DISCRIMINATORY ADMINISTRATION OF RESTRICTIONS
TO SAFEGUARD THE BALANCE OF PAYMENTS

Effects of Restrictions on Export Trade
(Replies to Question 5 of GATT/CP/39)

In the questionnaire issued by the Secretariat on 7 October 1949 (GATT/CP/39), the contracting parties were asked in Question 5 to describe the effects which they believe discriminatory import restrictions, imposed by them or by other countries, have had upon the volume and pattern of their export trade.

It is considered that the answers to Question 5 will be of general interest to contracting parties, and therefore the full text of the replies received is distributed herewith.
Effects of Restrictions on Export Trade

Full Text of Replies to Question 5 of GATT/CP/39

Australia

"Discriminatory import restrictions imposed by other countries in the post-war period have not had major effects upon Australia's export trade. Exports of certain manufactured goods to nearby countries, including New Zealand, Malaya, and India, have benefited from discrimination on balance of payments grounds, but the trade involved is small in relation to Australia's total exports. No case is known of any substantial change in the volume or patterns of Australia's export trade due to discriminatory import restrictions imposed by Australia."

Canada

"Because discrimination occupies a relatively insignificant place in the Canadian system of import restrictions, it is difficult for us to distinguish the precise effects caused by this small element of discrimination upon our own export trade. Although the formal requirements of Annex J have been complied with, in the occasional use made of discrimination, the desire to assist countries whose economies have been disrupted as a result of World War II has been an important consideration in Canadian policy. To the slight extent that discrimination has in fact produced an effect, it is our belief that the action has resulted in a larger inward flow of the particular goods involved from those countries whose adverse balance of payments position has been a matter for world-wide concern and comment. Discriminatory import restrictions imposed by other countries have had, on the other hand, a definite contracting influence upon Canada's export trade."

Ceylon

"Nothing of special interest to report at present."

Czechoslovakia

"The development of Czechoslovak foreign trade is considerably influenced by the discriminatory measures resorted to by the United States of America and some other countries within the framework of the Marshall Plan when export licences are being issued."

Denmark

"The Danish import restrictions have to some extent been utilized to promote exports by reserving scarce raw materials and means of production for exporting industries."
"Liberalization by other countries of quantitative restrictions on their foreign trade will hardly have any short-term effects on Denmark's exports. By and large, Denmark's export capacity is being fully utilized, and the volume of exports is not limited by marketing difficulties to any appreciable extent. About 70 per cent of Denmark's exports consist of processed animal food, notably butter, bacon and eggs. The production of these commodities and the effect on the volume of exports is chiefly dependent on availabilities of the raw materials needed for this production (grain and oilcakes). So far Denmark has found outlets for these exports to the full extent of availabilities.

"Danish exports of certain agricultural products and manufactured articles may, however, be increased to a certain extent, if marketing possibilities were not limited by quantitative restrictions in other countries. This is the case of certain secondary agricultural products such as casings, offals, casein and the like, and also a number of more highly finished industrial articles. Marketing possibilities are also limited for fresh fish in certain countries which apply quantitative restrictions to fresh fish."

"To give an exhaustive answer to this question would meet with considerable difficulties without a rather large and detailed research work, because the marketing of export goods greatly depends on many other conditions as, for instance, on prices and is not only determined by the import restrictions imposed by the foreign countries. It is evident, however, that the import restrictions in certain countries have hampered and still are hampering Finnish exports. Generally speaking the restrictions make the exportation more difficult as far as the more processed goods are concerned. Thus, for instance, exports of paper, cardboard and insulating boards of wooden fibres have met with considerable difficulties whereas, on the other hand, quotas for sawn timber, round wood and wood pulp have been more easily secured.

"The statistics below show the distribution of the Finnish export trade in 1939, 1947 and 1948 between the most important countries trading with Finland:

<table>
<thead>
<tr>
<th>Country</th>
<th>% of the total exports 1939</th>
<th>1947</th>
<th>1948</th>
</tr>
</thead>
<tbody>
<tr>
<td>Great Britain</td>
<td>36.23</td>
<td>30.02</td>
<td>28.32</td>
</tr>
<tr>
<td>United States</td>
<td>12.76</td>
<td>11.48</td>
<td>9.49</td>
</tr>
<tr>
<td>Soviet Union</td>
<td>0.35</td>
<td>12.40</td>
<td>14.27</td>
</tr>
<tr>
<td>Germany</td>
<td>16.55</td>
<td>0.12</td>
<td>0.82</td>
</tr>
<tr>
<td>Netherlands</td>
<td>6.15</td>
<td>4.54</td>
<td>7.22</td>
</tr>
<tr>
<td>Denmark</td>
<td>4.03</td>
<td>7.16</td>
<td>6.36</td>
</tr>
<tr>
<td>Sweden</td>
<td>6.27</td>
<td>5.73</td>
<td>5.46</td>
</tr>
</tbody>
</table>

"With the exception of the trade with the Soviet Union and Germany which has been influenced by other factors, the distribution of the Finnish export trade since 1939 does not show great changes which could be explained by measures taken by the importing countries to restrict their importation."

Finland
France

"It appears that the most notable consequences of the discriminatory restrictions applied by France and other countries are as follows:

1) The need to increase the number of bilateral agreements so as to maintain the traditional outlet in each country;

2) The necessity, at least at times of short supply, to accept less essential products in order to obtain raw materials or essential commodities;

3) The choice of sources of supply not so much on the basis of current prices as according to the amount of foreign currency available;

4) The limitation of the volume of trade to purchases or sales for which counterpart transactions could be effected with the partners concerned.

"As a consequence, the expansion of export trade has been hampered, particularly in France, whenever the quotas for French products allocated by the importing countries were smaller than the import capacity of the market concerned. This kind of barrier has been particularly grievous to economic sectors engaged in the manufacture of luxury goods and of products other than essentials.

"Furthermore, France has sometimes had to import commodities at prices higher than those offered by other sources of supplies, in order to use her available resources of foreign exchange, to facilitate the conclusion or renewal of bilateral agreements, or to supply her partners with adequate amounts of French francs in order to maintain traditional trade channels."

Greece

"The Government does not consider that the discriminatory import restrictions applied by Greece are the cause of the present decrease in the volume of exports. The deficits in the Greek balance of payments with various countries is the best evidence of this. The cause of the reduction of exports should be ascribed to the restrictions and methods of importation used by other countries. These countries may be listed in two categories:

"(a) Countries in the dollar and sterling areas which eliminate or relax their restrictions; and

(b) other overseas countries, in particular those of South America, which impose strict restrictions on imports.

"As regards countries in category (a) Greek exports are adversely affected by the lack of restrictions and the absence of quotas for Greek products which, owing to their superior quality, sell at higher prices than similar products in other countries. However, the allocation of quotas by South American countries does not overcome this difficulty, since they are fixed on an ad valorem basis."
'Further, Greek exports to countries in category (b) are adversely affected by their special trade agreements with countries such as Spain, Italy, Portugal and France which make provision for imports of similar products from those countries. Since no similar agreements exist for Greece, and since import restrictions have been imposed, Greek export trade is handicapped.

"Another difficulty encountered by the export trade arises from the rates of exchange applied to imports of Greek products. As a result of these rates and of the import restrictions, the consumption of Greek products, which are treated as non-essential, is severely restricted. Moreover, the countries which restrict imports from Greece impose charges on essential goods which Greece imports from them. In view of the rate of exchange applied to imports in Greece, which in no circumstances exceeds the official rate, it should be pointed out that the rates applied by other countries constitute a form of discrimination against Greek products."

Italy

"It follows from the answers to previous questions that quantitative restrictions on imports have been considerably alleviated within the framework of commercial agreements which, by reducing in a greater or lesser degree payment difficulties, have made it possible to achieve a higher volume of trade.

"This has, however, not been possible in the case of countries bound to Italy by commercial agreements, and with regard to which quantitative restrictions on imports may also have acquired a discriminatory character.

"The numerous trade agreements entered into by Italy have made it possible - through granting of concessions for the application of restrictions - to keep exports towards interested countries at a much higher level than would have been achieved should the principle of non-discrimination have been rigidly followed. With these countries, therefore, the pattern of our export trade has generally been preserved."

Netherlands

"Already before the war the Netherlands, as well as some of the principal countries with which it had trade, were applying import restrictions. For this reason there is no proper basis for comparison and it is not possible to describe the effects which import restrictions have had upon the volume and pattern which its import trade would have had in the absence of difficulties in the balance of payments.

"However, it is easy to prove that, within the available means, the Netherlands Government has made a maximum of trade possible, because imports were not balanced by exports only, but, for very substantial sums, by credits; moreover, the process of negotiating bilateral trade agreements, regulating trade by quota on both sides, makes it possible to export non-essential goods on a reciprocal basis, the result of the process being a rather well-balanced optimal exchange of products, both essential and non-essential, which the parties are willing to supply and receive on both sides."
New Zealand

"There is some evidence that New Zealand's export trade is affected, though not to any significant extent, by import restrictions imposed by other countries, but there is no reason to believe that such restrictions are discriminatory."

Norway

"It is not possible to give any definite information as to the effects discriminatory import restrictions have had upon the volume and pattern of the Norwegian export trade. The Norwegian kroner is soft, and there is no conceivable basis for discriminatory action against Norwegian exports by countries whose currencies are harder than the Norwegian kroner. No such action resulting in material injury to the Norwegian export trade, is know to have taken place. A number of Norwegian low-priority exports have certainly been affected by import restrictions imposed by other countries, but it is believed that this is mainly due to the fact that the import to Norway of low-priority goods has been similarly restricted after the war."

Southern Rhodesia

"The pattern of our export trade has been shown in the reply to Question 4. At this stage it is not desired to comment further."

Sweden

"With regard to the effect of the import restrictions on Sweden's export trade, there is apparently no doubt that the reduced supply of imported raw materials and means of production have caused a decrease of the export capacity. To this decrease can with certainty be added the tying up of the production capacity to meet part of the domestic demand, which normally should have been covered by imports. The import restrictions introduced in other countries have also generally reduced the Swedish export volume, especially with regard to the export of manufactured goods. Most noticeable in this respect are the difficulties which have arisen from these reasons for the Swedish traditional exports of products from the mechanical and paper industries."

Union of South Africa

"(1) The Government of the Union of South Africa have recently experienced considerable diplomatic pressure from certain countries which, since the introduction of South Africa's import restrictions, have lost a substantial share of their export trade with South Africa -

(a) because they previously supplied to South Africa articles which, being of a less essential character, were either included in the list of prohibited imports or, being consumer goods, do not carry as high a degree of essentiality as capital equipment, spare parts and raw materials for industry; and
(b) because they were, for various reasons, unable to compete effectively for the supply of the classes of essential requirements to an extent that would have enabled them to make good their export losses under (a);

(ii) These countries have urged that South Africa should conclude bilateral treaties with them which would provide for the importation into South Africa from their respective areas of specified quantities of goods, including articles on the list of prohibited imports.

(iii) Requests for the conclusion of treaties of this nature have consistently been refused by the Government of the Union of South Africa, who regard them as contrary to the best interests of the country and also as foreign to the main objectives of the General Agreement. Some of these countries are now resorting to retaliatory import measures against South African products merely because of South Africa's refusal to conclude bilateral treaties with them. These measures involve the blunt refusal of import licences for certain types of South African goods, despite the fact that goods of like nature are allowed into the countries concerned from other sources of supply. Whilst the application of these discriminatory restrictions have not yet disclosed any substantial change in the pattern of South Africa's export trade it has, of course, become necessary to seek alternative outlets for the products affected and some diversion of exports in particular commodities as amongst individual markets in Europe which constitute traditional outlets for South African products is likely to occur as a result of the measures referred to."

United Kingdom

"39. It is of course the case that the import restrictions or equivalent exchange restrictions maintained by many other countries (including some introduced since the end of the war, e.g., by a number of countries in 1947 and 1948) have had a substantial adverse effect on the export trade of the United Kingdom, and have materially hampered the United Kingdom in the task of developing anew the volume of its exports (which during the war was reduced to one-third of the pre-war volume) to a level which will enable average pre-war standards of consumption to be restored and improved upon. Such restrictions, for the most part, have been imposed for balance of payments reasons, and in the past at least, it has been their restrictiveness, more than any discrimination against the United Kingdom which may be involved, that has handicapped United Kingdom exports."