COMMERCIAL POLICY 1957

including a report on recent activities

of the CONTRACTING PARTIES to GATT

Please note that this abridged annual report remains

RESTRICTED

until it is issued as a publication by the GATT secretariat.
PREFACE

Each year since 1953 the secretariat to the CONTRACTING PARTIES to the General Agreement on Tariffs and Trade has published a report on developments in international trade and commercial policy and on the activities of the CONTRACTING PARTIES. The last report, International Trade 1956, was issued in June 1957. This year the secretariat has not been able to prepare a survey of the structure and pattern of international trade, which usually comprises Part I of its annual report, as it has been engaged during a large part of 1958 in assisting a panel of economists, appointed by the CONTRACTING PARTIES, in the preparation of their report entitled Trends in International Trade.

A survey of developments in commercial policy and a description of the activities of the CONTRACTING PARTIES, which usually comprise Parts II and III of the annual report, have, however, been prepared by the GATT secretariat and are published herewith. The secretariat intends to publish its next annual report in 1959.

Eric Wyndham White
Executive Secretary

Geneva, October 1958
THE CONTRACTING PARTIES
TO THE GENERAL AGREEMENT ON TARIFFS AND TRADE

Australia
Austria
Belgium
Brazil
Burma
Canada
Ceylon
Chile
Cuba
Czechoslovakia
Denmark
Dominican Republic
Finland
France
Federal Republic of
  Germany
Ghana
Greece
Haiti
India
Indonesia

Italy
Japan
Luxemburg
Federation of Malaya
Kingdom of the Netherlands
New Zealand
Nicaragua
Norway
Pakistan
Peru
Federation of Rhodesia and
  Nyasaland
Sweden
Turkey
Union of South Africa
United Kingdom of
  Great Britain and
  Northern Ireland
United States of America
Uruguay

The expression "CONTRACTING PARTIES" in capital letters indicates the contracting parties acting collectively.
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## PART II

**ACTIVITIES OF THE CONTRACTING PARTIES**

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During the period under review there was no significant change in the overall level of tariff protection and tariff measures mainly concerned nomenclature reforms or specific rates. A certain number of developing countries, however, paid great attention to the customs tariff as a normal measure for protecting their industries and in some cases introduced new tariffs based on a more modern nomenclature. Moreover, the ground was laid in the period under review for substantial tariff changes in the near future by the establishment of the European Economic Community. Significant developments may also follow from the discussions in the OEEC relating to the European free-trade area and the studies concerning the creation of a regional market in Latin America.

Tariff reforms

This section refers to reforms which affect the overall structure of the customs tariffs both as regards nomenclature and rates; changes affecting only isolated items or groups of items are examined in a following section.

Europe

One major tariff reform was completed in 1957, namely the creation of the new tariff in the Federal Republic of Germany, which became effective on 1 January 1958. This brings the German customs tariff into full conformity with the 1950 Brussels Nomenclature.

In Austria, a full revision of the customs tariff has been pursued, aiming not only at the introduction of the Brussels Nomenclature, but also at the full revision of the tariff rates replacing in general the old, mostly specific, duties by ad valorem rates taking into account the present economic situation. This revision led to a new tariff to become effective on 1 September 1958. Also Sweden considered a tariff reform which, like that of Austria, aims at the introduction of the Brussels Nomenclature and the revision of the tariff rates. This revision led to a new tariff to become effective on 1 January 1959. In elaborating the tariff the Swedish Government took into account the possible creation of a Scandinavian Customs Union. In Switzerland, a draft tariff was adopted in 1957, which also uses the Brussels Nomenclature as a basis and generally provides for specific duty rates which are 10 to 50 per cent higher than the previous rates. This tariff is the basis for the tariff negotiations conducted in connexion with
the accession of Switzerland to GATT. In the United Kingdom, great progress was made during the period under review towards the modernization of the customs tariff aiming at a replacement of the various laws by a systematic tariff based on the Brussels Nomenclature. It has been noted, however, that this project, which will become effective early in 1959, is directly related to a re-organization of the nomenclature avoiding any significant change of duty.

Greece, Italy and Spain have indicated their intention to review their tariffs. In the case of these countries the aim is also to adopt the Brussels Nomenclature. In this connexion Italy extended the general powers granted in 1954 to reduce or suspend incidences of tariff rates until 31 December 1958.

In Poland and Yugoslavia where no customs are levied a certain interest in the problem of tariffs has become evident. A Yugoslav communiqué of October 1957 indicated the intention of the Government of setting up a commission to draw up a Yugoslav tariff system.

North America

A review of certain tariff chapters in Canada which were considered not to take account of the recent technical developments has been undertaken. In 1957 the schedule for primary steel products was revised. This revision, which in the view of the Canadian Government does not alter the general tariff level, has led to a great simplification. In the United States, the Tariff Commission continued its efforts toward modernizing, simplifying and removing some of the anomalies and difficulties in the commodity classifications of the Tariff Act.

South and Central America

The most important event in the field of tariff reforms was the introduction of a new customs tariff in Brazil. Without adopting fully the Brussels Nomenclature the new tariff follows closely the structure of this nomenclature. The new rates which vary from duty-free and very low rates for essential products to rates up to 150 per cent became effective on 14 August 1957. Under a waiver granted by the CONTRACTING PARTIES to GATT in November 1956 these rates are applied even if they are higher than the concessions previously granted to GATT countries. Negotiations for the establishment of a new GATT schedule of Brazilian tariff concessions are reported elsewhere. A great advantage resulting from the Brazilian tariff reform is that the auction system by which foreign currencies are allocated to imports has been simplified and now consists of two categories only. Further, the requirement of consular invoices has been replaced by the requirement of a consular visa on the commercial invoice, a procedure which traders consider less burdensome. At the same time the discrimination involved in the application of internal taxes on imported products has been removed.
Another important tariff reform is that of Cuba which came into force in spring 1958. The new Cuban tariff is based on the Brussels Nomenclature and is a two column tariff consisting of a general column and a column for contractual rates. Cuba, however, does not envisage bringing the second column into effect before the concessions bound in the GATT Schedule are renegotiated.

In Panama, as in Cuba, the tariff reform was concluded in 1957 but the tariff became effective only on 1 January 1958. The new tariff is based on the Central American Customs Nomenclature and follows a pattern similar to the other new tariffs in Latin America, in providing for low rates on essential products and high rates for non-essential goods.

The import tariff of Bolivia underwent, in the period under review, such thorough changes that it should be regarded as a virtual tariff reform. The changes affected the new tariff of December 1956, by which - for various reasons but particularly for fiscal considerations - very high duties had been established. The changes provide for a number of reductions of rates. Many essential food items will be duty free. Raw materials and certain industrial machinery will no longer have to pay duties higher than 10 per cent. Normal protective duties, including duties on some food products, vary between 20 and 75 per cent. Luxury products, however, will also in future be charged at very high rates up to 300 per cent. Of particular interest in connexion with this reform is the introduction of a flexible rate of duty on sugar which adapts itself to world market prices.

In Chile the Minister for Finance nominated a commission for reviewing the customs tariff. The Colombian Government announced that the tariff reform aiming at a replacement of the multiple foreign exchange rates has been almost completed, but no confirmation has been received that the new tariff has entered into force. From Venezuela it is reported that a draft tariff prepared by the Finance Minister has been transmitted to representatives of the industrial and agricultural organizations for study. It is further reported that this tariff no longer provides general duties for tariff classes, but individual rates for each products. The duty rates which will remain specific will, however, no longer be based on gross weight but on the net weight.

A tariff reform was completed in Surinam. The new tariff became effective on 14 January 1958. It is based on a systematic classification of products which generally follows the Brussels Nomenclature, but departs from it in a number of instances for the purpose of simplification. The new rates are generally higher than before, but it should be noted that the former 4 per cent surtax is no longer applied. The tariff, which is mainly an ad valorem tariff, provides for protective duties of about 25 to 30 per cent except in the case of essentials where the rates are low.
On 1 July 1957 a revised customs tariff became effective in the Philippines. The main features of the new tariff are that the classification has been thoroughly revised and is based on the Brussels Nomenclature and that the most important products are subject to ad valorem duties based on the c.i.f. value of the imported product. There are, however, a number of products for which specific duties or mixed duties are provided. In the latter case the duty rate is applied (specific or ad valorem), whichever is the higher. The new tariff, which replaced the Tariff Act of 1909, provides for higher rates on luxuries and non-essentials than on basic raw materials and machinery, for which rates at an average of 10 per cent are provided.

In Syria all tariff rates have been reduced by approximately one-third of the previous rates; however, a duty of 1 per cent has been introduced on items which were previously duty free. This measure was mainly the consequence of the change of the basis on which the customs duties were calculated. The theoretical monetary parity was replaced by average currency rates determined by the Syrian Exchange Bureau. The tariff reduction therefore mainly compensated for the increase of the basic customs value which was the result of that measure. In Thailand the tariff structure was considerably altered by the Customs Tariff Act No. 8 of January 1957, by which the general duty rate of 25 per cent, which was applicable to all products not elsewhere mentioned in the tariff and which covered a large portion of the trade, was suppressed. In future such products will have to pay the duty rate provided for those products listed in the tariff to which they are most akin. From Indonesia it is reported that early in 1957 a scheme was introduced by which maximum rates, 100 per cent higher than the normal rates and 12 per cent for products which are duty free—may be levied—on products which are imported from countries which trade with Indonesia "unfairly", which means those which do not grant most-favoured-nation treatment to Indonesian goods or with which no customs agreement has been concluded.

Africa

The Government of the Union of South Africa appointed a commission to enquire into the adequacy of the tariff, and their proposals may very well lead to a tariff reform. In Ethiopia a general local import duty has been decreed on products which are imported into Addis Ababa. This duty will be 5 per cent on products for which a general rate of 40 per cent or more is provided and 3 per cent on all other products. With effect from 1 January 1957 a new import and export tariff has been brought into effect in French West Africa and in Madagascar, both following (as Metropolitan France) the Brussels Nomenclature.
Territorial adjustments

The Agreement between the Governments of France and Germany concerning the political and economic future of the Saar which was negotiated in 1950 was brought into effect by various ordinances issued in the year 1957. All Saar products with the exception of some one hundred products can be imported duty free into Germany during the interim period (until 1960) in which the Saar, already politically part of Germany, remains economically linked with France. After the interim period when the Saar will become a part of the German economic system, duty-free treatment will be granted by France to most of the Saar products.

In Morocco, which comprises the former French and Spanish Zones and Tangiers, a uniform tariff has been introduced with effect from 5 June 1957. Before that date the Moroccan Government was bound by the 1856 Convention confirmed and extended by the Act of Algeciras of 1906 and modified by additional agreements which limited the Moroccan import charges to a uniform ad valorem duty of 10 per cent and an import tax of 2.5 per cent. It is only when Morocco was freed from these commitments that it could introduce a new tariff where the rates are not uniform, but are fixed in conformity with the essentiality of the imported product. The tariff provides for two columns, one for legal and the other for administrative rates. The highest legal rate is 50 per cent while the highest administrative rate is 40 per cent, the latter rate being applied in very few instances only. The system of duty-free import in effect at Tangiers has been maintained and the trade between Tangiers and foreign countries consequently remains free.

In the Federation of Rhodesia and Nyasaland the Federal Customs Tariff of 1955, was, on 8 March 1957, applied uniformly at all frontiers for the first time since the political federation of the three territories in 1953. Prior to 8 March 1957, a separate non-preferential tariff regime had been applied by means of internal customs barriers to Nyasaland and that part of Northern Rhodesia falling within the so-called Congo Basin Area. Simultaneous with the uniform application of the Federal Customs Tariff to the whole of the Federal area, compensatory reductions in preferential margins were made in a number of items.

Customs unions and free-trade areas

The most important event in the field of customs unions in the period under review was the signature of the Treaty Establishing the European Economic Community on 25 March 1957. This Treaty provides for a full economic unification of the Member States, consisting of the Benelux countries, France, the Federal Republic of Germany, and Italy in the field of duties and quantitative restrictions, after the end of an interim period which will last from twelve to fifteen years, as from 1 January 1958, until the Treaty becomes fully
effective. The Treaty provides also that a number of overseas territories of Belgium, France and the Netherlands will be associated with the European Economic Community. The products of these territories will enjoy all the advantages granted to the products of the Six in the Community but these territories will be authorized to maintain or introduce certain duties for revenue purposes or for assisting the development of new industries to be levied even on goods coming from the territories of the Six.

The OEEC countries have been considering the establishment of a European free-trade area arrangement which would associate the six members of the European Economic Community with the other eleven members of the OEEC. There has been considerable progress in the discussions on the details of the arrangement but final decisions on the nature of the association are still to be elaborated.

The idea that larger market areas in Latin America would stimulate industrial development in the region was among the considerations which led the United Nations Economic Commission for Latin America (ECLA) to become interested in the possibility of forming a regional market in Latin America. In 1958 a group of experts appointed by the ECLA Executive Secretary submitted a preliminary report outlining the main principles which might be followed in the formation of a Latin American regional market.

The efforts to achieve a free-trade area in Central America are far more advanced. To the bilateral agreements already existing between Costa Rica, Guatemala, Honduras, El Salvador and Nicaragua, an agreement has been added in February 1957 between El Salvador and Honduras. The latter agreement has taken the place of the protocol of 1954, the interpretation of which had led to some difficulties and raised opposition in certain new branches of production which requested protection. The lists of products attached to the new agreement have been amended so as to indicate those products which are to enjoy duty-free preferential treatment in trade between the two countries.

The free-trade area relationship existing since May 1952 between Guatemala and El Salvador has been confirmed by an additional protocol which became effective on 20 August 1957. By this protocol the existing free-trade area agreement, which would otherwise have lapsed, has been extended for five years. The lists attached to this protocol, as in the case of all Central American agreements of that type, comprise those products which enjoy free treatment between the member States and those which enjoy preferential treatment; in this particular case the latter list mainly includes fiscal items. This agreement also provides for the creation of a joint committee to prepare a uniform customs tariff, taking into account the special relations with other Central American countries.

The multilateral agreement in Central America aiming at a free-trade area to which reference is made in International Trade 1956, had not been adopted at the end of 1957. A multilateral Treaty of Free Commerce and Central American Economic Integration was signed, subject to ratification, in June 1958.
The preparation of a study concerning the possibility of creating a Common Nordic Market which commenced in November 1954 led, in the period under review, to the submission of a report by the Nordic Economic Cooperation Committee to the Governments of Denmark, Finland, Norway and Sweden. The report sets out a plan for the establishment of a customs union consisting of these four Nordic countries; it was contemplated in that report that the free flow of products would reach 80 per cent of the trade between the Nordic countries; the level of the common tariff was stated to have the same average incidence as the existing tariffs. The suppression of quantitative restrictions inside the Common Nordic Market is also envisaged. As for any undertaking of that size and importance, arrangements were provided for a transitional period. The work of preparing a Common Nordic Market continued in the latter part of 1957 with a view to extending its scope up to 100 per cent of the trade.

Other regional agreements

The European Coal and Steel Community set up in 1952 completed the five-year transitional period on 10 February 1958. At the end of that period all tariffs were eliminated among the Six and the tariffs on coal and other imports from third countries were harmonized. The actual rates are not identical in the six members of the Community, but are sufficiently close to avoid diversion of trade. As a result of the harmonization, the general incidence of the tariff is lower than that of the tariffs in force before 1952 in the Community. The United Kingdom, which has a special consultation agreement with the Coal and Steel Community, reached on 24 October 1957 an agreement with the six countries which led to a reduction by the United Kingdom of customs duties on a wide range of iron and steel products from a current level of 15 to 33 1/3 per cent to a level of about 10 per cent.

Preferential arrangements

The most important change in the field of preferences has been effected by the trade agreement of Australia with the United Kingdom. This agreement opened the way to reducing most-favoured-nation duty rates on many products. Advantage was taken of this when, on 23 May 1957, substantial reductions were made in the most-favoured-nation rates of duty on more than eight hundred items.

In the United Kingdom the Board of Trade has published the Import Duties (Imperial Preference) Regulations 1956, which, without altering the existing situation aim in the main at simplifying the method for determining entitlement to preference. This is achieved by suppressing the need to submit more than one certificate of origin for goods which are made of products from more than one country.

In Portugal a decree was issued in February 1957 which consolidates the provisions concerning the duty-free importation of Portuguese products into Portuguese territories. This decree provides an exception to the principle
that Portuguese products are, on their importation into Portuguese overseas territories, dutiable in the same way as products from other sources. The unification of the Portuguese territories in one economic unit as envisaged by a law of 27 June 1953 does not, therefore, seem to have been realized yet. The duty-free interchange of goods among the Portuguese provinces has, however, been decreed with effect from 1 April 1957.

Reductions of Individual Import Duties

Reductions resulting from bilateral and multilateral negotiations; most-favoured-nation treatment

Under the procedures established by GATT a great number of concessions negotiated between contracting parties during the tariff conference in 1956, as well as in supplementary tariff negotiations, became effective during the year 1957. In supplemental negotiations, the results of which went into effect on 29 June 1957, Cuba granted duty reductions on tinplate and tinned sheets, artificial colours and motors, in return for United States duty reductions on five types of cigar tobacco. Finland passed a bill authorizing the introduction of new rates on sixty-six items negotiated in Geneva in 1956; these became effective in January 1957. The tariff rates negotiated in 1956 by Germany, Japan, Norway, Sweden and the United Kingdom, became effective during the year 1957 as did the second stage of the reductions negotiated by the United States in 1956. As a result of negotiations between the United States on the one side and the Benelux and the United Kingdom on the other, the United States agreed on 29 June 1957 to reduce duties on textile machinery, certain cotton rugs, certain books and various types of clothes, as compensation for the increase of a bound duty on certain kinds of linen towelling.

There are also a few tariff reductions to be reported which resulted from bilateral tariff negotiations outside the procedures of GATT. Austria granted to Iran a reduction of import duties on certain products, i.e. on carpets and dried fruits. Argentina reduced, as a result of tariff negotiations with Switzerland, duties on watches from 28 to 10 per cent. The Federal Republic of Germany agreed to continue to grant a duty-free tariff quota on natural ammonium sulphate to Chile.

By becoming members of GATT in October 1957 Ghana and the Federation of Malaya obtained in their own right the benefit of all the tariff concessions embodied in the GATT schedules and the most-favoured-nation treatment which they enjoyed before as overseas territories of the United Kingdom.

Austria extended until various dates in 1957 most-favoured-nation rates to individual exporting countries which do not enjoy most-favoured-nation treatment as of right. The Commercial Agreement of 1954 between Cuba and
Switzerland, the main object of which was the granting of most-favoured-nation treatment on both sides, was prolonged beyond the end of 1956 for a further period of three years.

In August 1956 Ecuador subjected imports from countries with which her balance of payments was unfavourable to additional duties varying from 20 to 40 per cent. This measure was later repealed in so far as imports from Belgium, the Netherlands and the United Kingdom are concerned, but has been maintained on imports from Japan. Peru extended the most-favoured-nation treatment provided for certain products in an agreement with Chile of 1941, to such products if imported from Bolivia. Rhodesia and Nyasaland extended the application of the most-favoured-nation clause to imports from Liechtenstein and Morocco. Venezuela, on the other hand, has not extended the modus vivendi agreement providing for the granting of the most-favoured-nation treatment to France and the Netherlands. Some duty reductions, however, such as on cables of iron and steel will be maintained for imports from those countries.

In 1957 Venezuela granted most-favoured-nation treatment only to the following States: Belgium, Bolivia, Brazil, Canada, Italy, El Salvador, Spain, the United Kingdom, and the United States.

The tendency to grant Japan most-favoured-nation treatment increased in the period under review. In 1957, Australia concluded a most-favoured-nation agreement with Japan and Brazil withdrew the application of Article XXXV to this country. The Lebanon also decided in 1957 to apply the basic rates on imports from Japan, but this decision was revoked following complaints from Lebanese industrialists.

Reductions for social and general economic reasons

In February 1957 Ceylon reduced the duty on coconut meal to combat the effect of a period of shortages and high prices in the local markets of Ceylon. Chile suspended the duty on edible oils temporarily in July. France introduced a duty-free quota for white sugar, in order to maintain a reasonable price for the consumers without reducing the protection afforded to the domestic producer. In Germany duty rates on certain frozen vegetables and fruits, and temporarily on fresh fruit, were reduced. Haiti reduced the duty on soap. Italy reduced by 50 per cent the import duty on all oilseeds intended for the production of edible oil during the summer of 1957. Peru exempted by decree in 1957, frozen beef, mutton and offal, from customs duties and the ad valorem surtax in so far as these charges had not been removed by an earlier decree. In January 1957 Spain reduced, until further notice, the duty on raw coffee.

Since 1955, there has been a movement in the Federal Republic of Germany towards a drastic reduction of tariff rates to maintain the general level of prices. These reductions were finalized in a decision which took effect on 20 August 1957 by which all tariffs between 2.5 and 21 per cent were reduced
by one-quarter. Rates between 1.5 and 2 per cent were reduced to 1 per cent. This reduction, however, does not apply to certain products, mainly agricultural products and products covered by the European Coal and Steel Community. They were put into force originally until the end of 1957, but were incorporated in the new customs tariff which entered into effect on 1 January 1958.

**Reductions on industrial raw materials to assist industrial development and production**

The most important duty reductions were those which were brought into effect in the interest of domestic industries. In so far as ore and base metals are concerned, Germany provided for a duty-free quota of 43,000 tons for the year 1957. India reduced the duty on alumina and on aluminium scrap. Lebanon abolished duties on granulated aluminium. The United Kingdom suspended the duty on titanium oxide, platinum waste and certain types of nickel. In the United States the suspension of duties on certain types of metal scrap, originally passed in 1942, was extended for another year to 30 June 1958.

Many iron and steel duties were reduced or suspended in the period under review. France, for example, reduced the rates on certain iron and steel products. India reduced the duty on steel hoops and Italy introduced temporary duties on foundry iron. In New Zealand duty rates on many iron and steel products were reduced. Spain prolonged the 90 per cent reduction on imported iron and steel products for another year and the United Kingdom applied, during the whole period under review, reduced duty rates on a wide range of iron and steel products.

In numerous instances duties on other raw materials were reduced or suspended in the interest of national industries. A few examples may serve as an illustration. By a decision taken in March, French West Africa suspended the import duties on a number of investment goods for five years. Greece and India reduced duties on artificial silk and staple fibre yarns during the period under review. India reduced duties on hides and other raw materials. The Federation of Rhodesia and Nyasaland suspended duties on textile waste, flax yarns and battery parts. It may also be noted that countries which are comparatively highly developed have recourse to such tariff reductions. Austria suspended duties on machines not produced in the country itself. Canada reduced duties on certain coated papers, crude petroleum, certain yarns, etc. Germany added various items to the list of primary products which can be imported at reduced rates or duty free, and the United Kingdom reduced the duty on certain intermediate organic products. Australia maintained its policy of granting extensive reductions of duty on imports of materials and capital equipment for industry not reasonably available from domestic production. These arrangements operate under by-law provisions of the Customs Tariff. During the year ended 30 June 1957 imports to the value of £A.107 million f.o.b. were admitted under the main by-law item.
Reductions in the interest of specific industries

While in some instances countries prefer to provide for reduced duties for specific products, in other instances the reductions or suspensions of duty are granted more generally for the import of products for the use of certain branches of industry. Examples of such cases are reductions granted in the interest of the building industry, such as those granted in Syria for glass used in the building of factories, in Cuba where duty on cement has been suspended in favour of this industry and Portugal where the duty on cement has also been reduced. France introduced a tariff quota for fire-proof bricks.

In the interest of mining industries, Chile suspended for a period of two years all duties and charges on fuel and diesel oil to be used in the production of natural nitrates. India exempted bulbs for safety mining lamps. Italy extended the suspension of duties on machinery imported for lignite pits from 1955 until the end of 1960. In Peru, certain nitrates were freed from duty, when imported for the use of the mining industry.

Tariff reductions were also made in the interest of various other industries. Argentina temporarily reduced from 42 to 13 per cent the duty on products used in the production of coal-tar and dyestuffs. The list of items which can be brought into the French Cameroons duty free has been extended to machines and appliances used in the fabrication of cocoa, chocolate and pastes. India reduced the rates on component parts of certain three-wheeled vehicles to be assembled. In the Union of South Africa, measures were taken to give specific industries the means of importing certain products at reduced rates or duty free, such as, for example, the sock-knitting industry, the manufacture of buttons, of abrasive cloth, etc.

The importation of capital equipment free of duty and, in some instances of additional import charges, was provided in Brazil in the interest of the motor-vehicle industry and in the Dominican Republic for a glass factory in San Cristobal. The Nigerian Government generally authorizes the import at reduced rates of capital goods needed for the installation of new industries.

Reductions to assist the farming and fishing population

Examples of measures taken in the interest of the farming population are in France the tariff quotas which are fixed every year for the importation of certain quantities of bulbs at reduced rates. In the period under review, Greece exempted seeds from duty. India exempted by a decree of 1 April 1957 many articles used by farmers, for example tillers, certain seed dressing machines, hay loaders, etc. In December Nicaragua temporarily reduced the duties on certain feeding-stuffs. El Salvador provided for the duty-free importation of henequen bags with a view to facilitating the export of coffee. Tunisia provided for a duty-free tariff quota for nitrogenous fertilizers.
A number of countries took action in the interest of their fishing industry. In Japan materials and apparatus used by fishing boats operating in certain areas were generally freed from duty. Nicaragua permitted the duty-free importation of certain materials for the fishing industry. In Peru domestic fish preserving factories were permitted to import duty-free cotton oil for the preparation of canned fish for export. In the United States, where the importation of tuna fish and frozen fillets of certain types of fish is subject to tariff quotas, these quotas have been brought into relation with the actual consumption in 1957.

Reductions in the interest of public health

All types of machinery, raw materials needed for the production of organo-therapeutical products were freed in Argentina from import duties and charges. Ceylon reduced the duties on certain products used in the production of antibiotics. Egypt generally permitted many products used for medical or pharmaceutical purposes to be imported duty free if the need for their importation is attested by a special certificate. In British Guiana all equipment and medical and surgical supplies used by hospitals were freed from duty. India provided duty-free importation for mixtures of antibiotics, which do not contain other therapeutic ingredients.

Reductions in the interest of education and public information

In the field of education and science the Agreement on the Importation of Educational, Scientific and Cultural Material, sponsored by UNESCO, continued to exercise an important influence towards liberalizing trade in these materials. During the period under review the Federal Republic of Germany deposited its instrument of acceptance and the Benelux countries and France ratified the Agreement, to which twenty-five countries are now party. It is interesting to note that a meeting of the parties to the Agreement which was held in Geneva in October 1956 succeeded in clarifying various points concerning the interpretation of the Agreement and led to a more liberal interpretation of some provisions.

Measures in the interest of education and information were also taken independently from the UNESCO Agreement. Italy, for example, suspended duties on certain machinery used in the printing of newspapers, Syria freed books, music, geographical maps, etc., from a 1 per cent duty and Venezuela extended the suspension of duty rates on printing paper for the whole year 1957.

Measures in the interest of special territories

Reference should also be made to measures applied by countries to a part of their territory so as to promote its development or compensate for climatical or other disadvantages. Argentina provided for duty-free imports into Patagonia of all machinery and material needed for the industrial
development of this antarctic part of the country. The regulations aimed at preventing smuggling of duty-free goods from that area into other parts of Argentina have been considerably tightened. France, by an ordinance of January 1957, introduced measures taken pursuant to a decree of 1955 which aimed at the development of the Sahara. This ordinance contains provisions for the free importation of machinery and equipment needed for the development of the Sahara territory.

Increases of Individual Import Duties

Increases for general economic policy and similar reasons

Various enactments were passed in June 1957 in Denmark, aiming at a reduction of consumer purchasing power, and at the stabilization of the country's financial position. So far as excise duties are concerned, rates were increased on those items which are normally considered as revenue earners: cigarettes, tobacco, beer and wine. For the same reason, namely to restrict domestic consumption, Mexico raised the duty rates on many items in February 1957, mainly on luxury items such as confectionery and sweets, toilet products, certain toys and manufactures of lace. The increases also affected varnishes and colours, articles of hide, skin and paper.

Ireland introduced in the period under review a number of so-called emergency duties. In the Union of South Africa, the powers given to the Administration in 1946 to impose special temporary duties on liberalized items which need special protection in the transitional period were extended by the removal of the provision whereby such special duties together with other duties were limited to one-half of the value for duty purposes.

Increases to protect domestic industries

On the whole, increases of duties for protective reasons were moderate in the period under review. The following will serve as examples. Australia increased the duty on tractors and rotary hoes up to and including 10 belt-pulley horse-power and on certain household machines. India has applied a system by which duty protection is granted for a limited period, thus making necessary a review of the situation when the time for which protection is granted will lapse. Very often the Indian Tariff Commission in charge of these reviews, recommends that the existing degree of protection should be prolonged. In some instances, however, recommendations directed to strengthening or to weakening the existing level of protection are put forward. Recommendations for increases of protection in the period under review included an increase of the duties on sago and cycle parts. Mexico increased duties on certain clothes and chinaware. Norway slightly raised import duties on certain textile goods at the beginning of the year 1957. Peru increased in February 1957 duty rates on about forty items including paper, housewares and copper. In the United Kingdom, under the Safeguarding of...
Industries Act, special protection by means of key industry duties, is granted to certain vital industries. The lists of products benefitting under this Act are changed from time to time so as to be kept in conformity with the requirement. In the period under review changes were thus introduced in the application of these duties, mainly in the chemical field.

In the Union of South Africa the duties on nylon piece goods and rayon staple yarns were increased. In the United States in 1957, the number of requests for additional protection was considerably higher than in previous years, but only in the cases of linen towelling, spring clothes pins and safety pins were the duty rates increased. In other cases, the Tariff Commission has been instructed to keep the situation under review. Such reviews were carried out in 1957, without leading to changes in the existing situation, e.g., for the rates on hatters' fur and on watch movements both introduced in 1952; the protection on alsike clover seed, however, was slightly reduced consequent to such a review.

Increases for fiscal reasons

As governments do not necessarily state the particular motive which leads them to make a tariff change, it is therefore somewhat difficult to know when a tariff change solely serves the purpose of increasing the revenue or other purposes such as protection. Some changes are set out below in which the tariff measures seem to have been mainly motivated by fiscal considerations. The Dominican Republic increased early in 1957 the rates on brandy, whisky and gin. In 1957, Egypt increased the duty on tobacco. In its Budget Law of 1957/58, Ireland increased generally all rates on revenue items such as tobacco products, certain alcoholic beverages and mineral oils. Jamaica increased the duties on matches; in Jersey, the duties on liquors, perfumery, wines, beer and tobacco were raised. The revenue duties applied by Malaya were slightly altered in 1957. In the Budget Law of 1957/58, Pakistan increased the customs duty on manufactured tobacco and on motor spirit (at the same time as it raised the Excise duty on motor spirit and tea). Paraguay introduced a special import duty on motor-cars, based on the value of the imported car. The tariff increases effected in Rhodesia and Nyasaland in June 1957 included increases for fiscal purposes relating to liquors, motor-cars, and other luxury items. In the United Kingdom, the customs duties on hydrocarbon oils were increased by almost one-third in the budget of 1957.

Anti-Dumping Duties

The most significant change in the field of anti-dumping legislation was the introduction in the United Kingdom of a system providing for the levy of anti-dumping duties. By the Customs Duties (Dumping and Subsidies) Act, which became effective on 17 April 1957, the Board of Trade was empowered...
to impose anti-dumping and countervailing duties on imported goods of any
description which have been dumped or subsidized. A change in the anti-
dumping legislation took place in Australia where, by a law of 12 December
1957, the right of the Administration to levy anti-dumping duties on dumped
goods imported at less than a fair market value which cause damage to an
Australian industry, was extended to include also subsidized or dumped imports
which adversely affect the Australian market for exports from third countries.
This measure was taken to enable the Australian Government to take action in
accordance with Article VI of the General Agreement. The Philippines intro-
duced a new Customs Tariff Law which became effective on 1 July 1957; the
Law includes provisions for the levy of anti-dumping duties. In the
United States, the Bureau of Customs was, in the period under review,
studying the operation and effectiveness of the Anti-dumping Act of 1921
with a view to suggesting necessary amendments thereto. These studies,
however, did not result in any legislative action in the period under review.

In a number of instances, specific action was taken by GATT Member
countries in the form of the introduction of anti-dumping or countervailing
duties. Belgium included various types of pure and artificial silk, printed
cotton materials imported from Hungary or Poland, in the list of products
on which countervailing duties are levied. In Canada, anti-dumping duties
are not limited to specific items, but on all products which are imported
at less than the selling price on the internal market and which are competing
with Canadian domestic products. During the period under review Canada con-
tinued to suspend the levying of anti-dumping duties on imports from France,
enjoying the refund of social and fiscal charges. The decrees by which the
Federation of Rhodesia and Nyasaland introduced anti-dumping duties specify
the product on which the duty is imposed without indicating the country of
supply; among the products affected were canvas piece goods, asbestos cement
pipes and pipe fittings. The United Kingdom imposed her first anti-dumping
duty on a silicone product originating in France; this order became effective
on 7 January 1958. In the Union of South Africa the following anti-dumping
duties were introduced: acetone from the United Kingdom; certain poles for
electric power transmission; certain printed cotton piece goods from Japan,
Czechoslovakia, East Germany, Hungary and Poland; adhesive plasters, etc.,
from the Federal Republic of Germany, France, the United Kingdom and Denmark;
sheet glass from Czechoslovakia; lead sheet from the United Kingdom; fabrics
and certain woven piece goods from the United States and certain electrical
motors from the Federal Republic of Germany.

Other Charges on Imports

In a number of cases, governments resorted to additional import charges
and surcharges which appeared to be more flexible than ordinary customs duties
which generally can only be modified by legislative action. These temporary
charges or surcharges have often been used to meet temporary problems of
commercial policy or to meet temporary balance-of-payments difficulties although the more traditional type of charges for services rendered or of charges equivalent to internal taxes or levies continue to be applied in practically all countries.

Import taxes levied for fiscal reasons

In order to raise additional revenue for economic development under its five-year plan, Afghanistan introduced a new tax varying from 3 to 30 per cent on certain types of luxury goods such as automobiles, jewellery, etc. In April 1957 Argentina increased the special taxes levied on automobiles introduced in December 1955, the rates of which vary depending on the weight and the value of the imported motor-car. In Chile the additional import tax and the luxury import tax were both fixed towards the end of the period under review at a rate of 30 per cent. In French West Africa the fiscal import taxes on many luxury products were increased. Indonesia raised on 1 July the rates on sugar and beer. In the Netherlands the import tax on petrol was increased and the turnover tax on sugar which had been abolished in 1955 was re-introduced. In some instances countries had recourse to import taxes, the returns of which are used exclusively for special purposes. With a view to increasing the capital of the industrial bank in Peru a general 1 per cent import charge was decreed on most imports. Spain, which for the first time in 1956 levied charges for a reimbursement fund, extended this system in the period under review to many other products such as motor vehicles, watches, nitrate, etc., by imposing various rates from 15 to 200 per cent on such imported products.

Taxes levied for balance-of-payments reasons or in connexion with liberalization measures

In certain cases taxes or charges have been applied to imported goods or in connexion with the importation of goods which appear to have been primarily motivated by balance-of-payments reasons, or in connexion with liberalization measures. For instance, Chile, in January 1957, raised from 1 to 5 per cent the tax to be paid on the sale of foreign exchange. Denmark, in July 1957, replaced the previous licensing restrictions on motor-cars by an increase of purchase tax rates. The tax for motor-cars of a value up to D.kr.2,000, for example, was increased from 25 to 70 per cent. Late in 1956, Ecuador introduced additional import taxes of 5 to 10 per cent according to the essentiality of the commodity to be imported. In August 1957, France removed the "special temporary compensation tax" which had been introduced in April 1954 and replaced it by a uniform tax of 20 per cent on exchange for imports. This measure has been extended to most of the French franc area. In June 1958, however, the 20 per cent tax was formally abolished by a corresponding adjustment in the official rate. At the end of 1956, Iceland, to foster fishery and export industries, introduced an exchange tax of 16 per cent and special import fees of from 11 to 80 per cent, from which only certain
raw materials and essential equipment were exempt. Indonesia, where a uniform system of surcharges had been introduced in 1956, varying from 50 to 400 per cent, in addition to a free list, reduced these charges in June 1957 to rates varying from 20 to 175 per cent, when the cost of export certificates required to make imports was raised and their application extended to all imports.

The special import taxes which were introduced in 1956 for balance-of-payments reasons in Ireland, were largely eliminated in 1957. The elimination of these special taxes has been, however, accompanied by increases in tariff rates on the same items, which amounts in most cases to the incorporation of these taxes into the normal tariff structure. Paraguay, which freed practically the whole of its trade in 1957 from quantitative restrictions, introduced a special import tax of 10 to 30 per cent of the value which has to be paid on the importation of certain goods, mainly luxury products. Turkey introduced, on 1 March 1957, a new tax on foreign exchange providing for rates up to 40 per cent. This tax is mainly levied on luxury products, but the list of goods affected is much wider.

**Application of internal taxes on imports**

The increase in the import transmission tax, which took place in Belgium at the end of 1956, was made less onerous by various suspensions and reductions decided in the course of 1957; towards the end of the year, however, some of the rates suspended were applied in full or increased mainly on luxury items. In Bolivia the existing taxes on alcohols, wines, etc., were replaced by a new tax which is (with minor exceptions) an ad valorem tax levied on the products involved. In Canada the 10 per cent sales tax was removed in many instances both for domestic and imported goods, by the Budget Law 1957/58; this removal affected foodstuffs, coffee, structural steel, etc. In October 1957 Costa Rica considerably increased the tax on locally produced and imported beverages. In France the general rate of the "tax on added value" to be paid on the sale and the import of a great number of goods was raised in July to 25 per cent for many luxury items such as perfumery, fur skins, articles of crystal, carpets, etc. In Italy, by a law of 12 August 1957 the import turnover tax system on textile raw materials was altered. This law introduced a single tax payment, while previously a tax had to be paid at each stage of trade. Madagascar increased the consumption tax on tobacco and Morocco introduced a new wine tax and a new surtax on brandy. The Netherlands tax law of 1954 authorized the Government to increase the rates applied to the imports in order to bring them to the level of the tax paid on like domestic goods. Acting pursuant to this law the Government increased many rates of import tax in October 1957. On 1 March 1957 Turkey introduced a new production tax which replaced the old transaction and consumption taxes. The chargeable products are enumerated in four lists. The rates, which in the case of lists I - III are levied on both imported and home produced goods, vary from 5 to 75 per cent according to the products. There are also a few specific rates. It should be noted, however, that for the items included in list IV slightly higher rates are provided on imported products than on home-made goods. The United Kingdom on 1 January 1957 introduced a surtax on all home produced and imported sugar. Early in 1957 Viet-Nam amended its taxation legislation by increasing some existing taxes and introducing new taxes affecting home-produced and imported goods. A general 6 per cent production
tax is levied on domestically produced goods, but the rates on imported products, however, vary from 15 to 35 per cent depending on the products affected.

Export Duties

As a result of the downward trend of prices in many commodity markets, the level of export duties and charges remained generally stable with a slight tendency towards a reduction.

Insofar as measures of general application are concerned this trend is apparent in the case of Bolivia where the general export duty of 5 per cent, levied on all products for which no special rates were provided, was reduced to 2 per cent. Colombia eliminated for many products the general 15 per cent export tax in September 1957, which was introduced for fiscal reasons in June of the same year. This tax, however, was maintained for exports of coffee, bananas, and precious metals, together accounting for a very large portion of Colombian exports. At the same time, all other exports were made subject to a new exchange tax of 2 per cent. Indonesia suspended all export taxes in conjunction with other measures taken in relation with balance of payments. India freed all goods exported by post from the payment of export duties.

The Federal Republic of Germany re-issued the list of products on which export duties are levied to adapt it to the new tariff nomenclature. The products affected are mainly metal scraps. The rates vary from D M 2 to 90 per 100 kg. In July 1957 Poland issued an export tariff which enumerates forty items on which specific export duties are levied. Among the products included are medical plants, sausages, honey, chocolate, wine, spirits, porcelain, glassware, toys and costume jewellery. The tariff, furthermore, generally authorizes the central customs authorities to levy export duties up to 150 per cent of the value on products for which a special export permission is granted.

Coffee, tea, cocoa

With the outgoing year 1956 in Belgium the export duties on plantation coffee were reduced by about 20 per cent. Bolivia reduced the duty rate on unshelled coffee from 10 to 5 per cent. In French Equatorial Africa the export taxes on coffee were reduced, while the export duties levied jointly with this tax were slightly increased. Mexico granted a special reduction of the export charges on the coffee of the old crop from 1956-57. There were, however, also some instances of increases of export charges levied on coffee. Brazil introduced a coffee propaganda tax of 19 cents 25 per bag of 60 kg. Madagascar increased the export duty on coffee from 10 to 12 per cent and Togoland introduced in favour of an amelioration fund a 3 per cent export charge on coffee in September 1957. The conclusion of the Latin American coffee agreement in October 1957 attempted to stabilize the situation on the coffee market, which also had a stabilizing influence on the level of export charges.

In India a "slab" system of export duty varying according to the weighted average price of all Indian teas sold at London auctions has been in force since March 1955. The rates of the duty were revised in 1956-57 and all teas ranging in price from Rs. 2.50 to Rs. 4.00 per lb. bear at present an uniform duty at NP 38 (naye paise in the new Indian currency) per lb. In March 1957 the Belgian Congo reduced the export duty on cocoa beans to 1 per cent, and British North Borneo exempted cocoa beans for the whole of the year 1957.
Various agricultural products and foodstuffs

The Belgian Congo removed with effect, or from 1 February 1957 the export duty on broken rice and with effect, or from 1 June the duty on eggs and egg yolks. Furthermore the export duties on cotton seed oils were reduced from 7 to 1 per cent and on cotton oil cakes from 7 to 5 per cent, on castor oil seed from 12 to 3 per cent and the charges on raw medicinal castor oil and castor oil seed cakes were freed from export charges. India removed the export duties on cotton seed oil cakes in June 1957, on linseed cake in August 1957, on nigerseed oil, kardiseed oil and groundnut oil cake in October 1957, and on de-oiled groundnut meal in November 1957. The suspended export duties on rapeseed oil of Rs.300 per ton was, however, re-introduced in March 1957.

Mexico reduced export duties on peanuts, certain vegetables and various fodder products in the period under review. Portugal suspended partially for the year 1957 the export duty of certain types of rice exported from Portuguese overseas territories. From the Seychelles an increase of the export duty on coconut oil, copra and vanilla is reported.

Textile raw materials

In September 1957 Bolivia reduced the export duty on sheep's wool from 15 to 8 per cent and on alpaca wool from 15 to 10 per cent. In Egypt the specific export duty on cotton was increased slightly in May and in September 1957. In India, on the other hand, export duties on various types of cotton and cotton waste were abolished or reduced. In September 1957 the export duty on zoda cotton and yellow pickings and sweepings was abolished and in November the export duty on soft cotton waste was reduced from 30 to 15 per cent. Mexico reduced the export duties on cocoa fibre in August 1957 by about one-third to pesos 0.02 per gross kilogramme plus 5 per cent ad valorem.

Ores and metals

The Belgian Congo reduced the export duty on copper during the period under review from 17 to 14 per cent in various stages. The 3 per cent export duty on various copper products was suspended in August 1957. In July the export duties on wolfram and tungsten ores were suspended and in August, export duty on allied cobalt was reduced. To protect the supply on the domestic market the specific export duties on scrap and waste of brass and bronze have been re-imposed in Switzerland. By an order of 18 April 1957 various ad valorem charges were imposed on French West Africa on the export of bauxite and related products. India suspended with the outgoing year 1956 the export duty on certain types of manganese ore and reduced the duty on aluminium scrap in November 1957. Spain suppressed the export charge on wolfram in October 1957. In July Peru suspended the 4 per cent export tax levied on zinc and lead ores and concentrates.

Various products

By a Ministerial Decree the export duty rate on rough diamonds from Kasai was reduced from 5 to 3 per cent in the Belgian Congo with effect as from 1 August 1957. In Bolivia, apart from the reductions in the general export duty rate, the rate on furs, raw rubber, Brazil nuts, certain tropical woods and medical raw materials were also considerably reduced. In Ceylon in
August 1957 a uniform duty of Rs.28 per 100 lbs. on all categories of rubber was introduced instead of former differential rates depending on the quality of rubber. At almost the same time the additional export taxes on rubber, of Rs.10 and Rs.15 depending on the quality, were abolished. A more important measure is the adoption in August 1957 by Parliament in Finland of the export duty bill which provides for export levies ranging from 10 to 75 per cent of the added markka receipts from the sale of exports resulting from the devaluation. The proceeds of the export levies have been deposited with the Bank of Finland and have been used in the first instance to retire FM 10.6 billion of the drawn amount of the Bond loan granted by the Bank of Finland to the Government in 1953. The remainder of these proceeds will be given at low interests to the forest industry and for other purposes intended to promote the utilization of the country's natural resources. Pursuant to the law in question which expires on 15 September 1958, the rates of levies have been reduced four times, the percentages referred to above being at present from 2 to 25 per cent. Mexico reduced the export duties on natural dyes. Mozambique abolished the additional export duty on dyes for the tanning industry.

Customs Formalities

Consular formalities

Together with the tariff reform reported above, the consular regulations in force in Brazil have been considerably relaxed. The previous requirement of a consular invoice has been suppressed and replaced by the requirement of a consular visa on a commercial invoice. In future the presentation of four sets of the following documents in that order will be requested: commercial invoice, certificate of origin and a bill of lading. Furthermore, the import licence or the certificate of exchange cover has to be added. The consular fees for the visaing have been fixed at US$12 for the first US$1000, and US$2 for each additional US$500 or fraction thereof. Certificates of origin, bills of lading or airway bills are free of charge.

In connexion with the creation of the new State of Ghana a new customs invoice form has been issued which is a prescribed form of the commercial invoice and does not require consular visaing; this form replaces that previously used for British West Africa including Ghana. In Honduras a new customs code became effective in March 1957. The new code which aims to modernize the customs regulations contains, in addition to many provisions concerning the setting up of a tariff committee, the auctioning of abandoned goods, and the direct payment of customs fees to the Central Bank rather than to the customs officials, many important changes concerning the import formalities. Although the requirement of consular formalities is maintained, many relaxations are to be noted mainly concerning the provisions relating to the tenor of the commercial invoices, the time of the presentation of the documents and the language of the commercial documents. In Nicaragua, on the other hand, it was decreed that, in future, invoices for all good imported into Nicaragua must be presented in the Spanish language. In March 1957 Peru, where the consular fees are a fixed amount per certification, this sum was increased from US$1 or 2 to US$2 to 10, depending on the case. The Philippines, which required the presentation of a commercial invoice certified by a United States Consulate if no Philippine Consulate was available in the country of exportation, decided to accept in future commercial invoices visaed by Chambers of Commerce in the exporting country.
Certificates of origin

Canada introduced in the period under review the requirement that imported products have to be accompanied by a declaration of origin so as to permit a clearer determination of products which are entitled to preferential or most-favoured-nation rates. These certificates of origin have to be issued in conformity with the wording laid down by the Canadian authorities and have to be signed by the exporter. A product is considered to originate in a country if it has been entirely produced there or if 50 per cent of the production costs have arisen in that country. In the Federation of Rhodesia and Nyasaland the provisions concerning certificates of origin for goods enjoying preferential treatment have been slightly altered. Preferential rates will only be granted if it can be certified that at least 25 per cent of the cost of production (30 per cent in the case of certain textile fabrics) are accounted for by the labour or material added in the country in which the processes of manufacture were performed. Under the formal regulations the minimum percentage did not refer to a single country and no special higher rate of national content was provided for materials.

Marks of origin

During the period under review the Australian Government took steps to obtain full compliance with the regulations concerning the marking of imported products. Importers were warned that all goods subject to marking under the regulations must in future be correctly labelled, or the goods would be liable to seizure or detention pending compliance with the regulations. A general rule is that articles marked in a language other than that of the country of origin of the goods must have the country of origin shown in English. A wide range of goods including foodstuffs, textiles and apparel, jewellery, china, porcelain and earthenware, toys, floor tiles and footwear must bear prescribed marking. The name of the country in which the goods were made or produced must appear in all such cases. For food products, medicines, agricultural seeds and plants which also fall in the list of products to be marked a true description of the goods must be added to the mark. In July 1957 the Government of New Zealand decreed that a number of articles of clothing have to bear a mark of origin at the time of their importation. A new approach to the problem is the obligation imposed by Turkey on 1 March 1957 that all Turkish products must be marked. The effect of this provision will be that, after the transitional period provided for in the decree has elapsed, all unmarked goods will be recognizable as products of foreign origin.

Temporary importation

In order to promote exports, the Government of Australia introduced early in 1957 the possibility of an automatic refund of import duties on all goods (with the exception of beer, tobacco, wines, spirits and opium) used in the manufacture of exported goods. Early in 1957 the Federal Republic of Germany, whose temporary importation for the processing of products for export can only be carried out in cases where the customs authorities are in agreement, a very extensive list of types of processes for which permission is granted as a rule has been published. The Government of India decided, as a measure to promote exports, that refund in full of the import duties paid on raw materials used for the products for export may be granted. Previously, the refund was limited to seven-eighths of the duties paid. The list of goods the production of which
will enjoy this advantage includes mainly plastic goods, cycles, silk fibres, glass, jute manufactures and radio receivers. India, furthermore, introduced a procedure allowing for the refund of the import duties on machinery temporarily used in India. The refund is limited to machinery which has not been imported for more than three years, and varies in accordance with the time during which the machinery has been used. The Government of Thailand amended the existing Customs Act by introducing provisions which will permit the partial refund (seven-eighths) of the import duties paid on articles used in the production for export.

Free zones and free ports

In Austria, where a free zone had been opened in Innsbruck (Sobald Hall) in December 1956, a decision has been issued that products imported into the free zones (Innsbruck and Linz) will in future not have to pay a turnover tax unless the products are imported for consumption within the free zones. In spring 1957 in Turkey the first free harbour was established in the Port of Iskenderum.

Valuation for customs purposes

Columbia introduced new valuation regulations early in 1957. The customs value is to be the value of the product in the country of origin. The calculation is normally based on the invoice but can be corrected mainly on the ground if this price differs from the normal value. Germany, a member of the Brussels Valuation Convention, published a new Customs Valuation Law during the period under review. The new law replaces the provisions of 1951 which were put into effect when Germany changed from specific to ad valorem duties. This new law introduces a number of relaxations at the request of importers. In India for some commodities, the prices of which are liable to sudden and sharp fluctuations in the Indian market, fixed customs values are provided on the basis of the average prices prevailing over the year. In August 1957 the full list of the products affected and the values laid down were published for the year to come at that time as usual.

In the United States, the Customs Simplification Act of 1956 modified in many respects the valuation system for customs purposes. The new system was aimed at a uniform valuation of imported products based on the export value of these products, and at the removal of the previous system which obliged the customs officer in many instances to calculate two different customs values (the domestic value of the imported products on the home market of the exporting country and the export value of these goods) and to base the calculation of the customs duties on the method which gave the higher value. This law became effective only in February 1958 after it had been possible to comply with a reservation made by the Congress that the old system of
valuation should be maintained on all products for which the introduction of
the new system would lead to a reduction of the customs valuation of the
product by 5 per cent or more. The list of products for which the old system
is maintained consists of 139 full commodity numbers and parts of 230
commodity numbers. The value of imports represented on this list would, in
1954, have constituted approximately 2.3 per cent of the total value of
imports.

Special treatment of samples

To conclude this section on customs problems, attention can be drawn to
the International Convention to Facilitate the Importation of Commercial
Samples which was drafted by the GATT in 1953. The number of parties to this
Convention increased considerably in the period under review from twenty-two
to twenty-eight. The Governments who joined the Convention in 1957 are:
Belgium, Hungary, Israel, Luxemburg, New Zealand and the United States.

The Convention of 1953, however, was supplemented under the aegis of the
Customs Co-operation Council by a special Convention of 1 March 1956, which
provides for the possibility to import samples into the territories of Member
countries without payment of duties or granting individual security if they
are accompanied by a carnet issued by certain acknowledged organizations,
which guarantee to pay the suspended customs charges in case the samples are
not duly re-exported. In the period under review Austria, France, Italy,
Spain and Sweden became contracting parties to this carnet convention, whilst
Denmark, Germany, Switzerland and the United Kingdom provisionally applied
the carnet scheme according to a recommendation of the Council.
During the four years from the beginning of 1953 to the end of 1956 the payments situation of the world improved steadily; the aggregate gold and dollar reserves held by countries outside the United States increased at an average annual rate of $2,000 million, acquired principally from transactions with the United States. This situation ceased to recur last year. In 1957, the aggregate reserves of these countries would have fallen by some $250 million had it not been for net drawings amounting to $900 million, on the resources of the International Monetary Fund. The resulting increase of some $650 million in the aggregate reserves of these countries was far below the exceptionally high rates of increase in preceding years. The increase in their reserves was, however, resumed in the last quarter of 1957. Official gold and liquid dollar holdings of these countries rose by some $160 million in that quarter as the result of transactions with the United States, followed by a further rise of $450 million in the first quarter of 1958.

The predominant factor in the change in 1957 was the temporary reversal of the trend in the United States balance of payments. Whereas in the previous five years the other countries as a whole had been acquiring gold and dollars through transactions with the United States, in 1957 they had a net deficit with that country amounting to over $600 million. This shift from a surplus to a deficit in the balance of payments of the rest of the world with the United States during 1957 took place in spite of an increase in the United States purchases and payments abroad, and reflected a sharp increase in United States exports and an influx of short-term capital into the United States. The cause of this change is to be found in a number of factors. In addition to the effects of the world-wide boom conditions and inflationary tendencies, the Suez crisis created an inordinate demand for petroleum and other United States exports, such as cotton and wheat, in the first half of the year. Beginning in 1956 there had been a general trend of falling prices for metals and other primary commodities and, with the decline in the level of economic activity in a number of countries, notably those of North America, the prices for several important raw materials fell drastically in 1957. Viewed in this light, it is not surprising that the deterioration in the balance of payments and loss of reserves occurred predominantly in countries which rely on the export of primary commodities. The impact of external factors on the balance of payments has been more acutely felt in countries which are suffering from inflationary pressures.

Towards the end of 1957 there were signs of a leveling-off of expansion of production and income in most industrial countries, particularly in the United States where the up-swing gave way to a recession which continued into 1958. Though the industrial countries have not felt the impact of the United States recession on their trade or economic activity, a general sense of caution has set in.
Up to 1955 the increase in gold and dollar reserves outside the United States had been fairly evenly shared. In 1956, however, the increase was concentrated in a few countries. For the reasons given above, this trend was further accentuated in 1957. While aggregate gold and dollar reserves increased, some countries, notably Germany and Venezuela, reaped sizeable gains in their reserves, but in others significant declines were registered.

Despite this background some further progress was made in the past year in the direction of freer trade. Such steps as were taken were, however, generally limited to the consolidation of earlier progress and the reduction in discriminatory features of import restrictions rather than their general level. Most noteworthy has been the increasingly general awareness of the limited value and negative nature of restrictive and discriminatory measures; the necessity to adjust domestic economic policies and programmes in line both with available resources and the external economic atmosphere has been more widely recognized. Even in those few cases where use was made of new import restrictions on balance-of-payments grounds such restrictions were not exclusively relied upon but rather regarded as a supplement to, or a part of, general programmes of stabilization aimed at restoring equilibrium through measures in the internal monetary and fiscal domain.

Sterling Area

The United Kingdom suffered substantial losses in its gold and dollar reserves in the last months of 1956. After some recovery during the first half of 1957, reserves fell again in the third quarter; strong pressures were brought to bear on the pound sterling by speculative movements of capital to certain Continental European countries. To restore confidence and to contain the creeping inflation the Bank of England took the drastic step of raising the Bank Rate from 5 to 7 per cent in September. Steps were taken to restrict public investment to the 1956 level and to ensure that bank advances and private investment were similarly restrained. Thereafter, the external value of sterling firmed and gold and dollar reserves strengthened. The prevailing circumstances, except towards the end of the year, were thus hardly propitious for taking long strides in the liberalization of imports. Nevertheless, in August, import controls were removed from a number of raw materials, foodstuffs, chemicals and semi-manufactured goods of dollar area origin. Most of these goods had been licensed liberally and the broad effect of the measure was that - except for leather (for which the dollar quota was substantially increased),

1 The following paragraphs discuss only sterling countries which are in the British Commonwealth. Non-Commonwealth sterling countries are dealt with elsewhere.
fuel and certain chemicals - imports of basic raw materials for industry and metal semi-manufactures were no longer subject to licensing control. From October, the criteria used in licensing imports of machinery from the dollar area were somewhat relaxed. No significant changes were introduced in the control of imports from non-dollar sources, except that at the beginning of January 1958 quotas for non-liberalized imports from non-dollar countries were established on an annual, instead of a semi-annual, basis.

In 1956 Australia had taken a series of counter-inflationary measures to stabilize the level of economic activity and to supplement new restrictions on imports from non-dollar sources designed to safeguard the monetary reserves. The balance-of-payments prospects improved significantly later in the year and the restrictions were relaxed in January 1957 to allow relief for some more essential goods where shortages were appearing. Provisions for increased imports of textiles, capital equipment, machinery and some raw materials were the principal features of these measures. In view of the further improvement in the financial situation which was then expected to continue, further relaxations were made in April to permit a substantial increase in the rate of imports from non-dollar countries covering a wide range of raw materials, industrial equipment and consumer goods. At the same time relaxation of restrictions also took the form of widening the scope of inter-changeability of a range of quotas and an extension of the licensing period from three to four months. In August the level of quotas for a number of items was increased. The list of products licensed on a "world" basis from any source was enlarged from fourteen to thirty-five items and most bulk petroleum products were exempted from licensing control. A new category was introduced covering the licensing of over fifty items (seven of which on a "world" basis) on a sales replacement basis. This was subsequently changed to an import replacement basis, i.e., licensed according to the imports made by the importer in the previous licensing period. In April 1958 a number of basic materials such as nickel ingots, fertilizers, ferrous alloys, industrial diamonds, abrasives, mercury, which had previously been licensed to meet requirements in full, were exempted from licensing control. Further steps were also taken to reduce discrimination against dollar imports; about thirty items, mostly industrial materials, were transferred to the "world" licensing list. As from 1 August 1958 capital equipment, electrical machinery apparatus and parts, television transmission and studio equipment and parts, were transferred to the "world" system of licensing. Further changes made include the exemption of some sixteen items - mainly metals - from import licensing, while for a number of items the level of quotas was increased.

The Union of South Africa was also able to relax import restrictions in 1957 on the basis of previous improvements in its balance of payments. The "restricted list" of goods subject to quota restriction was shortened and many items, including textile piecegoods, tractors, photographic material, office equipment, industrial materials, scientific instruments,
were included in the list entitling automatic licensing. Permits were issued to meet importers' full requirements of raw materials and machinery. Changes in the regulations first enabled a substantial increase in the import of motor-cars within the lower price range, and later also cars of higher values. Though there was some decline in the gold and foreign exchange reserves during the year, the relaxation of restrictions was nevertheless continued. Additional quotas for consumer goods announced in July resulted in an increase of about 25 per cent in the quotas for consumer goods for 1957 as compared with 1956. Late in November, the "restricted", "priorities" and "automatic" lists were withdrawn and imports were divided into three categories, viz. a "free list", a "replacement list" and a "quota list". Goods on the free list were admitted without licence. All raw materials, consumer stores, industrial plant equipment and spares, most items previously subject to licensing control but enjoying free issue of licences, were to be licensed on a replacement basis or on the basis of actual requirements. Only about 8 per cent of the country's imports remained subject to quota restriction. As a result of further changes made in May 1958, however, certain goods under the replacement system were regrouped for licensing on an ad hoc or quota basis.

With the liberalization measures taken in 1956 imports into the Federation of Rhodesia and Nyasaland from most non-dollar countries had been almost completely free from restriction, the only exceptions being motor vehicles and second-hand clothing; five other items remained under licensing control but were in fact admitted without limitation. Dollar imports had also been substantially freed from restriction. On 1 July 1957 the Federation further liberalized imports from most non-dollar countries by placing all goods except second-hand clothing on Open General Licence. Imports from dollar sources were at the same time also liberalized further by placing all goods previously subject to liberal licensing on Open General Licence and by transferring a substantial number of other items on to the unrestricted list for free importation for industrial purposes. For a number of items the dollar quotas were increased. No change has been made in import licensing arrangements for 1958.

Under the import control system in Ghana most imports from countries outside the dollar area and Japan have been free of restriction. In a few cases where specific import licences are required these have been granted without limitation. Apart from flour, which may be freely imported from the United States and Canada, all commercial imports from the dollar area are subject to licensing control. Up to 1956 all licences for dollar imports were valid for specified classes of goods. Beginning in 1957, limited dollar quotas were granted to established importers to cover the importation of less essential but desirable imports. Importers who had received dollar allocations were permitted to use their quotas to purchase from the United States, Canada and other dollar sources, any goods except a few specified items including petroleum products, explosives, ordnance, motion-picture films and gold.
By 1956, as a result of successive measures of liberalization previously taken, almost 90 per cent of New Zealand's imports from non-dollar countries had been free from restriction and some 153 items were included in a "world exemption list" for unrestricted importation from all countries including those in the dollar area. This list was further extended in 1957 by the addition of six more items. It was also intended to raise the number of items to 170 in 1958, the new items including mining machinery, electric railway equipment, etc. Further, the dollar exchange budget for goods under licence was to be increased from £8.8 to £11 million in 1958.

Towards the end of 1957, however, it was found that the overall payments surplus of the previous year was replaced by a substantial deficit in 1957 resulting in a considerable fall in the foreign exchange reserves. Contributing to the deterioration had been an increase in the volume of imports and, in the second half of the year, higher import prices. With reserves falling to a level equivalent to about two months' imports and faced with declining export prices, the Government revised its import control policy for 1958. Effective from 1 January, all exemptions from import control, whether global or otherwise, were revoked and all licences previously issued were cancelled, and import allocations of various proportions were imposed. Exceptions were made for goods already shipped from foreign countries before 31 December 1957, and goods on firm order might be admitted and, if necessary, charged against new licences. Internal monetary and fiscal measures were continued and the Government expected that the combined effects of these measures would bring down imports in 1958 to a level near that of 1956, and that the new restrictions would be of short duration. In March 1958 it was publicly announced that for a wide range of goods, licences for imports from the United States and Canada would be issued on the same basis as from other areas, it being recognized that the balance-of-payments problem was one which demanded an overall restraining of imports rather than one aimed at particular countries or areas.

In 1956 India had met with a continuous loss of foreign exchange reserves, principally owing to big increases in capital good imports. In order to check the accelerated decline in reserves, the Government introduced certain reductions in the programmed imports for the first half of 1957. Quotas for over 500 relatively less essential items were drastically reduced; the liberal licensing scheme and the practice of granting licences to "new-comers" were discontinued; there was also a tightening of the rules governing the use of quotas. These measures, taken as a whole, were expected to produce a saving of $62 million a year. Controls were further tightened during the interim licensing period July - September 1957, and all imports, excepting those on the Open General Licences from Pakistan, samples, etc., were made subject to individual licence. The licensing programme for the period October 1957 - March 1958 was somewhat more liberal, but continued to be strict by general standards.
In the successive measures, however, discrimination of imports from the dollar area was not increased, but on the contrary was somewhat lessened and stabilized. The import policy for the subsequent six-month period April - September 1958, remained substantially the same as in the preceding period; only some marginal changes were made to ensure imports of essential raw materials for certain industries.

In Pakistan little change took place in 1957 in its import controls except for the suspension, in August, of licensing imports of the larger sizes of motor-cars. Some relaxation was seen in the import control policy for the first half of 1958.

The authorities in Ceylon, concerned with the effects of falling export prices and declining reserves, took certain measures in August 1957 to reduce external expenditure. By Central Bank directive, commercial banks increased interest rates on money advanced for the import of "luxury and non-essential" goods - which in effect included radios, cars, refrigerators, silk and nylon goods - increased the margin for the opening of letters of credit for import of such goods and drastically reduced the limits of accommodation in regard to some goods. The very liberal import control system evolved in recent years was, however, not modified.

Continental Western Europe

The industrial countries in Western Europe were the principal beneficiaries of developments in 1957 and many of them added to their gold and dollar reserves. The increases achieved by the Federal Republic of Germany, Italy, Austria, Norway and Denmark were substantial, whereas certain others, including the United Kingdom, Belgium and the Netherlands, owing to inflationary pressures and speculative flights of capital, met with losses of reserves during the greater part of the year; and consequently had only limited increases in their reserves or merely managed to maintain their previous position. The only exception in Western Europe was France which, in the course of 1957, experienced a substantial decline in its official foreign exchange holdings and incurred large external debts.

As early as 1956 a gradual deterioration had set in in France's trade and payments position. The weakening of the reserve position led the French Government to take a number of corrective measures. Early in 1957 the special temporary compensation tax on imports was standardized at a uniform level of 15 per cent and its scope of application was extended. An advance deposit requirement for licensing imports was introduced with the object of reducing liquidity and inflationary pressures. The balance of payments further deteriorated and in June the Government first raised the rate of advance deposits and then decided on the suspension of all trade liberalization, including that of certain dollar imports introduced in 1956. Global quotas on a regional basis were introduced for the goods
on which restrictions were thus reimposed, and a ceiling of 700 billion francs was set for imports during the second half of 1957, equivalent to a global reduction of imports of some 11 per cent. These restrictions accompanied a series of internal measures designed to reduce excess demand and to rehabilitate the economy through limiting budgetary expenditure, increasing revenue and restricting credit. In August, substantial adjustments were made in the payments and trade control systems; the special compensation tax on imports was replaced by a standard levy equivalent to 20 per cent of exchange payment for most categories of imports. From 28 October, all incoming and outgoing payments were made subject to the 20 per cent adjustment, thus establishing a new de facto exchange rate for the franc. This adjustment was abolished in June 1958 when a corresponding revision of the official exchange rate was made.

A number of the Western European countries which improved their balance of payments and monetary reserves took some action in relaxing their restrictions on imports. In March 1957 the Federal Republic of Germany took a number of measures to encourage imports. The measure taken to liberalize imports from OEEC countries raised the level of liberalization to 92.6 per cent of private imports on the basis of 1949 trade. In May, the free list, hitherto applicable only to imports from EPU countries, was extended to the "partly-convertible D-Mark area" as a whole and new items were added to the list. A new range of imports from the dollar area consisting almost entirely of industrial finished products, was freed from control. The level of liberalization of dollar imports was thereby raised to 93.4 per cent of private imports from the dollar area in 1953. In June, in consultations with the CONTRACTING PARTIES to GATT the Government of the Federal Republic, recognizing that in terms of GATT it was no longer entitled to apply import restrictions on balance-of-payments grounds, undertook to reconsider its policy in the light of this situation. Further liberalization measures came into effect on 1 January 1958, and other measures have been announced to be introduced before 1960.¹

In June 1957, Italy extended its dollar liberalization by freeing a group of raw materials, chemicals and engineering and steel products from licensing control, thus reducing the discrimination against goods of non-dollar origin. The percentage of dollar liberalization thereby rose from 39 to 68 per cent of private imports from the United States and Canada (or from 40 to 71 per cent of imports from the whole dollar area) on the basis of 1953 trade. These measures were adopted within the framework of the policy followed by the Italian Government to reduce discrimination as the payments position permitted, and to improve the competitive strength of Italian manufactures through reducing costs.

As from July 1957 Sweden exempted from licensing control imports from the dollar area of seventeen important agricultural products, including wheat, rye, flour, sugar and certain vegetables. This liberalization will be valid insofar as the price for similar products of domestic

¹ See Part II, page 62 for action by the CONTRACTING PARTIES in this connexion.
origin remains within certain predetermined limits. On 8 July, following the introduction of a purchase tax on motor vehicles, Denmark added private passenger motor-cars, motor-cycles and certain other items to its regional free list which specified goods which can be imported from non-dollar countries without limitation. In February 1958 restrictions were removed from a number of imports from the dollar area; the goods added to the dollar free list included such important United States exports as barley, corn and oats, dried figs, peaches and apricots, almonds, artificial textile fibres, coal and coke, some iron products, textile machinery, etc., and the percentage of dollar liberalization was thus raised from 55 to 66 per cent based on private imports in 1953. In November 1956 Norway had enlarged its dollar liberalized list by the addition of more than forty-five items. The same measure was extended in April 1957 to certain fruits, chemical products, machinery and parts. At the same time, imports from Western European countries were also further liberalized, the proportion of freed imports thereby raised by 2.8 to 80.8 per cent of base year private imports. In January 1958, the Norwegian dollar free list was further extended to cover 130 more items and the percentage of dollar liberalization was raised by 2.9 to 83.9 (1953 basis). Simultaneously, the OECD liberalization percentage was raised to 81.4.

As a result of successive measures of liberalization the Netherlands no longer applies restrictions for balance-of-payments reasons on imports from non-dollar sources; only on imports from the dollar area are there some restrictions being retained for payments reasons. Some restrictions, however, have been maintained for other reasons, and there is a common quota list applicable to a few imports into the three Benelux countries.

In December 1956, because of falling foreign exchange reserves, the Finnish authorities reduced the coverage of automatic licensing under which a considerable number of goods had been admitted freely. In March 1957 the automatic licensing system was discontinued altogether and, after the re-negotiation of several trade agreements, was replaced by a more restrictive but less discriminatory import licensing system based mainly on global quotas. These quotas applied to most OECD countries and to the sterling area and, as in the case of the previous automatic licensing list, a number of items were allowed to be imported on a non-discriminatory basis from the United States and Canada. As dollar imports were included in the new list to a larger extent than they had been in the automatic list, the discrimination vis-à-vis dollar imports was reduced. As from 1 October 1957, following the devaluation of the Finnish markka, the Government freed a large number of imports from certain countries in Western Europe. These measures related to imports from those Western countries which had removed their quantitative restrictions on imports of Finnish origin and which granted Finland the benefit of their multilateral payments arrangement. The freeing of imports first took the form of automatic licensing; subsequently, on 9 December 1957 the licensing requirement for these imports was abolished altogether. By April 1958 the liberalization percentage for imports from Western European countries had been raised to 81 per cent on the basis of 1954 trade.
The countries of Latin America, as producers of primary commodities, naturally felt the effect of the falling prices in 1956 and especially in 1957. The combined effect of falling export earnings and domestic inflation brought about in 1957 a serious decline in the gold and foreign exchange reserves of many of the countries in this region.

As the world's largest exporter of liquid fuels, Venezuela was an exception to this general tendency. In 1957 it added substantially to its gold and dollar reserves until the fourth quarter. Though a less spectacular growth may be expected in its reserves in future the country is unlikely to be faced with difficult problems of adjustment. No major change was made in its import control system, under which only a few items of imports were subject to licensing or quota restriction for protective reasons; new restrictions were applied in 1957 to the import of shoes and in 1958 to iron and steel bars.

Among other Latin American countries, Ecuador and Paraguay were able to reduce reliance on import restrictions. In March 1957, Ecuador simplified its exchange structure by unifying the two free exchange markets. Various goods, including textiles, radios, motor-cars of the more expensive types (and, later, matches) were removed from the prohibited list and might be imported at the free market exchange rate. With a simplification of its multiple exchange structure, Paraguay, in August, ceased to apply quantitative restrictions on imports. A surcharge on less essential imports was abolished. A new scale of advance deposits was introduced and some of the rates were raised slightly in May 1958. Imports from certain neighbouring countries are exempt from this requirement.

In Colombia, though there was a substantial increase in the gold and dollar holdings in the first half of 1957, fundamental causes of the imbalance in its payments were not eliminated. At the beginning of the year imports were admitted under a new scheme involving the use of exchange certificates, stamp taxes, and prior deposits at different rates. After the installation of a new government a fundamental reform in the foreign exchange system took place in June 1957. The number of exchange rates were reduced to two - a fluctuating certificate-market rate, which applied to all trade and most invisibles, and a separate free market rate for other transactions; a 10 per cent levy was imposed on payments for most imports; import restrictions were abolished except for those on goods included in a prohibited list which was being maintained on a provisional basis. The advance deposits which had previously been at 40 per cent and 80 per cent of import values were reduced to 20 per cent. In September, however, this was raised to 100 per cent for a wide range of goods. After substantial changes were made in the import control system in March 1958 the restrictions were drastically tightened in April; licensing control was reimposed on a number of items and other imports previously subject to quota control were prohibited.
In April 1956, Chile had introduced a new exchange system and suspended the use of direct quantitative import controls. Under this system all goods included in an import list were admitted at the free market rate of exchange, but subject to advance deposits at various rates. The list of permitted imports was enlarged in September 1956. In 1957, the country continued to be faced with inflationary pressures and the unfavourable trend in the world markets for metals, particularly copper, again placed strains on its balance of payments. Advance deposit rates were raised in February 1957, but a relief was granted in June for certain essential items. In view of the further decline in copper prices measures were taken in September and December to reduce foreign expenditure. The prior deposits for many items were increased. As of 7 February 1958 the rates ranged from 5 per cent for essentials to 1,500 per cent for motor vehicles, etc.

With the introduction of a new exchange system in August 1956, some imports into Uruguay had been freed from licensing control while others remained under quota. Most imports were subject to exchange surcharges and prior deposits at various rates. In 1957, mounting budgetary deficits were accompanied by a continual decline in gold and foreign exchange holdings. In October difficulties in the wool exporting trade prompted the authorities to suspend all imports at the preferential rate of 2.10 pesos to the United States dollar and to close down the whole controlled foreign exchange market except for export deals. The controlled exchange market was re-opened in November for a few essential fuels, basic raw materials and foodstuffs; at the same time adjustments were also made in the arrangements under which exchange proceeds from wool exports were to be negotiated by exporters. Under the new system introduced in November, only a few specified goods were allowed in at the controlled market rate of exchange. A short list of goods was permitted to be imported before the end of January and February, other imports being presumably banned. The validity of these measures was subsequently extended to 31 January 1958 and again to 30 June. It has been reported that the total value of licences issued for the seven months ending 30 June 1958 was substantially lower than in the previous months.

In the case of Argentina, gold and foreign exchange reserves continued to decline in 1957. In April, primarily with a view of reducing demand for exchange on the free exchange market, the authorities imposed an advance deposit requirement on certain imports. The deposits varied between 20 and 100 per cent of the f.o.b. value of the imported goods and were not refundable for at least ninety days. Beginning in 1958 the requirement was extended to cover imports payable at the official rate and made refundable at the earliest after 120 days. During 1957 measures were taken to direct imports from non-dollar sources, particularly from countries with which Argentina maintained multi-partner or bilateral payment agreements; for example, in the spring of 1957 automatic granting

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of currency was announced for the import of various chemicals from certain European and sterling area countries, and the issue of all import permits was suspended in May 1958, but was resumed soon afterwards for import from neighbouring countries; certain countries were designated as the sole sources from which a selected group of commodities might be imported.

Brazil, in August 1957, reformed the customs tariff, placing it on an *ad valorem* basis and raising the average rate of duty from 3 to 30 per cent. These new rates in part achieved the differentiation between commodities which had previously been affected through the exchange system, and this made it possible to reduce the number of categories in the exchange auctions from five to two, and to eliminate a 10 per cent remittance tax previously applied to most payments.

**Other Countries**

External reserves of most Asian countries declined in 1957. In the first nine months Japan faced a substantial decline in its gold and foreign exchange holdings principally due to large increases in imports of raw materials and durable goods. Early in the year restrictive internal monetary and fiscal policies were initiated to restrain domestic demand, and various measures were taken to tighten the financing of imports. New regulations introduced in June raised the "guarantees" which importers had to deposit when applying for authorization to import. As a result of these measures imports of raw materials, durable goods and certain other items declined considerably. The amount which importers had to deposit with the Bank of Japan in order to obtain import licences was raised by 3 to 5 per cent to a ceiling of 35 per cent. Furthermore, in many cases, guarantees had to be deposited in cash and could no longer be effected in national bonds or documentary credits as in the past. The import budget for the six-month period from April to September 1957 had provided for imports substantially higher than the level in the corresponding months of 1956. The subsequent six-monthly import budget was, however, substantially reduced. In May 1958 the rates of deposits were reduced and the requirement was made applicable to luxuries and non-essentials only.

In Indonesia the serious shortage of foreign exchange which began in 1956 had brought on severe restrictions on imports involving exchange levies ranging up to 400 per cent of the import value and the use of foreign exchange certificates, which were issued to exporters, for purchases of certain luxury goods. Certain imports were suspended in January 1957 on the grounds of adequate supply from local production. Except for imports under special schemes, the issue of import licences was suspended in April 1957, pending a further review of the exchange system. The suspension was partially relaxed at the beginning of June,
and the importation of certain essential goods was resumed under licence. A new system of import controls came into force on 20 June under which all external transactions were conducted through an open exchange certifi­cate market; the exporter received a so-called Bukti Ekspor certificate equivalent to the value of his exports and importers must purchase such certificates after acquiring a preliminary import licence in order to secure a final import-exchange licence. Bukti Ekspor certificates were sold at rates set by the Bank of Indonesia on the basis of supply and demand. Import surcharges continued to be levied but at rates lower than those prevailing before the change. Further changes were introduced in February 1958 which seemed to have a more restrictive effect on imports.

In spite of a weakening in its reserve position during the first half of 1957 caused by increased imports, Burma continued to relax its import restrictions. The coverage of the Open General Licence was extended by the issue of a new licence covering additional categories of consumer goods. With a view to bringing down the price of essential imports, larger amounts of foreign exchange were allocated in the import budget for imports subject to individual licence. In December 1957, however, a more strict control of imports was introduced through a new require­ment that all applications for letters of credit in respect of imports under Open General Licence must be submitted for prior approval by the Central Bank.

General

Taking the world as a whole, no major change appears to have taken place in 1957 in the use of quantitative import restrictions. Western European countries were generally preoccupied with the setting up of the European Economic Community and the negotiations for a free-trade area, and in view of the recessional tendencies in North America, were scarcely prepared to take momentous steps in dismantling the remaining fraction of the restrictions. Further, the scope of the restrictions in many of these countries has been reduced to an extent where further liberalization has become increasingly difficult for economic and social reasons. This is particularly true of the restrictions remaining on agricultural imports. Outside Europe, some countries, e.g. Australia, the Union of South Africa and the Federation of Rhodesia and Nyasaland were able to relax their import controls, while others, e.g. India, Japan, and New Zealand, did not succeed in avoiding the use of intensified restrictions.

In Latin America, up to the first half of 1958, the more flexible regimes of import and exchange controls that had been evolved in preceding years were maintained, though future prospects in this regard would seem to depend heavily on developments in the commodity markets and in capital movements. The more widespread use and increased reliance on advance deposits connected with the licensing of imports also reflects the general recognition of the close relationship between excess internal liquidity and disequilibrium in the balance of payments.
BILATERAL TRADE AGREEMENTS

During 1957 and the early months of 1958 several countries in Western Europe extended the area of transferability of their currencies to cover a larger number of non-EPU countries outside the dollar area. As a consequence, a considerable number of bilateral payments arrangements were allowed to lapse, payments being placed on a transferable currency basis. The consequent diminution of the need for countries to achieve bilateral balance with individual trading partners has so far not been generally reflected in the pattern, as opposed to the content, of bilateral trade arrangements. Some countries have been reluctant to relinquish their resort to trade agreements because they still see in them a means of maintaining a desirable composition of their export trade and sometimes of preventing a decline in the prices of their export commodities. On the whole, however, there was a reduction in the use of bilateral arrangements. Some trade agreements were allowed to lapse while a large number were renegotiated and put on a more flexible basis. The revision of bilateral agreements in the past year often involved the elimination of bilateral quotas or a reduction in their number. Sometimes it was agreed to extend, on a reciprocal basis, the benefit of moves toward liberalization and non-discrimination such as the application of OEEC free lists or "global" quotas open to a number of countries. To this extent the principle of non-discriminatory treatment for imports requiring payment in the same currency or mutually transferable currencies has been given fuller expression.

The bilateral trade agreements entered into or renegotiated in the past year have frequently been in the form of "goodwill agreements" containing indicative lists of goods which the signatory countries are prepared to import and export, without fixing the total value of the trade covered or value of specific commodities to be exchanged. Several of these agreements contain, in addition, provisions on such matters as re-exports, shipping services and a guarantee of non-discriminatory treatment. That agreements of the "goodwill" type have become more widely used reflects to a large measure the desire of primary producing countries to find new outlets for their exports and to establish direct commercial contacts so as to dispense with the intermediary of distribution centres. Incidentally, whereas in earlier years even agreements of this nature frequently included bilateral payments provisions, the new tendency has been to replace such provisions by arrangements to settle payments in transferable currencies. This development has been particularly noticeable in cases where a state-trading country is involved.

Western Europe

A small proportion of intra-European trade has remained under restriction; a large part of this non-liberalized sector of imports continues to be governed by bilateral quota commitments. Available data do not permit an accurate assessment of the proportion of trade still covered by these arrangements, but it would appear that for many members of the OEEC this would not be more than 5 per cent of their imports from Western Europe;
the percentage is higher for France and in the case of Turkey it might be as high as 75 per cent.\(^1\) While the number of manufactured products covered by such quotas is not negligible, it is in the food and agricultural sectors that bilateral commitments figure importantly.

As noted in the previous section only limited progress was made in the elimination of the remaining quantitative restrictions in intra-European trade; similarly, little change was seen in the network of bilateral trade arrangements. In most instances the existing agreements were merely renewed or extended, with perhaps the deletion from the quota lists of items which had been the subject of recent liberalization or of global quotas. This was the case with several agreements maintained by Denmark and the Federal Republic of Germany. The tightening of import restrictions by France in 1957 did not, in general, lead to an intensification of bilateralism in trade; France's expiring trade agreements with other Western European countries were extended either on their previous basis, or with minor changes, for a period of one year. Import quotas expressed in French francs were adjusted in the light of the new effective rate of exchange.

In 1957 the Belgo-Luxemburg Economic Union and the Netherlands continued their policy of negotiating joint Benelux agreements with other countries, with a view to facilitating a common licensing policy and to reducing some of the remaining obstacles to the free circulation of imported goods within the Union. At the end of 1957 joint Benelux agreements were in force with Austria, Denmark, Morocco, Norway, Portugal, Sweden, Switzerland and the United Kingdom. Several of the trade agreements between Member States of the European Economic Community were extended only until the end of 1958, the date by which, under the Rome Treaty, all bilateral quotas on imports within the Community should be replaced by quotas open to all its Members.

The introduction by Finland in early 1957 of multilateral trade and payments arrangements with several Western European countries, and the application of successive liberalization measures led to a reduction in the coverage of its bilateral quota agreements with these countries. Transferable currencies were to be used even in cases where payments had hitherto been wholly or partly settled through bilateral clearing. Trade with countries not parties to these multilateral arrangements would continue to be conducted in accordance with the provisions of bilateral trade agreements and bilateral payments arrangements previously in existence.

\(^1\) As indicated below Spain and Yugoslavia still conduct most of their trade on the basis of bilateral arrangements. While Spain relies almost entirely on bilateral payments agreements, the bulk of Yugoslavia's trade with Western Europe is financed under transferable payments arrangements.
The gradually widening transferability of Western European currencies has enabled Yugoslavia to modify its bilateral arrangements and to adopt more flexible methods of conducting trade and settling external payments. The payments agreement with the Federal Republic of Germany concluded in July 1956, whereby Yugoslavia was included in the partly-convertible Deutsche Mark system, was followed by the conclusion in 1957 of similar arrangements for multilateral settlement with Denmark, Italy and Sweden. By special arrangements with a number of CEEC countries 10 or 20 per cent of Yugoslavia's earnings from these countries were made transferable. These developments considerably lessened its need for balancing bilateral accounts and enabled the use of bilateral trade arrangements of a more flexible nature. For example, the new agreement with Austria provided for unrestricted trade in specified products, and in the agreement with Sweden quotas to limit trade in certain commodities were no longer provided for. On the other hand, in the first post-war trade agreement which Yugoslavia concluded with Spain in January 1958, balanced trade is still aimed at as payments are not made on the basis of transferable currency. Spain continued to conduct its trade on the basis of bilateral agreements providing for specific quotas and authorized transactions are settled through clearing accounts. Some of these agreements, however, are more flexible and require only a part of the proceeds of Spanish exports to be used for purchases in the partner's country.

There was little change in 1957 in the number of trade agreements in force between Western and Eastern European countries. Of particular significance were the trade and payments agreements which the Spanish Foreign Exchange Institute concluded with the National Banks of Czechoslovakia, Hungary, Poland and Rumania, which were Spain's first post-war bilateral agreements with state-trading countries. In Western Europe only Ireland has no trade arrangements with the USSR or any other Eastern European country.

In their negotiations with state-trading countries, several Western European countries have tried to provide only for such quotas as seemed to give real promise of fulfilment. In a few cases this has led to a reduction in the targets of trade set in previous agreements. It was probably for the same reason that the new long-term agreement between France and the USSR provided that the USSR should place orders for most of the machinery and equipment on the French export list during the first year of its operation. Greater flexibility has been achieved in east-west bilateral agreements through the application, particularly by Scandinavian countries, of the OEEC liberalization list or of more limited relaxation measures; here again bilateral clearing schemes have often been replaced by arrangements for settlement in transferable currencies. Payments between the Federal Republic of Germany and countries in Eastern Europe are now settled in Deutsche Marks with limited convertibility. Italy has also extended the
use of the transferable lira to cover payments with the USSR and certain other Eastern European countries. The agreement which France concluded with Hungary in October 1957 continues to provide for the unrestricted entry into France of specified goods and for payments thereof in transferable francs; transactions under bilateral quotas continue to be settled bilaterally.

The gradual progress towards multilateral payments and the fact that the provisions of these bilateral arrangements are becoming less and less rigid should not, however, lead to the conclusion that all these agreements will soon be terminated. A certain number of countries still feel that bilateral agreements are necessary to guarantee the volume of their exports of specific products to state-trading countries and to protect their markets against unrestricted imports whose prices are not necessarily determined by production costs. In some instances, the bilateral pattern of trade is also used for the settlement of outstanding debts. This is, inter alia, the case with a number of agreements concluded by France, Switzerland and the United Kingdom.

Asia, the Middle East and North Africa

Japan has continued to reduce its reliance on bilateral arrangements in the conduct of its trade and payments. Several of the remaining bilateral arrangements which aimed at a balanced trade and involved settlement of payments through open (clearing) accounts were replaced by agreements providing for settlement in convertible or transferable currencies, usually the pound sterling. Bilateral arrangements of the former type now only remain in force with Brazil, Egypt, Greece, South Korea, Taiwan and Turkey. Several of the new trade agreements concluded in 1957 were less rigid and exclusive than those which they replaced. In the agreement with France, for example, Japan undertook to grant imports from this country the same treatment as imports from sterling area countries; in return France undertook to establish quotas for certain Japanese goods and to permit imports of some other items without limitation as soon as it reintroduced liberalization measures. The agreement with Australia, which came into effect in July 1957 contains reciprocal assurances of non-discriminatory treatment in import and exchange control matters; in addition, Japan expects to import certain quantities of Australian wheat and barley. In December 1957, Japan signed its first post-war trade and payments agreement with the USSR, thereby substituting settlements in transferable sterling for the previous system of barter. Similar arrangements seem to be contemplated with other countries in Eastern Europe with which trade is now largely conducted in the form of barter.

Bilateral agreements of India usually contain no commodity quotas, but merely indicative lists of goods to be exchanged and, as a rule, they do not aim at a bilateral balance of trade. Although some of these agreements

1 For a general description of bilateral agreements concluded by countries in the ECAFE region see the Appendix to the Economic Survey of Asia and the Far East, 1957.
provide for payments to be made through bilateral accounts held in rupees, they do not generally interfere with multilateral settlement since, in most cases, outstanding balances can, at the request of the creditor party, be converted into sterling. In 1957 India concluded its first trade agreements with Afghanistan and North Korea and renewed or modified a number of agreements already in existence. Under the new agreement with Afghanistan, India is to establish quotas for certain products. The three-year agreement which India signed with Pakistan in January 1957 continued to provide special facilities for the trade between their border regions. In addition, special minimum quotas were agreed upon for the import and export of a number of commodities, including Indian coal and Pakistan jute. Under new arrangements made by India with Poland the rupee proceeds of Polish exports of essential machinery are credited to a special trade development account and are to be used only for payment of specified Indian exports. A similar arrangement was concluded with Yugoslavia. India agreed with Czechoslovakia to encourage triangular transactions as a means of widening the scope of trade; Egypt and Indonesia are prospective participating third partners.

Pakistan renewed with some modification its bilateral agreements with a number of countries, and concluded its first agreement with Burma. Under the current bilateral arrangements with France and Japan, Pakistan undertakes to issue licences for certain French and Japanese goods when the purchases of cotton by these countries exceed specified levels. The new agreement with the Federal Republic of Germany no longer provides for the issue of single-country licences; Pakistan, however, undertakes to regulate the issue of licences so as not to reduce substantially the scope for German exports. The agreement with Italy which contained a similar licensing commitment was allowed to lapse at the end of 1956.

Most of Ceylon's bilateral agreements are in the nature of commercial treaties; their main effect is the establishment of direct trade contacts and the mutual guaranteeing of non-discrimination in import and export licensing. Ceylon's agreements with state-trading countries, however, generally aim at bilateral balancing of trade. This is the case with the new five-year trade agreement concluded with mainland China in September 1957 which replaces the previous long-term agreement of 1952. Under this agreement a protocol will be signed annually to determine the modality of its implementation; the protocol for 1958 provides inter alia for the exchange of determined quantities of Ceylonese rubber for agreed quantities of Chinese rice at prices which will be fixed at international market price levels. In February 1958 Ceylon concluded its first trade and payments agreement with the USSR which is also aimed at a balanced trade.

Principally owing to difficulties in balancing its trade with state-trading countries, Burma discontinued in 1957 several of the arrangements under which it undertook to import from these countries up to a total value equivalent to the proceeds of the sale of rice. The countries with which such agreements were terminated are Bulgaria, mainland China, Hungary, Poland and Rumania. Reliance on bilateralism was further reduced by changing the method of settlement of exports, other than rice and rice products,
to several of the countries with which such bilateral arrangements remained in force, to a cash sterling basis. The first agreement which Burma concluded with Pakistan in February 1957 is similar to that in force with India and is valid for a period of three years; it is of the non-exclusive commercial treaty type with no commodity quotas but specifies that the partners will endeavour to achieve a balance in their trade. A separate trade protocol obliged Pakistan to purchase certain quantities of rice annually during the period of validity of the agreement. Burma signed similar contracts with Ceylon, mainland China, Czechoslovakia, India, Indonesia, Israel, the Federation of Malaya and Yugoslavia for the sale of rice.

Though Indonesia still retains a substantial number of bilateral agreements, the nature of the agreements has been changed in certain cases by the deletion of quota lists and by the introduction of payments provisions based on transferable currencies. For example, quotas were eliminated from the trade agreement with Switzerland when it was extended early in 1957. After the termination in April 1957 of the bilateral payment arrangements with Poland all payments between Indonesia and the USSR and other Eastern European countries are now settled in transferable sterling; the trade agreements in force with these countries generally contain no quotas. In May 1957 a first trade and payments agreement was concluded between Indonesia's Industry and Trade Council and the North Korean Government. The authorities in Taiwan have newly embarked on a policy of relying on bilateral agreements; they signed their first agreement with Spain in December 1956 and with Greece and Italy in 1957.

Countries in the Middle East have continued to resort to bilateral arrangements, including barter and compensation deals, principally for the purpose of securing markets for exports of cotton, fruit, tobacco and the other important products of the area. Their trade and payments agreements with state-trading countries in Europe and Asia often aim at bilateral balancing and consequently involve the channelling of payments through clearing accounts with swing credit provisions. In September 1957 Egypt concluded a triangular agreement with Ceylon and Japan under which Egypt's earnings from cotton exports to Japan were used for payments of imports of tea from Ceylon. In October 1957 Syria entered into an agreement of economic co-operation with the USSR, under which the latter supplies equipment and industrial installations under long-term credits repayable partly in kind and partly in transferable currencies. Following the relaxation of import restrictions in Iran, France and the Federal Republic of Germany terminated their agreements with that country. Early in 1958, however, Iran concluded a new bilateral arrangement with France whereby it secured certain facilities for its exports to that country. Israel maintains a large number of bilateral agreements most of which include quota commitments. In March 1958, it concluded a new quota agreement with Argentina which also provided for payments to be settled through clearing accounts.
Since achieving independence, Morocco and Tunisia have both negotiated a large number of bilateral trade and payments agreements, particularly with countries in Eastern and Western Europe. These agreements mostly aim at expanding their trade and take the place of agreements previously concluded by France on behalf of the franc zone. The new agreements with OEEC countries generally continue the payments arrangements which previously operated between these countries and the franc area.

**Latin America**

With the exception of Peru, which is virtually free of bilateral commitments, all the countries in the southern part of the Latin American continent still conduct the larger part of their trade with countries within the region on the basis of bilateral trade and payments agreements. Although little change has occurred in this intra-regional network of bilateral arrangements, there has been a growing awareness of the limitations which this bilateral system imposes on trade. The action taken in 1957 generally aimed at making these regional trade and payments arrangements more homogeneous and at facilitating exchange of information on the position of the bilateral clearing accounts with a view to facilitating multilateral compensation of debit and credit balances. Several payments agreements concluded in 1957 and in early 1958 conform to a standard agreement drawn up by Central Bank representatives at Montevideo and envisage the transfer of surpluses exceeding swing credit limits for accounts with third countries in the region. Examples include the agreements between Argentina and Uruguay, between Argentina and Chile, between Ecuador and Chile. Some agreements, e.g. those between Argentina on the one hand and Chile and Uruguay on the other, expressly provide that trade will take place at prices equal to those quoted on the world market.

The formalization in November 1957 of Argentina's multilateral trade and payments arrangements (the "Paris-Club") which had been functioning on a provisional basis since May 1956, and the accession of the Federal Republic of Germany to the agreement, put trading relations of Argentina with most countries in Western Europe on a firm multilateral basis by rendering unnecessary the strict balancing of accounts aimed at in the bilateral agreements previously in force. Although trade agreements with most of the partners to the multilateral scheme were as a rule retained, they no longer contain quota commitments; Argentina merely undertakes not to discriminate against imports from the participating countries, without prejudice, however, to any special arrangements with neighbouring countries and, temporarily, with certain other countries with which Argentina is in a creditor position. The partners to these arrangements are to maintain a liberal import policy for Argentine goods, though the restriction of certain imports is not precluded. In 1957 and early 1958 Argentina renegotiated trade and payments agreements with Israel, Spain, Yugoslavia and a number of countries in Eastern Europe. Except for the agreement with Israel, these arrangements were generally designed to facilitate the redemption of these countries'
commercial debts to Argentina by increased deliveries of goods. The new agreement with Spain, concluded after protracted negotiations, is accompanied by a protocol concerning commercial debts which provides for the progressive amortization of outstanding Argentina claims.

The multilateral trade and payments arrangements which Brazil maintains with a group of trading partners in Western Europe (the "Hague Club") have continued to function smoothly during the period under review. The proven value of these arrangements has led Brazil to seek further extension of their coverage. In 1957 Brazil renewed or extended the agreements with Iceland, Israel, Japan, Portugal, Spain, Turkey and a number of countries in Eastern Europe. The list of commodities attached to the trade agreements are generally of an indicative nature. Bilateral clearing accounts are maintained with all these countries.

The departure from bilateral trade and payments arrangements in trade relations between Latin America and Western European countries has not been confined to Argentina and Brazil. Chile and Paraguay, not having established special multilateral payment systems, reduced their reliance on bilateralism in trade and payments by the elimination of quantitative restrictions on certain sectors of their trade and by the adoption with some trading partners of payment systems involving the use of transferable currencies. The reform of Chile's import control system, in April 1956, resulting in a simple free list applicable to imports from all sources, had the effect of diminishing the scope of its bilateral agreements. The few arrangements still in force are concerned chiefly with the method of payment. In 1957 the Nitrate and Iodine Sales Corporation terminated private agreements for the sale of nitrates and iodine with Denmark, Egypt, the Netherlands, Portugal, Sweden and Yugoslavia which generally stipulated that proceeds of nitrate exports must be used for imports from the countries concerned; all transactions by the Corporation are now effected in transferable or convertible currencies. In 1957 Paraguay concluded agreements with Denmark and the Netherlands, providing for settlements to be made in transferable currencies. Uruguay has entered into similar arrangements with Denmark.

Cuba has continued its policy of granting tariff concessions on certain imports in exchange for purchasing or licensing undertakings with respect to Cuban sugar, tobacco and certain minor exports. Agreements of this nature are now in force with a number of countries including Austria, the Federal Republic of Germany, Sweden and the United Kingdom. In 1957 Mexico concluded quota agreements with France, Italy and Switzerland which cover the exchange of certain commodities.

Eastern Europe, the USSR and mainland China

Trade among the USSR and other Eastern European countries and mainland China is governed by extensive trade agreements which are often supplemented by credit and technical assistance arrangements. Practically all these agreements are strictly bilateral and, although provision for settlement in
cash, or in gold, sometimes appear in them, the actual settlement of balances, usually after the expiration of a one-year agreement, is almost invariably made by means of additional deliveries of goods. Quotas are mostly expressed in roubles though bargaining about prices is often in terms of free market sterling or dollars. In 1957 the Council for Mutual Economic Assistance (Comecon) which comprises the USSR and the other Eastern European countries instituted an arrangement for the voluntary multilateral compensating of bilateral balances among member countries. It is as yet premature to speculate on the effects of these arrangements on the trade between these state-trading countries.

In accordance with a recommendation by the Comecon, the state-trading countries have in recent years been following a policy of progressively replacing the one-year trade agreements between them by longer term arrangements which are considered to be better suited to their planned economies. These agreements cover periods extending from three to five years and contain lists of commodities to be exchanged as well as targets of trade. Detailed quota lists are negotiated each year and laid down in trade protocols. A large network of such arrangements are now in force among the Eastern European countries.

A similar trend has become noticeable in the bilateral agreements which the Eastern European state-trading countries maintain with countries outside the area. During the period under review, for example, the USSR concluded three-year or four-year trade agreements with Austria, France, the Federal Republic of Germany and Italy, which contemplate significant increases in the volume of trade. These agreements specify the commodities in which trade is to take place and set a target for the total exchange of goods; they also provide for the annual negotiation of quota lists.

Of the triangular trade agreements which the USSR and Finland had previously entered into with Eastern Germany, Poland and Czechoslovakia, only the one with Czechoslovakia is still in existence. On the other hand, the new three-year agreement which Czechoslovakia concluded with India in September 1957 envisages the settlement of India’s adverse trade balance with Czechoslovakia by deliveries of Indian goods to Egypt and Indonesia which normally have a surplus in their trade with Czechoslovakia. A tripartite transfer arrangement has also operated between Czechoslovakia, the USSR and Burma whereby the latter country received goods from Czechoslovakia as part payment for its exports of rice to the USSR.

Mainland China maintains bilateral trade and payments agreements with more than thirty countries. The agreements with state-trading countries generally provide for the exchange of goods on a barter basis and are often associated with arrangements for aid and credits. For example, the successive trade arrangements with the USSR had provided for substantial loans and technical and financial assistance to be extended to mainland China. On the other hand, mainland China extends credit or aid or both to several of its bilateral agreement partners, including North Korea and North
Vietnam. Similar aid and assistance have been extended to Ceylon and, on a more limited scale, Cambodia and Egypt. Whereas most of the agreements of mainland China still aim at bilateral balancing of trade and use private or global compensation, an increasing number of them envisage the use of transferable currencies. This is the case with the first inter-governmental trade and payments agreements of mainland China with Denmark and Sweden, concluded in 1957. These agreements stipulate that certain commodities will be licensed freely by these two partners and that payments will be settled in transferable currencies or in other mutually acceptable currencies. Likewise, payments arising out of commercial transactions with France and the Federal Republic of Germany, which are governed by arrangements entered into by private French and German trading interests with the China Committee for the Promotion of International Trade are settled respectively in transferable French francs and Deutsche Marks with limited convertibility.
Recent years have witnessed a return to world marketing conditions in which buyer's choice is a more active force, with the result that there has been intensified competition among sellers. Hence export promotion techniques have assumed an increasing significance in international trading relations. The need for certain export promotion techniques, particularly export credit and export credit insurance, has also been increased because of the reduced scope of soft currency financing through bilateral agreements with swing credit provisions. Although there are a variety of special facilities provided by governments, financial and otherwise, which have the effect of promoting exports, it is convenient to classify them in this section under the broad headings of subsidies, export incentives and programmes for the disposal of surplus stocks.

Most subsidies are applied to domestic production and only incidentally have the effect of increasing exports. During 1957, however, there was some evidence of a tendency of increased resort to outright export subsidies. With the exception of some countries in the Far East there was no general extension of such export incentives as currency retention or import entitlement schemes. The deterioration in world economic conditions during 1957 led to somewhat more stress being placed on trade financing facilities, through the provision of longer-term deferred-payment credits for exports, particularly of capital goods to under-developed countries, and an increased flexibility in the administration of export credit guarantee schemes covering risks involved for exporters.

In Latin America, many countries still maintain multiple currency arrangements which are designed to assist exports of certain products, and during 1957 there were some modifications to the systems in force. In Asia intensified efforts have been made in the indirect field of export promotion, such as grading, trade publicity and the organization of trade conferences and fairs.

The existence and accumulation of surpluses of agricultural commodities in both exporting countries and former net importing countries, as a consequence of the continued maintenance of price support and guarantee schemes has led, inter alia, to considerable price uncertainty for the commodities concerned. Arrangements for their disposal during 1957 continued to influence the terms of competition in world markets for these goods and have resulted in the development of trading techniques which have assumed considerable importance in view of the magnitude of trade involved.

Some countries entered into bilateral arrangements - such as barter agreements and long-term sales contracts - with the aim of promoting their export trade. Some of these arrangements have been described above in the section dealing with bilateral trade agreements.
Owing to the lack of authoritative statements from governments on action taken in these various fields no comprehensive survey can be made, but the following notes will serve to indicate the type of measures adopted and the kind of transactions that have taken place in the period under review.

Subsidies

Article XVI of the General Agreement requires contracting parties to submit annual notifications describing the nature and extent of subsidies maintained by them which have the direct or indirect effect of reducing imports or increasing exports. The bulk of the information in this section concerning measures taken by contracting parties is derived from these notifications.

Most subsidies maintained are applied to domestic production and are usually intended to stabilize income and output, to meet import competition or to stimulate the growth or manufacture of items in short supply. Seldom, except incidentally, do subsidies of this type have the effect of increasing exports of the item concerned although frequently they have the result of reducing imports. The extent of the effects on importation is difficult to measure precisely. Outright export subsidies are usually avoided.

An examination of notifications received in 1957 suggests that no major changes have occurred in the past year in the policy of government subsidization of domestic production, although some adjustments have been made in the products benefitting and in the amounts of subsidy granted. There is, however, some evidence of a tendency for increased resort to outright export subsidies, particularly of agricultural products. Most of the subsidies on production or export described in the annual GATT reports on international trade were still being applied and the principal changes reported during the period under review are summarized below.

Production subsidies

In order to avoid an increase in the cultivation of wheat at the expense of lower production of feed grains, Belgium granted a subsidy to producers of the latter. There were also some modifications made in the system of granting subsidies to Belgian film producers. Canada introduced subsidization measures on dry skimmed milk, fowl and potatoes, designed to stabilize price levels for these products and to maintain returns to producers. With effect from December 1957 India abolished subsidies on the production of motor benzol and benzene. The United Kingdom introduced a new subsidy for catches of herring and extended until 1961 a measure which subsidizes catches of white fish in certain waters and the improvement of old but sound ships.
Export subsidies

Governments reporting the maintenance of export subsidies have stated that, while some quantities of the subsidized products would have been exported without the subsidy, it was not possible to estimate the volume of trade that would have taken place.

From 27 February to 27 July 1957 Belgium granted a temporary export subsidy on eggs. Finland continued to subsidize the export of several agricultural products, but the devaluation of the Finnish markka and the maintenance of domestic minimum prices have resulted, in effect, in a reduction in the subsidies. On 12 August 1957 France introduced a uniform 20 per cent payment to exporters on the price of most exports. By October 1957 this payment had been extended to cover all exports. This was a part of a scheme to rectify the situation created by the disparity between French and world prices which also involved a corresponding 20 per cent surcharge on imports; it was therefore essentially an exchange rate adjustment, rather than a subsidy. The Federal Republic of Germany granted a uniform export subsidy of 4 per cent to manufacturers in the Saar to assist them in marketing their products in the Federal Republic. Turkey introduced an export subsidy on olive oil to enable exporters to bring their prices down to world levels. In April 1957 Uruguay announced the introduction of an export subsidy on linseed oil. It was announced in February 1957 that the United States would continue until 31 July 1958 the system of granting equalization payments to exporters of cotton textiles based on the difference between the domestic and export price of the raw cotton content exported.

As regards countries not contracting parties to GATT, the following changes have been noted. As from 1 March 1957, Argentina abolished subsidies on beef exports. Up to the end of December 1957 Egypt granted subsidies on exports of cotton to specific currency areas. Israel introduced a freight subsidy to exporters who sent their goods on the national airline. Mexico extended through 1957 the operation of its export subsidies on natural chicle and candelilla wax. Morocco and Tunisia adjusted their foreign trade system to the situation created by the French measures mentioned above. Paraguay subsidized exports of bananas, pineapples, grapes and grapefruit.

Export Incentives

Apart from granting export subsidies there are many other ways by which governments can assist exporters. In view of the indirect nature of these export incentives, it is difficult to assess with any precision their effect in stimulating exports and the extent to which they may distort normal conditions of competition on world markets.

As indicated in previous GATT reports on international trade member countries of the Organisation for European Economic Co-operation agreed to discontinue certain measures which its Council, in a decision taken in January 1955, qualified as affording artificial aid to exporters. When the

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1 The French 20 per cent payments and surcharges were abolished in June 1958 when they were incorporated in a new official exchange rate.
situation was reviewed in July 1957 it was noted that the forms of aid declared to be artificial by the decision were no longer being practised by member countries, at least as far as industrial products were concerned. It should be recalled, however, that the decision under reference does not apply fully to Greece and Turkey and the OEEC has recognized the special position in respect of France. Moreover, Denmark still operates a dollar export incentive scheme in the form of import entitlements. The OEEC has also undertaken extensive studies of the systems of direct and indirect aid to exports of food and agricultural products with a view to arriving at some agreement on their limitation or abolition.

The Treaty establishing the European Economic Community, which entered into force on 1 January 1958, contains provisions to harmonize measures to aid exports to ensure that competition between enterprises in the six Member States will not be distorted. No distinction is drawn, however, between aid to production and aid to export. Special provisions relating to France, moreover, permit the maintenance of its present system, subject to an annual examination, until the balance-of-payments position on current account reaches and remains in equilibrium for more than a year and the monetary reserves reach a satisfactory level. The provisions of the Treaty would then apply in their entirety.

Currency retention schemes or similar practices which involve import entitlements or a bonus on exports are still maintained by several countries, particularly in Asia. During 1957 there were some modifications to the schemes in force. Cambodia increased the amount of benefits applicable to exporters of rubber and rice under its import entitlement scheme. The previous entitlement to 13 per cent of the proceeds from exports to the dollar area and to 10 per cent in the case of other currency areas were both increased by an additional 10 per cent. Further, timber exporters were permitted to retain 100 per cent of their exchange earnings to pay for imports of specified investment goods. Pakistan extended the operation of its import entitlement scheme unchanged until 1 October 1958; under these arrangements exporters of specified commodities are granted additional import licences on the basis of a certain percentage of their exports. These facilities were supplemented in June 1957 when exporters were granted additional import licences in advance, over and above their normal ceilings, for imports of raw materials and packing materials. Effective 20 June 1957, Indonesia introduced major exchange reforms designed to encourage exports. Exporters must now surrender all foreign exchange to authorized banks in return for exchange certificates (RPE certificates) expressed in rupiahs converted at the official rate. All imports must be financed by these certificates and the exporter may sell them freely on the open market, the price of these certificates being determined by supply and demand. Vietnam abolished its import entitlement (EFAC system) for exports and modified its multilateral exchange rates to authorize exporters of most goods to convert 35 per cent of their foreign exchange earnings at the free market rate.
On the other hand Japan reduced the scope of the "link" system whereby exporters of certain products are assured of supplies of raw materials. The linking of the import of beef tallow to the export of oils and fats manufactured from it was abolished on 1 April 1957. There now remains only three linking arrangements, benefitting exporters of cotton and rayon textiles and woollen goods.

On 12 April 1957, Turkey abolished an import entitlement scheme for exporters of low-grade chrome and manganese ore whereby they were allowed to retain all their exchange proceeds for the purchase of mining and agricultural machinery. In August, however, a new import entitlement scheme for the export of twenty-one items, including tobacco, cotton, figs, raisins and hazelnuts was established. Under this scheme exporters are permitted to retain various percentages of foreign exchange proceeds up to 15 per cent in order to import materials exclusively used in the packaging and preparation of these goods for export. In August 1957, France issued "exporters' cards" to firms whose exports comprised a minimum of 20 per cent of their total production. Holders are entitled to special credit and tax facilities and have priority in obtaining import licences for the purchase of capital goods and raw materials. They also receive an additional 5 per cent above the usual percentage of proceeds that may be retained by exporters under the import entitlement scheme (EFAC) for meeting incidental expenses or for imports essential to the production process; the usual percentages are 15 per cent for exports paid for in dollars and "free" francs and 10 per cent for other exports.

In Latin America many countries maintain multiple currency arrangements which provide more favourable rates for the conversion of the foreign currency proceeds of some exports than of others. These and other multiple exchange practices were described by the International Monetary Fund in the Ninth Annual Report on Exchange Restrictions 1958. Modifications made to the systems in force during 1957 are set out in detail in that report. The most important changes may be summarized as follows: Colombia and Ecuador introduced fundamental alterations into their exchange systems. Uruguay increased the rate of conversion applicable to exports of meat, wool, hides and skins, casein and butter. Brazil altered its foreign exchange auction system.

In Asia, many countries continue to experience a general insufficiency of export earnings and exchange resources in relation to their needs for economic development. Although governments are trying to secure more external assistance in the form of loans, grants and private investment to bridge part of the gap, they nevertheless have to rely heavily on encouraging the flow of exports to meet the larger part of the deficit. Export promotion techniques, therefore, have assumed a special and pressing importance. Member countries of the Economic Commission for Asia and the Far East have devoted particular attention to the immediate possibilities of expanding traditional exports through measures already widely employed by governments of leading commercial countries such as the provision of better storage.
facilities, application of grades and standards, quality control and export inspection systems. In addition smaller and minor exports such as the handicraft industries are being actively encouraged. Attention has also been given to prospects for the development of new export industries, although this is on a comparatively long-term basis. Several governments are also considering offering added inducement to encourage private foreign capital investment in domestic export industries. EC-TE countries have also agreed to encourage trade fairs and missions to exchange trade information. Intra-regional trade promotion talks under the auspices of EC-TE are to be held in Bangkok, in January 1959, on an experimental basis. And in 1959-60 courses in trade promotion are to be conducted in co-operation with the United Nations technical assistance programmes. During 1957 India established a foreign trade board to recommend co-ordinating policies for promoting exports. Pakistan proposes to establish export promotion committees for sports goods and cotton textiles.

In recent years there has been intensified competition among manufacturing countries in marketing capital goods in under-developed countries. The seller's market of the early post-war period no longer existed and exporters were finding it necessary to extend credit facilities to customers in under-developed countries in order to enable them to purchase capital goods which they could not pay for in foreign currencies. It is clear that in view of their balance-of-payments difficulties a number of under-developed countries expect such credit to be extended as a condition for the transaction to take place. In 1957, for example, the Government of India decreed that private importers of capital goods must insist on long-term credits, usually for seven years. In Argentina and Brazil foreign exchange for the import of certain industrial machinery is only made available if deferred payment terms extending from five to eight years are provided. Uruguay grants certain concessions to imports of capital equipment financed over a period of two years or more.

In many countries favourable credit terms are granted by the banking system and in some cases state organizations have been set up to provide long-term credit facilities to exporters. In France the Banque du Commerce Extérieur assists medium-term credit transactions by adding its endorsement to bills of exchange which then become more easily discountable. In Belgium state organizations provide credit facilities to finance exporters of capital goods. The Italian Government provides special rediscounting facilities for exporters of capital goods. In the Federal Republic of Germany the banking system itself established a special exports credit system. The United States Export-Import Bank grants development loans and exporter credits to enable under-developed countries to purchase United States capital equipment. In 1957 Japan intensified its efforts in this field and offered more liberal credit terms to exporters.

In addition, the trend towards the increased use of export credit guarantee schemes has continued. These schemes cover the exporter against risks (such as insolvency, default, restrictions on the transfer of payments
and political and war risks) which are not normally accepted by commercial insurance companies. Such schemes differ from the direct credit facilities described above in that the agencies merely underwrite an export credit risk. An export credit guarantee, however, makes an export contract "bankable" and this enables the exporter to finance it at a commercial bank. At the beginning of 1957, export credit guarantee schemes were in force in most European countries, the United States, Canada and Japan. In 1957 new schemes were brought into operation in Australia and India. During that year Austria and the Federal Republic of Germany increased the amount of funds available for export guarantees. Germany, however, increased the proportion of the risks to be borne by exporters. Japan lowered premiums in certain cases and extended the scope of its scheme. The United Kingdom extended facilities available for granting short-term credits to cover greater risks and a greater percentage of losses, and a special committee was appointed to examine the efficacy of the present arrangements.

Western European countries have endeavoured to avoid the adverse consequences of unlimited competition in credit terms by discussions in the Bern Union of Export Credit Insurers. Particular consideration has been given to the length of credit to be granted. Studies have also been undertaken within the framework of the OEEC on the facilities granted by members to exporters in the form of credits and export credit guarantees.

In recent years there has been stronger competition in this field from the USSR and other Eastern European countries which have been prepared to offer more generous credit terms than other exporters both as regards time for repayment and the rate of interest.

Disposal of surpluses

In many countries the continued maintenance of internal prices, by various support measures, at levels substantially above those prevailing on world markets has encouraged increased indigenous production and has contributed to the accumulation of excessive surpluses in some exporting countries, particularly in North America. The existence of large surpluses of any commodity leads to considerable price uncertainty and gives rise to concern in world markets. Efforts to find outlets for these surpluses on world markets without causing undue interference to normal commercial transactions have become more pronounced in recent years and have resulted in the development of trading techniques which have assumed considerable importance in view of the magnitude of trade involved. This section describes such arrangements during 1957.

In Western Europe many governments maintain support and guaranteed price schemes as an integral part of their national agricultural policy. From time to time the continuance of price supports has led to the formation of surpluses.

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1 This measure was rescinded in April 1958.
of particular commodities. Such situations have occurred even in countries which are usually net importers of the product concerned and despite the fact that the agricultural policy was not aimed at the promotion of exports. In many cases these surpluses cannot be absorbed by the domestic market or be added to stocks and therefore have to be exported. These additional supplies on international markets of agricultural products are bound to affect the trade of traditional exporters often depressing world prices of these commodities when, as is often the case, exporters can rely on taxpayers to bear wholly or in part the loss resulting from such exports. As a result of higher yields and under the stimulus of high guaranteed prices some sectors of European agriculture recorded sharp increases in production during 1957 and early 1958. Of particular note was the accumulation of surplus stocks of dairy products (especially butter), eggs, flour and wheat. Efforts were made to dispose of these surpluses in other European markets at prices below the domestic guarantee price. Discussions have been held between the countries concerned in an effort to remedy the situation and to alleviate the resulting distortion to normal patterns of trade and measures have been taken in certain importing countries to restrict or limit imports from all or certain countries.

In the United States, some progress was made in reducing the surpluses which have accumulated in an agricultural economy not yet completely adjusted to the changing patterns of production, trade and supply responsibility of a post-war world. At the end of the calendar year 1957 the United States Commodity Credit Corporation held stocks of various agricultural products acquired under the price support programme valued at $5.4 billion. This represented a fall of $0.5 billion from the level held at the end of 1956. The decline could in part be attributed to the operation of the Soil Bank Program which diverted crop land from the production of agricultural commodities in excess supply through the establishment of an acreage reserve and a conservation reserve. The values quoted above are in terms of "CCC cost" which represents the cost of the commodities to the Corporation including investment, processing, handling and other costs. The two principal items held by the Corporation were wheat and corn, each of which constituted roughly 35 per cent of total stocks. Other major items were upland cotton, grain sorghum, rice and dairy products. Not all the Corporation's holdings are true surpluses since a part represents normal carry-over and reserves against unforeseen contingencies. On the other hand, some other commodities, not held in Corporation inventories, principally tobacco, lard and vegetable oils were also in surplus supply.

The Commodity Credit Corporation continued to dispose of agricultural commodities acquired under its price support operations, through several different programmes. The commodities moved under these programmes in calendar year 1957 had a cost value to CCC of $3,700 million. Of these disposals approximately $500 million were in the form of donations for relief purposes in the United States and abroad. Disposals for export (other than relief) amounted to $2,200 million and domestic disposals (other than relief) were $1,000 million.
In order to meet competition in international trade, commodities for which special export programmes have been developed are sold abroad at their "export market value" which is less than the CCC cost of those commodities. Under the CCC export sales programme for cotton, 7,750,000 bales of upland cotton were sold, on a competitive bid basis, for export by 15 August 1957. In addition, as of 15 August 1957, 3,600,000 bales had been sold for export between 16 August 1957 and 31 July 1958. This system is to be continued until 15 August 1958. The major special export programmes have been developed under the Agricultural Trade Development and Assistance Act (Public Law 480) and Section 402 of the Mutual Security Act.

Public Law 480 was enacted in July 1954. Up to 31 December 1957 the programming of surplus commodities under the Act had totalled $5,820 million at CCC cost; of this amount almost 60 per cent or $3,340 million at CCC cost ($2,300 million at export market value) had been disbursed under Title I of the Act which provides for the disposal of surpluses abroad against payment in foreign currencies. Transactions under Title I are carried out through private channels to the maximum extent, the proceeds in the currencies of the foreign countries being utilized locally in accordance with the law and the terms of the agreements. Through 31 December 1957 about 55 per cent of the proceeds had been earmarked for loans to the purchasing countries for economic development and 25 per cent earmarked for the payment of United States expenses in these countries. The Title I provisions were amended, however, in August 1957 to provide that up to 25 per cent of the proceeds in future agreements shall be earmarked for loans to assist United States agricultural products abroad.

Agreements concluded under Title I in 1957 amounted to $540 million at CCC cost ($360 million export value). This was considerably lower than agreements entered into during 1956 which totalled $2,075 million at CCC cost ($1,445 million export value). The volume of the surpluses actually entering world markets, however, was higher in 1957 than in any preceding year. Shipments during 1957 amounted to approximately $750 million (export value) compared with about $640 million (export value) in 1956 and total shipments of about $1,650 million (export value) since the beginning of the programme. The authority under Title I, initially for a total expenditure of $700 million at CCC cost which was supplemented by an additional $800 million in August 1955, and $1,500 million in August 1956, expired on 30 June 1957. In August 1957, however, the authority was increased from $3,000 million to $4,000 million and extended to 30 June 1958. As at 31 December 1957, $3,340 million had already been committed under signed agreements.

Title II of Public Law 480 provides for donations of surplus commodities abroad for emergency and relief purposes, and authorizations since the programme began and through 31 December 1957 total $390 million at CCC cost, of which $102 million was authorized in 1956 and $121 million in 1957. In August 1957 the authority under Title II, which had expired on 30 June 1957, was extended to 30 June 1958 and increased from $500 million to $800 million.
Title III covers donations of surplus foods for domestic use and for distribution abroad by non-profit voluntary agencies and inter-governmental organizations as well as the Corporation’s barter activities. Cumulative donations under this programme amount to $1,216 million at CCC cost, including repacking and shipping, of which $183 million was donated in 1956 and $377 million in 1957. Barter contracts, by which the Corporation trades its stocks for strategic and other materials amounted to $128 million in 1957. Since July 1954, through 31 December 1957, cumulative barter contracts have amounted to $873 million at export market value. The barter programme underwent a major revision during the period January-June 1957 to assure that commodities exported under barter arrangements would result in a net gain in the total volume of United States agricultural exports.

Section 402 of the Mutual Security Act provides that a certain minimum amount of funds for economic aid authorized during a particular period should be in the form of surplus agricultural commodities; in the fiscal year 1955/56 the minimum was $300 million, for 1956/57 it was reduced to $250 million and for 1957/58 further reduced to $175 million. In order to avoid decreasing the aid to certain countries which would be unable to take agricultural commodities a system of triangular transactions is in operation. Under this arrangement surplus agricultural commodities were sent to third countries, mostly in Western Europe, which in turn exported industrial items to the under-developed countries for which the aid had been programmed. In the fiscal year 1956/57 the export market value of Section 402 programmes to eighteen countries totalled about $285 million, of which $51 million was related to triangular transactions.

In assessing the impact of these agreements on world trade, it should be borne in mind that while the United States agricultural exports increased in 1956 and 1957, due in part to these surplus disposals, world agricultural exports likewise increased. Moreover, the United States has taken due account of the principles for the disposal of surpluses drawn up by the GATT and the Food and Agriculture Organization and has used their procedures for consultations designed to safeguard the interests of other exporting countries.

Canada does not have a surplus disposal programme as such. From time to time, however, the Canadian Government has donated wheat and flour to Colombo Plan countries as part of planned programmes. During 1957, Canada donated $7 million and $2 million of wheat to India and Pakistan respectively, and $1 million of wheat flour to Ceylon.

From time to time governments holding stocks of primary products which have been accumulated as part of a national strategic stockpile for defence purposes decide to liquidate such stocks, either wholly or in part. In the performance of such operations due attention is usually given to the principles laid down in the GATT Resolution on the liquidation of strategic stocks. During the period under review the United Kingdom announced, in
accordance with the policy set out in the 1956 Defence White Paper on running down strategic holdings of industrial raw materials, their intention to dispose of the following: 80,000 - 100,000 bales of wool, 27,000 tons of zinc, 20,000 tons of lead, 2,500 tons of tin, 1,600 tons of nickel pellets and 12.5 tons of cadmium metal. All of these disposals were to be effected by 30 June 1958 and some have already been completed. Consultations were held with trade representatives concerned in order to ensure that the disposals would take place without unduly disturbing the market. The United States also released some strategic stocks to domestic producers.
During the period under review - June 1957 to June 1958 - the activities of the CONTRACTING PARTIES were dominated by several major developments in the trade field. Of greatest significance were the ratification of the Rome Treaty establishing the European Economic Community and the continuation of negotiations looking towards a free-trade area comprising seventeen countries in Western Europe. The attention of the CONTRACTING PARTIES was also directed to recent trends in international trade which have led to difficulties for countries dependent upon the export of primary products and growing problems for the less-developed countries in maintaining and increasing their export proceeds in order to meet their priority import needs. The provisions of the Rome Treaty and trends in international trade were the principal subjects discussed at the twelfth session in October-November 1957 and at a broadly representative meeting of Trade Ministers which was held during the session. The CONTRACTING PARTIES set up a panel of experts, to carry out a factual investigation of recent trends in, and prospects for, international trade to serve as a basis for further consideration of the issues involved. A third important activity in the period under review was a general round of consultations on the import restrictions still maintained by contracting parties for balance-of-payments reasons. Arrangements were also made for carrying out the review of import restrictions agreed upon in the review of the General Agreement in 1955. This review will be completed at the thirteenth session and thereafter the programme of annual consultations will begin in 1959.

The following paragraphs describe these activities of the CONTRACTING PARTIES and also other matters which were discussed at the twelfth session or which will come before the CONTRACTING PARTIES at their thirteenth session commencing in October 1958.

European Economic Community

At the eleventh session in 1956 the Governments of Belgium, Luxemburg, the Kingdom of the Netherlands, France, the Federal Republic of Germany and Italy (all contracting parties to GATT) informed the CONTRACTING PARTIES of their intention to establish an economic community with the aim of removing all obstacles to trade between their territories. Accordingly, the text of the Treaty, establishing the European Economic Community, was transmitted to the CONTRACTING PARTIES soon after its signature in March 1957, and arrangements were made for an examination at the twelfth session of the provisions relating to tariffs, quantitative restrictions and other aspects of commercial policy. The purpose of this examination was to enquire whether the provisions of the Treaty were consistent with the GATT provisions which allow governments to depart from the rule of most-favoured-nation treatment when they establish a customs union or a free-trade area. The member States of the Community
declared their intention, in accordance with the provisions of the Rome Treaty, to observe their obligations under prior international conventions including the General Agreement. The examination was preceded by extensive preparations including questions and answers to clarify the principal issues.

During the twelfth session the implications of the Treaty and its relationship to the GATT were discussed at a meeting of Trade Ministers who recognized that the creation of the Economic Community would lead to new relationships in the economic and trade field. In order to further the common objective for the strengthening of trade relations between the member States and the other parties to the General Agreement, the Ministers confirmed the desirability of establishing effective and continuing co-operation between the CONTRACTING PARTIES and the Community.

The GATT allows contracting parties to enter into agreements for the formation of customs unions even though their full establishment is spread over a period of some years. The six member States of the Community claimed that the Rome Treaty and its transitional arrangements, running over twelve to fifteen years, were fully in conformity with the requirements of the GATT, but many other contracting parties had doubts on certain points. In particular, it was feared that, in practice, the implementation of the Treaty might transgress the rules of GATT and impede the attainment of its objectives by raising barriers to the trade of other contracting parties. Further, it was felt that on a number of important issues the provisions of the Treaty lacked details of action to be taken in the field of commercial policy and left much to the future decisions of the institutions of the Community. Thus, to many countries, there did not appear to be any certainty that the Community, as it evolved, would comply fully with the relevant provisions of the General Agreement. In particular they were concerned that instead of contributing to the general expansion of trade the establishment of the Community might result in additional obstacles to trade between the member States and the other contracting parties.

Four main aspects of the Treaty were examined. The member States submitted a specimen common tariff, but the list was not complete because on a certain number of items the common duties are still to be negotiated by the six Governments. The final common tariff, which is to be established by stages during the transitional period, will be submitted to the CONTRACTING PARTIES in 1959. Some of the rates of duty for the Community will be higher than those now in force in some of the member countries, especially for Benelux, and where the latter have been bound against increase in GATT tariff negotiations a process of renegotiation will have to be undertaken with the contracting parties concerned.

More complicated questions arose on the subject of the use of quantitative import restrictions by the member States and particularly as to the possibility of the member States which have no balance-of-payments difficulties imposing import restrictions to aid another member State which was in
difficulties. Differences between the members of the Community and certain contracting parties on this issue were not resolved, but it was agreed that any particular problems that might arise in the actual application of import restrictions by the individual members of the Community would be examined in consultations under the provisions of the General Agreement.

Considerable attention was focused on the agricultural provisions of the Treaty which entrust the working out of a common agricultural policy to the institutions of the Community. Some of the major agricultural exporting countries — for whom the member States are an important export market — were concerned lest the system of long-term contracts and minimum prices and, eventually, the common agricultural policy envisaged in the Treaty would lead to a managed market aimed at self-sufficiency with detrimental effects on their trade.

The fourth question which received particular attention at the twelfth session were the arrangements for the association of the overseas territories of France, Belgium and the Netherlands (and of certain trusteeship territories) with the European Economic Community. To a number of contracting parties these arrangements did not appear to conform with the requirements of the GATT for a free-trade area, but rather to constitute an extension of preferences which could well be contrary to GATT rules. In any case some countries expressed deep concern that these arrangements were likely to have serious repercussions on their trade, particularly in the export of tropical products to the markets of the member States in competition with the associated territories. The possible consequences of these arrangements for the trade of other contracting parties were examined in some detail in a working party in the early months of 1958. The present production, trade and consumption of twelve commodities — coffee, cocoa, tea, tobacco, sugar, bananas, aluminium, etc. — and the prospects for the future under the proposed arrangements were studied, though for the most part definite conclusions could not be reached in view of many uncertainties, including, in some instances, the fact that the relevant duty rates of the common tariff have yet to be fixed.

In discussing these problems since the twelfth session it has been agreed to set aside legal and formal questions for the time being and to apply the established GATT procedures for consultations in examining specific problems which may arise in the application of the provisions of the Treaty. Contracting parties, when they feel that their interests are affected by the provisions of the Treaty or by their implementation, may enter into direct bilateral or multilateral consultations with the member States. Since the twelfth session the principal institutions of the Community have been established and the first step in the elimination of the customs barriers between the member States is due to be taken on 1 January 1959.
In their discussions of the Rome Treaty the contracting parties have had in mind the more extensive proposals for the formation of a free-trade area embracing the six member States of the European Economic Community and the other eleven members of the Organisation for European Economic Co-operation. In the event that the negotiations for such a free-trade area mature, the resulting treaty will also have to be examined in the light of the relevant provisions of the General Agreement.

Under this same heading mention should be made of the European Coal and Steel Community. Pursuant to a waiver granted in 1952 to the six contracting parties which have now formed the European Economic Community, an annual report has been submitted to the CONTRACTING PARTIES in each year of the transitional period during which the member States were taking measures towards the establishment of a common market for coal and steel products. The fifth annual report was examined at the twelfth session, and a sixth report, covering the last six months of the transitional period, was received by the Intersessional Committee in April 1958. The common market for coal and steel has now been established, the last stage being the removal of all remaining duties and restrictions on trade among the member States and a harmonization of the duties on imports from third countries. The duties for steel products are not completely uniform since the "harmonization", as envisaged by the member States of the Community, allows a certain variation in order to afford what is described as "geographical protection". The CONTRACTING PARTIES have congratulated the member States on carrying to fulfilment this project of integration of an essential industry.

**Trends in International Trade**

Although the total value of merchandise entering international trade reached a record level in 1957, certain trends have given rise to concern in some countries. It has been evident in recent years that the trade of the less developed countries with the industrial countries is not developing as rapidly as the trade of the industrial countries among themselves. The decline in commodity prices - for industrial raw materials and for some food products - has reduced their export earnings; this and the simultaneous increase in the prices of manufactures have limited their capacity to maintain their imports of essential consumer goods and to meet the mounting cost of imports of the capital goods which they require to carry out their development programmes. Many of them have had large trade deficits and have felt compelled to intensify their restrictions on importation. Further, a limiting factor in world trade in foodstuffs is the policy of many industrial countries to apply quantitative restrictions on imports in order to protect their domestic agriculture and to implement their price-support policies. Accordingly, agricultural products have not fully shared in the liberalization of trade which has taken place in recent years. Price-support measures have led to increased production even in countries which have been traditional importers of agricultural products, and to an accumulation of surpluses for which outlets are sought in world markets in competition with the main
exporting countries. Finally, the economic recession in North America and the slower growth of activity in Europe have caused concern in many countries whose economies rely upon stability in the value and volume of their exports of primary products to world markets.

These trends in trade were discussed by the CONTRACTING PARTIES at their twelfth session. The countries most seriously affected by these developments urged that means of ameliorating conditions should be sought, perhaps through some measure of international stabilization of prices. In order to be in a better position to deal with these problems at their forthcoming session, the CONTRACTING PARTIES called upon Professors Haberler of Harvard, Mead of Cambridge, Tinbergen of Rotterdam and Dr. Campos of Rio de Janeiro to study the recent trends in trade and the outlook for the future. This panel of experts has also examined, though without expressing views on the policies of governments, the protective measures for agriculture and the restricted markets for raw materials, which tend to limit and confine international trade in primary products, as well as the possibility of stabilizing demand for primary products in industrial countries and the price of individual commodities. This factual study should provide a valuable basis for the consideration of remedial action.1

Quantitative Import Restrictions

Consistently with the provisions of the General Agreement, there has been in recent years a considerable reduction in the use of quantitative import restrictions by contracting parties as their balance-of-payments situation has improved. Both the number of items subject to restriction and the severity of the restrictions have been greatly reduced. Twenty-six of the thirty-seven contracting parties, however, still maintain some degree of control over importation. The changes during 1957 in the restrictive measures in force are described in Part I of this report and, at their thirteenth session, the CONTRACTING PARTIES will complete a review of all the restrictions still maintained for balance-of-payments reasons.

In 1957 twenty of the contracting parties maintaining such restrictions engaged in a series of consultations with the CONTRACTING PARTIES on the nature of their balance-of-payments difficulties, alternative measures that might be available and the effects of the restrictions on the economies of other countries. The consultations provided opportunities both for the countries applying restrictions to explain their financial difficulties and for other countries to discuss with them the effects of the restrictions on their trade. This exchange of views helped to clarify the position of the various countries and led to a better understanding of each other's problems.

1 The experts' report has been published under the title Trends in International Trade and is obtainable through United Nations, sales agents (see back cover).
As a result of these consultations some of the restrictions were removed and in some countries changes were made in the administration of the restrictions so as to reduce their harmful effects. In particular, a number of countries participating in the consultations announced a further liberalization of imports from the dollar area.

In the course of consulting with the Federal Republic of Germany the CONTRACTING PARTIES took note of the findings which had been made by the International Monetary Fund that the exchange position of the German Federal Republic no longer justified the maintenance of restrictions on imports. The German Government, thereupon, undertook to review its import policy and, subsequently, announced a programme for the liberalization of imports over a period of two years. When this situation was examined at the twelfth session many contracting parties expressed the view that the German Government should eliminate the restrictions or otherwise reconcile its position with the provisions of the General Agreement, and the German Government was requested to report in April 1958 on any further action it might have taken by then. In April the German Government reported that the restrictions still in force affected some 18 per cent of imports, calculated on the basis of 1956 trade, 16 per cent of which were agricultural products, and that the restrictions on the import of certain foodstuffs were mandatorily required under four marketing laws which were in force in 1951 and which, consequently, were permissible under the GATT by virtue of the provisions of the Protocol under which Germany had acceded. This report was examined by the Intersessional Committee which adopted a resolution urging the German Government to reconsider the matter and to report further at the thirteenth session.

As noted in Part I the unfavourable developments in the world economic situation put strains on the external financial position of a number of countries. During 1957 several contracting parties — Finland, France and India, in particular — found it necessary to intensify their import restrictions to meet adverse developments in their balances of payments. New Zealand took similar action at the beginning of 1958. As required by the provisions of GATT all four of these countries consulted with the CONTRACTING PARTIES concerning their measures of intensification. This provided an opportunity for explaining their difficulties and for hearing representations by other countries about possible measures to alleviate the undesirable effects of the intensified restrictions.

The CONTRACTING PARTIES are required by the General Agreement to report each year on the discriminatory application of restrictions maintained for balance-of-payments reasons. The eighth annual report on this subject, adopted at the twelfth session, shows that twenty-four contracting parties are still exercising some degree of discrimination between sources of supply. Generally, the imports of dollar and non-dollar origin are subject to different treatment and in some cases discrimination also exists between various non-dollar sources. The CONTRACTING PARTIES found that substantial progress had been made in reducing the degree of discrimination and that some of the countries which had contributed to this reduction had not experienced, as a result, any great increase in the inflow of dollar goods.
This seemed to indicate that governments should look more and more at their overall balance-of-payments position and rely, so far as possible, on nondiscriminatory restrictions as the least damaging to their own and other economic interests. This eighth annual report has been published in the Sixth Supplement to the Basic Instruments and Selected Documents.

In 1955, when reviewing and revising the General Agreement, the CONTRACTING PARTIES recognized that governments which attained an improved balance-of-payments position and were no longer entitled to apply restrictions on financial grounds were nevertheless likely to encounter difficulties in removing restrictions within a short time. Industries or branches of agriculture which had enjoyed protection under such restrictions might have a difficult task of readjustment. Accordingly, it was thought desirable to provide some facility for the gradual removal of restrictions in "hard-core" cases but on the understanding that requests for authority to maintain restrictions temporarily would be put forward by the end of 1957. At the twelfth session the CONTRACTING PARTIES extended this time-limit until the end of 1958. One contracting party - Belgium - has availed itself of these facilities and, at the twelfth session, the CONTRACTING PARTIES discussed a report by Belgium on the progress made towards the removal of the remaining restrictions.

On all matters involving questions of balances of payments and monetary reserves, the CONTRACTING PARTIES are required by the General Agreement to consult with the International Monetary Fund and to accept its determinations on certain specified points. In dealing with the matters referred to in the preceding paragraphs the CONTRACTING PARTIES instituted consultations with the Fund. They received documentary assistance from the Fund and its representatives participated in the discussions at the meetings of the CONTRACTING PARTIES.

Settlement of Differences

The sessions of the CONTRACTING PARTIES provide a forum for the discussion of differences between governments concerning the nullification or impairment of benefits they should derive from membership in GATT. In the first instance, such differences should be the subject of bilateral consultations between the governments concerned, but when no satisfactory settlement is reached the complainant can bring its case before the CONTRACTING PARTIES for consideration and, if necessary, a panel for conciliation is appointed to examine the complaint. During the past year four complaints were brought before the CONTRACTING PARTIES.

In April 1957, Denmark brought to the Intersessional Committee a complaint concerning the export of subsidized eggs from the United Kingdom. The representative of Denmark stated that the subsidies granted by the United Kingdom to egg producers had led to greatly increased production with the result that

1 Obtainable through United Nations sales agents (see back cover).
Danish exporters had lost their traditional market in the United Kingdom and the resulting surplus was being exported to markets on the Continent, especially in Western Germany where Danish exporters had turned for new outlets. The CONTRACTING PARTIES were asked to examine this situation in the light of the provisions of GATT relating to subsidies: the subsidization was causing serious prejudice to Danish interests and was resulting in the United Kingdom acquiring more than an "equitable share" of the export trade; it was also suggested that the situation would warrant the application of countervailing duties. The Danish complaint was supported by the representatives of Belgium, the Netherlands, Sweden and the Federal Republic of Germany. The Intersessional Committee recommended that bilateral discussions between Denmark and the United Kingdom should be continued, but appointed a panel to examine the complaint if no satisfactory settlement should result. After further discussions the United Kingdom Government prohibited the export of eggs except under licence and announced that licences would be granted only for export to certain countries. In September 1957, the Danish Government reported that the discussions had been successfully concluded and that they were satisfied with the measures taken by the United Kingdom.

At the twelfth session the United Kingdom brought forward complaints concerning discriminatory measures, in France and Italy, affecting imported agricultural machinery. The French Government was granting a cash subsidy to agricultural producers for the purchase of farm machinery, but only for articles of domestic manufacture. The French Government recognized that this practice was contrary to the requirements of GATT, that imported products should not be accorded treatment less favourable than that accorded to like products of national origin in respect of laws affecting sale or purchase, and undertook to remove the discrimination. The Italian Government was granting loans on specially favourable terms for the purchase of agricultural machinery provided it was of local manufacture. The discussions between the United Kingdom and Italy had not resulted in a satisfactory settlement and the CONTRACTING PARTIES appointed a panel which examined the case in July 1958. At their next session the CONTRACTING PARTIES will consider the panel's report which suggests that it be recommended to the Italian Government that the discrimination should be eliminated.

At a meeting of the Intersessional Committee in April 1958 the Government of Australia asked for consideration of the assistance given by the French Government to exports of wheat and flour. Australia claimed that the export subsidies, granted since 1953, resulted in France obtaining more than an "equitable share" of the world market and were particularly damaging to Australian interests in markets where Australia had been the principal and traditional supplier, especially in South-East Asia. Australia had engaged in bilateral consultations with the French Government since 1956, but no satisfactory settlement had been obtained and, therefore, she wished to bring a complaint of nullification and impairment of GATT benefits. The French Government claimed that the so-called export subsidy was in fact a price equalization system which was not contrary to the provisions of GATT.
The Intersessional Committee appointed a panel to examine this complaint. After a first meeting of the panel, it was agreed that bilateral consultations should continue.

Other Questions

Among the numerous other questions brought before the CONTRACTING PARTIES the following should receive special mention:

With few exceptions, contracting parties have applied the Agreement to territories for which they have international responsibility, but when any such territory acquires full autonomy in the conduct of its external commercial relations, it is afforded, under sponsorship of the formerly responsible government, an opportunity to become a contracting party in its own right and henceforth assumes responsibility for fulfilling its obligations under the Agreement. Under this arrangement Ghana and the Federation of Malaya joined the ranks of contracting parties in October 1957.

Ordinarily accession to the General Agreement is achieved by means of a process of negotiation aimed at the reduction of tariff barriers. At the present time the Government of Switzerland is engaged in such negotiations with some fifteen contracting parties. If these negotiations lead to mutually satisfactory results, Switzerland may be expected to accede provisionally before the end of 1958. The arrangement made with the Government of Switzerland provides for "provisional" accession and participation in the work of the CONTRACTING PARTIES for a minimum period of two years during which there will be consultations to find solutions, compatible with the basic principles of GATT, for the problems arising from certain laws which require the Government of Switzerland to impose quantitative restrictions on imports of agricultural products in circumstances not provided for in the General Agreement.

At the present time negotiations are also in progress in connexion with tariff adjustments by several contracting parties. The arrangements under which Brazil is negotiating a new schedule of concessions following the entry into force of a new customs tariff in 1957, were described in International Trade 1956. Most of these negotiations have been concluded and when all have been completed a new Brazilian schedule will be annexed to the GATT. The New Zealand tariff is also undergoing revision and a waiver granted by the CONTRACTING PARTIES will enable the revised rates to be made effective without awaiting the completion of the re-negotiation of the concessions in the GATT schedule on items for which increased rates of duty are to be applied. The Government of Cuba will shortly re-negotiate the concessions in its GATT schedule following the entry into force of a new tariff based upon the Brussels Nomenclature.

1 Obtainable through United Nations sales agents (see back cover).
At the twelfth session a waiver was granted to France and the Federal Republic of Germany in connexion with their trade with the Saar. Under the Franco-German Treaty of 27 October 1956, the Saar has been detached from France and incorporated in the Federal Republic of Germany. But during a transitional period, which will end not later than 31 December 1959, it will continue to form a part of a customs union with France; thereafter the Saar will be part of the customs territory of the Federal Republic. To facilitate this transition and in order to enable the Saar to maintain close economic relations with both countries after the end of the transition period, the CONTRACTING PARTIES agreed to allow France and Germany to accord special treatment to the trade of the Saar as an exception to the most-favoured-nation rule of GATT.

A problem of international trade receiving increasing attention in recent years is that of dumping and subsidization. When a domestic industry is injured or threatened with injury by the importation of competing goods at prices below the domestic price in the country of export or below their cost of production, or when export is aided by subsidies, GATT permits the imposition of special duties. Some twenty contracting parties to GATT have legislation which provides for the imposition of anti-dumping or countervailing duties, but only eight have made use of these provisions. The imposition of an anti-dumping duty by Sweden on imported nylon stockings from Italy gave rise to a complaint which was examined by the CONTRACTING PARTIES in 1955. The administrative problems encountered by Sweden in applying this duty, and the anti-dumping duties applied by other countries to Swedish exports, led the Government of Sweden to propose that the CONTRACTING PARTIES should review the legislative provisions and procedures of contracting parties. The relevant laws and regulations were transmitted and, subsequently, in consultation with experts of the governments concerned, these were analyzed by the secretariat. Several governments have submitted proposals for further studies.

The principal amendments to the text of the General Agreement, drawn up by the CONTRACTING PARTIES in 1955, entered into force in October 1957 and have been accepted by all but five of the contracting parties. These concern the use of quantitative restrictions, the grant of export subsidies and the activities of state-trading enterprises.

1 See International Trade 1954, and Third Supplement to the Basic Instruments and Selected Documents.

2 The secretariat's analysis has been published under the title Anti-Dumping and Countervailing Duties (see back cover).
Contracting parties which impose quantitative restrictions on importation in order to safeguard their balances of payments and monetary reserves are now required to consult periodically with the CONTRACTING PARTIES. The first set of annual consultations covering the majority of contracting parties which impose restrictions will be held in 1959. For less-developed countries, however, the conditions laid down in GATT governing the use of restrictions for balance-of-payments reasons are somewhat more lenient and the consultations with these countries will be held in alternate years commencing in 1960. As mentioned above, all such restrictions will be reviewed in 1958.

In the extended provisions of the Agreement concerning subsidies, the contracting parties recognize that subsidies on exports may harmfully affect the trade of other countries and that subsidies to assist the export of primary products should be avoided and in any event should not be applied in such a way as to acquire more than an equitable share of world trade in the product concerned. On the other hand, subsidies on the export of processed products are to be abolished as from a date yet to be determined and meanwhile their scope is not to be extended. The operation of the subsidy provisions of the Agreement will be reviewed for the first time at the thirteenth session. Subsidies and other measures providing incentives to exporters are described in Part I of this report.

The application to state-trading enterprises of the GATT rules which were devised to apply to trade conducted by private enterprise - as is generally the case in all but one of the parties to GATT - is another aspect of world trading relationships which was reconsidered during the review of the Agreement. The revised text provides opportunities for negotiations and consultations between governments on the trading activities of State enterprises and of private undertakings enjoying exclusive or special privileges. In addition, information on the activities of such enterprises will be transmitted annually to the CONTRACTING PARTIES.

Other amendments to the text of the Agreement have not yet entered into force as they deal principally with organizational arrangements relating to the establishment of the Organization for Trade Cooperation. When the Organization has been established, it will be possible for other countries to be associated with its work on all commercial policy questions within its jurisdiction though not in its principal task of administering the General Agreement on Tariffs and Trade.