POSITIONS TAKEN BY DELEGATIONS ON PRINCIPAL ISSUES

Revised Notes

1. The following are some brief notes on the discussions in the Working Party on the question of balance-of-payments import restrictions (except as applied by countries in the early stages of their economic development). The question of the Fund's rôle in the administration of GATT rules is, however, not covered, but will be dealt with, if necessary, in another paper.

Approval by the CONTRACTING PARTIES

2. The United Kingdom proposal would require that after convertibility of the major world currencies, no quantitative restriction for balance-of-payments reasons could be maintained for more than one year without the specific approval of the CONTRACTING PARTIES. Australia, New Zealand, Indonesia and Sweden said that prior approval was unacceptable to them. The United States, Canada, Germany and Cuba felt that all quantitative restrictions should be notified to the CONTRACTING PARTIES and carefully examined by them, but did not state whether they considered that prior approval should be obtained. Canada took no position on the question of whether quantitative restrictions should be submitted for approval by the CONTRACTING PARTIES before their imposition, or whether they should be so submitted after they had been put into force. On this point, Australia and New Zealand thought that the existing provisions of the Agreement provided adequate opportunity for post facto consultation in which the views of the CONTRACTING PARTIES could be made effective.

Time limit

3. Two aspects involving the timing of the application of stricter rules were covered by some of the proposals made by delegations.

(a) The relationship between the new rules and convertibility. In this connexion, the United Kingdom proposal provided that the new rules would not come into effect until one year after the major currencies of the world had become convertible. A number of other delegations discussed new rules in relation to convertibility, but deferred specific proposals along these lines until the nature of those rules was clearer. The Dominican Republic was, however, in favour of formulating rules which were capable of immediate application.

(b) The duration of quantitative restrictions imposed for balance-of-payments reasons. The proposal of the United Kingdom was that after the one-year period of grace proposed by them, any quantitative restriction for balance-of-payments reasons then maintained or later imposed could be maintained for only one year, except that it could be extended for an additional year with the prior approval of the CONTRACTING PARTIES. This view was supported by Cuba. The Belgian proposal was not specific as to when the new rules should come into effect, but envisaged that all balance-of-payments restrictions then in force or later imposed should be reduced by 75 per cent in the first year and totally eliminated by the end of the second year. Other contracting parties, e.g., the United States and Canada, also supported the view that there should be a specified time limit for the application of restrictions.

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4. Australia said that it could not accept any time limit. New Zealand thought that the aim of restricting extended use of quantitative restrictions should be achieved through the present provisions of Article XII:4; the combined effects of Article XII:1 to 5 would be adequate to ensure that quantitative restrictions were maintained for as short a period as possible. Sweden was of the opinion that the time-limit requirement was unrealistic and could not be enforced.

Consultations

5. The United Kingdom was for modifying Article XII:4 in such a way as to ensure that the consultations would provide the opportunity for approval by the Contracting Parties of the application of quantitative restrictions. Recommendations regarding their withdrawal, modification or elimination would be made by the Contracting Parties in these consultations. Belgium was also of the view that contracting parties should decide through such consultations the scope of restrictions to be permitted under Article XII. Canada and South Africa were also for modifying the procedural provisions of Article XII:4. Canada thought in particular that the provisions of Article XII:4(d) should involve an obligation to remove restrictions disapproved by the Contracting Parties.

6. The United Kingdom, the Union of South Africa and Cuba all stressed the need to modify the provisions of Article XII:4 so that the obligation to consult with the Contracting Parties should apply to all contracting parties making use of the provisions of Article XII instead of being limited as at the present time.

7. Australia, New Zealand, Pakistan and Sweden were opposed to changing the present provisions regarding consultation. Australia believed that the present procedures were adequate and that the consultations under these procedures would become increasingly effective when fewer countries remain with balance-of-payments difficulties. Sweden believed that under present circumstances not much could be achieved through improving the consultation procedures.

Token imports

8. The question of permitting the importation of minimum commercial quantities of all products was raised in the Working Party by Belgium and the United States. Pakistan argued against this kind of requirement on administrative and social grounds.

Discrimination

9. The United States and the United Kingdom proposed that after convertibility was achieved, all quantitative restrictions that might be still permitted should be applied in a non-discriminatory manner. Other speakers, Belgium, Cuba, Germany and South Africa also favoured strict rules to limit the freedom of discriminating between sources of imports. South Africa was particularly interested in the limitation of the use of bilateral agreements, and Cuba thought that use of bilateral agreements should be limited without waiting for the adoption of any new rules related to convertibility. Belgium, however, proposed that the principle
of non-discrimination should not be applicable to contracting parties which were members of regional arrangements designed to promote the maximum development of multilateral trade. A similar position was taken by a number of European countries.

**Scarce currencies**

10. The United Kingdom, with the support of Belgium and Sweden, proposed that there should be provisions in the Agreement to permit discrimination in the event of a finding by the International Monetary Fund that a general shortage of a currency was threatened, and that no adequate, timely or effective remedies to deal with it were in sight. Against this, the United States thought that the combination of the present Fund and GATT provisions already provided adequate projection to the contracting parties, and Canada believed the question to be irrelevant to the General Agreement.

11. Cuba took the position that if a scarce currency provision should be written into the Agreement, it should not permit discrimination against any country other than the one whose policies had created a scarcity, even though they happened to be in the same currency area. The Dominican Republic agreed that the Cuban proposal deserved serious consideration, but doubted its practical applicability.

**Other proposals**

12. Germany proposed the elimination from Article XII of those provisions which were based on transitional conditions arising out of World War II, on the grounds that the period needed for adjusting the economy to postwar conditions and removing war damage had come to an end.

13. Canada criticized the present escapes provided in Article XII:3(b), and the Dominican Republic thought that these should be deleted. New Zealand, on the other hand, attached great importance to that paragraph and opposed its omission. Chile proposed a broadening of these provisions by including the provisions of paragraph 3(b) of Article 21 of the Havana Charter, which provided that a member should not be required to relax or remove restrictions if that relaxation would produce conditions that would require their re-imposition or intensification.

14. The Dominican Republic proposed that import restrictions for balance-of-payments reasons should not be applied to any primary commodity which represented the major export of another contracting party, except in cases of real emergency, and then only in due proportion to restrictions on other products; restrictions on primary commodities, if and when applied, should be the first to be removed when relaxation became possible.