Dr. van Blankenstein, Netherlands, said that unfortunately the GATT could not deal with the fundamental problems which were at the root of the present evil. It was possible, he said, to recognize the symptoms of the disease, to alleviate some of the ills but not to remove the causes of the difficulties. He referred to the Canadian statement which reproached the countries whose production had materially increased since the war without any corresponding decrease of restrictions. Experience had shown, he said, that increase of production was not the only factor. They had learned by sad experience that the more important causes of monetary unbalance lay in the internal financial structure, the quickly shifting scene in international economy and the effect of these changes on domestic, social and economic affairs.

Turning to the question of tariffs, Dr. van Blankenstein said that the Netherlands had always felt that there was a certain unfairness in GATT which considered tariffs a permissible sin whereas quantitative restrictions were condemned. No doubt, he said, in some cases higher tariffs were a greater barrier to trade than quantitative restrictions. The Netherlands, he said, could not accept the rule that quantitative restrictions were necessarily worse than high tariffs, although it was certainly the aim of the Netherlands to arrive at the abolishment of all obstacles to international trade, including quantitative restrictions.

Dr. van Blankenstein said that there was clearly a difference as to the effect of applying quantitative restrictions on hard and soft currency countries. When countries could procure enough other currency, there was no need for quantitative restrictions to restrict trade. But where there was a shortage — and it could hardly be denied that there was still a dollar shortage — the restrictions necessarily hindered imports, particularly of finished goods.

Turning to the subject of bilateral agreements, Dr. van Blankenstein stressed that such agreements aimed not only at a balance of trade but at a balance of payments. His government agreed that bilateralism was an expedient to be used only where necessary and no longer than necessary; but in fairness it should be stated that bilateral agreement had helped to revive trade after the war. In many cases they had kept alive certain non-essential industries which would otherwise have lost their markets, luxury industries with highly skilled workers, for instance. Industries such as these had survived through bilateral agreements, he added.

Dr. van Blankenstein said that he felt that the outlook for relaxing restrictions was not too pessimistic: the substantial degree of liberalization in Europe showed how much could be done. But he thought that it was true that many countries, including his own, might want quantitative restrictions
to protect new industries. The Netherlands, however, considered that protectionist measures should conform to the principles of Article XVIII, and should therefore be temporary, apply only to exceptional cases and cover only a small proportion of a country's trade. For this purpose quantitative restrictions were - in his view - more suitable than tariff duties because they were by their nature temporary, whereas high duties were permanent.

Mr. E. Børresen, Norway, said that all contracting parties agreed that import restrictions had been necessary to achieve rapid reconstruction and expansion of production after the war. His Government had given priority to the import of capital goods to build up the most important exporting industries and to restore the shipping industry. Only thus could his country hope to pay for their imports. He stressed that the restrictions had been applied in accordance with Article XIV and certainly not for protectionist motives.

Mr. Børresen said there had been considerable improvement in removing restrictions since the end of the war and in view of the general difficulties progress in this direction had not been negligible. As to bilateralism, Mr. Børresen thought that some important progress had been made in reducing bilateralism at least among the European countries. He agreed that all contracting parties should aim at achieving complete liberalisation of trade so far as was compatible with their general economic objectives.

Mr. Enrique Peres Cisneros, Cuba, said that his Government considered the question of quantitative restrictions as of the highest importance. Cuba was one of the few countries fortunate enough not to have to invoke Article XII, but Cuba had not taken an indifferent attitude to the position of countries in balance-of-payment difficulties. In fact, he said, Cuba had shown great understanding of these difficulties ever since GATT was written in 1947, and had given these countries the opportunity to earn dollars in Cuba through the suspension of the preferential rates of duty enjoyed by the United States.

Mr. Cisneros said that his Government was seriously concerned that, although the situation had considerably improved, there was still no relaxation in many countries of restrictions which affected the general level of trade and the particular trade of many individual contracting parties. He questioned, along with the Canadian delegate, whether the balance of payments situation would not now permit some relaxation of these restrictions. There were several countries, he said, that showed an important rate of increase in monetary resources, which he felt no longer justified the maintenance of restrictions under the Agreement. The countries which had agreed in Geneva and Havana to the restrictions contained in Article XII had believed that they would only be temporary. Four years had since passed and the restrictions were increasing and becoming permanent. Any conclusion by the Contracting Parties that the restrictions must continue would cause serious difficulties in many countries, and would result in placing several countries which were not invoking Article XII in serious balance of payments difficulties.

M. Lecuyer, France, said he could not agree with the comment of the South African delegate that there was an increase in the tendency to multiply bilateral agreements, or that this was a danger to commercial life. The trend, he said, was in the opposite direction, as shown in the liberalisation of trade under OEEC, which was narrowing considerably the scope of bilateral agreements.
Mr. K. L. Press, New Zealand, said that the policy of New Zealand on quantitative restrictions was that so far as possible the importer should be able to import whatever he wanted from wherever he could obtain it. New Zealand, he said, had gone far in eliminating quantitative restrictions. The latest figures showed that over 80% of imports from other than hard currency areas had been liberated. Progress had not ceased in this direction, he added. Turning to the discriminatory application of restrictions, the position was not so bright, said Mr. Press. New Zealand wanted to remove these restrictions as quickly as possible, for they hurt the discriminating country quite as much as the country discriminated against, but recent experiences elsewhere had shown the harm done by hasty premature removal of controls, the net result being a backward step cancelling out the advantages. Until there was a definite and permanent improvement in the circumstances that caused these restrictions to be applied, the best way to approach the problem was by administrative relaxation rather than removal. New Zealand, said Mr. Press, had a very big stake in multilateral trade, since they exported a limited number of products to limited markets and imported a great variety of products from many sources. He felt that the present manner of moving towards the objective of multilateral trade was less dangerous than a hasty removal of discriminatory restrictions.

Mr. H. E. Kastoft, Denmark, referring to the further progress in abolishing quantitative restrictions, said that as far as customs duties were concerned, in his view the Danish tariff was the lowest in the world, but for reasons beyond their control they had had to establish a system of quantitative restrictions. It should not be forgotten that protectionist customs duties often might be a substitute for quantitative restrictions. He agreed with the Canadian delegate that the forecasts made in 1947 were over optimistic. Mr. Kastoft said that the Contracting Parties should bear in mind the distinction between structural problems and temporary difficulties. Western European countries had made good progress during the past year or two in dealing with the former but during this period and since the second quarter of 1950 new temporary difficulties had arisen, notably in the serious deterioration of the terms of trade of Denmark. Finally, Mr. Kastoft said that no country should be expected to forget one of the main objectives of the Havana Charter, namely, full employment. To a certain extent, he said, there was a question of choice between liberalization of trade and a policy of full employment, and no country could be blamed for giving priority to the latter. Concerning discrimination, he stressed the fact that for several countries, among them Denmark, full convertibility was an essential prerequisite for abolishing discrimination.

Mr. A. Argyropoulos, Greece, said he had been much impressed by the statement of the South African and Canadian delegates on multilateralism. This was certainly the only feasible objective for all contracting parties. However, multilateralism presupposed certain prerequisites which did not at the present time exist. It had been said that the 1947 forecasts had not been realised. In the case of Greece the war had been followed by a new war, which created further ruins and resulted in a most precarious economic situation. The trade balance was over twice what it had been before the war and the invisible earnings which used to make up the deficit had decreased even more. Mr. Argyropoulos asked how countries in such a bad position could proceed towards multilateralism. Should they exhaust their gold reserves he asked; no one was interested in another country remaining destitute. He felt that in the circumstances bilateral agreements were unavoidable, for through these agreements it was often possible to obtain goods from countries in the same region with complementary economies. Such expedients were the only means to get past the present situation, and no one would deny that the re-establishment of multilateralism was the ultimate purpose.
Mr. K.P.G. Perera, Ceylon, said that Ceylon had removed all, or nearly all, quantitative restrictions and had relaxed discrimination in a very substantial manner. Dollar countries, he said, can export many things to Ceylon, from pins to aeroplanes. Referring to the recommendation of the Canadian delegate for the rapid removal of all controls, he said that in Ceylon there was still a sharp controversy between those who favoured the removal of controls and those who considered it extremely unwise, even though since the outbreak of the war in Korea, economic situation in Ceylon had improved remarkably. In 1948-49 Ceylon found herself in a bad payments position, said Mr. Perera, but after the Korean war the fortunes of Ceylon changed very rapidly, due to the demand for rubber, and the United States purchases for their stockpile. Nevertheless, Mr. Perera felt that the problem of removing restrictions was not so simple as the Canadian delegate had implied. It still depended on fortuitous circumstances and he recommended that countries applying restrictions should move cautiously in removing them.

Discussion continued in PART III GATT/52