Delegations which took part in the discussion on agenda item 4 will find a résumé of their remarks in the attached draft press releases. They are asked to send in corrections, if any, to reach the Information Office by 12.00 noon on Friday so that the release may be issued at the end of the week.

It was thought advisable in editing this release to omit all specific references by delegates to the Draft Report since this is a restricted document and is not available to press. For this reason delegates may find their remarks slightly modified or shortened.

October 3, 1951
Before considering in detail the various matters which arise under items 4 and 5 a number of representatives of the Contracting Parties expressed their views on the progress which had been made in reducing quantitative restrictions on imports and other barriers to trade, since 1947.

The delegate of Australia, Mr. J. G. Phillips, said that Australia had always in the past conducted its trade on a multilateral basis and was one of those countries which hoped to be able to return to that position at the earliest possible moment. Australia, he said, traditionally had a deficit with the United States and Canada and a surplus with Europe, a situation which gave rise to no difficulty in the days of convertible currencies. The system had broken down in the last decade or so and it was the earnest wish of his country to see it restored as soon as possible, he said.

Mr. Willard Thorp, United States, said that the review under Article XII of quantitative restrictions and the reports required under Article XIV on the discriminatory administration of restrictions had significance to the operation of GATT which might not generally be realised. They were important as one of the steps provided for in the Agreement to facilitate the eventual elimination of quantitative restrictions applied for balance of payments reasons. The GATT and the International Monetary Fund, he said, had both been launched at a time when quantitative and exchange restrictions were prevalent and were considered necessary in view of the circumstances then prevailing. It had been hoped that as time went on countries would be able to deal more effectively with the problem and that both quantitative and exchange restrictions would be progressively eliminated except in a few well defined circumstances, the ultimate aim being that market forces should return once again to normal.

Clearly, said Mr. Thorp, encouraging signs could be discerned in the situation obtaining today - a situation which was essentially different from the immediate post-war period. The dominating problem in those days had been the intense preoccupation by many countries with the dollar shortage. Towards the solution of that problem the United States had contributed some 30 billion dollars in the form of grants and loans. The problem which confronted many countries today, said Mr. Thorp, if more complex, was less acute and more diffused. The situation today was no longer dominated by one balance of payments situation but by several such situations. Mr. Thorp said he thought it was fair to say that in spite of existing uncertainties many countries were in a position to undertake a progressive elimination of their quantitative restrictions and to make their currencies convertible.

Referring to the effect of the purchase of raw materials for strategic stockpiling and armament production, Mr. Thorp pointed out that during the whole post-war period emphasis had been put on increasing production, especially in the industrial field; and as a result of the recent industrial boom the indices of industrial production for the United States and Western Europe had advanced 25 per cent in a year or so. This, he said, had been an important element in the increased demand for raw materials and primary goods and in affecting the terms of trade between the industrial and primary producing countries. The pressure created by armaments production had been very limited. This, he said, was only now beginning and had not yet placed burdens on most economies. The phenomenal rise in prices during the 3rd Quarter of 1950 was due more to speculative buying than to stockpiling purchases by governments, which as far as the United States was concerned were anything but overwhelming in size. In
conclusion Mr. Thorp said that it might be suggested that a basic change had occurred in the terms of trade and the effect of this on the balance of payments might be of a permanent and continuing nature.

Professor Adarkar, India, referred to the improvement in the balance of payment situation which had been achieved by many countries and asked how and why these improvements had been brought about and whether they were temporary or permanent in nature. If one examined the improvement since the middle of 1950, he said, one would see that it had been achieved mainly on account of the scarcity of heavy industrial materials. There was therefore no guarantee that such an improvement would be long lasting. There was no doubt, he said, that all contracting parties would work towards the objective of removing restrictions but it might take a long time to produce tangible results. Further, it was worth remembering, he said, that quantitative restrictions, especially if discrimination was involved, were sometimes damaging to the interests of the importing countries even more than to the potential exporters. India, said Dr. Adarkar, had always been ready to modify or relax its import restrictions even when there was only a slight improvement in her balance of payment situation. Discrimination, he said, tended to be applied only against hard currencies; while India in its licensing policy was not unresponsive to changing conditions and had in fact recently liberalized its trade with soft currency countries to a great extent. Finally, Dr. Adarkar stressed that discrimination was in almost all cases an essential element in the policy of restriction and was almost inevitable when many currencies were inconvertible. The Government of India was doing everything in its power to eliminate its quantitative restrictions, even though it was a soft currency country.

Speaking for South Africa, Dr. P. R. Botha said that what struck him was that the contracting parties were making steady progress towards relaxation of restrictions and elimination of discrimination and that some countries had already completely removed such restrictions. But there was one aspect of restriction of competition and the free flow of trade in which the contracting parties did not seem to be improving the position. He referred to bilateral methods of trading. It was the impression of his government that despite the declared intention of contracting parties to concert their trade policies and practices with a view to promoting the early re-establishment of a multilateral system of international commerce, this objective was far from being attained. It was, said Dr. Botha, difficult to escape the impression that recent developments in international policy had steadily taken them further away from the objective of multilateralism which was one of the cornerstones of the whole GATT structure. Every month saw the negotiation of a new series of bilateral trade treaties, he said, the basic elements of which seemed to run counter to the objectives of the contracting parties. The general tendency of these treaties seemed to be for them to increase not only in numbers but also in their disturbing effects on the trade of those countries which were excluded from the benefits which they were intended to confer.

Dr. Botha said that the government of the Union of South Africa had always regarded the early establishment of a multilateral non-discriminatory system of world trade as the principle reason for GATT's existence and it was in this spirit that South Africa accepted the limitations which accession to GATT had imposed on their freedom of action. Nevertheless he could not avoid the impression that bilateralism was becoming more and more the trading system of today while countries which adhered to the principle of multilateralism were finding it increasingly difficult to resist the pressure upon them by those nations which were openly resorting to bilateral trade practices. Every new bilateral trading or quota arrangement operated more and more to the detriment of those countries which were trying desperately to promote the GATT objectives of multilateral trading, he said. South Africa's export trade had suffered considerably in recent years for this reason.
Although bilateralism was recognized by his government, as a evil arising from the disturbed post-war economic conditions, said Dr. Botha, his government had constantly held that resort to bilateral methods of trade regulation should not exceed the bounds of necessity. If the contracting parties individually failed to make sacrifices to further the GATT objective of multilateralism, they would indeed deal a severe blow to further international economic co-operation. Dr. Botha said he sincerely believed that they were confronted with an issue which struck at the very foundations of GATT - an issue which would have to be faced squarely. The South African government was particularly anxious that in its trade with other contracting parties its exporters should enjoy fair and equal access to their markets and not be penalized in this respect because South Africa had been consistently true to the principle of multilateralism and had refused to submit to the conditions that it should negotiate bilateral treaties in order to avoid discrimination against its exports, Dr. Botha added.

As to whether South Africa should invoke certain provisions of the GATT if it felt its rights and privileges under the GATT were being nullified or impaired, Dr. Botha said that it has always been their impression that the successful application of GATT depended very largely on the spirit in which the participating countries approached the obligations and responsibilities which they have assumed in the common interest. In other words, progress towards the objectives of multilateralism and non-discrimination would ultimately depend not so much on the ability of the Contracting Parties acting jointly to control successfully the action of any particular contracting party on the basis of an unduly narrow interpretation of the rules of GATT, but on the determination of individual contracting parties to frame their policies so as to ensure that they would make the maximum possible contribution towards the achievement of the agreed long-term objectives.

In conclusion Dr. Botha said he feared they could not serve two masters. They must either set a firm course in the direction of multilateral trading or revert to complete bilateralism. The pursuit of multilateral trade was the principle reason for GATT's existence.

Mr. S. Reisman, Canada, said that the outlook for international trade and for the contracting parties was much clearer in 1947 than it was today. In 1947, when the GATT was written, they wanted to re-establish world-wide multilateral trade and to free trade from arbitrary restrictions and discrimination. GATT was however a realistic agreement which made exceptions for certain countries to use extensive quantitative restrictions and to discriminate in order, he said, to put them back on their feet. Some progress had been made since 1947 but not enough in the direction of establishing the kind of trading world Canada would like to see. For this, said Mr. Reisman, there were two reasons: the first was a certain over-optimism in 1947 and at the same time an under-estimation of war ravages and other effects. The second reason was that in 1947 they planned for a world of peace. Nevertheless very real progress had been made - certainly up to 1950 - by most contracting parties in increasing production, and improving the equilibrium in the international accounts. By 1950 the
dollar shortage was nearly resolved, though the progress made in removing restriction on trade had not kept pace with progress in the economic and social fields as a whole.

Dr. Reisman said that the Korean war had clearly introduced new factors, some with helpful effects on the balance of payments situation, others with negative effects. In Canada's opinion some countries had not moved so rapidly as they should have done in removing trade restrictions: he referred particularly to the removal of discriminatory restrictions. It was clear, he said, that all the countries which were using quantitative restrictions for balance of payments reasons were also using discriminatory restrictions, and that all these discriminations were practised against the dollar countries.

Discussion continued in PART II, GATT/51
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 eventually to abolish 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. It was also often difficult for manufacturers in soft currency countries to find raw materials in markets which were also open to hard-currency manufacturers.

Turning to the subject of bilateral agreements, Dr. Van Blankenstein stressed that such agreements aimed not only at a balance of trade but also often 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 agreements 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 been preserved 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, had used quantitative restrictions
to protect new industries. The Netherlands, however, considered that protectionist measures should conform to the terms of Article XVIII, should 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 XII 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 hard currency areas had been liberatar. 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 those restrictions as quickly as possible, but recent experience 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 gradual relaxation. 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. 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 liberalisation 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.F.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 renewal 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 P. RT III G.TT/52
Mr. Ha сни, Pakistan, explained the nature of import restrictions applied by his country, the extent to which they could be regarded as discriminatory, and the justification for the present import policy of his Government. He emphasized that the so-called discriminatory element in the application of import restrictions could not be removed by unilateral action on the part of the country practising such restrictions to conserve its dollar resources for the procurement of essential goods. If the dollar area could contribute to the economic development of under-developed countries, thereby raising their productivity and purchasing power, then such discrimination was likely to vanish.

Mr. Ha сни defended bilateralism as the quickest and most effective method of achieving multilateralism, and also as a means to expand trade. He explained how bilateral agreements helped Pakistan in diversifying trade, especially at a time when some of the traditional channels became clogged at the other end.

Mr. Ha сни did not subscribe to the suggestion that high tariffs were as detrimental to foreign trade as quantitative restrictions. In his opinion, the level of tariffs depended essentially on the type of economy which each country possessed. A country which imported raw materials in order to manufacture goods, could not but keep its tariffs extremely low. Such countries were, therefore, making no sacrifice by not raising the level of tariffs. Pakistan, on the other hand, being an importer of manufactured goods, could ill afford to reduce its sources of income derived from customs duties, when large sums were required for its economic development and for building up its defences quickly and effectively in the present uncertain conditions.

Mr. Leo Tuominen, Finland, said that Finland found itself in a position which was more difficult than that of other European GATT members, for Finland, not being a member of the OEEC, and not participating in the European Payments Union, would find it more difficult to remove restrictions than members of that group. In his opinion, the question of removing restrictions would have to be decided on at a future stage, namely when the justification for maintaining them ceased. In view of the difficult circumstances which had been affecting countries like his own, which were not members of the EPU, the time to lift these restrictions had not yet come. On the other hand, he said, Finland was doing what it could to facilitate as much as possible imports from countries which were willing to buy Finnish goods in order to overcome the difficulty of inconvertibility of currencies. On the subject of bilateral agreements, Mr. Tuominen said that his Government did not regard bilateral trade dealings as any more important than trade on a reciprocal basis, which was freely being carried on with other countries. Finland’s exports under bilateral agreements, he said, were not holding up in any way the traditional exports to the United States, Brazil, South Africa and other countries.
Bilateral agreements were concluded only when necessary because of inconvertibility of exchanges.

The delegate of Brazil, M. Edgar Hello, said that Brazil's commercial policy had been based exclusively upon the need for maintaining a reasonable equilibrium in her balance of payments. By means of its exchange policy Brazil had, during the first six months of 1951, eliminated the system of import quotas on some essential products while for less essential goods a more flexible treatment was adopted such as the previous licensing of future quotas. An international trade surplus was, he said, for some countries the only source of receipts to balance their liabilities in foreign currency. That there must be strict discipline in such trade was obvious on account of the permanent lack of equilibrium in the balance of payments.

Mr. Mello said that the figures showed that the controls adopted by his Government had in no way hindered the expansion of their foreign transactions. During the first six months of 1951 both the number of licences issued and the value of the imports exceeded the equivalent totals for the same period of 1950 by 150 per cent. After reviewing the trade agreement policy of his Government, Mr. Mello said that the policy adopted by Brazil was the result of the present economic conditions of the world; it could not, he said, be taken as discriminatory but on the contrary it was a very liberal one.

In conclusion, the Chairman, Mr. Johan Melander, Norway, summed up by saying that there were two tendencies evidenced in the debate. Some countries said that the time was now ripe for relaxation. Other countries agreed that this aim was desirable but doubted whether it could be put into practice at the present time. As to the character of the restrictions, there was a general feeling, he said, that these should be conducted on a non-discriminatory basis so far as possible. Obviously, he said, those countries being discriminated against would watch carefully for the possibility of relaxations. On the subject of bilateralism, Mr. Melander said that obviously countries with arrangements for payments facilities, such as the OEEC group, or the sterling area group, had a greater chance for multilateral settlement of payments than countries outside these groups, since all the earnings of the countries in these groups go into a pool. Countries outside these groups have to apply the bilateral approach to a larger extent. He felt that the Contracting Parties should take note of this and should view the position of the countries outside the payments groups with sympathy.

Mr. Melander said that the discussion had shown that the Contracting Parties were very concerned with the maintenance of quantitative restrictions for balance of payments reasons, and clearly regarded such restrictions as a method of carrying out an economic policy. Some delegates had suggested that equilibrium could be restored by internal financial measures, but most countries appeared to think that this automatic indirect method was not the best one and certainly not the only one. He noted that all countries wanted to increase their productivity, but in the less developed countries there was a tendency to do so by using quantitative restrictions to control non-essential imports.

In conclusion, Mr. Melander said that in his view the structural disequilibrium in the world today was a very long term affair and one must consider that import restrictions were bound to remain in force for some time to come, although clearly it was the desire of many countries to lighten the burden of these restrictions and to improve their administration.
After the setting up of a working party with Mr. J.G. Phillips, Australia, as Chairman, the United States delegate, Mr. John Liddy, referred to the Chairman's summary and said that his Government would have drawn a rather less gloomy conclusion. He said that many delegations had referred to the relaxation of restrictions in the past few years and stressed that quantitative restrictions were by no means a long-term measure but were essentially a temporary measure for resolving financial difficulties.

Mr. Liddy also considered that there had been a notable improvement in the balance of payments position of many countries in recent months.