CONSULTATIONS UNDER ARTICLE XII:4(b)

Notes on Modifications of Import Restrictions by Consulting Governments

1. At their Seventh Session the CONTRACTING PARTIES deferred the consultations which they had initiated under Article XII:4(b) with seven contracting parties, namely Brazil, Chile, Finland, New Zealand, Southern Rhodesia, Sweden and the Union of South Africa. At its meeting in August 1953 the Ad Hoc Committee on Agenda and Intersessional Business initiated consultations under the same provisions with two other contracting parties, namely the Netherlands and Pakistan.

2. In connection with the seven consultations deferred at the Seventh Session the International Monetary Fund was invited, and agreed, to consult with the CONTRACTING PARTIES pursuant to Article XV of the General Agreement. The Fund has supplied data relating to the CONTRACTING PARTIES' consultations with Finland, Sweden and Southern Rhodesia; the results of the Fund's consultations in respect of these three Governments are reproduced in L/79 and the background material prepared in the Fund in connection with the Fund consultations was forwarded to contracting parties. In connection also with the two consultations initiated by the Intersessional Committee the Fund has been invited to consult with the CONTRACTING PARTIES.

3. To assist the CONTRACTING PARTIES in carrying out these consultations the secretariat has prepared the attached notes on the modifications in the past two years in the import restrictions maintained by the seven governments whose consultations were deferred from the Seventh Session, and on those introduced since the Seventh Session by the Governments of the Netherlands and Pakistan. In addition, the following GATT documents contain relevant material which may be taken into account in the consultations:

Notifications by Governments in Accordance with the intersessional procedures

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The results of the Fund's consultations with the other consulting governments and any background papers supplied by the Fund will be distributed as soon as available.
Statements by Delegations at the Seventh Session Working Party

Brazil  W.7/17
Chile   W.7/12
Finland W.7/14
Netherlands W.7/25
Sweden  W.7/18 and 39

Relevant Sections of Working Party Report to the Seventh Session

Netherlands  L/51 pp. 11-12
Pakistan     L/51 --. 13-14
ANNEX

MODIFICATIONS OF IMPORT RESTRICTIONS BY THE NINE CONTRACTING PARTIES CONSULTING UNDER ARTICLE XII AT THE EIGHTH SESSION

Brazil

In May 1952 the Brazilian Consultative Commission decided to withhold import licences for certain specified goods on the grounds of adequate domestic production. In June the Bank of Brazil announced the revocation of the special treatment which had been granted since May 1951 to applications for foreign exchange quotas for the import of a variety of essential commodities, including fertilizers, insecticides, aluminium, cellulose, lead, nickel, newsprint and agricultural machinery; the importer was thereafter required to secure an allotment of exchange, which would be subject to strict supervision by the Bank.

In July 1952 the list of essential items licenseable for importation from hard currency sources was reduced from 500 to 170. It was announced that in the second half of 1952 only applications for import licences for materials included in the new list would be given consideration.

At the end of February 1953 the Brazilian authorities decided that import licences for certain goods would no longer be issued and that licences for certain other items might be issued subject to stated conditions. The goods affected included some aluminium products, certain types of transmission belts, metal tubes, etc. Imports into Brazil of assembled motor vehicles for resale or as passengers' baggage were prohibited as from 1 July 1953 by two rulings of the Export-Import Department of the Bank of Brazil, dated 28 April; licence applications for the import of motor vehicles would be accepted only for completely knocked-down vehicles.

On 26 July 1953 the Government announced that imports in the next six months would be reduced to well below the level of the country's essential requirements. It was reported that as a result of this decision imports from the dollar area, other than oil and newsprint, which had been about $20 million a month during the first half of 1953 would be cut to $10 million a month as from July.

Chile

In March 1952 the Chilean Government prohibited the import of motor cars. On 24 April the Government ordered the suspension of free imports for goods formerly included in the import control list A-1, by transferring them to another list subject to licensing control.
In July 1952 the Government issued a list of merchandise which could not be imported during the remainder of 1952. In general, the Government re-established the system of prior licensing for goods included in all the four groups into which imports were divided for licensing purposes. At the same time an enlarged list of prohibited goods was published containing about 1,000 items.

In February 1953 the Government issued new lists of imports that might enter Chile at preferential rates of exchange and those that would be admitted when purchased with foreign exchange obtained through the surrender of gold. The latter category included luxury goods such as motor car parts, watches and refrigerators. Imports of motor cars remained prohibited. Other non-essential imports were allowed at the free exchange rate.

Finland

In May 1952 the Bank of Finland announced a reduction of the amount of sterling at the disposal of Finnish importers; payments in sterling exceeding £1,000 were not to be made without the Bank's permission and all import licences were to be re-examined. Similar reductions applied also to payments in Dutch florins and Swedish crowns. In June, while all unused permits were being reconsidered, imports were reported to be practically at a standstill. In July the authorities decided to suspend until further notice the issue of import licences for textiles. In a communication dated 11 July, the Finnish Government informed the CONTRACTING PARTIES that "owing to the steps taken by some of the important buying countries, the export market for Finnish products began to deteriorate sharply from the beginning of this year. Because of this, Finland has been forced to stop, for the time being, the application of the free list ...... and thus the goods included therein are again subject to the usual licensing procedure. Finnish imports during January - May 1952 have been about 75 per cent greater in volume than in the corresponding period of 1951".

In November 1952 the Government announced that the issue of import licences for motor cars from Western Europe would be suspended pending an improvement in the terms of trade. The deterioration in the terms of trade was attributed largely to the lower prices obtained for timber and pulp exports. The volume of such exports had fallen during the preceding months.

New Zealand

In March 1952 the Government recalled all licences issued for imports from "scheduled countries". After a review of its commitments the Government provided firm allocations for a number of items, in some cases equivalent to the value of 1951 licences issued for the same goods from scheduled countries. It was later estimated that as a result of this operation, payments for imports from these countries in 1952 would be kept within limits comparable to expenditure in 1951.
In December 1952 the Government announced that licences would be granted for specified imports from the United States and Canada in 1953 on the basis of the value of such imports in a preceding year: 100 per cent of the value of 1952 imports would be admitted for printed books, etc.; 75 per cent of the 1951 value for cash registers, sausage casings and wooden tool-handles; 50 per cent of the 1951 value for engines and spare parts for motor vehicles and certain essential tools. Licences for other imports from the United States and Canada would be granted only for highly essential goods not obtainable from sterling or other soft-currency countries.

In March 1952, the Government withdrew the exemption of motor vehicles from import control, thus placing this item under licence when imported from all sources. At the same time, a system of allocations of foreign exchange to importers was introduced; commercial banks were instructed not to sell to any importer, to cover both licensed and unlicensed imports during 1952, more than 30 per cent of the exchange sold to him during 1950. Exchange required by any importer in excess of this basic allocation could be granted only after consideration by the Reserve Bank.

For 1953 the system of foreign exchange allocation has remained in force but the basic allocation has been reduced to 40 per cent of 1950 remittances and a larger sum was thus left for allocation to importers individually by the Reserve Bank. Special allocations are provided for motor vehicle imports.

In a communication dated 25 June 1953 the Government advised the CONTRACTING PARTIES that certain alterations would be made in 1954 in the system of exchange allocations; there would be some relaxation in 1954 and the basic allocation would be raised to 50 per cent of 1950 remittances, while fifteen important items would be released from exchange allocation control.

Southern Rhodesia

In December 1951 the Government extended the import control, which had been maintained only on imports from the dollar area, Japan and Argentina, to cover imports from all countries outside the sterling area. The controls on imports from dollar countries and from other non-sterling countries have been administered separately.

The dollar control was given a total allocation of $7.9 million in 1952, to be divided into global amounts for the various groups of products. The total allocation for imports from non-dollar areas outside the sterling area was $8.4 million for 1952, to be divided in the same manner. These annual allocations were divided into two periods of six months each. On 10 March 1952 the Government announced that with certain exceptions all foreign currency allocations for the first half of 1952 would be reduced by 50 per cent (see document L/4) but in a communication of 2 May, the Government stated that "full allocations for Period 8 (that is, the first half of 1952) have been restored in respect of the groups under the Rhodesia Federated Chambers of Commerce only, but these restored allocations will now run for the whole of 1952 instead of until the end of June only."
No further allocations are proposed in these cases for Period 0 (second half of 1952). This variation of the general 50 per cent reduction has been made for administrative reasons."

In July 1953 the Government was reported to have decided to abolish the controls on the importation of a large number of products which were not available for purchase in the sterling area.

Sweden

The Government decided at the end of June 1952 to fix the limit for dollar expenditure in the second half of 1952 at a level of about Kr. 109 million less than that provided for in the original "Hard Currency Plan". Consequently, dollar expenditure for the whole of 1952 was expected to be Kr. 200 million below the 1951 figure.

At the Seventh Session the Swedish delegation explained that it had been necessary for the Swedish Government to apply stricter standards for the granting of import licences than in the previous year because of reduced dollar earnings, but that actual imports were running at a higher level if corresponding periods of 1951 and 1952 were compared. The Swedish delegation also referred to an important relaxation of imports from most of the contracting parties outside the dollar area.

On 1 November 1952, Sweden further increased its percentage of liberalised imports from OEEC countries from 85 per cent to 90 per cent. Import licences were henceforth required only for certain fat products, cars, motor-cycles, linen and hemp etc.

Union of South Africa

In a communication of 23 February 1952, the Union Government referred to the supervision of the free issue of permits for the import of textile piece goods. This measure, taken at the end of January, provided that permits for the importation of these products from the dollar area would be subject to quota limitations.

For consumer goods as a whole, the Government reduced the issue of permits for 1952 to 45 per cent of the 1948 import value (compared with 60 per cent in 1951) but in June 1952, in order to avoid shortages of essential consumer goods, additional permits were issued for the import of linoleum, oil lamps, china, porcelain, glassware, etc.

Netherlands

In 1951, the Government reduced its percentage of liberalised imports from EPU countries to 60 per cent. This was later increased to 71 and a further increase was made in March 1952 when certain industrial materials were added to the list of liberalised goods, raising the percentage to 75. At the beginning of 1953 a number
of items of food, drink, tobacco, fuel, chemicals, wood products and building material were added to the free list, bringing the liberalisation to 82 per cent.

No action has been reported to have been taken by the Government in regard to imports from dollar and other hard currency countries.

Pakistan

In November 1952 the Pakistan Government cancelled its current open general licence and imposed licensing requirements for all imports. In addition to goods for which importers had made definite commitments before the cancellation of the OGL, exceptions were made for machinery and chemicals if shipped within a short prescribed period. The Pakistan Government has advised the CONTRACTING PARTIES as follows:

"On account of grave deterioration of the position of its foreign exchange reserves caused by an unprecedented fall in the price of the country's main exportable commodities like jute, cotton, wool, etc., the Government of Pakistan were compelled to supersede its import OGL XIII by a modified OGL XIV (on the 11th of August 1952). Many items which were previously on OGL were excluded from the modified OGL, but commodities essentially required for the industrialization and development of the country, like machinery, iron and steel, non-ferrous metals, tools and workshop equipment, oils and greases, essential consumer goods like drugs and medicines, kerosine, etc., were kept on Open General Licence. It was hoped that this step would be sufficient to achieve the desired result but on a study of the situation after three months it was found that the position was not improving sufficiently and to keep the balance of payments deficit within reasonable proportions, it was therefore necessary to cancel the existing OGL altogether; unless this was done the country's foreign exchange reserves would be in great danger of falling below the level of safety. The Government was thus compelled to cancel the existing OGL XIV with effect from the 23rd of November 1952. The Government is doing everything possible to increase exports from the country and with that end in view has recently expanded its export OGL 7 by including 56 additional items to the freely exportable list vide Ministry of Commerce notification No. 339/903 (I-53), dated the 23rd January 1953, copy enclosed for information.

"The Government is fully alive to the necessity of keeping trade from import control restrictions as far as possible but for some long time to come imports will be controlled to safeguard the external financial position."
The Government announced on 1 March 1953 a new import policy reducing imports from the dollar area and imposing restrictions on imports from Japan and the non-dollar area; the import of motor cars from the dollar area was prohibited; yarn and other varieties of thread could be imported from the sterling area and Japan. The new policy also prohibited imports of tobacco, cosmetics, toilet requisites, clocks and watches. The licenseable imports from the dollar area were limited to essentials. It was estimated that Pakistan's total imports during the current year under the new policy would be less than 60 per cent of last year's purchases.