financial situation expected to result from Portugal's entry to the European Communities.

63. The Committee welcomed the substantial liberalization and simplification which had taken place in the measures maintained by Portugal for balance-of-payments purposes, as well as the announcement by Portugal that no such measures would be maintained for balance-of-Payments purposes after 31 December 1985. The Committee noted that other restrictions expected to remain in force after that date were those now maintained under the terms of Portugal's Protocol of Accession to the General Agreement. In the light of these considerations, the Committee looked forward to the disinvocation of the balance-of-payments provisions of the General Agreement by Portugal.

SOUTH AFRICABOP/R/92 (3 November 1976)

64. The Committee examined the temporary Import Deposit Scheme introduced by South Africa on 2 August 1976. The Committee reiterated its view that adjustment of balance-of-payments disequilibria through trade measures should be avoided, especially in times when there was danger of chain reactions.

65. The Committee noted that the deposit scheme was non-discriminatory and had been introduced as a short-term measure for balance-of-payments reasons, mainly to further reduce domestic liquidity and to contain the increase in speculative imports. It further noted that the South African Government had also taken domestic fiscal and monetary measures to restore equilibrium. The import deposit was in addition to the system of quantitative restrictions maintained by South Africa.

66. The Committee welcomed the statement by the representative of South Africa that it was his authorities' intention to terminate the Import Deposit Scheme after six months' operation namely, on 2 February 1977 and that no further trade restrictive measures were contemplated at the present time. The Committee noting that the deposit scheme had no termination date expressed the hope that the South African authorities would terminate the deposit in the very near future.



67. The Committee agreed that South Africa's import deposit scheme, applied on a temporary basis, was not more restrictive than an application of the provisions of Article XII of the General Agreement. Noting that South Africa was not invoking the provisions of Article XII, the Committee agreed that this conclusion was without prejudice to the rights and obligations of contracting parties under the General Agreement.

CONSULTATIONS UNDER ARTICLE XVIII:B

ARGENTINA

BOP/R/159 (22 April 1986)

68. The Committee recognized that Argentina had faced serious economic disequilibria in the period since 1980. These concerned questions of fiscal balance, wage and price inflation and balance-of-payments. Serious outflows of capital had occurred. At the same time, world market prices and access conditions for Argentina's major exports in certain markets had markedly deteriorated. Despite efforts of the Argentina authorities in that period to reverse the situation, there had been no durable improvement in either internal or external imbalances. The Committee noted that import restrictions had markedly increased and that the import system had become considerably more complex and restrictive between 1982 and 1984, with certain discriminatory elements.

69. The Committee welcomed the adjustment measures taken by Argentina under the Plan Austral. These included the strengthening of fiscal and monetary policy, the freezing and subsequent de-indexation of prices and wages, exchange rate adjustments and measures to liberalize trade policy. The Committee expressed its understanding for the situation confronting Argentina and its support for these policies. It noted that significant positive results had already been achieved in the fields of the budgetary deficit, the level of inflation, the growth of the money supply and the balance-of-payments. The Committee welcomed the moves made by Argentina from mid-1985 to liberalize its trade and payments systems, in particular the liberalization of import licensing, and the prospects of further liberalization, as well as reductions of export taxes and the planned elimination of the emergency increases in import duties during 1986. The Committee encouraged Argentina to continue and strengthen its adjustment and liberalization policies and look forward to further positive results being achieved.

BRAZIL

BOP/R/88 (4 May 1976)

70. The Committee welcomed the declared intention of the Brazilian authorities to return as soon as possible to a liberal trade policy. It noted that external and internal factors had brought about a rapid and

serious deterioration in Brazil's balance-of-payments, in particular on current account, and recognized that corrective measures were called for. However, the Committee expressed concern at the severity and multiplicity of the measures adopted - import deposits, surcharges, suspension of issuance of import licences and related measures - which bore excessively on the trade sector. The Committee noted that it was the Brazilian authorities' intention to apply the measures temporarily, but in the absence of established termination dates, in particular with respect to the import deposit scheme, it expressed deep concern as to the trade disruptive effect of the restrictions, should they be enforced for a lengthy period of time. The Committee therefore urged the Brazilian authorities to terminate as soon as possible the import prohibitions and to remove gradually the other trade restrictions.

71. The Committee noted and agreed with the view of the International Monetary Fund that the recent intensification of cost and quantitative restrictions on imports should be considered as short-run measures until more fundamental measures take full effect. It did not oppose the temporary applications of moderate import restriction, it drew the Brazilian authorities' attention to the provisions of Article XVIII:10. Noting that Brazil was relying mainly on domestic monetary measures and on trade restrictions, the Committee invited Brazil to give careful consideration to the IMF's view that "an appropriate programme encompassing monetary, fiscal, income and external measures should permit the realization of Brazil's economic objectives and an early reduction and subsequent elimination of the import deposit requirement and other restrictions on imports recently imposed."

BOP/R/103 (14-15 November 1978)

72. The Committee commended the Brazilian authorities on the performance of the Brazilian economy over the past years, in particular on the impressive growth of manufactured exports. The Committee noted the information presented by the Brazilian delegation to the effect that in 1978 Brazil's trade balance is expected to suffer a sharp deterioration and show a deficit of up to US\$800 million. The Committee also noted in this connection the projection made by the IMF that the deficit on current account of the balance-of-payments has been narrowed significantly in recent years and the present prospects are that it may decline by US\$1.5 billion in 1979. The Committee noted that it was the Brazilian authorities' objective in the short- and medium-terms to achieve and maintain a surplus on the trade account in order to accommodate deficits on the services account, in particular payments related to the servicing of Brazil's growing external debt. While the Committee appreciated that servicing of the existing foreign debt would continue to place a considerable burden on the balance-of-payments in the years to come, it noted that the increased reliance on foreign borrowing was only in part tied to the financing of current account deficit, and that it also reflected responses to exchange rate, monetary and interest rate policies. In view of the substantial improvement in Brazil's balance-of-payments

since the last consultation, of the very high level of Brazil's foreign exchange reserves and taking into account the findings of the IMF, the Committee concluded that extensive import restrictions, other than on a very temporary basis were not the appropriate means of restoring equilibrium on the current account, and in the absence of fixed dates for their liberalization, expressed doubts whether they could be fully justified under Article XVIII:B.

73. The Committee therefore urged the Brazilian authorities to adopt alternative and more fundamental policies as indicated in the conclusions of the 1976 consultation: i.e. "an appropriate programme encompassing monetary, fiscal, income and external measures". Such policies should permit the realization of Brazil's economic objectives and an early reduction and the progressive elimination of the import restrictions that affected trading partners' interests.

74. The Committee noted the Brazilian authorities' assurances that the import restrictions in question were temporary measures. However, the Committee expressed concern at the severity and multiplicity of the import restrictions and urged the Brazilian authorities to undertake expeditiously a simplification of the import system with a view to reducing and eliminating the severity, multiplicity and complexity of the restrictions in force.

BOP/R/124 (1 December 1981)

75. The Committee noted that, according to the IMF, the recent pursuit of restrictive financial policies had helped the Brazilian authorities reverse the deterioration in Brazil's balance-of-payments, that the overall balance was now expected to be in approximate equilibrium in 1981, and that the adoption of a more realistic exchange-rate policy would result in a real depreciation of the cruzeiro. The Committee shared the hopes of the Fund that a further strengthening of Brazil's external position would enable the Brazilian authorities to reduce substantially their reliance on restrictive practices.

76. The Committee noted that Brazil maintained three restrictive measures for balance-of-payments purposes, namely surcharges of 30 or 100 per cent on a total of 4,108 items (affecting 8.5 per cent of total imports in 1980), a suspension of the issuance of import licenses for 372 items considered non-essential (affecting in terms of 1975 trade figures 2.6 per cent of imports in 1981), and a financial transaction tax of 25 per cent (affecting about one-third of all imports). While noting that serious difficulties persisted in Brazil's current account, the Committee regretted that the maintenance of multiple, and in some cases severe, impediments to imports was considered necessary by the Brazilian authorities despite the present relatively favourable overall balance-of-payments situation, including the recent appearance of a surplus on the trade account.

77. The Committee noted the simultaneous application by Brazil of restrictive measures for balance-of-payments purposes and recalled in this regard paragraph 1(b) of the Declaration on Trade Measures Taken for Balance-of-Payments Purposes. It noted that Brazil had not announced a time-table for the phasing-out of the application of the financial transaction tax to imports and it requested Brazil to do so in the light of paragraph 1(c) of this Declaration. The Committee further requested Brazil to relax its import licensing suspension scheme taking into account Article XVIII:10 of the General Agreement and to reduce the surcharges imposed for balance-of-payments purposes.

78. The Committee noted that Brazil had not included in its Basic Document for the consultation the expected detailed description of the restrictive import measures. The Committee therefore asked Brazil to provide, for circulation by the secretariat, additional information in order to cover fully the points listed in Annex II of the consultation procedures (BISD/18S/53) and the points included in the Brazilian presentation. The Committee requested the secretariat to complete, in collaboration with the Brazilian authorities, its Background Paper (BOP/W/56) in the light of the additional information.

BOP/R/135 (6-7 December 1983)

79. The Committee noted that Brazil's balance-of-payments and reserves situation had deteriorated sharply since the last consultation, due to a number of factors. These included the impact of the world economic recession on external demand, difficulties of external financing and debt servicing, and problems of budgetary adjustment, amongst others, in the Brazilian economy. In addition, Brazil's export efforts were hampered by protectionist pressures abroad.

80. While recognizing the seriousness of Brazil's balance-of-payments problems and the need to maintain import restrictions in the current situation, the Committee noted that the Brazilian import system remained complex and lacking in transparency. The Committee welcomed the statement by Brazil that a number of the measures included in its imports system were currently under review with a view to their modification, simplification or phasing out, as the case might be. The Committee expressed the hope that, in this review process, views expressed in the Committee relating to the multiplicity and complexity of Brazil's measures and the desirability of establishing a time frame for the liberalization of such measures would be taken into account, in accordance with the provisions of Paragraph 1 of the 1979 Declaration.

81. The Committee, noting the statements by Brazil on the extent to which import measures adopted by its trading partners impinged upon its balance of payments, recognized the importance of giving particular attention to the possibilities for alleviating and correcting balance-of-payments problems through measures that contracting parties might take to facilitate an expansion of the export earnings of consulting contracting parties.

Accordingly, the Committee agreed that members should jointly consider this issue in the broader GATT context, in the light of further consultations. The Committee noted the specific proposals made by the Brazilian delegation concerning ways to improve Brazil's export prospects. It was agreed that members would reflect further on these proposals.

BOP/R/172 (25 November 1987)

82. The Committee recognized that Brazil had continued to experience balance-of-payments difficulties and associated debt servicing problems since the last consultation, and that the level of foreign exchange reserves had fallen sharply in 1986 and was projected to remain broadly unchanged at the end of 1987. It welcomed the recent improvement in Brazil's current account position, and in particular the improvement in export performance in 1987 which it viewed as largely a consequence of the adoption of a more appropriate exchange rate policy. It also welcomed the introduction of measures in August 1987 to contain public sector expenditure and reduce the growth of monetary aggregates. The Committee viewed the introduction and maintenance of comprehensive demand management policies to restore internal balance and reduce inflation, as well as to increase investors' confidence in the prospects for the Brazilian economy, as being necessary to bring about an improvement in Brazil's balance-of-payments situation. Views were expressed that an improvement in the external trading environment would be beneficial for export growth, and particularly welcome in the light of Brazil's balance-of-payments situation. However, views were also expressed that this should only be seen as one element in the overall evolution of exports and that more basic elements of a domestic character would play a more fundamental rôle in the balance-of-payments adjustment process.

83. The Committee doubted that trade restrictions could make more than a temporary and limited contribution to resolving Brazil's balance-of-payments situation. In this regard, the long-standing nature of many of the restrictions in place was viewed with concern. These, it believed, could hamper Brazil's attempts to restore internal and external balance through macro-economic policies by leading to an increasing misallocation of resources in the economy.

84. Some members considered that Brazil's trade restrictions which were maintained for balance-of-payments purposes were fully justified under Article XVIII:B. Some other members of the Committee questioned whether some of the restrictions maintained for balance-of-payments purposes should not more appropriately be justified under other GATT provisions.

85. The Committee welcomed the reduction in the import licence suspensions that had been made in September 1987, but noted that the suspensions remaining in force since their intensification in January 1987 affected double the value of imports (measured in terms of 1985 imports) that had been affected by suspensions in force at the time of the last consultation in 1985. The annual import budgeting procedures operated by CACEX had the

effect of subjecting all imports to licensing and, therefore, to discretionary restriction. It noted that Brazil's import licensing procedures were still complex and still lacked transparency, and that import restrictions seemed frequently to be duplicated and that their restrictive effect was compounded by exchange restrictions. It noted, in this regard, that the IMF had not approved Brazil's exchange restrictions in the context of Brazil's 1987 Article IV consultation.

86. The Committee took note of the statement by the Brazilian representative that the government of Brazil was in the process of considering a major trade policy reform. It welcomed such an initiative, and encouraged the Brazilian authorities in this respect. It expressed the expectation that such a reform would need to give due attention to the need to substantially liberalize and rationalize Brazil's import licensing régime, making it less complex, more transparent, and to avoid the protection of specific industries through measures maintained for balance-of-payments reasons. It expressed the view that an indication of a timetable for liberalization at the earliest opportunity would be welcome in view of the various concerns that had been expressed in the Committee.

#### COLOMBIA

BOP/R/156 (20 December 1985)

87. The Committee noted that Colombia's domestic economic situation, as well as its trade and current account balances, had deteriorated sharply in the period 1981-83. This deterioration was due to a number of internal and external factors, including, as regards the former, the budgetary deficit and the level of exchange rate, and as regards the latter, unfavourable world markets for Colombia's principal exports, stagnation of import demand in its regional trading partners and restrictive import measures affecting products of export interest to Colombia in a number of markets.

88. The Committee, while noting the concurrent application of a number of import restrictions, which might be a source of uncertainty for traders, welcomed the clarifications given by Colombia in this regard, which alleviated some of its concerns regarding the complexity of the system.

89. The Committee appreciated the efforts being made by Colombia to restore internal and external equilibrium through fiscal, monetary and exchange rate policies as well as its efforts to stimulate the growth and diversification of exports. It recognized that the success of these policies would depend partly on the evolution of world commodity markets and of the economic and commercial situation in Colombia's trading partners. The Committee welcomed the announcement by Colombia that the process of import liberalization initiated in 1985 would be continued and strengthened.

EGYPTBOP/R/176 (7 June 1988)

90. The Committee recognised that Egypt faced a serious balance-of-payments situation. It commended Egypt for the liberalisation efforts undertaken to date, particularly the abolition of import licensing, tariff reform, and movement towards unification of exchange rates. The Committee encouraged the Egyptian authorities to continue this process. In this connection, it noted the problems faced by Egypt in maintaining its adjustment programme and encouraged the authorities to consider macro-economic measures which could assist further in pursuing it. The Committee noted that the medium-term outlook for Egypt's balance of payments would also depend on the availability of external financing on concessional terms and the expansion of non-oil exports.

91. The Committee noted that the operation of the exchange control system had had considerable effects on trade and urged Egypt to continue the streamlining of this system. In relation to the "negative list" of items subject to conditional prohibitions, which covered a substantial proportion of tariff lines, the Committee, while taking note of the difficulties expressed by the Egyptian delegation, encouraged Egypt to give consideration to formulating a time schedule for the phasing out of these restrictions, or their replacement by tariff-based measures, in parallel with other adjustment measures. The Committee noted that Egypt would seek credit in the Uruguay Round for its import liberalisation.

92. The Committee sought further detailed information on imports under the "conditional prohibition" system and requested Egypt to provide such information at a tariff line level.

GHANABOP/R/136 (6 December 1983)

93. The Committee recognized the difficulties facing the Ghanaian economy and welcomed the efforts made by Ghana to overcome them with the assistance of multilateral financial institutions. It noted that Ghana's import régime had been simplified and that it operated without discrimination regarding sources of supply outside of bilateral clearing systems maintained with a few countries.

94. The Committee encouraged Ghana to pursue its efforts to adjust to the current difficulties, and expressed the hope that it would soon be in a position to fulfil its intention to relax trade restrictive measures as soon as its balance-of-payments situation improved.

GREECEBOP/R/114 (7 May 1980)

95. The Committee noted with satisfaction that the 25 per cent surcharge and the 75 per cent additional import deposit scheme introduced on 30 November 1979 had been removed on 25 April 1980. It also noted that these measures had been partly replaced by a system of voluntary self-restraint of importers to be applied until the end of 1980 and it asked the Greek authorities to bring more transparency to the system by communicating further details to the GATT, in particular the list of products covered, and to notify the termination of the system as of the end of the year.

96. The Committee concluded that the seriousness of Greece's balance-of-payments situation justified the temporary maintenance of the remaining restrictive import measures. It noted with satisfaction that a fixed time-table had been set up for the progressive removal of the remaining pre-import deposits by the end of 1983 vis-à-vis all contracting parties.

97. The Committee expressed concern about the complexity of the Greek import régime, in particular about the cumulative application of different restrictive import measures to certain product categories. The Committee welcomed the efforts towards simplification that Greece had so far undertaken and was about to undertake in connection with its accession to the EEC and it noted that these were in conformity with paragraph 1(b) of the Declaration on Trade Measures Taken for Balance-of-Payments Purposes according to which the simultaneous application of more than one type of trade measure for balance-of-payments purposes should be avoided.

BOP/R/123 (17 November 1981)

98. The Committee welcomed the elimination of the temporary measures introduced for balance-of-payments purposes in November 1979. The Committee also welcomed that Greece had abolished several measures taken for balance-of-payments purposes since the last full consultation, in connection with its accession to the EEC. It noted that Greece now maintained only one restrictive import measure for balance-of-payments purposes, namely a system of advance import deposits, and that a fixed time schedule had been set up for the progressive removal of this system and for its abolition on 1 January 1984. It noted that the simplification of the import régime and the phased abolition of the import deposit scheme in accordance with a publicly announced time schedule were in conformity with the Committee's conclusions at the last consultation and with paragraphs 1(b) and (c) of the Declaration on Trade Measures Taken for Balance-of-Payments Purposes.

99. The Committee noted that the list of products subject to the deposit requirement before Greece's accession to the EEC had been notified to the Working Party on Accession of Greece to the European Communities. The



Committee, stressing the general need for transparency in import régimes, requested Greece to notify to GATT in addition the list of products presently subject to the deposit requirement as well as the deposit rates and retention periods presently applied to each product category.

100. The Committee decided to keep the gradual abolition of the import deposit scheme under review. The Committee accordingly requested the Greek Government to provide relevant information annually. The Committee agreed to hold further meetings on the deposit scheme only if the Chairman, in consultation with interested Committee members, determined that this was desirable. This would for instance be the case if the deposit rates were not reduced as schedules or if the scheme was administered more restrictively than at present, be it through increases in the deposit rates, extensions of the retention periods, or a widening of the product coverage.

#### INDIA

BOP/R/104 (21 November 1978)

101. The Committee commended the Indian authorities for the performance of the Indian economy, the significant improvement in the balance-of-payments situation, the comfortable foreign exchange reserve position and, in particular, for the liberalization and simplification of its import régime.

102. In agreement with the International Monetary Fund, the Committee concluded that the overall balance-of-payments situation provided scope for continued liberalization which, together with policies to increase investment, should promote the economic development of India and the interests of its trading partners. However, the Committee was aware that certain restrictive policies in other countries posed problems to the expansion of India's exports. The Committee recommended that India pursue its policy of liberalization and simplification of import restrictions.

BOP/R/168 (21 October 1987)

103. The Committee noted with appreciation that since the last full consultation, and particularly in the last few years, the direction of India's domestic and external policies had been towards greater liberalization of the economy. The introduction of a three-year framework for trade policies had brought about greater predictability and stability for economic operators. Both imports and exports had increased in dollar terms as a result of these policies. The Committee looked forward to the expected announcement of a new multi-year import and export policy in April 1988.

104. A number of Committee members expressed the view that the reserve position in relation to imports was relatively comfortable. Prospects for the evolution of the current account balance, taking into account such factors as the potential contribution of exports and of other elements such

as remittances and tourism, were less clear, particularly in the light of the effects on the current account of the present drought and floods. The partial removal of policy-related disincentives to exports, as well as the exchange rate policies followed by India in recent years, had contributed to the growth of exports. Some members also stressed the need for continuing liberalization and removal of remaining disincentives to trade. India noted that reserves had declined over the last two and a half years, both in terms of SDR's and months of import cover. Further it noted that the rise in international oil prices, the continued decline in net invisible earnings, the progressive hardening in the terms of its external financing, the cumulation of debt service on past obligations and the substantial adverse consequences of the recent unprecedented drought and floods would continue to exert severe pressure on the balance-of-payments situation.

105. In view of the documentation placed before the Committee and the discussion which had taken place, some members did not accept the justification of India's trade restrictions on balance-of-payments grounds. Some members also suggested that Article XVIII:C might provide a more appropriate justification for the measures. Other members did not question the balance-of-payments justification for trade restrictions in present circumstances. One view expressed in this context was that the restrictions applied were greater than those necessary to restore the situation. India, recalling the reasons why its balance-of-payments position continued to be under severe strain, maintained that import restrictions were fully justified under Article XVIII, section B.

106. The Committee welcomed the reaffirmation by the representatives of India of their authorities' commitment towards internal and external liberalization. While stressing the need to monitor internal and external balances carefully, the Committee took note of India's assessment that fiscal and other domestic policies would maintain control of the internal balance. They drew attention to the combined effects of the existing adjustment policies and changes in exchange rates on India's export performance.

107. In discussion of the import measures applied by India, it was felt that there was a need for fuller and more up-to-date information, and some members requested India to notify complete lists of restrictions and quantification of the measures. Concerns were expressed regarding the complexity of administration of the Indian import system, simultaneous application of different measures, and a lack of proportion between the measures applied and India's balance-of-payments requirements. Members welcomed the market-opening measures already taken by India. There was also a general feeling that there was scope for further opening and greater transparency of India's import system. Further liberalization, as well as the maintenance of an appropriate exchange rate and balanced macroeconomic policies, would contribute to the continuing competitiveness of India's trade. A further phased liberalization of imports thus appeared to some members both desirable and feasible.

108. It was noted that improvements in terms of access for Indian exports to world markets would also make an important contribution to improving the situation. Four sets of restrictions were cited by India as particular obstacles to export growth: bilateral agreements under the Multi-fibre Arrangement, anti-dumping and countervailing proceedings, taxes on coffee and tea, and competitive subsidization of foodgrain exports. The Committee noted that the CONTRACTING PARTIES had committed themselves to progress in these as well as other areas in the framework of the Uruguay Round and that negotiations to these ends offered the most promising means of facilitating the expansion of India's export earnings.

109. The Committee noted that a new import-export policy would be announced by India in April 1988, which it expected would be consistent with India's past efforts towards import liberalization and the progressive removal of restrictive measures. India was requested, in announcing the policy, to take full account of the provisions of paragraph 1 of the 1979 Declaration on Trade Measures Taken for Balance-of-Payments Purposes, in particular sub-paragraph (c).

110. In the light of the in-depth discussions which had taken place and in view of the expected announcement regarding India's import-export policy, it was felt that the next consultation with India should be a full consultation. India took note of this feeling.

#### KOREA

BOP/R/86 (3 May 1976)

111. The Committee agreed with the International Monetary Fund that Korea's present balance-of-payments position justified import restrictions under Article XVIII: Section B of the General Agreement. It noted that Korea's balance-of-payments prospects were favourable and welcomed the intention of the Korean Government to reduce the level of restrictions as the payments position improves. The Committee commended Korea on the elimination of all discriminatory restrictions.

112. The Committee expressed its concern over the undue complexity, the lack of transparency and the instability of Korea's system of trade controls. The Committee noted that the insecurity to which the system gave rise made it difficult for foreign suppliers, in particular those in distant countries, to plan investments and shipments. This acted as a barrier to imports and created costs that would in the end have to be borne by the Korean economy. For these reasons, the Committee urged the Korean authorities to continue their current efforts to simplify and streamline the trade control system.

BOP/R/109 (31 October 1979)

113. The Committee agreed with the International Monetary Fund that the overall level of the remaining import restrictions maintained by Korea did not go beyond that necessary to prevent a decline in Korea's monetary

reserves but that the current level of these reserves did not constitute a constraint on the continuation of further import liberalization.

114. The Committee welcomed the substantial import liberalization measures undertaken since the last full consultation and noted with satisfaction Korea's intention to continue on the path of planned import liberalization.

115. The Committee recognized that efforts had been made since the last full consultation towards a simplification of the trade control system; it noted however that many problems remained and further efforts were necessary if Korea were to fully benefit from its own trade liberalization. The Committee reaffirmed its view expressed at the last consultation that complexity, lack of transparency and instability in a trade régime acted as a general import barrier with particularly high costs to the economy. The Committee urged the Korean authorities to give high priority to removal of this trade barrier when implementing their plan to further liberalize trade and to gradually relax government controls in the economic sphere.

BOP/R/146 (31 October 1984)

116. The Committee welcomed the recovery in the Korean economy which had taken place in the last few years as a result of the application of sound domestic policies, in particular the marked reduction of inflation, the relatively high rate of growth and a substantial reduction in the balance-of-payments deficit. The Committee appreciated Korea's efforts, as part of its overall economic policy, to introduce a progressive liberalization of import licensing, a reform of the tariff structure, a reduction of other non-tariff restrictions and a revision of import procedures. The Committee urged Korea to pursue its liberalization programme as vigorously and speedily as possible and expressed the hope that the rapid improvement in the balance-of-payments would soon obviate the need for trade-restrictive measures.

117. At the same time, the Committee expected that Korea would continue the further simplification of import procedures as well as the reduction in the number of different measures applying simultaneously, thus bringing greater certainty and predictability in Korea's import régime and permitting trade liberalization to have its full effect. It expressed the hope that in the process of trade liberalization the introduction of restrictions which would counteract such liberalization could be avoided.

118. The Committee noted the concerns expressed by Korea regarding protectionism, and welcomed the special study on the effects of protectionism presented by Korea as a useful contribution to the discussion of external factors affecting a consulting country's trade. Although there had not been sufficient time for a full analysis of the study and several members had expressed reservations on some aspects of it, a number of the points contained in the study deserved careful consideration.

BOP/R/171 (24 November 1987)

119. The Committee took note with great satisfaction of the improvement in the Korean trade and payments situation since the last full consultation, which had been fully reflected in the documentation presented to the meeting.

120. It commended the Korean authorities for the policies of internal adjustment and external liberalization which had been pursued consistently in the past few years, including phasing out of import restrictions, a programme of tariff reductions and a reduction in the number of goods subject to import surveillance. The Committee took note of Korea's commitment to maintaining the pace of the adjustment and liberalization process.

121. In assessing Korea's current economic situation, the Committee noted that the principal economic variables such as GDP growth, investment, savings, and the trade and payments accounts were very favourable. It also noted that, although the foreign debt was still substantial, the positive evolution of the external accounts had permitted considerable advance repayment of debt and that reserves had improved despite the outflows that this had implied. While noting the uncertainties persisting with respect to developments in the fields of wage costs, interest rates, oil prices and the possible effects of these on Korea, the Committee was nevertheless of the view that the present basically favourable situation of the Korean economy was likely to continue.

122. The prevailing view expressed in the Committee was that the current situation and outlook for the balance-of-payments was such that import restrictions could no longer be justified under Article XVIII:B. The conditions laid down in paragraph 9 of Article XVIII for the imposition of trade restrictions for balance-of-payments purposes and the statement contained in the 1979 Declaration on Trade Measures Taken for Balance-of-Payments Purposes that "restrictive trade measures are in general an inefficient means to maintain or restore balance-of-payments equilibrium" were also recalled. It also noted that many of the remaining measures were related to imports of agricultural products or to particular industrial sectors, and recalled the provision of the 1979 Declaration that "restrictive import measures taken for balance-of-payments purposes should not be taken for the purpose of protecting a particular industry or sector".

123. The Committee therefore stressed the need to establish a clear timetable for the early, progressive removal of Korea's restrictive trade measures maintained for balance-of-payments purposes. It welcomed Korea's willingness to undertake another full consultation with the Committee in the first part of 1989. However, the expectation was expressed that Korea would be able in the meantime to establish a timetable for the phasing out of balance-of-payments restrictions, and that Korea would consider alternative GATT justifications for any remaining measures, thus obviating the need for such consultations. The representative of Korea stated that he could not prejudge the policy of the next Government in this regard.

NIGERIABOP/R/139 (27 and 29 March 1984)

124. The Committee recognized that Nigeria faced a serious balance-of-payments problem and that the measures taken during the period 1982-84 had been introduced in view of the extreme urgency of the situation. In noting the simplicity of measures introduced by Nigeria, reference was made to paragraph 1(b) of the 1979 Declaration. It was observed that efforts had been made to make the existing system more efficient. However, there was still considerable scope for further simplification of the measures and greater transparency in the implementation of the system. The Committee, bearing in mind the provisions of paragraph 1(c) of the 1979 Declaration, welcomed the statement by Nigeria that the measures were temporary in nature, and encouraged the Nigerian authorities to pursue policies of economic stabilization and diversification of production and exports which would lead to a sounder external position and permit the progressive elimination of these measures.

PAKISTANBOP/R/98 (19 January 1978)

125. The Committee expressed understanding for the continuous balance-of-payments difficulties experienced by Pakistan and recognized that there was need for trade measures as provided under Article XVIII:9 to 12.

126. The Committee acknowledge that some of the elements affecting Pakistan's balance-of-payments - the large need for development finance, the level of monetary expansion, the rate of inflation, the budgetary deficit, the size and servicing of the foreign debt - posed difficult and often conflicting choices of policy. The Committee noted that the rate of inflation was relatively low despite excessive monetary expansion.

127. The Committee recognized that a number of external factors, beyond the control of the Pakistan authorities, inter alia: international economic recession, difficult access to markets and import restraints faced by some exports of Pakistan in some of its important traditional markets, affected Pakistan's export performance and therefore its balance-of-payments. The Committee observed that a relaxation of these restraints would have a favourable effect on Pakistan's export possibilities and thus on its ability to reduce its balance-of-payments trade restrictions.

128. The Committee noted that despite difficulties Pakistan had pursued its efforts towards trade liberalization started in 1972. The Committee welcomed the intention of the Pakistan authorities to pursue simplification and rationalization of its trade régime with a view to achieving in the long-run fully liberalized trade. In this context the Committee expressed



the hope that the adoption of the fundamental external and domestic measures referred to by the International Monetary Fund would enable Pakistan to further reduce its reliance on trade restrictions.

PERU

BOP/R/84 (17 November 1975)

129. The Committee noted with sympathy and understanding the balance-of-payments and development problems facing Peru. They also noted that the level of import restrictions, especially non-tariff restrictions, was high. The Committee took into account the International Monetary Fund's finding to the effect that the restrictions did not for the time being exceed those necessary to prevent a further decline in Peru's monetary reserves. It also noted that development programmes, particularly in the petroleum, phosphates and copper industries, could be expected to contribute in the near future to improving the balance-of-payments position. The Committee expressed the confident hope that these new factors would soon place Peru in a position to start relaxing progressively its restrictions. It also hoped that these factors would allow Peru to move away from reliance on non-tariff measures towards control of imports through tariffs only. In the meantime, the Committee recalled the provisions of Article XVIII:B, paragraph 10.

BOP/R/173 (15 December 1987)

130. The Committee recognized the critical economic situation faced by Peru and the serious character of its balance-of-payments problems. It underlined the importance of both external factors and domestic economic policies in the evolution of the balance-of-payments situation and emphasized the need to give appropriate weight to all relevant factors. It recognized that Peru was particularly vulnerable to external developments because of its export structure.

131. While recognizing that the situation would remain difficult in the short term, and expressing understanding of the economic and social problems faced by the Peruvian authorities, the Committee expressed its preoccupations concerning the balance between the use of import restrictions by Peru and the development of appropriate financial, budgetary, monetary and exchange rate policies. It was noted that trade restrictions, while they might be justified under the present circumstances, were an inefficient means of restoring balance-of-payments equilibrium and should be temporary. The Committee also noted the concerns expressed by some members on the lack of transparency, predictability and stability in Peru's import régime and the multiplicity of restrictions applied to similar products and drew attention to the relevant provisions of the 1979 Declaration. It recalled that import restrictions taken for balance-of-payments purposes should not be used to protect particular industries or sectors.



132. The importance of restoring conditions for healthy capital inflows and the development of investment in Peru was emphasized. In this context, the Committee expressed its satisfaction at the statement by the Peruvian representative concerning the renewal of contacts with foreign creditors and international financial organizations, and took note of Peru's declarations concerning the repayment of its external debt. It also took note of the announcement made by Peru at the meeting concerning changes in the exchange rate régime and tax developments.

133. In relation to the requests made by Peru under paragraph 12 of the 1979 Declaration, the Committee took note of all the points made.

#### PHILIPPINES

BOP/R/115 (15 October 1980)

134. The Committee welcomed the recent steps the Philippine authorities had taken to reduce import barriers and the decision of the Philippine Government to achieve a more rational allocation of scarce resources and a greater efficiency of domestic industries through the adoption of a programme for the phased reform of the tariff structure and the import procedures.

135. The Committee concluded that the remaining restrictive import measures were justified as a temporary means to safeguard the balance-of-payments until more fundamental policies became effective. The Committee encouraged the Philippine authorities to further pursue policies that would lead over the medium-term to the desired external adjustment and to the gradual removal of the restrictive import measures maintained for balance-of-payments purposes. In this connection the Committee welcomed the intention of the Philippine authorities to continue pursuing flexible interest rate and foreign exchange policies which, in combination with other domestic policies aimed at achieving the desired external adjustment over the medium term, would help reduce dependence on foreign borrowing and avoid a reduction in the competitiveness of the Philippines' exports.

BOP/R/164 (10 December 1986)

136. The Committee noted that since the last consultation, the Philippines had pursued a balanced package of domestic and external adjustment policies, including fiscal and monetary measures, trade and exchange control liberalization and flexible exchange rate policies, which had led to a considerable improvement in the balance-of-payments situation. It noted that restructuring of the external debt had also made a major contribution to this evolution. The Committee observed that remaining import restrictions covered by the present programme were limited in scope and welcomed the Philippines' undertaking to notify all such remaining measures in detail to GATT.

137. The Committee encouraged the Philippine authorities to maintain their adjustment, liberalization and flexible exchange rate policies. It expressed its hope that these policies would bring about a sustainable improvement in the balance-of-payments situation of the Philippines. The Committee recognized the importance to the Philippines of continuing external financial support. The Committee looked forward to the phasing out of remaining restrictions according to the time-table set out by the Philippine authorities and mentioned in paragraph 21.

#### TUNISIA

BOP/R/110 (5 November 1979)

138. The Committee welcomed the trend toward a progressive relaxation in the application of Tunisia's import restrictions. It noted the view of the International Monetary Fund that the overall restrictiveness of the import régime did not go beyond what was necessary to prevent a decline in Tunisia's international reserves. It also noted the relatively favourable prospects for Tunisia's balance-of-payments. The Committee noted with satisfaction the Tunisian authorities' determination to continue relaxing remaining restrictions, and hoped that positive developments in Tunisia's balance-of-payments and international reserves would enable the authorities to accelerate this process.

#### TURKEY

BOP/R/81 (24 April 1975)

139. The Committee welcomed the liberalization of the Turkish trade régime which had taken place since the previous consultation in 1973. While noting the statement that it was the Turkish Government's objective to achieve gradually complete trade liberalization, the Committee emphasized that import restrictions authorized under the balance-of-payments provisions of GATT were to be temporary, and applied only for the time needed for fundamental measures to be taken to restore equilibrium. Taking into account the view of the IMF that the level of reserves was comfortable at the end of 1974, but noting that a further decline of reserves had taken place in the first quarter of 1975, the Committee urged the Turkish Government to pursue its efforts to achieve this liberalization as soon as possible.

140. Stamp Duty. The Committee noted and fully agreed with the view of the IMF, based on balance-of-payments projections made by the Turkish Authorities in early 1975, there appeared to be no clear balance-of-payments grounds for maintenance of the Stamp Duty, and concluded that the Stamp Duty was applied principally for revenue purposes. Noting the statement by the Fund that the measure should be replaced by other fiscal measures at an early date, and taking into account the assurances given by the Turkish Authorities that internal procedures were under way to apply a new fiscal system which would eliminate the need for

the Stamp Duty, the Committee agreed to recommend to the CONTRACTING PARTIES to grant an extension of the waiver for the application of the Stamp Duty, according to terms contained in the draft decision attached in Annex II.

BOP/R/99 (25 January 1978)

141. Stamp Duty. Members of the Committee noted that the Turkish authorities were requesting an extension and modification of the stamp duty waiver to cover the five-year period of the development plan, at a new rate of 25 per cent. The Committee further noted the statement by the International Monetary Fund that the stamp duty was an important source of tax revenue but that the Fund believed this measure should be replaced by alternative fiscal measures in the context of a programme to restore external balance and internal stability. Hence the increase in the stamp duty from 10 per cent to 25 per cent was a measure which in the opinion of the Fund was justified on a very temporary basis at this time, but needed to be replaced by more appropriate measures at an early date. The Committee also noted that Turkish authorities continued to aim at the replacement of the stamp duty as a fiscal measure by a system of value added taxation. The Committee was told that the legislation for the VAT was ready and that it was likely to be submitted to Parliament for discussion in 1978. However, in view of the difficulties which were well known of changing to a value added tax system it could not be expected that Turkey would adopt the VAT in the near future. The representative of Turkey added that until such time the Turkish authorities would need the revenue raised from the stamp duty. It was pointed out by members of the Committee that the use of a stamp duty to raise revenue resulted in the taxation of imports without a similar tax on domestic transactions. In reply to a question as to the factors that had accounted for the increased rate of the stamp duty, from 10 to 25 per cent, the representative of Turkey said that the present rate was based on the present rate of exchange. Finally, the Committee noted that there was a delicate question of timing needed for the new government to introduce a package of stabilisation measures which would enable it to reduce its reliance on the stamp duty as a source of revenue.

142. The Committee expressed sympathy for the multiplicity of problems facing the Turkish authorities. It recognized that further steps to liberalize the import régime could only be undertaken after the present imbalance had been reduced. The Committee drew attention to the importance for Turkey of adopting a programme to restore external balance and internal stability, as indicated by the Fund.

143. The Committee hoped that the view and concerns expressed during the consultation would, when relayed to the Turkish authorities, contribute to defining the new government's economic policy.

BOP/R/107 (30 October 1979)

144. The Committee expressed sympathy for the multiplicity of problems facing the Turkish authorities, in particular the worsening situation of oil import bills. The Committee noted the explanations given by the representative of Turkey concerning the difficulties encountered by some of their exports, due to restrictions applied by certain traditional trading partners. It noted with satisfaction the introduction of a stabilization programme and a new orientation in exchange rate, monetary and budgetary policy. Despite the extremely difficult balance-of-payments situation Turkey had not resorted to an intensification of import restrictions. Nevertheless, the Committee recommended that Turkey work toward a liberalization of the import régime. The adoption of a comprehensive programme to restore external and internal balance would bring about the conditions to permit liberalization.

145. Stamp Duty. The Committee noted that there was no change in the fiscal rôle of the Stamp Duty since the last consultation. It shared the view of the Fund that the Stamp Duty should be replaced by alternative measures. The Committee further noted that it was the intention of the Turkish authorities to introduce a fiscal reform which, once implemented would obviate the need for the Stamp Duty. The Committee recognized that in the present economic situation of Turkey the immediate removal of the Stamp Duty could not be given first priority. The Committee agreed to recommend to the CONTRACTING PARTIES to grant an extension of the waiver for the application of the Stamp Duty, according to terms contained in the Draft Decision attached in Annex 2.

YUGOSLAVIA

BOP/R/91 (16 November 1976)

146. The Committee welcomed that, starting in mid-1975, the Yugoslav balance-of-payments had improved markedly and reserves had increased significantly and it shared the belief of the International Monetary Fund that the programme of import liberalization, interrupted in mid-1974, should be resumed. In the light of these improvements, the Committee invited the Yugoslav authorities to consider at the earliest appropriate time the relaxation and eventual removal of the import surcharge.

147. The Committee expressed the hope that the Yugoslav authorities would adopt policies designed to avoid renewed balance-of-payments difficulties caused by domestic demand pressures.

148. The Committee urged Yugoslavia to consider a further simplification of its import control system.

BOP/R/122 (16 November 1981)

149. The Committee welcomed the abolition of the temporary surcharge on 7 June 1980 in connection with a devaluation of the Yugoslav currency on

6 June 1980. The Committee noted that Yugoslavia's import licensing system and import restrictions did not serve balance-of-payments purposes and that the only regulatory instrument for achieving balance-of-payments equilibrium was the allocation of foreign exchange through self-management agreements among members of republican and provincial Communities of Interest for Foreign Economic Relations. To obtain a clearer picture of this policy instrument, the Committee asked the secretariat to prepare, in collaboration with the Yugoslav authorities and in consultation with the International Monetary Fund, a factual addendum to the Secretariat background paper (BOP/W/57) describing the trade aspects of the Yugoslav exchange allocation system.

150. The Committee encouraged the Yugoslav Government to pursue stabilization and exchange rate policies that would gradually obviate the need for measures which restrict trade. The Committee recommended that the foreign exchange allocation system be simplified, rationalized and made more transparent, and that, to the extent possible, the rôle of the foreign exchange market be enhanced.

ANNEX II

MEMBERSHIP OF BALANCE-OF-PAYMENTS COMMITTEE 1975-1988

The membership of the Balance-of-Payments Committee in 1975 and its then terms of reference are set out below:

Australia	Finland	Japan
Brazil	Ghana	Sweden
Canada	Hungary	United States
European Communities and member States	India	Uruguay

Terms of reference:

To conduct the consultations under Article XII:4(b) and Article XVIII:12(b) as well as any such consultations as may be initiated under Article XII:4(a) or Article XVIII:12(a).

The Membership of the Committee in 1988 is as follows. The dates on which new members have joined the Committee are indicated.

Argentina (1985)	Finland	Norway (1987)
Australia	Ghana	Philippines (1981)
Brazil	Hungary	Romania (1981)
Canada	India	Sweden
Chile (1981)	Japan	United States
European Communities and member States	Korea (1988)	Yugoslavia (1988)
Egypt (1986)	Malaysia (1978)	Zaire (1979)
	Mexico (1986)	Zimbabwe (1987)

Uruguay relinquished membership of the Committee in 1979.

Terms of Reference:

The current terms of reference, reflecting the adoption of the 1979 Declaration on Trade Measures taken for Balance-of-Payments purposes, are the following:

To conduct the consultations under Article XII:4(b) and Article XVIII:12(b) as well as any such consultations as may be initiated under Article XII:4(a) or Article XVIII:12(a).

Pursuant to paragraph 4 of the DECLARATION ON TRADE MEASURES TAKEN FOR BALANCE-OF-PAYMENTS PURPOSES, adopted by the CONTRACTING PARTIES on 28 September 1979, "all restrictive import measures taken for balance-of-payments purposes shall be subject to consultation in the GATT Committee on Balance-of-Payments Restrictions".

"The Membership of the Committee is open to all contracting parties indicating their wish to serve on it. Efforts shall be made to ensure that the composition of the Committee reflects as far as possible the characteristics of the contracting parties in general in terms of their geographical location, external financial position and stage of development." (Paragraph 5 of 1979 Declaration, BISD 26S, p. 207)