INTERNATIONAL TRADE - 1956

A Report by the Secretariat on Trade, Trade Barriers and the Activities of the CONTRACTING PARTIES

Quantitative Restrictions

The draft of the section of Part II dealing with Quantitative Restrictions is attached hereto. Any contracting party wishing to make suggestions is requested to do so by 3 May, as the time schedule for the printing of the Report is such that it will not be possible to alter the text of this section after that date.
In the four previous reports in this series an account was given of the gradual improvement in the world payments situation after 1952. The gold and dollar reserves of the countries outside the United States continued to increase, though at a declining rate in 1954 and 1955, and against this background most of the more important trading nations relaxed their import restrictions and reduced the discriminatory element in those they retained. It was pointed out, however, that the increases in reserves were not evenly distributed and that some countries, mostly those in the early stages of economic development or dependent upon the export of a few primary commodities, continued to face balance-of-payment difficulties. In 1956, the year now under review, gold and dollar holdings of countries outside the United States increased for the fifth consecutive year, and again the gains were concentrated in the industrial regions, particularly Continental Western Europe. Consistently with this situation the marked difference that emerged in the previous years between the commercial policies of industrialized countries and those of underdeveloped countries has persisted.

In the industrial countries the favourable developments in the payments situation in recent years has been based on the recovery and expansion of production. Since 1952 the rapid expansion of industrial production has been accompanied by high and rising demand, and where the rise in the volume of domestic output lagged behind the rise in demand, prices have tended to move upwards and increases in imports have tended to be faster than in exports. Since 1955 the monetary and fiscal authorities in most industrial countries, and in many others, have found it necessary to take steps to restrain internal demand. In some countries, e.g. the United Kingdom, Germany and Benelux and Scandinavian countries such measures were taken in 1955 and in some cases were reinforced in 1956. By the middle of 1956 the measures thus adopted had begun to show effects on internal stability and on the external accounts of these countries. There was evidence of some moderation of price advances, of orders and deliveries coming more into balance, of replenishment of low inventories and of a halting or reversal of earlier drains on gold and foreign exchange reserves. Recently, some of these countries have attained a position where they consistently run a surplus in their external payments, thus joining the traditional group of creditors.

As early as 1953 the improvements in the balance-of-payments situation had enabled many countries, notably those in Western Europe, to relax their restrictions. Beginning in 1954 many of the measures taken were directed in a more substantial way than hitherto towards the relaxation of restrictions on imports from the dollar area and considerable progress was made in reducing the discriminatory elements of the restrictions. In 1956 the freer
pattern of trade and payments created in recent years was generally maintained. Countries in the industrial regions, when faced with pressures on their external reserves, generally avoided resorting to the intensification of import restriction and relied on further internal financial and monetary measures for redressing the situation.

In most non-industrial countries there has been no sign of any permanent improvement in their balances of payments, and they have remained dependent on quantitative import restrictions or similar measures for safeguarding their monetary reserves. The principal causes of the persistent pressures on their external financial situation are the instability in the prices of primary commodities, on which most of the underdeveloped countries depend for their external income, and the rate of their economic development. The wide fluctuations in the prices of such primary commodities as coffee, wool and copper are well known, and the demand for imports in both capital goods and consumer goods sectors in countries in the process of rapid development are likely to be heavy. In such countries pressures on the balance of payments can be alleviated only by increases in capital inflow, improvements in the terms of trade and in the long run by increases in exports and in domestic production substituting for imports. In so far as the possibility of substantially expanding exports immediately is limited, it should not be surprising if such countries consider it necessary to ration their available exchange resources in order to concentrate their imports on essential goods.

In the past year, however, there has been seen in Latin American countries, a tendency towards making greater use of means other than straight-forward quantitative restrictions for restraining the volume, or for influencing the composition, of imports. Consequent upon the introduction of changes in their exchange systems a number of Latin American countries fundamentally revised their import controls. Generally, imports were freed from quantitative restriction or licensing control, and reliance was placed on increased import costs brought about by measures in the exchange field. For example, less essential imports might be permitted at the so-called "free rate", foreign exchange being provided at an "official rate" only for the more essential types. A combination of the two rates might be used for imports of various degrees of essentiality. For non-essential or luxury goods a prohibited list was sometimes maintained.

Towards the end of the year the international payments situation was complicated by certain political events. At the time of writing this report the future prospects are veiled by uncertainties consequent upon the Suez crisis. The full effects of the interruption of shipping and of pipe-line oil flow on the economies of Western European countries are yet to be felt. Changes in the prices of wheat, oil, coal and other industrial materials cannot but affect the competitive strength of West European production. Exports to countries east of Suez are affected both because of the increased freight cost and the disruption of market relations. But so far these developments have not led to a recrudescence of quantitative restrictions.
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Sterling Area

In the first ten months of 1956, the United Kingdom recovered some of the losses in gold and dollar reserves which it had suffered in the preceding eighteen months, but heavy drains were encountered in November. In December a net increase was achieved after the receipt of a substantial sum from the IMF. At the end of the year total reserves stood at substantially the same level as a year previously. In 1955 the Government had taken a number of measures to relieve the pressure on internal demand and to strengthen the balance of payments; these included rises in the Bank Rate, checks to hire purchases, reduction in bank advances and finally a supplementary Budget involving tax increases. In 1956, further measures of a similar nature were taken and no resort was made to new import restrictions. These measures were, however, slow in showing effects on the balance of payments, and before their full effects were to be seen, fresh pressures were brought to bear on the pound. While the burden of the various internal measures was being felt by all sections of the economy, the Government was reluctant to take further significant measures of import liberalization which might involve further losses of reserves. Nevertheless, certain easing of the restrictions did take place in 1956. With effect from 1 January sulphur was placed on open general licence. In July, imports of pulp, paper and board, which represented a substantial share in the import bill, were similarly freed from restriction. With the ending of state trading on 1 October, pork and bacon were placed on open individual licence for free importation from most of the non-dollar countries. In November, iron and steel pipes and tubes were freed from control when imported from non-dollar sources, and whisky was added to world open general licence.

In 1955 Australia had twice intensified its import restrictions while taking extensive internal monetary and fiscal measures to restrain demand and restore external equilibrium. By these measures the Government had hoped that sufficient internal stability and a balance in international payments would be brought about by the middle of 1956. In fact, the Government found it necessary in March 1956 to introduce further heavy increases in taxation and to allow interest rates to rise in order to reinforce the counter-inflationary measures previously taken. Despite these, the pressures of demand for imports remained high, and further drains on the monetary reserves were expected. To meet the situation, the Government introduced new measures on 1 July which were designed to save some £40 million a year; these measures related only to imports from non-dollar sources. Items previously licensed without quota were transferred to the quota categories. Furthermore, a more strict control was placed on non-essential imports through reducing the extent to which quotas were interchangeable, and quotas were reduced by various percentages. In August, further budgetary measures were taken to supplement the effect of these restrictions. Because of a scarcity, quotas were increased for certain types of textiles at the beginning of 1957. Following an improvement in the balance of payments, certain liberalization measures were taken in January 1957.
In New Zealand, a substantial fall in external reserves in the second half of 1955 had caused some concern to the Government; the year as a whole saw a net deficit of £26.5 million in the balance of payments. In 1956, an overall surplus was achieved, and the payments with the dollar area were particularly favourable. Principally responsible for this were the increased receipts from wool exports, resulting from higher prices as well as a higher volume, but reduced import expenditure also contributed to the improvement. In 1956, further items were added to the World Exemption List permitting imports from any source without a licence, and to the large number of products which could be freely imported from non-dollar countries. No major changes have been made in the import policy for 1957, which was announced in August 1956. At present, about 80 per cent of imports from non-dollar countries are free from licensing control, and the Government has stated that further important relaxations will not be possible until the whole structure of import duties has been examined in relation to the protective needs of domestic industry.

The Indian import programme for the first half of 1956 retained the basic structure of the previous licensing period, but in view of the increase in domestic industrial output and the expected diminution of Government food imports, larger foreign exchange resources were made available for imports of machinery and industrial raw materials including cotton, jute and petroleum, to sustain the rising tempo of industrialization under the Second Five Year Plan. Special provisions were made for small machine tools, electric motors, packing paper, bicycles, etc. Import quotas were reduced for a number of miscellaneous items on the basis of estimated increases of domestic output, while other goods which previously figured in the "liberal licensing list" were brought under quota. In the import programme for the second half of 1956, imports of machinery, spare parts and raw materials were further liberalized. On the other hand, quotas were reduced for a number of consumer goods and certain chemicals, and further items were transferred from "liberal licensing" to quota control. Liberalization also took the forms of giving importers a wider choice of the base year for quota purposes and of allowing importers to use a proportion of soft-currency licences for dollar imports.

During 1956, however, India witnessed a continued fall in its foreign exchange holdings; the sterling balances fell from £570 million at the beginning of the year to £412 million at the end. Big increases in imports of capital goods were almost wholly responsible for the drain. The Second Five Year Plan envisages imports of the order of £580 million in 1956-57, but the actual payments for imports in April-September 1956 reached an annual rate of £720 million. Alarmed by the accelerated loss in the reserves, the Government introduced certain reductions in the programmed imports for the first half of 1957. Quotas for over 500 items were drastically reduced and
for some of them were totally eliminated; the liberal licensing scheme and
the practice of granting licences to "newcomers" were withdrawn altogether;
and "face value" conditions limiting the use of quotas to imports of goods of
specified types or sizes were tightened for a number of products. These
measures were intended to save about £22 million a year. On the other hand,
the freedom to use a part of the licences for imports from the dollar area
has been widened under the new import programme, and this means a further
reduction in the discriminatory elements of the restrictions against goods of
dollar origin.

Under the import control system of Pakistan, all import licences except
those issued for certain products covered by bilateral agreements are valid
for imports from any source, but licences can be issued only for goods
included in a list which is published every half year. In the first half of
1956, the number of items for which licences could be issued was increased
from 150 in the previous period to 211. In the second half of the year the
number was reduced to 207. During the year, the balance of payments
deteriorated considerably; a surplus of some £22.7 million accumulated in
the first six months was almost used up in the second half year because of
extra expenditures incurred in the purchase of food. In the import policy
announced for the first half of 1957 reductions have been made in the imports
of less essential goods; the number of licensable items has been reduced to
193. Industrial requirements continue to enjoy top priority.

In the case of Ceylon, a satisfactory balance-of-payments surplus was
achieved in 1955, principally because of the higher world prices for rubber
and tea, and foreign exchange reserves increased considerably during the year.
In 1956, however, owing to the decline in the prices of those two products, a
much lower surplus was expected. Nevertheless further measures were taken by
the Government to relax import restrictions and to reduce discrimination. In
July several classes of goods, including foodstuffs, cotton, various types of
oil and iron and steel manufactures, were put on open general licence for
free importation also from the dollar area. At the same time all "monetary
ceilings" on dollar imports were removed. In September, further measures
brought about a situation in which only four items remained under restriction:
toys and confectionery could not be imported at all, while whisky and beer
could be imported in token quantities only. With the exception of a few
items whose import from the dollar area is subject to nominal licensing
control, all imports are now covered by open general licences and can be
imported free of individual licence.¹

¹ A few products are, however, subject to special control under the
Industrial Products Act for the purpose of promoting the establishment
cr development of local industries.
The Union of South Africa has continued without major change its import control system under which licences issued are valid for imports from all sources. The preliminary quotas announced at the beginning of 1956 were similar to those announced at the beginning of 1955. Certain products e.g. wood, wood manufactures, milled steel products, certain types of steel, were added to the list of goods for which licences were issued freely. Restrictions on goods on the so-called "restricted list" were relaxed by the adoption of a rate of one to one at which regular ordinary consumer goods quotas could be converted to cover such imports; the new rate was more favourable than the previous but conversion was still limited to one-third of the value of the importer's purchases in 1948. A two to one rate of conversion was adopted to encourage the use of ordinary quotas for the import of goods on the "priority list" which were in short supply. The continued favourable balance of payments has enabled a considerable further relaxation of restrictions in 1957; the "restricted list" has been shortened and on the basis of the new regulations imports of motor cars in the lower price range are likely to increase.

Ever since its inception the Federation of Rhodesia and Nyasaland has had a favourable balance of payments; a substantial trade surplus has been produced each year and the deficit on invisible transactions has been more than covered by capital inflow. With the substantial additions to the external reserves, the Government has been able to introduce substantial relaxations in its import restrictions. As a result of the actions taken in 1956, imports from most non-dollar countries have been almost completely free; only two items, namely motor vehicles and second-hand clothing, remain under restriction. Only five other products remain under licensing control, but import licences for these products are issued freely. As for dollar imports, the range of goods on open general licence has been greatly increased; some 385 tariff items and sub-items which previously were prohibited or subject to quota have been transferred to the unrestricted list for unlimited licensing. As a result the control system has been changed from one under which all dollar imports are prohibited unless specified and provided with quota, to one under which all imports are permitted except those named in a special list.

During the year, a number of the dependent overseas territories of the United Kingdom, notably, Barbados, Bermuda, British Honduras, British Guiana, Jamaica and Trinidad, took measures on various dates to relax their restrictions on dollar or other imports.
Western Europe

Taking the countries in Western Europe as a group, their general balance of payments with the rest of the world, their balance with the dollar area and the rate of increase in their reserves, all remained stable in 1956 at levels that, prior to the Middle East crisis, gave no cause for immediate concern. Taking the countries individually, however, marked divergencies were found between the fortunes of certain important trading nations in the region. The deterioration in the United Kingdom's position in 1955 and its stabilization in the following year have been referred to above. Among the Continental countries, France met with increasing difficulties in 1956, which contrasted with the considerable improvements it had achieved in the preceding year. In the Federal Republic of Germany, the already strong creditor position was accentuated by continuing large surpluses and further increases in its foreign exchange holdings; the increase in Western Europe's gold and dollar reserves in 1956 was mainly concentrated on Germany, but a considerable surplus was also achieved by Belgium.

Against a background of general improvement in the balance of payments, and increasing reserves, a number of Western European countries in the past years adopted measures of liberalization, particularly with respect to dollar imports. By the end of 1955, most of the members of OEEC had established dollar-free lists covering goods which could be imported without limitation from countries in the dollar area or specific free lists applying to imports from any source. In 1956, further progress has been made by a number of countries.

In January 1956, France freed some 230 products from quantitative restriction when imported from Canada and the United States, the products representing about 11 per cent of French imports from these countries in 1953. In January, Sweden extended its dollar free list to include certain important industrial materials, and with further additions in July raised the level of liberalized dollar imports from 64 to 68 per cent. In March, the Norwegian authorities announced that a more liberal policy would be followed in licensing imports; this was followed in July by the formal liberalization of 83 per cent of dollar imports; and a few more items have been added to the list with effect from November 1956 and April 1957. In April, Italy replaced its old list of 1954 with a substantially enlarged list, raising the dollar liberalization percentage from 24 to 40. As from 19 June the German dollar liberalization percentage was raised from 68 to over 92. In October Austria raised dollar

1 For the status of dollar liberalization at the end of 1955 see International Trade 1955, p. 165-166.

2 The percentages mentioned in this paragraph, unless otherwise stated, are on the basis of actual imports from the United States and Canada in 1953. It should be noted that dollar imports in that base year were under restrictions. Except in the case of Austria, France and Norway, which apply the liberalization to the United States and Canada only, such liberalization applies to imports for all countries in the dollar area.
liberalization from 8 to 40 per cent, the newly freed goods comprising, principally, industrial and other machinery and materials. The level of dollar liberalization of the Benelux countries (87 per cent), Denmark (55 per cent) and Greece (99 per cent) was not changed in 1956. In the case of the United Kingdom, dollar liberalization stood at the beginning of the year at 56 per cent, but new measures were taken in 1956 which have been described in the previous section.

Considerable progress was also made by Western European countries in the liberalization of imports from sources other than the dollar area. A number of countries, notably Austria, Denmark, France, Germany, Ireland, Norway and the United Kingdom, added to their lists of unrestricted imports.

In January 1955 the OEEC had set certain objectives regarding the level of liberalization that its members should achieve, and these have now been almost reached. Thus, all except three countries (Denmark, France and Norway) which do not benefit from special dispensations, have achieved an overall level of liberalization of over 90 per cent of their base-year imports from the other OEEC countries, and among the countries which have reached that percentage, only Switzerland has a percentage in one sector (food and feeding stuffs) below the 75 per cent prescribed for each of the three sectors. During 1956, no countries in this region which met with balance-of-payments difficulties resorted to an intensification of their import restrictions. On the other hand, the number of products remaining under restriction is still considerable, suggesting that a substantial volume of potential trade is being suppressed by restrictions. Restricted products are particularly numerous in the agricultural sector.

Though the measures taken by Western European countries, partly in fulfilment of their obligations under the OEEC Code of Liberalization, relate principally to imports from within the OEEC region and its associated territories, and though the percentages used in measuring the degree of liberalization are calculated in terms of imports from OEEC countries, their application is by no means so limited. In recent years, the majority of these countries have extended their liberalization treatment to imports from a certain number of outside countries, especially countries whose currencies are linked with those of members of the European Payments Union, notably the outer sterling area countries. In certain cases, e.g. Belgium, Luxembourg, Denmark and the United Kingdom, such liberalization is applied virtually to all non-dollar countries.

Moreover, certain countries took steps in 1956 to simplify their import control procedures. In France, for example, some liberalised imports remained subject to individual licences, which were issued automatically, while others were admitted without licence under the "import certificate" procedure.
In 1956, the use of the "import certificate" system was greatly extended. A similar extension was made by the Netherlands in the use of the "import declaration" procedure. The Netherlands and Italy dispensed with licensing requirement for shipments below a specified value. Denmark ceased to apply for a number of products the regulations requiring importers to deposit a proportion of the import value with the authorities prior to the issue of a licence. Greece reduced the proportion of such deposits from 100 to 50 per cent of the import value for a large group of goods, and Finland reduced its deposit rate to 10 per cent in July from the 20 per cent imposed earlier in the year.

In 1955, Finland introduced an automatic licensing system whereby restrictions were eliminated for a considerable proportion of imports. In 1956, because of falling foreign exchange earnings, particularly in Western currencies, reserves declined substantially. In anticipation of a further decline in 1957 the authorities took measures in December to reduce imports from Western countries. During the four months period to the end of March 1957, the total of automatically granted licences was to be limited to 80 per cent of the average quarterly level in the preceding year. Licences in excess of this maximum could be granted only if they were warranted for the maintenance of export production or if the goods were of a seasonal nature.

**Latin America**

The aggregate surplus in the balance of payments of the Latin American countries continued to increase in 1956. During the first half of the year exports rose considerably above the level in the corresponding months in 1955 and imports were kept from rising to the same extent. The resulting favourable balance of trade amounted to $420 million which was about 40 per cent higher than in January-June 1955. The area as a whole increased its gold and foreign exchange reserves by some $225 million, the level of $3.7 billion reached at the end of June being the highest in ten years. Despite this general improvement, however, pressures remained or were even aggravated on the balance of payments of certain countries. The basic cause of the continuing difficulties of these countries lay in the sustained high demand for imports arising from internal inflation which was still found in many Latin American countries. Some of these countries have taken steps to curtail demand and to restore equilibrium. Some of them are also studying or experimenting with new approaches to external trade policy, often in the direction of reducing rigidity in the controls and restrictions.

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1 The system was suspended in March 1957.
In Argentina repeated price and wage increases in past years have brought about fiscal deficits and expansions in the money supply. An uneconomic agricultural policy, an antiquated transport system and low rates of investment in certain industries all contributed to the perpetuation of inflation and to the difficulties in the balance of payments. In October 1955 the Government adopted certain measures with a view to solving some of the most urgent short-term problems, and further action was taken in 1956; attempts were made to stop the spiral increases in prices and wages, to curtail demand through heavier taxation and to provide greater incentive to production for export. On the foreign trade side an important step was taken at the end of October 1955 in relaxing quantitative restrictions on the basis of a new foreign exchange system. With the substitution of a single "official rate" and a free market rate of exchange for the multitude of rates previously in force, imports were grouped into two principal categories. For the first category, which comprised by far the greater part of total imports, payment could be made at the "official rate" but a combined import and foreign exchange permit was still required. The remaining items, representing about 10 per cent of total imports, were freed from licensing requirement and could be imported without limitation at the free market rate, or in some cases at this rate plus a surcharge. The balance-of-payments situation improved in the early months of 1956 and by the middle of the year the loss in the monetary reserves which had been incurred in the last quarter of 1955 had been almost totally recovered. In August 1956 the Government introduced a system of automatic licensing for certain goods which were imported at the official exchange rate. The move towards a more liberal import regime has called for less rigid trade relations with other countries and this has led to the establishment of multi-partner payments arrangements with eleven European countries and Japan, which came into force in July 1956. Under these arrangements, all payments between Argentina and the partner countries are made in transferable currencies and Argentina undertakes not to discriminate against any of them in the administration of its controls.

Inflation in Chile, which had been mounting in 1955, appeared to be abating in the early months of 1956. Under an overall programme, various measures were adopted to curtail domestic demand or otherwise to mitigate the forces of inflation. In addition to credit and wage controls, price controls were established. By the third quarter, however, hopes for a final solution again diminished. The cost of living rose at a higher rate, leading to pressure for higher wages. Nor was it possible to hold on to the maximum rate of bank credit expansion decided upon earlier in the year. The uneasiness, coupled with falling copper prices, considerably weakened the free rate for the peso. In April the Government introduced important changes in the exchange system. A free market exchange rate system replaced the multiple exchange rates for all commodity transactions. With this reform a large number of products were free from restriction, but were made subject to
advance deposits at five different rates ranging from 5 to 200 per cent of the import value. Goods not on the list of permitted imports were totally prohibited. In September, however, a new list of permitted imports was published and this included a number of items, such as industrial machines, sport articles and certain types of motor vehicles, which were not on the previous list.

In August 1956, Uruguay introduced a new exchange system. It had been apparent that the Uruguay peso was so over-valued as seriously to impede exports, but at the same time it was clear that changes in the peso prices of imported goods resulting from any devaluation must not cause serious dislocations to the price structure. To meet these objectives the new exchange system provides for the making of payments for imports partly at the official rate of exchange and partly at a free market rate. Imports were divided into eleven groups and the proportion between the exchange to be granted at the official rate and that which must be obtained at the free rate differed from one group to another; for goods in the most essential category 100 per cent of exchange at a privileged rate will be provided and for the least essential group 100 per cent of the foreign exchange must be obtained from the "free market". With the introduction of this new exchange system, imports of goods in the most essential category have been freed from licensing control, while those in the other categories are subject to quota restriction, and in some cases subject to prior deposits at various rates. The importation of goods not included in the various categories is not permitted.

In Brazil a considerable improvement in the balance of payments in 1956 has resulted in a marked strengthening of the external value of the cruzeiro, auction premiums paid for foreign exchange certificates have declined. During the year gold and foreign exchange reserves rose from $485 million to $630 million. On the other hand, domestic inflation seems to be continuing unabated. The Government took certain steps in July to restrict the availability of bank credit, but wage increases were again granted in August. These developments, together with the large budget deficit met with in 1956, have caused certain uncertainty about the internal stability of prices. No major changes have been made in the import control system. The "Hague Club" arrangement introduced in the previous year, under which payments between Brazil on one hand and the United Kingdom, the Federal Republic of Germany and the Benelux countries on the other, were settled on a transferable basis, was extended to Italy, Austria and France. Foreign exchanges for payment to these countries have been grouped together for auction purposes.

In 1956 Colombia again met with a substantial deficit in its trade account, and its gold and foreign exchange reserves fell by some $25 million in the first ten months of 1956. In May the authorities extended the prior deposit requirement to several more important categories of imports and raised the rates of deposit for all groups. At the same time a large number of
Commodities previously importable at the official rate of exchange were transferred to the group for which exchange must be bought at the free market rate. In November the Government substantially extended the prohibited list, the number of items included being increased from 133 to 450, out of a total of 991 in the Colombian customs tariff.

Other Countries

Among the more important trading nations which are not covered in the foregoing sections, Japan has considerably improved its reserve position in the last two years. In 1955 its total gold and foreign exchange holdings rose from $1,022 million to $1,338 million and in 1956 they rose by a further $147 million. Since 1955 its foreign exchange budget, including appropriations for import payment, has been increasing steadily. Concurrently, new items have been regularly brought under the automatic approval system and corresponding increases have been made in the allocation of exchange for imports covered by that system. Since April 1956 practically all raw materials have been under automatic approval. The list now comprises 551 commodities compared to 356 in 1955. In the past year Japan terminated a number of its "open account" agreements: the reduced reliance on bilateral clearing reflects the country's increased confidence in the competitive strength of its products in the world market.

The external reserves of Thailand also increased somewhat in 1955 and 1956. In September 1955 the Government suspended all import restrictions except for a limited number of items. In 1956 only minor changes were made in the restricted list. In May and October new regulations were introduced for the import of gunny bags and tea, requiring that importers of these products, in order to obtain an import licence, purchase a certain proportion of the like product of domestic origin. In October imports of knitted fabrics were prohibited.

After a recovery in 1955 Indonesia was again faced with heavy pressures on its monetary reserves in 1956. In August the Government suspended the issue of all import licences except for certain specified essential goods required in connexion with development projects; the action was taken at a time when the reserves were falling rapidly. Import licensing was resumed in September with the adoption of a new control system under which imports were divided into nine groups on which special levies at different rates ranging up to 400 per cent of the import value were imposed. In addition, foreign exchange certificates, granted to exporters by way of bonus, were required for

1 See page ... in the section on bilateral agreements.
the import of certain luxury goods. During the year the policy of reverting import trade to the hands of nationals of Indonesia was further pursued, and in June the authorities issued a further list of goods which could be imported only by national importers or enterprises.

The continual fall in monetary reserves in the Philippines was interrupted only by a slight recovery in the first half of 1956. In anticipation of increases in programmed non-dollar imports, allocations for dollar imports were severely cut in the first quarter; the reductions represented about 50 per cent for non-essential consumer goods and 20 per cent for "non-restricted" imports. The total allocations for that quarter was about 8 per cent lower than the quarterly average in the previous year. In policy statements issued by the President in February further restrictive measures were announced including reductions in dollar allocations, especially for non-essential products and goods being produced locally. Towards the end of the year, however, certain goods, principally food, medicine and construction material, were freed from restriction.

In South-East Asia new restrictions were also imposed by Viet Nam (South), Laos and Cambodia.

In the Middle East there have been no important changes in the import control systems. As a result of political events, certain member countries of the Arab League took measures affecting their commercial relations with certain European countries. In the case of Egypt import restrictions were intensified on several occasions partly for financial reasons.