Report by the Contracting Parties on the Discriminatory Application of Import Restrictions under the Transitional Period Arrangements of Article XIV
(1 March 1950)

I. INTRODUCTION

1. Paragraph 1(g) of Article XIV requires the contracting parties to the General Agreement, acting jointly, to report not later than 1 March, 1950, on any action still being taken by individual contracting parties under the transitional period arrangements provided in paragraph 1 of that Article.

2. To prepare for the writing of this Report, the Secretariat addressed an enquiry to contracting parties on 7 October, 1949, (document GATT/CP/39). In reply to this enquiry twenty contracting parties acknowledged that they are applying import restrictions under Article XII in order to safeguard their external financial position and are taking advantage of the transitional period arrangements of Article XIV for not fully observing the rule of non-discrimination, namely: Australia, Brazil, Canada, Ceylon, Chile, Czechoslovakia, Denmark, Finland, France, Greece, India, Italy, Netherlands, New Zealand, Norway, Pakistan, Southern Rhodesia, Sweden, Union of South Africa and the United Kingdom. At their Fourth Session, February to April, 1950, the Contracting Parties appointed a Working Party to examine the replies and to discuss the details of the import control measures with the representatives of these contracting parties. The reports of the individual countries on their import restrictions and on the discriminatory methods they have employed will be found in Annex A of this report.

II. THE AUTHORITY TO DISCRIMINATE

3. Secretariat draft

The authority for contracting parties, which are applying import restrictions to safeguard their balances of payments

The term "contracting parties", as used in this Report, includes the four governments which will adhere to the General Agreement pursuant to the Annecy Protocol of Terms of Accession and which submitted replies to the Secretariat's enquiry. Burma and China did not reply to the enquiry, and Indonesia did not become a contracting party in its own right until February, 1950. Belgium-Luxemburg (including Belgian overseas territories), Cuba, Haiti, Syria-Lebanon and United States are not taking action under Article XII.
under Article XII, to deviate from the rule of non-discrimination contained in Article XIV. In sub-paragraph (a) the contracting parties recognize that the aftermath of the war has brought difficult problems of economic adjustment which do not permit the immediate full achievement of nondiscriminatory administration of quantitative restrictions. Accordingly, transitional period arrangements are provided. Sub-paragraph (b) permits contracting parties to deviate from the rule of non-discrimination in a manner having equivalent effect to restrictions on payments and transfers for current international transactions which they are permitted to apply under the Articles of Agreement of the International Monetary Fund. And sub-paragraph (c) permits a contracting party to maintain deviations from the rule of non-discrimination which were in operation on March 1, 1948, even though they would not have been authorized at that time by sub-paragraph (b), and to adapt them to changing circumstances. Alternatively, contracting parties which have elected to be governed by the provisions of Annex J to the Agreement, in lieu of the provisions of sub-paragraphs (b) and (c) described above, may relax their restrictions in a manner which departs from the provisions of Article XIII to the extent necessary to obtain additional imports above the maximum total of imports which they could afford in the light of certain requirements of Article XII if their restrictions were fully consistent with the provisions of Article XIII.

Addition proposed by the United States

Departures from the rule of non-discrimination under Paragraph 1(a) of Annex J are subject to the conditions that (1) substantially higher levels of delivered prices are not paid for the additional imports obtained as a result of the discriminatory relaxation of restriction than those ruling for comparable goods regularly available from other contracting parties, (2) the discriminatory action does not involve arrangements which appreciably reduce the hard currency receipts from exports of the contracting party relaxing its restrictions, and (3) the action does not cause unnecessary damage to the commercial or economic interests of any other contracting party. Article XIV 1 (f) qualifies the right to

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Article XIV, Section 2, of the Articles of Agreement of the Fund reads: "In the post-war transitional period members may..., maintain and adapt to changing circumstances (and, in the case of members whose territories have been occupied by the enemy, introduce where necessary) restrictions on payments and transfers for current international transactions." Sixteen of the countries which replied to the enquiry are availing themselves of the post-war transitional period arrangements of the Articles of Agreement of the International Monetary Fund. Ceylon has entered into a special exchange agreement with the Contracting Parties and has availed itself of the analogous provisions of that agreement. The other three - New Zealand, Pakistan and Sweden - are expected to join the Fund or to enter into similar agreements with the Contracting Parties by September, 1950.
adopt discriminatory practices under sub-paragraph (b) and (c) of Article XIV, Paragraph 1, or Annex J, by providing that a contracting party may discriminate under these provisions only so long as it is availing itself of the post-war transitional period arrangements under Article XIV of the Articles of Agreement of the International Monetary Fund or of an analogous provision of a special exchange agreement. The basic principle in accordance with which discriminatory import restrictions are to be applied is set forth in Article XIV 1(e), which provides that policies applied in the use of such restrictions shall be designed to promote the maximum development of multilateral trade possible during the period, and to expedite the attainment of a balance-of-payments position which will no longer require resort to quantitative import or transitional exchange arrangements.

4. In their use of exceptions to the rule of non-discrimination fifteen contracting parties are taking action under the provisions of paragraphs 1(b) and/or 1(c) of Article XIV as follows: Australia, Brazil, Chile, Czechoslovakia, Denmark, Finland, France, Greece, India, Italy, Netherlands, New Zealand, Norway, Pakistan, Sweden. The contracting parties which elected to be governed by the provisions of Annex J are Canada, Ceylon, Southern Rhodesia, the Union of South Africa and the United Kingdom.

III. THE PURPOSE OF DISCRIMINATORY ACTION

5. Contracting Parties may institute, maintain or intensify import restrictions under Article XII, Paragraph 2 (a) only to the extent necessary to forestall the imminent threat of, or to stop a serious decline in their monetary reserves, in the case of a contracting party with very low monetary reserves, to achieve a reasonable rate of increase in its reserves. Such restrictions are being applied by contracting parties in part by imposing restrictions on imports from all countries and currency areas in a substantially uniform manner and degree, but in large part by departing from the rule of non-discrimination on the basis of Article XIV and Annex J along lines which, generally speaking, impose substantial restrictions on imports from certain countries, while no restriction or lesser restrictions are imposed on imports from other sources. The provisions of Article XIV and Annex J are designed to meet situations in which, owing to the inability of a country to acquire amounts of various currencies corresponding to the amounts that its importers would desire to spend under a regime of unrestricted or uniformly restricted importation, and when the country cannot obtain such amounts of currency through convertibility, strict observance of the rule of non-discrimination might result in a contraction of imports from some sources while the country in question still possessed unutilized means of financing such imports. It may therefore be claimed that by departure from the rule of non-discrimination contained in Article XIII it has been possible to bring about an increase in the total trade of countries in balance-of-payment difficulties.

6. It is evident from a review of the information supplied in response to the Secretariat's inquiry that the action taken under the provisions of Article XIV and Annex J has had the effect, as far as trade among the contracting parties is concerned, that twenty countries applying restrictions have encouraged the expansion of trade among themselves while reducing purchases in convertible currencies notably in United States dollars and
Swiss francs and in other relatively hard currencies such as Canadian dollars and Belgian francs, and avoiding unfavorable trade balances that would require settlement in these currencies or in gold. In other words, the demand for such currencies either for trade or reserve purposes has exceeded the supply among the countries replying to the Secretariat's questionnaire who are in balance-of-payments difficulties.

IV. THE METHODS EMPLOYED

7. An examination of the answers to the Secretariat's enquiry shows that while in some cases the degree of discrimination exercised by countries is determined entirely unilaterally by the country concerned, in others it is governed to a greater or lesser extent by the existence of bilateral or group arrangements. Such discrimination may be exercised through the licensing of private imports or through state-trading.

8. The administrative basis of all restriction is a general prohibition of imports. To this general prohibition, some countries grant exemption for imports from some or all soft-currency sources or for certain products from all sources, but for the most part exceptions to the prohibition are regulated by the issue of licences pertaining to specific transactions.

9. In the restrictions applied for balance-of-payments reasons, the fundamental consideration in the issue of licences is, perforce, the actual or prospective availability of the currency in which payment is to be made. Licences are generally not granted for imports from hard-currency countries unless it can be shown that the goods are deserving of a high degree of priority, for example, essential foodstuffs, fuel, raw materials or essential industrial or agricultural equipment.

10. Article XIII of the Agreement provides, inter alia, in respect of non-discriminatory import restrictions, for the use of quotas arrangements either on a global or country-by-country basis in connection with the restriction of imports on balance-of-payments grounds in preference to the licensing of imports on an ad hoc item-by-item basis without the establishment of quotas. It may not be possible fully to observe these provisions where discrimination is exercised, but, even in this case, it may be possible for countries to use general licenses unrestricted in amount or unallocated quotas applying non-discriminatorily to a number of countries. The controlling authority may also establish quotas for various products and allocate them among supplying countries in relation to the amounts of various currencies that will be available during the period in question. It is usual for licences to be issued in accordance with a "plan" or "program". When quotas are applied or import programs established, they are usually subject to frequent revision in accordance with the availability of the currency required for payment. As is further indicated below, significant procedural differences appear to exist in many of the countries reporting in respect to the treatment of hard and soft currency imports respectively.

11. Discrimination enters also into the operations of state-trading agencies, for decisions to purchase are governed by the availability of currencies as well as by the usual commercial considerations. In Czechoslovakia, where foreign trade is in the hands of monopoly companies, and in several other countries, e.g the United Kingdom (where about half of total imports are purchased by State agencies), State-trading plays an important part. As in the case of trade on private account, discrimination among sources of supply for balance-of-payments reasons is frequently an important feature of import policy.
12. A large part of the trade of contracting parties in Europe and South America is arranged bilaterally, or through groups.

An important feature of their restrictions, and an important means by which discrimination may be effected, appears in the schedules of commodities and the quotas contained in bilateral trade agreements. The agreements are negotiated mostly between soft-currency countries, though there are exceptions such as those negotiated by Belgium and Switzerland and some of the South American Republics. Where quotas are fixed in this manner, with commitments to issue licences up to the limit of specific quantities or values, discrimination may or may not be involved.

13. In cases where import quotas are included in bilateral agreements they are normally an integral part of a discriminatory pattern of trade restrictions intended to expand trade while avoiding the risks of a loss of scarce currencies. As a result, the parties to the agreements may trade quite freely in relatively less essential goods, while imports of similar goods from third countries are restricted because of the risk of depleting hard-currency reserves.

14. Where these import concessions are accompanied by commitments on the part of the trading partners to deliver to each other certain more essential goods in return for import concessions for goods of lesser essentiality cumulative tendencies may be established for trade expansion along bilateral lines. Similar tendencies may however arise from the attraction of relatively high prices prevailing in soft-currency markets. Whether these results will be paralleled by an absolute as well as a relative diminution of exports to others, notably the hard-currency areas, depends primarily upon availability of exports supplies from soft-currency sources. In this connection representatives of several countries employing bilateral arrangements on an extensive scale pointed out that increases in production have enabled them to exploit their dollar markets to the fullest practicable extent and that bilateral commitments have not interfered with such exploitation. Devaluation was also pointed to as perhaps the most drastic action that could be taken to assure maximum dollar sales. However, the danger remains that bilateral arrangements plus continuing relatively high prices in certain soft-currency markets may attract to such markets goods which might have found a dollar market and thus have served to reduce balance-of-payments difficulties.

15. Contracting parties operating under Article XIV or Annex J have not, of course, found it possible to employ non-discriminatory quotas because of exchange difficulties with certain countries. This factor, however, need not preclude the establishment of a non-bilateral quota in which all suppliers with which the country applying the quota has no payments difficulties may participate. However, in some instances the requirement of non-discriminatory application of such quotas may present technical difficulties. It is also clear that the replacement of existing restrictions by such quotas can be considered as of equal importance either to the complete abolition of quotas or to the adoption of a system of open general licences. Moreover trading-partners may be unwilling to grant concessions for imports from countries which in return offer only a share in a non-bilateral quota available as well to other countries. In the case of Canada, the establishment of quotas by two groups of countries rather than on a global basis is based on the desire to promote the re-establishment of more normal patterns of import trade in place of the trade patterns that emerged immediately after the war as a result of war-time dislocations and the time required for the reconstructions of war-damaged economies. When quotas are based on prewar trade patterns, the
result may be substantially different from that which would have emerged from the application of global quotas, unrestricted importation or open general licensing arrangements.*

V. GROUP ARRANGEMENTS

16. Most of the twenty contracting parties taking action under Articles XII and XIV belong to one or other of two groups which have established cooperative arrangements either for the interconvertibility of their currencies or in respect of payments for their mutual trade. The financial arrangements have in each case been accompanied by exemptions or reductions in import restrictions for the members of the group while maintaining the restrictions against outside countries. The first group is the sterling area and the second comprises the members of the Organization for European Economic Co-operation;

(i) The Sterling Area

17. In general each member of the sterling area imposes a stricter control on imports from countries outside the area than from countries which are members. Imports from other sterling area countries may be free of all restrictions and formalities or may be subject to only a lenient licensing procedure. In some cases the exemptions are extended to all soft-currency countries, but for purchase in dollars and other hard-currencies the licensing control is strictly enforced. The discrimination in favour of the members of the group is made possible by the free inter-convertibility of their currencies supplemented by comparatively free capital movements.

18. The control exercised by members of the sterling area is directed principally against imports from the hard-currency countries and is based upon resources and estimates of future earnings of these currencies, i.e., resources and earnings of the individual country (in the case of South Africa) or of the area as a whole. In the words of the United Kingdom reply to the Secretariat's enquiry: "The economy in imports by sterling area countries from hard-currency countries necessary to protect (their) reserves is secured by a voluntary understanding between the members of the sterling area to limit such imports so as to avoid any unjustifiable expenditure of gold/or convertible currencies." The harshness of the control of imports and the degree of discrimination naturally vary enormously from product to product and from time to time. For example, in July 1949 the United Kingdom and several other members of the sterling area decided upon a further cut of 25 per cent in their dollar imports.

(ii) Western Europe

19. Until recently the discriminative policies and negotiation of quotas was an individual matter with each of them. But recently,*

* In the Secretariat's enquiry governments were invited to forward copies of their trade and payments agreements which have a bearing on the operation of their import restrictions. Seven countries (Czechoslovakia, Denmark, Finland, France, Netherlands, Norway and the United Kingdom) submitted copies of agreements in response to this request. In all, copies of about 200 agreement were received. Of these nearly 100 may be classed as payments financial agreements. Of the trade agreements, the great major incorporate some commitments in respect of the issue of licence. These commitments vary from an estimate or target for total imports in a specified period of time, or a schedule of quotas for products for which the importing government is prepared to issue licences, to an undertaking to purchase or supply fixed quantities of certain commodities.
through the O.E.E.C., they have endeavoured to reverse the trend towards controlled trade within the group (1) by extending the sector of commercial transactions that is free of all restriction. While maintaining the long-term aim of restoring a universal multilateral trading system, these countries have embarked upon a programme of trade liberalization among themselves (2) while continuing to discriminate against imports from non-members: The quantitative restrictions upon imports of a large number of products originating in other countries of the O.E.E.C. have been removed. This removal of restrictions has been made possible through (2) the existence of the Intra-European Payments Scheme (3), under which financial transfers for current transactions between member countries are balanced to a large extent without the use of gold or convertible currencies which has provided for extra financial resources (3). This removal of restrictions has been facilitated by the alleviation of payments difficulties by means of the Intra-European payment scheme under which the currencies required by debtor countries on Intra-European account have been provided by their creditors who in turn have received dollar compensation under the European Recovery Program (4).

20. The liberalization began in December 1949 with the removal of restrictions from at least 50 of goods imported on private account from the other members of the O.E.E.C. The action taken thus far has not been uniform in its application to members of the organization or in its extension to overseas dependent territories; generally, the hard-currency countries within the O.E.E.C., and in some cases other members as well, have been excluded from the benefits of the removal of restrictions while, on the other hand, some members have extended the liberalization to soft-currency countries outside the organization; It is expected that these divergencies will disappear in time be eliminated as a more comprehensive program is developed (5), and meanwhile it has been agreed in principle that the liberalization will be extended further during 1950, provided a satisfactory agreement is reached on the establishment of a clearing union to replace the present Payments Scheme.

Additional paragraphs proposed by the United States

Procedures in the reporting countries for admitting hard-currency imports usually involve a unilateral administrative decision in respect to each application for a licence. It is not clear in every case that balance-of-payments difficulties require this divergence from the procedure suggested by Article XIII. The relative freedom permitted on importation from the soft currency area by countries discriminating under Article XIV and Annex J as compared with the careful scrutiny of imports from the hard currency area has apparently resulted in some measure of procedural discrimination against hard currency imports though it is not clear that the administrative complexities connected with importation from the hard currency area have thus far resulted in decreasing such imports below the level established by balance-of-payments considerations. Comparable imports from the soft currency area may be under a system relatively free of administrative detail: Usually lists of items that may, under this payments criterion, be imported

(1) Insertion proposed by United States
(2) Alternative words proposed by Norway
(3) Insertion proposed by Norway
(4) Alternative for final sentence proposed by United States
(5) Amendment proposed by the United States
from the hard currency area are established by the licensing authority but the amount and value of the imports are not programmed in advance except for relatively short periods. In some instances as in the case of New Zealand it was indicated that the types of goods imported from the dollar area do not lend themselves to the use of quotas or to any significant degree of import planning; since they consist largely of capital equipment the importation of which is non-repetitive and the physical characteristics and sources of supply are largely pre-determined by the uses to which the items are to be put.

Another common problem in many countries limiting imports by quantitative controls either on a discriminatory or non-discriminatory basis is the domestic distribution or allocation of the restricted imports. The need for restrictions of course implies that the internal effective demand for the products in question exceeds the corresponding foreign exchange made available for its procurement; in event a quota system is employed to control such importation based on a previous representative period, it may of course be possible to allow each importer to bring in the same portion of his imports from each country as in the base period, his total imports being adjusted according to the reduction (or increase) in the country's total imports of the product as compared with the base period. However, in the absence of a quota arrangement for total imports, or, as is usually the case, if the structure of domestic demand has substantially changed as compared with a previous period which has been deemed representative for allocation of imports as between foreign countries, some different principle of domestic allocation may have to be applied. For example, the representative period selected for determining the internal distribution of import licences may be different from that used to determine the sources from which the imports are obtained; another system namely the auction of import licences has been suggested, but experience as to its efficacy is lacking.

Information furnished has indicated that contracting parties which have elected to discriminate under Annex J have implemented the pricing provisions of that Annex in varying degrees and by different administrative procedures. In respect to Canada, for example, commodities imported under the provisions of Annex J and which would otherwise have been procured in a soft currency market are not permitted to enter from such sources if prices available therein exceed by more than a reasonable margin prices available in hard currency areas. In the case of the United Kingdom, besides general scrutiny and comparison of relative prices in the hard and soft currency areas, commodities being procured in the hard currency area have not in some cases been transferred to soft currency procurement if available prices were substantially higher in soft currency markets. Several contracting parties reporting on this matter indicated that self-interest would require due attention to relative prices in the hard and soft currency markets regardless of the provisions of Annex J. Some of the contracting parties (Southern Rhodesia and Union of South Africa) operating under the provision of Annex J have lists of commodities for which import licences from hard currency countries may not normally be issued. It was indicated that some administrative flexibility exists with respect to the administration of these lists, but it apparent that the use of such lists might tend to limit the application of the price criterion of Annex J. The contracting parties availing themselves of the provisions of Paragraph 1(b) and (c) of Article XIV as a basis for imposing discriminatory import restrictions expressed the desire of their governments to obtain imports at lower prices whenever the limitations imposed by their
foreign exchange availabilities permitted such action. In general, however, this group of countries, while emphasizing the importance of price and other commercial considerations in procurement in currency areas with which they had no payments difficulties, indicated that it was frequently necessary to pay higher prices in soft currency areas in order to conserve their hard currency reserves. In some cases price comparability between the hard and soft currency areas appears to play an insignificant role in the determination of sources of imports. Contracting parties establishing quotas for export and import under bilateral agreements indicated that the allocation of imports under such quotas was usually affected by price and other commercial considerations. The importance of such considerations is limited, however, by the desire of such countries to insure export markets for products of lesser essentiality and to attain a higher level of foreign trade with their various trading partners. It was pointed out by several of the delegations that currency devaluation has substantially reduced the degree of price discrepancy which formerly prevailed between hard and soft currency markets.

Contracting parties operating under the provisions of Annex J have not all adopted uniform criteria in respect to the countries against whose imports they discriminate. In the case of sterling area countries, for example, discrimination is carried out by each member against those countries with which the sterling area as a whole is in balance-of-payments difficulties or, in other words, against countries whose currencies are hard relative to sterling. Thus, even though a sterling area country may have an active trade balance with a country outside the area, it may, nevertheless, limit imports from such a country possibly below its earnings of the country's currency if the sterling area as a whole does not earn sufficient of the country's import. Canada, on the other hand, to the small extent that she employs the provisions of Annex J to limit her hard currency imports, discriminates against those countries which are not themselves in balance-of-payments difficulties.
VI. THE EFFECTS OF DISCRIMINATION

21. International trade since the war has been subject to such varied and powerful influences that it is not possible to attribute any particular development or trend solely to restrictions applied under Article XII or to action taken under Article XIV. Consequently, it may be impossible to assess the full significance of the discriminatory action in which most of the contracting parties are now engaged. It appears, however, from an examination of trade statistics that the structure of world trade, looking at global totals for broad categories, has not been radically altered, but that the international exchange of many individual products has diverged sharply from pre-war and/or immediate post-war patterns. It is of course impossible to dissociate the effects on trade of the discriminatory restrictions from the trade patterns under which they developed.

22. The contracting parties were asked in the Secretariat's enquiry for comments and statistical data on the effects of their restrictions on trade and their answers are summarized below.

(1) Distribution of Imports among Sources of Supply

23. In question 4 of the Secretariat's inquiry the contracting parties were asked to select ten or more commodities, representing a cross-section of products subject to import restrictions and at least 30 per cent of import trade, and to describe in detail the provisions, policies and practices followed with respect to the restriction of each. Contracting parties were asked to supplement this description with statistical and other information to show the effects of the restrictions upon the distribution of imports among sources of supply and, if possible, to provide comparable data on prices in alternative sources. The replies to this question and the accompanying statistics have been reproduced in SECRET/CP/4.

24. The hazards of drawing conclusions from the statistics of trade and particularly of attributing the responsibility for changes and trends to the import restrictions are emphasized in many of the replies to Question 4. Nevertheless, an examination of the statistical data submitted reveals interesting changes in the pattern of trade of which the following have been selected as being the most likely to show the consequences of discriminatory administration of import restrictions. It is difficult to find any really satisfactory base-period to which reference might be made in estimating departures from normalcy in the present pattern of trade. Comparisons with the pre-war period, for instance, can produce only the most general conclusions; war time conditions caused alterations in the productive capacity, export potential, import needs and terms of trade of countries relative to each other, and in any case such changes normally occur between periods so widely separated. It was, however, clear that if an improvement in the world dollar position allowed relaxation of restrictions on imports from hard currency sources, the general level of such imports would increase significantly in most countries which replied to the questionnaire.

(6) Addition proposed by the United States
(7) Amendment proposed by New Zealand. For reasons of economy the statistics which form part of the Secretariat draft are not reproduced in this document.
Effects upon Export Trade.

25. In Question 5 of the Secretariat's enquiry the contracting parties were asked to describe the effects which they believe the discriminatory import restrictions imposed by them or by other countries have had upon the volume and pattern of their export trade. The answers to this question are reproduced in SECRET/CP/5; they do not contain sufficient information to provide a basis for many general observations, but the following comments by the governments answering the enquiry may be noted.

26. South Africa claims to have lost several traditional markets, while for Canada the restrictions have had a "definite contracting influence", and for the United Kingdom a "substantial adverse effect", on export trade. Moreover, European countries have found that their exports of processed articles, especially luxury goods and other non-essentials, have been seriously hampered.

27. As for the effect of a country's own import restrictions, Denmark reports that the control of imports has been used as a means of promoting exports, while Sweden recognizes that the shortage of raw materials and of the means of production has reduced her export capacity.

28. France and Netherlands took the opportunity to remark on more general results of the discriminations. France recognized that goods had not always been purchased from the cheapest sources and that non-essentials had sometimes been accepted as a condition of obtaining more important materials and commodities. (In reply to another question, the United Kingdom also recognized that in some cases supplies had been purchased from soft-currency sources at prices in excess of those prevailing in hard-currency countries, and that non-essentials or luxuries had been admitted in order to make sterling available for the purchase of United Kingdom products.) The Netherlands claimed that the negotiation of bilateral quotas had resulted in "a well-balanced optimal exchange of products, both essential and non-essential".

29. In this context the Contracting Parties wish to stress that the application of import restrictions, whether in a discriminatory way or not, is subject to the undertaking of sub-paragraph c (iii) of paragraph 1, Article XII, to apply restrictions in such a way as to avoid unnecessary damage to the commercial or economic interests of any other contracting party. They draw attention also to the fact that the General Agreement contains several provisions requiring consultations if a contracting party or the Contracting Parties esteem that such interests have been prejudiced by the action of any contracting party. (8)

(8) Additional paragraph proposed by the Netherlands.