GENERAL AGREEMENT ON TARIFFS AND TRADE
Fourth Session of the Contracting Parties

REPORT ON PROTECTIVE EFFECTS OF QUANTITATIVE IMPORT AND EXPORT RESTRICTIONS

One of the most important tasks undertaken during the current Fourth Session of the Contracting Parties has been the detailed examination of quantitative restrictions on imports and exports.

Many of these restrictions have been in effect for a number of years now, and are exerting a decisive influence on the pattern of international trade. Many of the systems of QR's on imports, which were originally imposed for balance of payments reasons - that is, to limit or even prohibit imports from hard currency countries - have developed into a form of protection for home industries. The need for export restrictions - originally designed to restrict the export of scarce domestic raw materials and commodities - has also begun to disappear, with increased world production.

A working party was therefore appointed "to explore the application of the provisions of the General Agreement to (a) quantitative import restrictions, and (b) quantitative export restrictions, which are being applied for protective, promotional or other commercial purposes; and to recommend action for the review provided for by Article XII: 4(b) and other action under the Agreement as may be appropriate."

The Working Party, under the chairmanship of Dr. Ronald Walker, Australia, made a detailed examination of the various types of export and import restrictions used by contracting parties, and the extent to which their use is covered by the provisions of the Agreement. It was recognised in their Report that balance of payments restrictions almost inevitably have the incidental effect of protecting those domestic industries which produce the types of goods subject to restriction, and of stimulating the development of these industries.

The Working Party brought the following suggested measures to the attention of the Contracting Parties in relation to the use of quantitative import restrictions for balance of payments reasons. Some of these measures, Dr. Walker said, are already being used by contracting parties to help minimize the protective effect of QR's imposed for balance of payments reasons.

(a) Avoid encouraging investment in enterprises which could not survive without this type of protection beyond the period in which quantitative restrictions may be legitimately maintained;

(b) Find frequent opportunities to impress upon producers who are protected by balance of payments restrictions the fact that these restrictions are not permanent and will not be maintained beyond the period of balance-of-payments difficulties;

(more)
(c) Administer balance-of-payments restrictions on a flexible basis, and adjust them to changing circumstances, thereby impressing upon the protected industries the impermanent character of the protection afforded by the restrictions;

(d) Allow the importation of "token" amounts of products which otherwise would be excluded on balance-of-payments grounds, in order to expose domestic producers of like commodities to at least some foreign competition and to keep such producers constantly aware of the need ultimately to be prepared to meet foreign competition;

(e) Avoid, as far as balance of payments and technical considerations permit, the allocation of quotas among supplying countries, in favour of general licences unrestricted in amount, or unallocated quotas, applying non-discriminatorily to as many countries as possible; and

(f) Avoid as far as possible narrow classifications and restrictive definitions of products eligible to enter under any given quota.

In adopting the Report and endorsing its recommendations the Contracting Parties agreed that further progress would best be made if actual cases were brought before them in accordance with the procedure laid down in the Agreement. They recommended individual contracting parties to review their present systems of quantitative import and export restrictions in the light of the conclusions of the Report.

The Contracting Parties also instructed the Secretariat to prepare a draft questionnaire for their approval, to cover the information about QR's required for the second report under Article XIV: 1(g) and for the review of QR's on imports required under Article XII: 4(b) - the draft questionnaire to be considered at the next, Fifth Session with a view to issuing it before the end of 1950 and to receiving replies in time for presenting a report to the Sixth Session. (Under Article XII: 4(b) the Contracting Parties can invite any member which is applying import restrictions for balance of payments reasons to consult with them; in the case of members intensifying such restrictions they are invited to consult within 30 days.)

In conclusion Mr. Vernon, United States, said that on behalf of the U.S. Government as original sponsor of this enquiry into Q.R.s, he wished to confirm the great success of the results - a tribute he said to the virility of the organization, and the ability of the members of the Working Party, in particular the chairman Dr. Ronald Walker.