CONSULTATIONS UNDER ARTICLE XIV:1(g)

Notes on the Discriminatory Application of Import Restrictions
by Consulting Governments

1. As announced in L/86 the following seven contracting parties initiated consultations in March 1953 with the CONTRACTING PARTIES pursuant to the provisions of Article XIV:1(g):

   - Australia
   - Ceylon
   - Italy
   - New Zealand
   - Southern Rhodesia
   - Union of South Africa
   - United Kingdom

In addition, three consultations initiated in accordance with the same provisions in 1952, with New Zealand, Southern Rhodesia and the Union of South Africa, were deferred at the Seventh Session and have not yet been completed.

2. The International Monetary Fund was invited, and agreed, to consult with the CONTRACTING PARTIES pursuant to Article XV in connection with these consultations. The Fund has supplied the results of its own 1953 consultations with the Governments of Australia and the United Kingdom together with the background material prepared in the Fund in connection with the Fund consultations. The results of the Fund's consultation with the United Kingdom are also relevant to the CONTRACTING PARTIES' consultation with Southern Rhodesia. These results are given in Annex II to this document and the background papers will be distributed to delegations at the Eighth Session.

3. As noted in L/86 the Governments of Ceylon, Italy, Southern Rhodesia and the Union of South Africa have submitted statements relating to their 1953 consultations. The Governments of Australia, New Zealand and the United Kingdom have stated the purpose and policy of the discriminatory application of their restrictions in their replies to the questionnaires in L/69. A copy of the supporting statements and the replies to the questionnaire have been sent to contracting parties.

4. The notes contained in Annex I to this document, describing the discriminatory application of import restrictions by the seven consulting governments, have been prepared by the secretariat to assist the CONTRACTING PARTIES in carrying out the consultations.

The results of the Fund's consultations with other consulting governments and any background papers received from the Fund will be distributed as soon as available.
NOTES ON THE DISCRIMINATORY APPLICATION OF IMPORT RESTRICTIONS BY THE SEVEN CONTRACTING PARTIES CONSULTING PURSUANT TO ARTICLE XIV: I (g)

AUSTRALIA

Imports from the dollar area and Japan are subject to licence and each application is considered on its merits. Licences are granted only for goods of an essential nature, and due regard is given to the availability of such goods from other sources, relative prices, delivery dates and the sterling area's dollar position. Imports from Japan are limited to a list of essential goods, but licences are issued irrespective of the availability of the goods in question from other sources.

Imports from countries other than the dollar area and Japan have been restricted since March 1952. Two methods are employed in applying these quantitative restrictions: (a) the "global" quota principle, and (b) case-by-case consideration of applications:

Under the first method, import licences are issued for the importation of a wide variety of products on the basis of specified percentages of the value of imports from all countries except the dollar area and Japan in a base year, i.e. the year ending 30 June 1951. Products licensable for importation under the global quota principle are at present divided into three categories as follows: Category 'A' contains products of an essential nature for which licences are issued to individual importers to the extent of 70 per cent by value of the imports of the particular product in the base year. Category 'B' covers goods of a lower degree of essentiality, for which import licences are issued to individual importers to the extent of 30 per cent by value of the importer's total imports of all Category 'B' goods in the base year. The third category covers other goods under quota arrangements, which are not amenable to the same percentage bases as the products in Categories 'A' and 'B'; these imports are provided with specified percentages to the extent of which licences are issued to individual importers in relation to the value of the imports of the particular product in the base year. The percentage varies with the product and ranges up to 120 per cent of imports in the base period.

Subject to case-by-case consideration of applications are those highly essential goods and those imports which by nature do not lend themselves to restriction on the quota principle.

CEYLON
(Annex J)

Imports are freely admitted from sterling area countries. Restrictions are maintained on imports from the dollar area and also from EPU countries. Towards Japan a more liberal policy is pursued, especially in regard to imports of basic consumer goods such as textiles.

In the case of imports from hard-currency countries, account is taken of the essentiality of the goods to the domestic economy, and for essential goods, such as capital equipment and food, weight is attached to the availability and delivery dates and price discrepancies. Imports from the dollar area in particular are at present limited to the category of goods that are essential for industrial and agricultural development.

Four open general licences are in force which authorise specified imports from different groups of countries. OGL No. 1 authorises the import of specified items from all countries other than those in the dollar area, Germany and Japan. OGL No. 2 provides for the free import of specified items from the dollar countries. OGL No. 3 authorises a few items to be imported from all countries except Australia, Germany and Japan. The fourth OGL covers imports of a limited number of items, which may be imported from certain soft-currency countries.

As for goods not importable under open general licence, two lists are published, one showing the goods licenceable from all areas and the other showing goods licenceable from dollar sources and Japan. "Monetary ceilings" are provided for the import of all goods in the second list and for some items from EPU countries in the first list.

References: Communication of 27 March 1953 initiating the consultation.
Communication of 3 July 1953 in response to L/69.

ITALY

All imports from the dollar area countries are subject to licence, with the exception of about 65 items of essential materials for which imports are admitted without restriction through permits issued automatically by the Customs subject to compliance with the currency provisions regulating the payment of goods.

Imports from the EPU area are free of licence, with the exception of 11 specified items.

Imports of many items from countries with which Italy has concluded special agreements, but for which payments are not made through EPU, are limited in accordance with the quotas provided in such agreements. There is, however, a de facto system under which additional imports may be effected within limits.

References: Communication of 27 March 1953 initiating the consultation.
Communication of 9 July 1953 in response to L/69.
NEW ZEALAND

With the exception of a few commodities which are subject to "global" exemption and which may be imported from any source free of licence, all imports from "scheduled countries" require an import licence. Essentiality and availability from other sources are, in general, the primary factors in determining whether licences will be issued for the importation of a particular product from scheduled countries, but significant price differences and other commercial considerations are taken into account where they are relevant.

For imports from non-scheduled countries, the list of items exempt from licensing requirements has been frequently extended since 1948. Goods which are exempt from licensing may be imported from any non-scheduled country and where licences are still required they are issued without specification of the country of supply and may be used to import goods from any non-scheduled country. Under the system of exchange allocation basic allocations of foreign exchange for payment are not provided for imports from "scheduled countries" except for certain goods of the kinds normally imported from the United States and Canada.


SOUTHERN RHODESIA

The importation of all goods not being the product or manufacture of the sterling area is subject to control. In practice, two separate controls are operated, one for imports from the dollar area and one for all other non-sterling goods. An amount of foreign exchange is allocated for imports from the dollar area and another for imports from other non-sterling countries. Both of these are divided into global amounts for the various groups of products. Individual importers receive separate allocations within these global amounts and permits issued against these allocations can be utilised for imports from any country in the respective areas. The permits for imports from the dollar area are, however, valid also for imports from non-dollar countries.


UNION OF SOUTH AFRICA

The import restriction is based on a distinction between hard and soft-currency sources of supply. For purposes of import control, the hard currency countries include at present, Canada, Cuba, the Dominican Republic, Haiti, the Philippine Republic and the United States of America. All other countries are classified as soft-currency countries.
In terms of South Africa's control regulations, imports, with the exception of certain specified items, are subject to import permits. These are of two types:

(a) "general" permits valid for the import of specified goods from all sources, i.e. from hard and soft-currency countries; and

(b) "restricted permits valid for the import of specified goods from soft-currency countries only.

In the issue of licences, account is taken of (i) essentiality of goods (ii) availability of the goods in soft-currency countries, and (iii) price differences in soft and hard-currency countries. In the case of essential requirements, no discrimination is applied and the importers are free to choose their own sources of supply but, in the case of goods of lesser essentiality, consideration is based on the factors mentioned in (ii) and (iii) above. In all such cases a proportion of permissible hard currency is automatically made available for all goods and groups of goods, the particular proportion in each case depending on the relative essentiality of the goods or groups of goods in question. This generally flexible method of control, by allowing a wide choice of individual goods to be imported under each permit, enables the importers to devote the permissible hard currency to any goods which may not be competitively obtainable from soft-currency sources and to use their restricted permits on other goods where soft-currency sources are relatively competitive. In addition, supplementary hard-currency authorisations are made for imports of producers' goods and similar highly essential goods. Applications for such authorisation are considered on their merits with due regard to the factors mentioned above.

References: Communication of 13 March 1953 initiating the consultation.
Communication of 11 August 1953 in response to the questionnaire in L/69.

UNITED KINGDOM
(Annex J)

The extent of the discrimination in the United Kingdom's import restrictions varies according to the nature of the particular commodities and their essentiality to the domestic economy. In regard to raw materials, a policy of non-discrimination has been adopted over a considerable range of products, notably softwood, wood pulp for paper, aluminium, copper, lead, zinc and nickel. In the case of nearly all these commodities importers are issued with open individual licences enabling them to import without restriction from any source. The import of cotton from outside the dollar area has recently been freed from restriction and the proportion of the country's requirements, which may be met by purchases from the dollar area, has been increased. In cases of most other raw materials no restrictions are imposed on imports from sources outside the dollar area and open general licences, which allow imports without restriction from a large number of non-dollar countries, are in force.

Imports from the dollar area are generally subject to individual licence but these are issued relatively freely where such imports are needed to meet the requirements of industry. The trade in wheat, flour, coarse grains and other animal feeding stuffs is being returned to private traders and open individual licences have been issued, enabling importers to purchase without restriction from any source. Most other basic foodstuffs are still purchased on public account and the policy of the Government has been to extend the resumption of private trading whenever possible.
A large range of commodities in this field are subject to import restrictions if imported from countries outside the sterling area, although it has recently been possible substantially to relax the restrictions on certain imports from non-sterling countries outside the dollar area. Imports of less essential foodstuffs and manufactures from the dollar area are, in many cases, entirely excluded or are allowed only under the token import scheme.

In terms of the import control system, a distinction is generally drawn between the dollar area, the sterling area and the non-dollar, non-sterling area. Apart from a world open general licence, covering a limited number of commodities whose importation is, in fact, free from restrictions, there is an open general licence applying to the sterling area only and another applying to the sterling area and members of OEEC and certain other countries. The same distinction is made between open individual licences, permitting an individual importer to import specified goods without limit either from any country or more usually from specified countries or groups of countries.

In the case of goods subject to individual licence, these may be issued against bilateral quotas or against global quotas or considered on an individual basis. Global quotas are generally provided to cover imports from a group of countries within the non-dollar, non-sterling area and only a few quotas are world wide in application.


ANNEX II

RESULTS OF CONSULTATIONS UNDER ARTICLE XIV, SECTION 4, OF THE ARTICLES OF AGREEMENT OF THE INTERNATIONAL MONETARY FUND

AUSTRALIA

The Government of Australia has consulted the Fund under Article XIV, Section 4 of the Fund Agreement concerning the further retention of its transitional arrangements.

In the financial year of 1952/53 there was a considerable improvement in the Australian balance of payments and a marked increase in reserves. Despite the over-all improvement, Australia remains in deficit with the dollar area. Australian international reserves are held largely in sterling, and are no longer low. This improvement was in part achieved by the severe intensification of import restrictions against the non-dollar world imposed in 1952.

The Fund notes that, as a result of monetary, fiscal and other measures taken by the Australian Government, internal inflationary pressure has abated and a state of near balance in the economy was achieved in 1953. The Fund notes the rise in money supply and bank liquidity which might give rise to inflationary pressure in future. It recommends the continuance of monetary and fiscal policies designed to prevent the resurgence of inflationary pressure.
The Fund notes that the Australian Government has responded to the improvement in its position vis-à-vis the non-dollar world by relaxing restrictions against imports. It notes that restrictions against the dollar area are being reviewed. It welcomes the renewed assurance of the Australian Government that it regards its restrictions as temporary and that it attaches great importance to the achievement of convertibility and multilateral trade on the widest basis. It considers that if the Australian balance of payments and reserve position continues to develop favorably, there will be scope for the further relaxations of restrictions.

In concluding the 1953 consultations, the Fund has no further comment to make on the Australian restrictions maintained under Article XIV of the Fund Agreement.

**UNITED KINGDOM**

The Government of the United Kingdom has consulted the Fund under Article XIV, Section 4 of the Fund Agreement concerning the further retention of its transitional arrangements.

The Fund notes with satisfaction the greater measure of domestic stability; the improved balance of payments situation, especially vis-à-vis the dollar area; and the increase in reserves of the United Kingdom since the last consultations in 1952. It regards it as important that the task of increasing the reserves should proceed, concurrently with the further relaxation of restrictions and a reduction of discrimination, since larger reserves and less restricted trade are essential for the successful achievement of convertibility on a firm basis. To help achieve this objective, it considers that the United Kingdom should continue to pursue policies designed to prevent inflation and to improve productivity so as to maintain and improve the competitive position of the United Kingdom in world markets.

The United Kingdom has relaxed some of the emergency restrictions against OEEC and other non-dollar countries imposed in 1951/52. Furthermore, the opening of certain commodity markets has resulted in a considerable general relaxation of restrictions and a reduction in discrimination.

The Fund notes that during the past year the Government of the United Kingdom has held discussions with other Commonwealth Governments, and also with the United States and other countries, with a view to laying the foundations for a firm move towards sterling convertibility. The Fund welcomes these efforts in view of the importance of sterling as an international currency, and in view of the great advantages which the convertibility of sterling would therefore bring, not only to the United Kingdom itself, but also to other countries.

In concluding the 1953 consultations with the United Kingdom, including Southern Rhodesia, the Fund has no further comments to make on the restrictions maintained by the United Kingdom under Article XIV of the Fund Agreement.