The following statement which constitutes Part II of the document circulated on 26 March 1959 has been supplied by the United Kingdom Government.

II. EFFECTS OF THE RESTRICTIONS

In connexion with their consultation under Article XII in 1957 the basic document prepared by the secretariat contained the following statement submitted by the United Kingdom authorities:

"As noted in Part I, United Kingdom import controls start from the points that all imports are prohibited except under licence and liberalization is then effected by appropriate licensing including addition to the Open General Licence. This process has been carried forward in stages as the balance of payments has permitted. Groups of items have been liberalized at various times, but the balance of payments does not yet permit the process to be completed.

"All the remaining restrictions are therefore necessary for balance-of-payments reasons but, except where there is no United Kingdom production they inevitably have the incidental effect of protecting the United Kingdom producer. If liberalization is expected to result in additional imports at the expense of the home producer, then he is being protected to the extent that the balance of payments is being protected. No opportunity is lost, however, of reminding United Kingdom producers that quantitative restrictions are not designed as an instrument of protection and that they must look forward to the day when all such controls will be removed and they must rely for protection on methods consistent with the GATT, i.e. the tariff. Nevertheless, there may be cases where, as recognized in the Decision of 5 March 1955, certain domestic industries may be faced with particular difficulty in adjusting themselves to the situation which would be created by the removal of quantitative restrictions. It is not clear whether and to what extent the United Kingdom will need to invoke the provisions of the Decision of 5 March 1955 for this purpose and it is not possible to formulate a list of the industries concerned. Thus, special difficulties which may have existed a few years ago may already have been solved by the passage of time and we should hope that, by the time our balance-of-payments difficulties disappear, others of the special difficulties may also have been solved."
"In the course of the general move towards a more liberal regime for imports, consideration has been given by the United Kingdom authorities to the methods suggested by the CONTRACTING PARTIES for reducing the incidental protective effects of balance-of-payments restrictions and minimizing the difficulties of transition (see "The Use of Quantitative Restrictions for Protective and other Commercial Purposes" - GATT publication 1950-53, page 12). The quotas which have been established for goods not yet liberalized are themselves a means of reducing the incidental protective effect, and in cases where such quotas have from time to time been increased, the incidental effect has been to accustom the domestic industry in question to a greater degree of competition, so paving the way towards the complete elimination of the restrictions.

"Avoiding unnecessary damage"

"Of the imports still restricted from the Relaxation Countries a good proportion is covered by the global quotas. These enable United Kingdom importers to buy from any country covered by the quotas as commercial considerations dictate. This reduces the inevitable distortion of trade arising from any system of quantitative restriction. In addition, there is the system of quantitative restriction. In addition, there is the system of Special Country Quotas referred to elsewhere which enables exporting countries to make minor adjustments to their share of the global quotas so as to overcome special points of difficulty.

"Where Relaxation Countries have an interest in items not yet liberalized and not covered by the global quotas, they have requested, and been given bilateral quotas so as to maintain normal channels of trade. In agreeing bilateral quotas for items in which several countries have an interest, care is taken not to give favourable treatment to a particular country at the expense of others.

"As regards restrictions on imports from the dollar area, the policy is to give priority to the importation of those products which are more essential. Many raw materials and basic foodstuffs may be imported under Open Licence and for chemicals and machinery imports are licensed up to the level of requirements having regard to supplies available from United Kingdom production. The controls on dollar imports are most severe on consumer goods. For these, however, there is the Token Import Scheme for imports from Canada and the United States covering a wide range of consumer goods which these countries had a pre-war interest in exporting to the United Kingdom, the quotas providing for exports up to 30 per cent by value of the pre-war trade.

"In general, the policy of the United Kingdom has been to avoid unnatural restraints on trade by complete liberalization so far as the balance of payments has permitted and, where complete liberalization has not been possible, to provide by means of quotas, facilities for the import of the goods in question, again within the limits imposed by our balance of payments."
The United Kingdom authorities state that since that statement was made they have removed restrictions on imports from the dollar area of a wide range of chemicals and allied products, and on most industrial, agricultural and office machinery. Restrictions have also been removed from imports of newsprint from all sources, and from imports of canned salmon from all sources except the Eastern Area.