Article XIII of the Agreement lays down the general principle of avoiding discrimination between contracting parties in the administration of quantitative restrictions. At present many contracting parties are applying import restrictions under Article XII to safeguard their balance of payments. Circumstances which are the result of the Second World War are principal factors preventing many of these contracting parties from immediately achieving in full the non-discriminatory administration of these quantitative restrictions. One of the principal sources of the authority to discriminate to a substantial extent is granted only during the post-war transitional period; most contracting parties are at present operating under this authority. Contracting parties have had a choice between the two sets of rules limiting any deviation from the strict rules of non-discrimination during this period. The first ("Havana") option is contained in paragraph 1 of Article XIV and in general permits—

(a) the maintenance of discriminatory trade restrictions having an effect equivalent to exchange restrictions which the contracting party concerned may at the time apply in accordance with Article XIV of the Articles of Agreement of the International Monetary Fund, and

* See Article XIV (1)(f). Contracting parties may operate under the provisions of Article XIV (1)(b) or (c) or Annex J only so long as they avail themselves of transitional arrangements under Article XIV of the Fund Agreement or (in the case of a non-member of the Fund) a corresponding provisions of a special exchange agreement between the contracting party concerned and the CONTRACTING PARTIES jointly. Sixteen of the countries which replies to the questionnaire and which are taking action under Article XIV 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.*
(b) to the extent that any discrimination is not covered by (a) above, the maintenance (and adaptation to changing circumstances) of any discrimination involved in balance of payments import restrictions which were being applied on 1 March, 1948.

On the other hand those countries which have elected to be governed by the provisions of Annex J (the so-called "Geneva" option) are entitled to administer their balance of payments import restrictions in such a way as to increase the total of their imports above the level which could be obtained if a degree of restriction sufficient to conserve minimum reserves of gold and convertible currencies in respect of imports from hard currency countries were applied equally to imports from all countries.

Both Article XIV, paragraph 1, and Annex J include procedures for reporting and many important provisos aimed at avoiding the misuse of discriminatory import restrictions and limiting any longer-term adverse effects that such practices might tend to produce. For this reason the above statement should not be used as a basis for considering the consistency of any particular import practice with the terms of the General Agreement. If any such a study is to be made, direct reference to the terms of the Agreement itself is essential. For convenience of reference the texts of Article XIV and Annex J are reproduced in an Annex to this report. Even so it should be borne in mind that these Articles must be read in the context of the General Agreement as a whole.

On page 8:

(a) In line 5 replace "that the types" by "that many types".

(b) In line 6 replace "any significant degree of" by "accurate".

(c) Add the following in line 10:

"The greater part-by value of other types of goods is imported by a small number of importers under a few large orders in each licensing period, so that little real difference would result from replacing individual licensing by a quota system."