1. In accordance with its terms of reference, the Working Party considered specific proposals regarding the use of quantitative restrictions for balance-of-payments purposes, for economic development and for other purposes. Part I of the present Report deals with the problem of the protection of the balance-of-payments; Part II deals with governmental assistance for economic development; Part III deals with the remaining problems, principally those which would arise for contracting parties in eliminating the quantitative restrictions at present maintained for balance-of-payments reasons; and Part IV contains the suggestions of the Working Party on the relations between the CONTRACTING PARTIES and the International Monetary Fund. The text of the amendments proposed by the Working Party to the relevant Articles of the Agreement and to Annex I to the Agreement containing the interpretative notes and other regulations is appended to the corresponding part of the Report.

2. The following parts of this report contain a brief description of the purpose and intent of the various amendments proposed, as well as agreed statements the purpose of which is to clarify the meaning of certain provisions, with a view to facilitating the interpretation of those provisions in the future.

PART I: BALANCE-OF-PAYMENTS RESTRICTIONS

3. The Working Party agreed to give effect to the suggestions made by the representatives of the under-developed countries to include the provisions relating to balance-of-payments import restrictions as applied by those countries in a new section of Article XVIII. Accordingly, paragraphs 4 to 11 below relate only to Article XII and the comments relating to the provisions applicable to under-developed countries are to be found in Part II of this Report.

4. After a detailed consideration of the various proposals put forward with a view to establishing stricter rules for the introduction and maintenance of quantitative restrictions through the institution of fixed time-limits and approval by the CONTRACTING PARTIES, the Working Party came to the conclusion

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1 Parts II, III and IV will be circulated separately, as addenda to the present document.
that such proposals would not find general acceptance among the contracting parties, but that, on the other hand, the general opinion was in favour of strengthening and widening the scope of consultations under Article XII, as well as under Article XIV. Consequently, the new text of the first three paragraphs of Article XII does not involve any change of substance. Their provisions have been rearranged in order to improve the language and to set them out in a better logical sequence. It is proposed, however, to add a sentence in paragraph 3(a) to give recognition of the desirability of adopting measures which expand international trade, in order to restore or maintain equilibrium on a sound and lasting basis and to insert an interpretative note to paragraph 3(c)(i) along the lines of the interpretative note to Section C of Article XVIII.

5. The Working Party considered a proposal to the effect that a provision be included in paragraph 3(c) requiring contracting parties applying restrictions under Article XII to minimize the incidental protective effects of the restrictions. The Working Party, while in general agreement with the intent of the proposal, considered such a provision unnecessary; it was of the view that this had been adequately covered by other provisions in the proposed Article, including sub-paragraph 3(a), which requires contracting parties to pay due regard to the desirability of avoiding any un-economic employment of productive resources, and paragraph 3(c)(i), under which contracting parties undertake to avoid unnecessary damage to the commercial and economic interests of any other contracting party. As regards the redraft of paragraph 3(d), the Working Party wishes to place on record that the provisions of that sub-paragraph should be interpreted, inter alia, in the light of the undertaking set forth in sub-paragraph 3(a).

6. For the reasons set out in paragraph 4 above, the main changes in the text of Article XII relate to paragraph 4, which deals with consultations. Paragraph 4(a), i.e., the provision regarding consultations in cases where a contracting party is applying new or substantially intensifying existing restrictions has been redrafted for the sake of brevity, but the intent remains unchanged. The reference to "new restrictions" covers the case described in paragraph 4(a) of the present Article, that of a contracting party which was not applying restrictions under the Article but finds it necessary to introduce limitations on imports. On the other hand, the phrase: "raising the general level of its existing restrictions by a substantial intensification of the measures applied under this Article shall ..." corresponds to the second part of the first sentence of paragraph 4(b) of the present Article. The language adopted, and in particular the use of the word "measures" is meant to convey the idea that the intensification referred to in this paragraph may be achieved either by increasing the restrictive effect of the restrictions applied to products the import of which is already limited, or by the institution of new restrictions on products the import of which was not yet subject to limitations.
7. Paragraph 4(b) is new; it provides for a review by the CONTRACTING PARTIES of all restrictions applied under the Article. One year after such a review is initiated a system of annual consultations with contracting parties still applying restrictions under Article XII shall enter into force. It is contemplated that such review will take place upon the entry into force of the Amendments to this Article. However, it was the view of the Working Party that it would be unwise to initiate the review followed by the annual consultations so long as the CONTRACTING PARTIES were not equipped to deal effectively with the substantial work involved in a large number of consultations. It is proposed therefore to add a clause to the interpretative note to the sub-paragraph providing that the CONTRACTING PARTIES may postpone the date of the review and consultations if it is found that conditions are not suitable for such review and consultations at the time envisaged in that sub-paragraph. The review should not be initiated before the end of 1955, even if the amended Agreement should have entered into force by that time. It should, however, be initiated not later than such time as the obligations of Article VIII, Sections 2, 3 and 4 of the Fund Agreement become applicable to contracting parties, members of the Fund, whose combined foreign trade constitutes at least fifty per cent of the aggregate trade of all contracting parties.

8. As regards the nature and scope of the review contemplated in sub-paragraph 4(b), the Working Party agreed that it should be based on a detailed examination by the CONTRACTING PARTIES of the level, methods and effects on trade of the restrictions existing on the date selected for that operation, on the basis of data supplied by governments and gathered from other sources. The review should not, however, be a consultation with the individual contracting parties concerned, in the sense that it would not involve any detailed discussion of the motives justifying the maintenance of those restrictions. The material gathered in the course of the review would, of course, serve as a useful basis for the annual consultations which would be carried out subsequently.

9. Sub-paragraphs (c)(i) and (ii) of paragraph 4 illustrate the type of action which the CONTRACTING PARTIES may take in the course of consultations or as a result of those consultations. Cases involving inconsistencies with the provisions of Article XII or with those of Article XIII (subject to the provisions of Article XIV) in the application of restrictions are covered by sub-paragraphs (c)(i) and (c)(ii). Sub-paragraph (c)(i) is meant to apply to inconsistencies of a minor or technical nature. It is expected that if, during the course of consultations, the CONTRACTING PARTIES should find that such inconsistencies exist in the restrictions maintained by a particular contracting party, they would draw the attention of the contracting party to them and, in their discretion, advise how they might be suitably modified; no other action is envisaged. It is expected that the provisions of (c)(i) will cover the majority of cases in which the consultations may bring to light inconsistencies with the relevant provisions of the Agreement.
10. Sub-paragraph (c)(ii) deals with cases where the CONTRACTING PARTIES find serious inconsistencies in the application of the restrictions, and moreover, that those inconsistencies are of such a nature as to cause or threaten damage to other parties. In those cases, the CONTRACTING PARTIES would be required to make recommendations to remove the inconsistencies and to set up a time-limit for the removal or modification of the restrictions. If their recommendations are not complied with, the CONTRACTING PARTIES may then release a contracting party affected from certain obligations according to a procedure similar to that of Article XXIII.

11. The provisions of paragraph 4(d) are intended to replace the present provision contained in paragraph 4(d) of Article XII. Although the changes are more of emphasis than of substance, the new text brings out clearly that the action of the contracting party adversely affected by an application of restrictions which would not conform to the provisions of the Article takes the form of a request for consultations rather than of a challenge.

12. It was agreed that the scope of consultations under Articles XII and XIV should include external as well as internal causes of balance-of-payments difficulties, with a view to finding ways and means of eliminating them. In order to make that point clear the Working Party agreed to insert a new paragraph requiring the CONTRACTING PARTIES, when they conduct consultations under Article XII, to have due regard to certain factors which may influence the balance-of-payments position of the country concerned. This insertion was agreed upon on the understanding that it would not introduce any new criteria for the resort to restrictions under this Article. The intent of the sub-paragraph is clarified by an interpretative note.

13. The provision of sub-paragraph 4(f) embodies a requirement that determinations reached in the course of consultations should be rendered without delay, and a period of sixty days is indicated as the normal time-limit for such determinations. This provision also retains the requirements already set forth in the present Article for utmost secrecy in the conduct of consultations.

14. The Working Party had before it three proposed amendments put forward by three different contracting parties which, although differing in detail, were all designed to make provision for joint action in order to restore equilibrium in the system of world trade and payments in the event that system became seriously unbalanced, and to avoid the imposition of unnecessarily severe restrictions on international trade. One of these proposals aimed particularly at enabling the CONTRACTING PARTIES to take joint action to prevent a disequilibrium in world trade and payments from occurring through measures to counteract inflationary or deflationary pressures. The Working Party agreed with the conclusions of Working Party IV (L/327) on a proposal of a similar nature which had been discussed there.
15. The two other proposals were mainly designed to meet a situation where some large and commercially important country might develop a persistent surplus in its balance of payments with the rest of the world thus placing a strain on the international reserves of other countries and bringing about a general scarcity of the currency of the particular country concerned.

16. There was general agreement in the Working Party that such a situation might arise from a variety of different circumstances and that the prime responsibility for the state of unbalance might rest either with the surplus or the deficit countries.

17. It was noted that provisions are already contained in the General Agreement and also in the Articles of Agreement of the International Monetary Fund to enable consultation to take place on the measures that might appropriately be adopted to meet such situations.

18. In particular it was noted that Article XII:5 of the GATT lays an obligation on the CONTRACTING PARTIES to initiate discussions to consider whether measures other than the application of trade restrictions might be taken either by those contracting parties whose balances of payments are under pressure or by those whose balances of payments are tending to be exceptionally favourable, or by any appropriate intergovernmental organization to remove the underlying causes of the disequilibrium.

19. If the CONTRACTING PARTIES were to find that strict application of the non-discrimination provisions of Article XIII would cause an unnecessary contraction in world trade there are already provisions in the GATT and the International Monetary Fund Agreement which could be invoked to waive temporarily the obligation imposed upon contracting parties under that Article to apply import restrictions in a non-discriminatory manner.

20. First, the Fund may, if it finds a general scarcity of a currency under Article VII, Section 1, approve discriminatory measures under Article VIII, Sections 2 and 3. Certain important countries which are members of the Fund and GATT have stated that if they supported a finding under Fund Article VII, Section 1, they would also support appropriate action under Article VIII.

21. Secondly, Fund Article VII, Section 3, provides that if it becomes evident that the demand for a member's currency seriously threatens the Fund's ability to supply that currency, the Fund shall formally declare that currency scarce and such a declaration authorizes certain discriminatory limitations on the freedom of exchange operations in that currency. Although this provision has not operated in the past because the Fund's ability to supply a currency has never been threatened, it is to be expected that when the resources of the Fund are being used to support the convertibility of currencies, any serious scarcity of a major currency would quickly be reflected in the holdings of the Fund. These provisions in the Fund Agreement bear directly on the question of trade discrimination; for under Article XIV of the GATT as at present drafted a contracting party would be able to apply discriminatory quantitative restrictions having equivalent effect to exchange restrictions authorized by the Fund under Article VIII, Section 3, as well as under Article VII, Section 3(b).
22. Moreover, there are other relevant provisions in the GATT. For example, if any contracting party considered that the pressure on its international reserves was resulting from the situation in some individual country, it could raise the question under Article XXIII with a view either to consultations directly with such other contracting parties as it might consider to be particularly concerned, or to reference to the CONTRACTING PARTIES, in order to obtain recommendations from them or, if need be, release from specific obligations in accordance with the terms of that Article.

23. In the consideration of this matter in the Working Party a number of contracting parties stressed the desirability of providing for continuous cooperation and consultation between the GATT and the International Monetary Fund with a view to keeping the world economic situation under constant review and to enabling action to be concerted in good time to prevent any serious disequilibrium in world trade and payments from developing. It is recommended that further consideration be given to setting up appropriate machinery for such regular consultation as soon as the new Organization is established.

24. The Working Party does not propose any change in the text of Article XIII. It considered, however, a suggestion which was put forward to the effect that an interpretative note should be added to clarify the term "previous representative period" which appears in sub-paragraph 2(d) of Article XIII. The object of this note was to specify that, in cases in which import restrictions on a given product had been enforced for a certain time, the contracting party applying the restriction should grant to the foreign suppliers a share of its market which would correspond to what could reasonably have been expected in the absence of restrictions. The Working Party was not prepared to recommend the inclusion of that note but agreed to recognize that the general rule contained in the introduction to paragraph 2 governed the various sub-paragraphs of that paragraph including those of sub-paragraph (d) to which the note was intended to refer.

25. As regards the text of Article XIV, the amendments proposed do not represent any real change of substance. On the one hand, they amount to a deletion of temporary provisions (i.e., sub-paragraphs 1(a) and 3(b)) which are no longer applicable; on the other hand, they provide for the elimination of alternative rules of procedures (sub-paragraphs 1(c) to (h) and Annex J) which were necessary so long as a number of countries were governed by the provisions of Article XIV of the International Monetary Fund but which will be redundant when many of those countries cease to be governed by those provisions. Accordingly, the Working Party proposes that the amendments of the first category enter into force at the same time as other amendments to the Agreement, and that the second type of amendments enter into force on the day on which Article VIII of the Articles of Agreement of the Fund is applicable to contracting parties accounting for fifty per cent of the aggregate foreign trade of all contracting parties. Until that date, the present provisions of paragraph 1 of Article XIV and of Annex J would remain in force.
26. As regards the amended text of paragraph 1, of Article XIV, it reproduces the text of sub-paragraph 1(b) of the present Article, except that it refers, not only to Article XIV of the International Monetary Fund as is the case at present, but also to Article VIII. This addition is intended to cover cases where contracting parties are authorized by a decision taken by the International Monetary Fund, in accordance with Article VIII of its Articles of Agreement, to deviate from the rule of non-discrimination.

27. Appropriate references to Section B of Article XVIII have been introduced in the text of Article XIV; through these insertions, the application of balance-of-payments restrictions by under-developed countries are governed by the provisions of Article XIV as regards deviations from the rule of non-discrimination.

28. For practical reasons, the Working Party has not tried to define the phrase "equivalent effect" in paragraphs 1 and 5 of Article XIV. It agreed, however, to record their view that a contracting party which is deviating from Article XIII will not be considered to be in breach of its obligations under this paragraph if the International Monetary Fund has stated that corresponding restrictions on payments and transfers would have been authorized under the Articles of Agreement of the Fund or approved by the Fund if the contracting party in question had chosen to proceed by way of exchange restrictions rather than trade restrictions.

29. The South African delegation proposed an amendment to Article XIV with a view to ensuring that discrimination practised by contracting parties under bilateral agreements was limited to the extent justifiable on currency grounds. The Working Party considered that the amendment proposed by South Africa was unnecessary since it was already covered by the provisions of Article XIV which clearly defined the extent to which deviation from the provisions of Article XIII was permitted. In this connection it was pointed out that under Article XIV:1(b) of the existing text and paragraph 1 of the proposed new Article XIV a contracting party could deviate from the provisions of Article XIII only in a manner having equivalent effect to restrictions on payments and transfers for current international transactions which that contracting party may at that time apply under the Articles of Agreement of the International Monetary Fund; it was understood that such restrictions could be applied only on currency grounds. As regards countries making use of the provisions of Article XIV:1(c) or of Annex J it was pointed out that such countries may deviate from the principles of Article XIII in a somewhat different manner, but they are required to consult annually with the CONTRACTING PARTIES on the nature and extent of their discrimination. Moreover it is for the CONTRACTING PARTIES to decide whether the provisions of the Agreement are being complied with and in so far as discrimination is not authorized under the Agreement, it is possible for a contracting party adversely affected thereby to have recourse to the provisions of Article XII. Furthermore, it was considered that the discriminations of the kind envisaged in the South African proposal would tend to disappear with the introduction of general convertibility of currencies.

1 The delegation of the Union of South Africa reserved its position on Article XIV as a whole.
30. The Working Party had before it a proposal of the Benelux delegations to the effect that the rule of non-discrimination should not be applicable to contracting parties which endeavour, by means of freely-concluded agreements, a closer integration of their economies and which, by the application of special regulations, promote to the greatest possible measure the maximum development of multilateral trade (L/271, page 5).

31. When this question came up for discussion, the United States representative was of the opinion that the adoption of strong GATT rules against discrimination need not result in retrogression of the Organization for European Economic Cooperation's work in trade liberalization as the Benelux delegations seemed to fear, and they did not feel that any special provisions to the GATT on this point were necessary or desirable. However, the United States representative reaffirmed the statements made by the United States authorities to the effect that it would be most unfortunate if, as a result of convertibility, there should be a decrease in the volume of European trade and he was prepared to recognize that it was conceivable that, under circumstances which it was hard to envisage at the moment, the effect of certain provisions of the General Agreement might be of a kind to create specific problems for a contracting party also a member of the OEEC. In such a case, it seemed clear to the United States delegation that a contracting party confronted with such a problem would be free to bring the matter to the attention of the CONTRACTING PARTIES and that any well-founded case would be examined by them with sympathetic attention. The United States Government would be glad to participate in any discussions which might take place with respect to such a problem; the United States interest in European integration of which intra-European trade liberalization had been an important feature was such as to assure sympathetic consideration on the part of the United States Government of any well-founded individual request of this kind. The representatives of Canada, Cuba and of the United Kingdom drew attention to the statement made by the representative of the United States and recommended that the problem should be dealt with in the manner proposed therein.

32. The representatives of France, Italy and the Federal Republic of Germany declared that although they did not envisage any possible conflict between the liberalization measures taken by the OEEC and the provisions of the General Agreement, they felt that, were such difficulties to occur in the future, it would be better to consider them, not from the standpoint of individual deviations but as a general problem of interest to all members of the two organizations.

33. The Benelux representative, after having heard the United States statement as well as similar statements from other members of the Working Party, reaffirmed his conviction that it was necessary to safeguard by all possible means the past and future efforts of the OEEC. It appeared to him increasingly clear that the amendment proposed by the Benelux delegations, which no longer corresponded exactly to the assumptions on which it had been based, was not adequate to achieve that object. As no other formula appeared practicable at this time, he was satisfied with the statement of the United States representative. While keeping this problem under consideration he agreed to withdraw the Benelux proposal, considering that it no longer served any useful purpose.
34. During the discussions on balance-of-payments consultations, it was emphasized by several members of the Working Party that if consultations carried out by the CONTRACTING PARTIES, and eventually by the Organization, were to be effective, improved arrangements for the competent and speedy conduct of the consultations were necessary. There was no general agreement on the lines such arrangements might take, but it was agreed that the Executive Secretary should be invited to consider the problem and, if possible, put forward concrete proposals for consideration at the Tenth Session.
ANNEX TO PART I OF THE REPORT

TEXT OF PROPOSED AMENDMENTS TO ARTICLES XII, XIV AND XV AND ADDITIONAL PROVISIONS FOR THE PROTOCOL OF AMENDMENTS

A. The text of Article XII shall read:

"ARTICLE XII

"Restrictions to safeguard the Balance-of-Payments

"1. Notwithstanding the provisions of paragraph 1 of Article XI, any contracting party, in order to safeguard its external financial position and balance-of-payments, may restrict the quantity or value of merchandise permitted to be imported, subject to the provisions of the following paragraphs of this Article.

"2. (a) Import restrictions instituted, maintained or intensified by a contracting party under this Article shall not exceed those necessary:

"(i) to forestall the imminent threat of, or to stop, a serious decline in its monetary reserves, or

"(ii) in the case of a contracting party with very low monetary reserves, to achieve a reasonable rate of increase in its reserves.

"Due regard shall be paid in either case to any special factors which may be affecting the contracting party's reserves or need for reserves, including, where special external credits or other resources are available to it, the need to provide for the appropriate use of such credits or resources.

" (b) Contracting parties applying restrictions under sub-paragraph (a) of this paragraph shall progressively relax them as such conditions improve, maintaining them only to the extent that the conditions specified in that sub-paragraph still justify their application. They shall eliminate the restrictions when conditions would no longer justify their institution or maintenance under that sub-paragraph.

"3. (a) Contracting parties undertake, in carrying out their domestic policies, to pay due regard to the need for maintaining or restoring equilibrium in their balance of payments on a sound and lasting basis and to the desirability of avoiding an uneconomic employment of productive resources. They recognize that in order to achieve these ends, it is desirable so far as possible to adopt measures which expand rather than contract international trade."
"(b) Contracting parties applying restrictions under this Article may determine the incidence of the restrictions on imports of different products or classes of products in such a way as to give priority to the importation of those products which are more essential.

"(c) Contracting parties applying restrictions under this Article undertake:

"(i) to avoid unnecessary damage to the commercial or economic interests of any other contracting party;

"(ii) not to apply restrictions so as to prevent unreasonably the importation of any description of goods in minimum commercial quantities the exclusion of which would impair regular channels of trade; and

"(iii) not to apply restrictions which would prevent the importation of commercial samples or prevent compliance with patent, trade mark, copyright, or similar procedures.

"(d) The contracting parties recognize that, as a result of domestic policies directed towards the achievement and maintenance of full and productive employment or towards the development of economic resources, a contracting party may experience a high level of demand for imports involving a threat to its monetary reserves of the sort referred to in paragraph 2(a). Accordingly, a contracting party otherwise complying with the provisions of this Article shall not be required to withdraw or modify restrictions on the ground that a change in those policies would render unnecessary restrictions which it is applying under this Article.

"4. (a) Any contracting party applying new restrictions or raising the general level of its existing restrictions by a substantial intensification of the measures applied under this Article 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.

"(b) On a date to be determined by the CONTRACTING PARTIES the CONTRACTING PARTIES shall review all restrictions still applied under this Article on that date. Beginning one year after that date, contracting parties applying import restrictions under this Article shall enter into consultations of the type defined in sub-paragraph (a) above with the CONTRACTING PARTIES annually.

\[1\] Reservation by the Belgian representative on the opening phrase.
If, in the course of consultations with a contracting party under sub-paragraph (a) or (b) above, the CONTRACTING PARTIES find that the restrictions are not consistent with the provisions of this Article or with those of Article XIII (subject to the provisions of Article XIV), they shall indicate the nature of the inconsistency and may advise that the restrictions be suitably modified.

If, however, as a result of the consultations, the CONTRACTING PARTIES determine that the restrictions are being applied in a manner involving an inconsistency of a serious nature with the provisions of this Article or with those of Article XIII (subject to the provisions of Article XIV) and that damage to the trade of one or more contracting parties is caused or threatened thereby, they shall so inform the contracting party and shall make appropriate recommendations for securing compliance within a specified period of time with such provisions. If the contracting party does not comply with these recommendations within the specified period, the CONTRACTING PARTIES may release any contracting party whose trade is adversely affected by the restrictions from such obligations under this Agreement towards the contracting party applying the restrictions as they determine to be appropriate in the circumstances.

The CONTRACTING PARTIES shall invite any contracting party which is applying import restrictions under this Article to enter into consultations with them at the request of any contracting party which can establish a prima facie case that the restrictions are inconsistent with the provisions of this Article or with those of Article XIII (subject to the provisions of Article XIV) and that its trade is adversely affected thereby. However, no such invitation shall be issued unless the CONTRACTING PARTIES have ascertained that direct discussions between the parties concerned have not been successful. If, as a result of such consultations, no agreement is reached and the CONTRACTING PARTIES determine that the restrictions are being applied inconsistently with those provisions, and that damage to the trade of the contracting party initiating the procedure is caused or threatened thereby, they shall recommend the withdrawal or modification of the restrictions. If the restrictions are not withdrawn or modified within such time as the CONTRACTING PARTIES may prescribe, they may release the contracting party initiating the procedure from such obligations under this Agreement towards the contracting party applying the restrictions as they determine to be appropriate in the circumstances.

When proceeding in accordance with this paragraph, the CONTRACTING PARTIES shall have due regard to any special external factors adversely affecting the export trade of the contracting party applying restrictions.
"(f) Determinations under this paragraph shall be rendered expeditiously and, if possible, within sixty days of the initiation of the consultations. The CONTRACTING PARTIES shall make provision for the utmost secrecy in the conduct of any consultation.

§5. If there is a persistent and widespread application of import restrictions under this Article, indicating the existence of a general disequilibrium which is restricting international trade, the CONTRACTING PARTIES shall initiate discussions to consider whether other measures might be taken, either by those contracting parties whose balances of payments are under pressure or by those whose balances of payments are tending to be exceptionally favourable, or by any appropriate intergovernmental organization, to remove the underlying causes of the disequilibrium. On the invitation of the CONTRACTING PARTIES, contracting parties shall participate in such discussions.

B. The text of Article XIV shall read:

"ARTICLE XIV

"Exceptions to the Rule of Non-Discrimination

"1. A contracting party which applies restrictions under Article XII or under Section B of Article XVIII may, in the use of such restrictions, deviate from the provisions of Article XIII in a manner having equivalent effect to restrictions on payments and transfers for current international transactions which that contracting party may at that time apply under Article VIII or XIV of the Articles of Agreement of the International Monetary Fund, or under analogous provisions of a special exchange agreement entered into pursuant to paragraph 6 of Article XV.

"2. A contracting party which is applying import restrictions under Article XII or under Section B of Article XVIII may, with the consent of the CONTRACTING PARTIES, temporarily deviate from the provisions of Article XIII in respect of a small part of its external trade where the benefits to the contracting party or contracting parties concerned substantially outweigh any injury which may result to the trade of other contracting parties.

"3. The provisions of Article XIII shall not preclude restrictions in accordance with the provisions of Article XII or of Section B of Article XVIII which are applied against imports from other countries, but

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1 The Australian delegation submitted an amendment to this paragraph (see W.9/132); a number of representatives reserved their position on this paragraph. See paragraphs 14 to 23 of the Report.
not as among themselves, by a group of territories having a common quota in the International Monetary Fund, on condition that such restrictions are in all other respects consistent with the provisions of Article XIII.

"4. A contracting party applying import restrictions under Article XII or under Section B of Article XVIII shall not be precluded by Articles XI to XV or Section B of Article XVIII of this Agreement from applying measures to direct its exports in such a manner as to increase its earnings of currencies which it can use without deviation from the provisions of Article XIII.

"5. A contracting party shall not be precluded by Articles XI to XV, inclusive, or by Section B of Article XVIII, of this Agreement from applying quantitative restrictions:

"(a) having equivalent effect to exchange restrictions authorized under Section 3(b) of Article VII of the Articles of Agreement of the International Monetary Fund, or

"(b) under the preferential arrangements provided for in Annex A of this Agreement, pending the outcome of the negotiations referred to therein."

C. The following words shall be inserted in the third sentence of paragraph 2 of Article XV immediately after the words "in paragraph 2(a) of Article XII":

"or in paragraph 9 of Article XVIII"

D. The interpretative notes in Annex I, ad Article XII, paragraph 3(b)(i) shall be deleted, and the following text shall be inserted:

"Paragraph 3(c)(i)

"Contracting parties applying restrictions will endeavour to avoid causing serious prejudice to exports of a commodity on which the economy of a contracting party is largely dependent.

"Paragraph 4(b)

"It is agreed that the date shall be within ninety days of the entry into force of the amendments to this Article. However, should the CONTRACTING PARTIES find that conditions were not suitable for the application of the provisions of this sub-paragraph at the time envisaged, they may determine a later date, provided that such date is not more than thirty days after such time as the obligations of Article VIII, Sections 2, 3 and 4 of the Articles of Agreement of the International Monetary Fund become applicable to contracting parties, members of the Fund, whose combined foreign trade constitutes at least fifty per cent of the aggregate foreign trade of all contracting parties.
"Paragraph 4(e)

"It is agreed that this sub-paragraph does not add any new criteria for the imposition or maintenance of quantitative restrictions for balance-of-payments reasons. It is solely intended to ensure that all external factors such as changes in the terms of trade, quantitative restrictions, excessive tariffs and subsidies, which may be contributing to the balance-of-payments difficulties of the contracting party applying restrictions will be fully taken into account."

E. The interpretative note to Annex I ad Article XIV, paragraph 1(g) shall be deleted, and the following text shall be inserted:

"Paragraph 1

"The provisions of this paragraph shall not be so construed as to preclude full consideration by the CONTRACTING PARTIES, in the consultations provided for in paragraph 4 of Article XII and in paragraph 12 of Article XVIII of the nature, effects and reasons for discrimination in the field of import restrictions."

F. Annex J shall be deleted.

G. Notwithstanding the provisions of Article XXX, the amended text of paragraph 1 of Article XIV as provided in Section B above, and the deletion of Annex J as provided in Section F above, shall come into force on the day on which the obligations of Article VIII, Sections 2, 3 and 4 of the Articles of Agreement of the International Monetary Fund shall have become applicable to contracting parties, members of the Fund, whose combined foreign trade constitutes at least fifty per cent of the aggregate trade of all contracting parties.