The enquiry issued by the Secretariat on 7 October, 1949, included the following questions:

1. Do you restrict the importation of merchandise in order to safeguard your balance of payments under the provisions of Article XII?

2. If so, describe the general system of import restrictions to safeguard your balance of payments which is now in effect.

3. Describe the main changes introduced since January 1, 1948 in the system outlined in your reply to question 2 above, particularly those which have had the effects of either intensifying or alleviating the discriminatory effects of your restrictions.

The full texts of the replies received to these questions are reproduced herein. The reply to Question 1 is omitted in cases where it is a simple statement to the effect that the government answering the question is restricting importation under the provisions of Article XII.

This document does not include the replies from the Governments of the Union of South Africa and the United Kingdom; the restrictions imposed by the Government of South Africa were described in SECRET/CP/1, and the reply of the United Kingdom has been distributed in SECRET/CP/6.
2. **Overall Position.**

Although Australia's international trade and payments in recent years have resulted in the accumulation (at least temporarily) of considerable sterling balances, Australia's monetary reserves in gold and convertible currencies have remained very low. At the same time, full employment and the need for capital replacement and extension has kept the demand for imports high. Without strict control of imports requiring payment in convertible currencies, therefore, Australia's monetary reserves could quickly be reduced substantially below their already inadequate level.

Australia is a member of the Sterling Area, and as is well known, the Sterling Area as a whole has inadequate reserves of gold and convertible currencies and, moreover, is in deficit with the convertible currency countries.

**Membership of Sterling Area.**

Under present arrangements, the various members of the Sterling Area pool their net earnings of non-sterling currencies and are able to draw from the pool to make payments in any currency of which supplies are ample for the Sterling Area as a whole. Payments in currencies which are in short supply for the Sterling Area have necessarily to be limited to the availability of these currencies. Accordingly, Australia co-operates with other Sterling Area countries to limit purchases from these "hard" currency sources.

Australian import policy is thus guided by whether the particular currency required in payment for goods is "hard" or "easy" from the viewpoint of the Sterling Area as a whole.

This pooling system enables Australia to set off a deficit in payments with one country against a surplus with another. Although in some circumstances Australia is obliged to restrict imports from a country with which it has a favourable balance of payments but whose currency is "hard" the system does permit an unrestricted flow of imports from a country with which Australia has a markedly unfavourable balance but whose currency is "easy".

In this way, membership of the Sterling Area enables Australia to keep controls on imports to a minimum and to avoid the restrictions on international trade which would result from bi-lateral settlements with each country. It is thus possible to trade freely on a multi-lateral basis with all Sterling and other non-hard currency countries, as long as Australia's own supplies of sterling are sufficient.

**Australia's Sterling Position.**

In contrast to the difficulties experienced since the war in earning sufficient dollars and other hard currency to pay for essential imports from countries requiring payment in those currencies, Australia's sterling balance
of payments has yielded a surplus and there has been a consequential increase in Australia's sterling balances held in London. This has made it possible to remove substantially all restrictions against goods from countries which are prepared to accept sterling in final settlement for trade transactions and do not ultimately demand gold or convertible currency.

Nevertheless there are important qualifications to this apparently sound position. Much of the post-war growth of Australia's sterling balances has been due to exceptional factors. Seasonal conditions have been unusually good. The prices of the staple primary products exported by Australia have been exceptionally high, due largely to post-war shortages and economic dislocation. Concurrently many of the goods normally imported into Australia have been unavailable in the quantities required except from hard currency sources. Imports of capital, moreover, much of which may prove to be only temporary, have played a very large part in building up the present balances.

Although Australia's sterling position is therefore not so favourable as might appear at first sight, no change in the existing liberal import policy is contemplated.

Development of Policy.

The system of import controls was instituted in 1939 as a war-time emergency measure and was adapted to the successive situations which arose in the course of the conflict. By the end of the war the system had become extremely comprehensive and had to be adapted progressively to more normal peace-time requirements.

After the war the restrictions were gradually relaxed as circumstances permitted. Because of the payments position and other relative factors, it was possible to remove progressively most of the restrictions on imports from other sterling countries more quickly than on other goods, but these also were freed whenever practicable.

Administration of Policy.

The restrictions which Australia imposes on balance of payments grounds are made effective through the Customs (Import Licensing) Regulations.

Nearly all goods of United Kingdom origin are exempt from the provisions of the Regulations and a wide range of goods originating in the other countries of the Sterling Area is also exempt. In the case of goods for which an import licence is required, licences are in nearly every case issued freely upon production of evidence that the goods are available for export from the country in question.

Changes in the balance of payments position of the Sterling Area in relation to other currency areas have been frequent and sometimes very sudden. For this reason it has not been possible to remove goods of non-sterling origin from the provisions of the Customs (Import Licensing)
Regulations, and it is therefore necessary for an importer to obtain a licence in every case for goods of non-sterling origin.

At the present time, however, import licences are issued freely, upon evidence of availability, for nearly all goods produced in the territories of the non-sterling Contracting Parties (except Contracting Parties of the Dollar and Belgian Monetary Areas) and most other non-sterling countries.

Apart from the necessity of obtaining import licences, which at present is merely a formality, the importation into Australia of goods produced in the territories of the non-sterling Contracting Parties, with the exception of Contracting Parties of the Dollar and Belgian Monetary Areas, is on the same footing as are imports from the countries of the Sterling Area and there are virtually no restrictions on the nature or value of goods which may be imported into Australia from those countries.

The following currency areas are at present regarded as "hard" currency areas:

- Argentine
- Belgian Monetary Area
- Dollar Area
- Japan
- Portuguese
- Persia
- Portuguese Monetary Area
- Switzerland
- Western Germany.

The issue of import licences for goods originating in the "hard" currency areas listed above is, in general, restricted to essential commodities which are not available in adequate quantities from easier currency sources of supply.

Petroleum Products.

The observations in this statement regarding the import licensing treatment accorded by Australia to goods originating in sterling and non-sterling countries do not apply to petroleum products.

The overwhelming proportion of petroleum products imported into Australia is purchased from British and American companies, which produce petroleum products in many different parts of the world. The petroleum products bought from American companies cost dollars wherever they are produced, and there is also a large dollar element in the production costs of British-controlled companies.

Owing to limited refining capacity, the production of petroleum products by the British controlled companies is not sufficient to meet the needs of the Sterling Area.
and other essential commitments. Accordingly, if Australia were to import a greater proportion of her requirements from British-controller companies, some other part of the Sterling Area would have to make correspondingly larger purchases from American companies and there would be no net dollar saving to the Sterling Area as a whole. This being the case, the policy followed in Australia is to allow the source of supply to be governed by ordinary commercial consideration such as tanker availability and the shorthaul principle. This policy results in greater economy in the use of tankers and reduces the landed cost of petroleum products. Although it results in some parts of the Sterling Area purchasing a much larger proportion of their requirements than others from American companies, it does not in any way add to the dollar cost of petroleum products to the Sterling Area as a whole.

The deviations from the rule of non-discrimination referred to above are in accordance with Article XIV (1) (b) and (1) (c).

3. With the suspension of convertibility of sterling into dollars in August, 1947, Australia was obliged to carry out an immediate review of the volume and nature of her imports from the Dollar Area. Following this review many licences which had been issued for Dollar Area goods were cancelled and the issue of further licences was virtually suspended for a certain time. As from 1st April, 1948, the issue of licences was resumed at a reduced rate and a stricter criterion of essentiality was adopted for imports from the Dollar Area. It has since been necessary to continue these restrictive measures and the rate of issue of licences for the importation of goods of Dollar Area origin is reviewed from time to time in the light of changes in the general Sterling Area Dollar situation. As a result of a review in July 1949, an even stricter criterion of essentiality has been applied to the issue of licences for goods of dollar area origin.

In an effort to assist in arresting a heavy and persistent gold drain from the Sterling Area to Belgium, Australia was obliged, on 1st April, 1948, to impose restrictions on the value of licences to be issued for goods to be imported from the Belgian Monetary Area. In view of the subsequent heavy gold losses from the Sterling Area to Belgium, it has not been possible for Australia to abandon these restrictions. For similar reasons it became necessary for Australia, on 1st July, 1949, to exercise careful control over the volume of her imports from Switzerland and, owing to subsequent gold losses from the Sterling Area to Switzerland, it has been necessary for Australia to maintain this control.

As soon as balance of payments considerations have permitted, Australia has relaxed her import licensing controls and the first major step in this direction in 1948 was taken when, on 7th June, practically all restrictions were removed on the issue of licences for the importation of goods from the Sterling and French Monetary Areas.

On 8th November, 1948, the relaxation which, on 7th June, had been made in regard to the issue of licences for goods originating in the Sterling and French Monetary Areas were extended to goods originating in all of the following currency areas -

- Abyssinia
- Albania
- Netherlands Monetary Area
- Norway
Austria | Peru  
Bulgaria | Poland  
Czechoslovakia | Roumania  
Chile | Siam  
China | Southern Korea  
**Denmark** | Spanish Monetary Area  
Finland | Syria  
Greece | Turkey  
Hungary | Yugoslavia  
Italy

On 29th December, 1948, a similar relaxation was made in regard to the issue of import licences for goods originating in Sweden and on 26th July, 1949, the relaxations were extended to goods of Brazilian and Uruguayan origin.
1. In order to safeguard its external financial position and balance of payments, Canada is imposing restrictions in accordance with Article XII on the quantity and value of merchandise permitted to be imported.

Your attention is also drawn to the fact that Canada has availed itself of the transitional arrangements in Article XIV of the Articles of Agreement of the International Monetary Fund.

2. The general system of Canada's import restrictions to safeguard the balance of payments has been described in The Emergency Exchange Conservation Act*, in the Regulations issued under the authority of that statute, in the annual reports submitted to Parliament on the operation of that Act, and in Order No. S.C. 2-49 of the Steel Controller.** Since copies of these documents have been submitted to the CONTRACTING PARTIES, our answer to this question will be confined to a brief, general outline of the entire system.

In accordance with Article XII, 3(b)(ii), certain products and classes of products are subject to import restrictions. Under The Emergency Exchange Conservation Act the restricted imports are grouped in three schedules. Schedule I enumerates the list of prohibited products. Products subject to quota are listed in Schedule II, and those products whose importation is subject to a permit issued by the Minister of Trade and Commerce are enumerated in Schedule III or in the analogous regulations stated in the Steel Controller's Order No. S.C. 2-49 of the 23rd September, 1949.

In accordance with the terms of Article XIV, 1(d), Canada elected to be governed by the provisions of Annex J. The import restrictions imposed on products listed in Schedules I and II have been designed to comply with the rules of non-discrimination set forth in Article XIII. In the case of products listed in Schedule III deviations -- complying with Annex J -- have occurred.

Schedule I - Goods Prohibited Importation from Any Country.

Schedule I contains a list of consumer goods of which imports from all countries are considered to be unessential or postponable.

* Initially the import restrictions were imposed on November 18, 1947 by Order in Council P.C. 4678, dated November 12, 1947. However, as soon as the necessary legislative steps could be taken, this Order in Council was superseded by The Emergency Exchange Conservation Act.

** This Order was issued under the authority of Order in Council P.C. 247 of January 23, 1946 and the Continuation of Transitional Measures Act, 1947.
As of December 15, 1949 the active part of this prohibited list — i.e., the Schedule contained in the Emergency Exchange Conservation Act minus those items or parts of items which have been suspended or transferred to Schedule II or Schedule III by Order in Council — was as follows:

<table>
<thead>
<tr>
<th>Item No.</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>ex 7</td>
<td>Fresh pork</td>
</tr>
<tr>
<td>ex 10</td>
<td>Prepared or preserved bacon, hams, shoulders and other pork.</td>
</tr>
<tr>
<td>79b</td>
<td>Flowers and foliage, natural, cut, whether in designs or bouquets or not, n.o.p.</td>
</tr>
<tr>
<td>89</td>
<td>Vegetables, prepared, in air-tight cans or other air-tight containers.</td>
</tr>
<tr>
<td>90e</td>
<td>Vegetables, frozen.</td>
</tr>
<tr>
<td>91</td>
<td>Soups, soup rolls, tablets, cubes, or other soup preparations, n.o.p.</td>
</tr>
<tr>
<td>99b</td>
<td>Fruits, dried, desiccated, evaporated or dehydrated, n.o.p.</td>
</tr>
<tr>
<td>99d</td>
<td>Dates, dried, unpitted.</td>
</tr>
<tr>
<td>ex 99e</td>
<td>Apricots, nectarines, pears and peaches, dried, desiccated, evaporated or dehydrated.</td>
</tr>
<tr>
<td>99g</td>
<td>Fruit pulp, other than passion fruit pulp, with sugar or not, and fruits, crushed or frozen.</td>
</tr>
<tr>
<td>ex 104a</td>
<td>Labels from cigar boxes, fruits, vegetables, meats, fish, confectionery or other goods or wares.</td>
</tr>
<tr>
<td>ex 105</td>
<td>Periodical publications, unbound or paper bound, consisting largely of fiction or printed matter of a similar character, including detective, sex, western, and alleged true or confession stories, and publications, unbound or paper bound, commonly known as comics, but not including bona fide supplements used with newspapers. Provided, that the decision of the Minister of National Revenue as to whether or not any publication is included in the foregoing description shall be final and conclusive.</td>
</tr>
</tbody>
</table>

* "ex" designates part of a tariff item. Items not so marked are complete items of the Canadian Customs Tariff.
<table>
<thead>
<tr>
<th>Item No.</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>ex 192</td>
<td>Tarred paper and prepared roofings (including shingles), sheathing, insulation (not including fibreglass), building board, chipboard, newboard, strawbord, testboard, corrugated board, and all other similar boards manufactured wholly or in part of vegetable fibres (not including electric insulation board, match stem stock, shoe board, automobile board, book binders' board and pressboard); bristol board, artists' board, photograph mounting board, picture matting board and showcard board; flock coated board or paper; wax coated paper; blotting paper not printed.</td>
</tr>
<tr>
<td>ex 192</td>
<td>Acoustical wallboards, acoustical pads and acoustical tile of all kinds.</td>
</tr>
<tr>
<td>ex 192c</td>
<td>Roofing and shingles of saturated felt</td>
</tr>
<tr>
<td>ex 193</td>
<td>Paper sacks or bags of all kinds, printed or not (but not including those made from twisted paper).</td>
</tr>
<tr>
<td>194</td>
<td>Playing cards, in packs or in sheet form, n.o.s.; cards and sheets partly lithographed or printed, for use in the manufacture of such playing cards.</td>
</tr>
<tr>
<td>ex 197</td>
<td>Cups, dishes or plates, forks, spoons, and drinking straws, made of paper, cardboard, or of vegetable fibres; paper envelopes; correspondence and printed letterhead papers, not including plain unprinted typewriter or copying papers; creped tissue paper and manufactures thereof; wrapping paper (including box covering paper and wrappers) printed, embossed or otherwise decorated; Christmas seals, stickers, tags and enclosure cards, printed, embossed or otherwise decorated; card and other games, score reckoners, score pads, tallies and place cards, of paper or cardboard; festivity, carnival and celebration supplies and decorations of paper or cardboard, including costumes, hats, caps, headbands, masks, horns, serpentine and confetti, blank books; photograph mounts manufactured from paper or paper board.</td>
</tr>
<tr>
<td>197b</td>
<td>Wrapping paper of all kinds, not pasted, coated or embossed.</td>
</tr>
<tr>
<td>ex 192</td>
<td>Papers and paperboards or fibreboards the surface of which is in two or more colours or is embossed or otherwise decorated</td>
</tr>
<tr>
<td>Item No.</td>
<td>Description</td>
</tr>
<tr>
<td>----------</td>
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</tr>
<tr>
<td>ex 199b</td>
<td>Empty containers wholly or partially manufactured from paperboard or fibreboard having affixed thereto paper the surface of which is in two or more colours, or is embossed or otherwise decorated.</td>
</tr>
<tr>
<td>234</td>
<td>Perfumery, including toilet preparations, non-alcoholic, viz., hair oils, tooth and other powders and washes, pomatums, pastes and all other perfumed preparations, n.o.p., used for the hair, mouth or skin.</td>
</tr>
<tr>
<td>ex 237c</td>
<td>Synthetic resin soft sheets or strips or similar shapes, and manufactures thereof.</td>
</tr>
<tr>
<td>ex 711</td>
<td>High thermal shock resisting glassware, but not including industrial or laboratory glassware, or glassware parts imported by manufacturers for production use in their own factories.</td>
</tr>
<tr>
<td>et al</td>
<td>Nickel-plated or electro-plated cutlery and table flatware.</td>
</tr>
<tr>
<td>ex 414</td>
<td>Typewriters.</td>
</tr>
<tr>
<td>ex 414a</td>
<td>Dictating machines, transcribing machines and cylinder shaving machines.</td>
</tr>
<tr>
<td>ex 414c</td>
<td>Adding machines.</td>
</tr>
<tr>
<td>415a</td>
<td>Refrigerators, domestic or store, completely equipped or not.</td>
</tr>
<tr>
<td>ex 415b</td>
<td>Clothes wringers, domestic.</td>
</tr>
<tr>
<td>ex 427</td>
<td>Outboard motors.</td>
</tr>
<tr>
<td>ex 440a</td>
<td>Pleasure boats of all kinds.</td>
</tr>
<tr>
<td>444b</td>
<td>Lamp shades, n.o.p., and shade holders.</td>
</tr>
<tr>
<td>ex 445</td>
<td>Electric light fixtures and appliances, n.o.p. (including industrial electric light fixtures, or parts).</td>
</tr>
<tr>
<td>ex 445a</td>
<td>Electric flashlights.</td>
</tr>
<tr>
<td>ex 445b</td>
<td>Incandescent electric light lamps.</td>
</tr>
<tr>
<td>ex 445d</td>
<td>Radio receiving sets and cabinets and chassis therefor.</td>
</tr>
<tr>
<td>ex 445e</td>
<td>Dry cell batteries, n.o.p.</td>
</tr>
<tr>
<td>ex 445f</td>
<td>Electric sad irons.</td>
</tr>
<tr>
<td>ex 445g</td>
<td>Electric dry shaving machines</td>
</tr>
<tr>
<td>ex 465</td>
<td>Electric signs of any material.</td>
</tr>
<tr>
<td>Tariff Item No.</td>
<td>Description</td>
</tr>
<tr>
<td>----------------</td>
<td>-------------</td>
</tr>
<tr>
<td>468</td>
<td>Bird, squirrel and rat cages, of wire, and metal parts thereof.</td>
</tr>
<tr>
<td>ex 512</td>
<td>Picture frames, photograph frames and mirror frames, of any material.</td>
</tr>
<tr>
<td>et al</td>
<td></td>
</tr>
<tr>
<td>ex 515</td>
<td>Show-cases of all kinds</td>
</tr>
<tr>
<td>597</td>
<td>Pianofortes and organs</td>
</tr>
<tr>
<td>ex 597a</td>
<td>Phonographs, graphophones and gramophones.</td>
</tr>
<tr>
<td>ex 618b</td>
<td>Passenger automobile tires.</td>
</tr>
<tr>
<td>624 et al</td>
<td>Bead ornaments, and ornaments of larimar, spar, amber, terra cotta, composition, or other material except china or porcelain; fans of all kinds; statues, statuettes, of any material other than porcelain or earthenware.</td>
</tr>
<tr>
<td>647</td>
<td>Jewellery of any material, for the adornment of the person, n.o.p.</td>
</tr>
<tr>
<td>ex 648</td>
<td>Precious and semi-precious stones (other than diamonds) whether genuine or synthetic; pearls, whether genuine or cultured, and imitations and simulations thereof.</td>
</tr>
<tr>
<td>ex 655</td>
<td>Fountain and ball point pens</td>
</tr>
<tr>
<td>ex 655a</td>
<td>Propelling pencils.</td>
</tr>
<tr>
<td>ex 689a</td>
<td>Mineral wool, but not including fibre glass.</td>
</tr>
<tr>
<td>ex 711</td>
<td>Floor or wall tile having an asphalt base</td>
</tr>
<tr>
<td>ex 711</td>
<td>Domestic water heaters; public address and communication systems; humidifiers (but not including industrial humidifiers); chemical permanent waving preparations;</td>
</tr>
<tr>
<td>ex 362c</td>
<td>Soda fountains; bars; ice-cream cabinets and beverage cabinets; beverage dispensing and mixing equipment; gasoline pumps;</td>
</tr>
<tr>
<td>ex 427</td>
<td>Punch boards and pin-ball games; vending machines, games, amusement devices, phonographs, radios, musical instruments, scales, parking meters, locks and lockers, coin-, disc-, or token-operated;</td>
</tr>
<tr>
<td>ex 446a</td>
<td>Cigarette or cigar lighters (but not to include lighters provided for in Tariff Item 438 (e)); Air-conditioning units and apparatus designed for household or office use;</td>
</tr>
</tbody>
</table>
Canada (Continued)

<table>
<thead>
<tr>
<th>Item No.</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>ex 711</td>
<td>Electric mixers, ironers and dish-washers, designed for household use;</td>
</tr>
<tr>
<td>ex 362c</td>
<td>Cases, boxes, bowls, baskets, bottles, dishes and trays adapted for personal, household or office use, or for the packaging of goods for retail sale, of which the component of chief value is copper or electro-plated metal, not including industrial containers unsuitable for retail sale;</td>
</tr>
<tr>
<td>ex 427</td>
<td>Ash trays and receivers; desk sets and bases or holders for blotters, pens or pencils; book-ends; paper weights and paper knives;</td>
</tr>
<tr>
<td>ex 446a</td>
<td>Christmas tree decorations of all kinds, including lights and fittings therefor; vases and jardinieres;</td>
</tr>
<tr>
<td>et al</td>
<td>Electric heating pads and blankets; juice extractors; amusement rides and devices; hair waving and drying machines; display decorations; lipstick holders; electric fans; floor polishers; atomizers; pencil sharpeners; radio cabinets, finished or unfinished; door chimes; domestic garbage disposal units; ski racks; watch straps and bracelets; bowls, trays and dishes of wood.</td>
</tr>
</tbody>
</table>

The Act provides that no person shall import or attempt to import goods listed in any of the three Schedules except in accordance with a permit and that in the case of goods listed in Schedule I no permit shall be issued unless in the opinion of the Minister exceptional hardship would result if a permit were not issued.

The principal types of exceptional hardship which were recognized in the administration of this Schedule during the first year are fully described on pages 2, 3, 4 and 5 of the First Annual Report on the Administration of The Emergency Exchange Conservation Act (Schedules I and II). An Appendix to that report gives the number and values of such special permits issued in the period to November 30, 1948. These data and similar data for a later period, which are given in the Second Annual Report, emphasize the non-discriminatory basis on which these permits were issued.

Many of the permits issued to deal with cases of exceptional hardship related to particular transactions. However, others were in the form of general permits covering specified classes of goods imported from any country. Open General Permits which were in effect as of December 15, 1949, although they could be cancelled at any time, were as follows:

| F.E.C. 120 | Supplies for Fraternal Organizations, Service Clubs, etc. |
| F.E.C. 121 | Woven Union Labels. |
| F.E.C. 124 | Supplies for Trappers and Residents of Old Crow, Yukon Territory. |
| F.E.C. 125 | Tourists effects. |
| F.E.C. 127 | International Pacific Salmon Fisheries Commission. |
Since the middle of 1943 improvement in Canada's foreign exchange position has made it possible to suspend many items from the prohibited list and to transfer other items from the prohibited to the quota list. In the cases of a few items (typewriters, dictating machines, adding machines, and goods covered by General Permit F.E.C. 140) provisions was made for limited imports under quota, but mainly for administrative reasons these items were not formally transferred from Schedule I. In making such suspensions and transfers an attempt was made to relax or remove prohibitions which had resulted in widespread hardship to either Canadian importers and consumers on the one hand, or to foreign producers and exporters on the other. Such relaxations had the incidental effect of reducing the need for special or general import permits. For example, some basic vegetables included in Schedule I had been allowed importation from time to time under General Permit (No. 122). However, on October 1, 1949 all items relating to fresh fruits and vegetables were suspended in their entirety from the provisions of the Act.

Schedule II - Goods Subject to Import Quota

The commodities listed in Schedule II — which are permitted entry under quotas — were grouped into the following five categories: (1) Fruits and Vegetables; (2) Textiles; (3) Leather, Leather Products and Related Goods; (4) Miscellaneous; (5) Prepared Foods. Provision was made for a separate quota on each category. In addition, and in accordance with Article XIII, 2(d), for the purposes of administering this Schedule the regulations made under The Emergency Exchange Conservation Act divided all countries into two classes: Scheduled countries and non-Scheduled countries. Scheduled countries are those which were not known to be in balance of payments difficulties and are listed in the regulations as: Cuba, Dominican Republic, Guatemala, Haiti, Panama, El Salvador, Switzerland, Union of Soviet Socialist Republics, United States of America and its possessions, Venezuela.
Canada (Continued)

"The total import quota for each category and from each class of country is 200 per cent of the average annual value of imports of goods in that category and from that class of country in the calendar years 1937, 1938 and 1939 (except that for Category 2 - textiles - the quota is 400 per cent of the 1937-39 average). The total import quota for each category of goods is allocated among individual importers pro rata on the basis of their share in the imports of such goods during the base year, which is defined as the twelve months July 1, 1946 to June 30, 1947.

"For example, the average annual imports into Canada of all goods listed in Category 2 (textiles) in the years 1937-39 was $710,300,000 from scheduled and $30,000,000 from non-scheduled countries. The total annual quota, at 400 per cent of 1937-39, is therefore $41,200,000 for scheduled countries and $123,200,000 for non-scheduled countries. The actual imports of these goods in the 1946-47 base year was $138,000,000 from scheduled countries and $52,400,000 from non-scheduled countries. In the case of scheduled countries, therefore, the permitted annual quota is approximately 32 per cent of the actual imports in the 1946-47 base year, and each individual importer was entitled to an annual quota equal to 32 per cent of his own base year imports (issued in four equal quarterly instalments). In the case of non-scheduled countries the permitted quota under each category was so greatly in excess of the current rate of imports that the regulations under the Act suspended the requirement of permits for imports from non-scheduled countries.

"The annual quotas established for scheduled countries for each category, expressed as percentages of the 1946-47 base year were:

Category 1 (Fruits and Vegetables) 50 per cent
Category 2 (Textiles) 32 per cent
Category 3 (Leather and leather products) 68 per cent
Category 4 (Miscellaneous) 42 per cent
Category 5 (Prepared Foods) 28 per cent

The quota applicable to Category 1 was increased on two occasions (October 1, 1948 and April 1, 1949) and then all import restrictions were removed entirely from this Category as of October 1, 1949. The other four categories are still in operation, although all of the quota rates have been increased. Moreover, ex-quota permits have been issued or additional quotas established in certain cases of exceptional hardship. The general principles governing the issue of these permits and the establishment of additional quotas are set out in the Annual Reports. The present quota rates as fixed by Order in Council P.C. 1200 of March 22, 1949, effective April 1, 1949, are as follows:

<table>
<thead>
<tr>
<th>Category</th>
<th>Per Cent of Per Cent of Year</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1937-1938-1939</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Category 2 (Textiles)</td>
<td>520 %</td>
</tr>
<tr>
<td>Category 3 (Leather Products and Related Goods)</td>
<td>250 %</td>
</tr>
<tr>
<td>Category 4 (Miscellaneous)</td>
<td>250 %</td>
</tr>
<tr>
<td>Category 5 (Prepared Foods)</td>
<td>250 %</td>
</tr>
</tbody>
</table>
In contrast with the first two schedules, Schedule III deals with imports which must be considered on the merits of the individual case to a large extent. Capital goods and production materials are included in this section and it is undesirable to make decisions in this field by means of mechanical formulae applied to the authorization of imports. Capital goods imports are generally spasmodic so that an arbitrary percentage of some base period amount is inappropriate as a means of restriction. Similar problems arise sometimes in connection with production materials and parts. At the same time, it is to be emphasized that the procedures actually followed were designed to be in accordance with the obligation assumed under the General Agreement on Tariffs and Trade. Where import restrictions are to be justified under Annex J, it will be noted in what follows, for example, that careful attention was paid to section 1. (a) (1) of that Annex, and that importers were not forced to turn to sources of supply where substantially higher prices prevailed.

As in Schedule II, for the purpose of administering this Schedule, all countries are divided into two classes - Scheduled and Non-Scheduled Countries. Two types of permits are employed to allow Schedule III importations: individual capital goods import permits (form No. GG 101) and allotment permits (form No. GG 105). The GG 101 permit is issued to importers who do not have a regular and continuous pattern of importations. It is always issued to cover a particular shipment which is described on the face of the permit. The GG 105 permit is issued to importers who have continuous and regular pattern of importations. It is issued annually to meet the importers' requirements for a specific class of goods. The permit is endorsed with the tariff items under which the importer may enter his goods and the value of each shipment is deducted from the total value of the permit until it either expires at December 31 or until the entire allotment has been used.

The two permits are used to cover the following types of importations.

**Individual Capital Goods Import Permits**

1) Motor vehicles and parts from non-scheduled countries;

2) Irregular shipments of special types of motor vehicles from scheduled countries;

3) Irregular shipments of machinery and equipment from all countries;

4) Irregular shipments of production materials and parts from all countries;

**Allotment Permits**

1) Regular shipments of motor vehicles and parts from scheduled countries which are types not made in Canada;

2) Regular shipments of production materials and parts from all countries;

3) Regular shipments of merchandise for resale from all countries.
4) Regular shipments of capital goods from all countries.

Thus the four types of goods affected by Schedule III of the Emergency Exchange Conservation Act are motor vehicles and parts, production materials and parts, capital goods and merchandise for re-sale.

Motor Vehicles and Parts

The Canadian motor vehicle industry manufactures American-type vehicles so that it is highly dependent upon imports of production parts and materials from the United States. All the Canadian manufacturers have been issued allotment permits and their quotas have been determined on the following basis: The industry-average American content of Canadian-made vehicles was determined as $307 per vehicle; 75%, or $230, per vehicle was then allowed each manufacturer. The vehicles included here are passenger automobiles and trucks of less than 16,501 pounds gross vehicle weight. For each vehicle which was produced and imported complete in the representative period— the year ending October 31, 1947, the manufacturer was allowed to import $230 of parts and materials from the United States in the calendar year 1948. In 1949 each total allotment was increased by 33⅓% to the original $307 per vehicle. Before import controls were introduced Canadian manufacturers had followed the practice of importing motor vehicles from the United States for sale in Canada to supplement their own production. At present Canadian manufacturers import very few completed American vehicles since this would reduce the value of parts and materials which they could otherwise import under their allotment permits and so reduce their Canadian production.

Canadian distributors of American vehicles which are not made in Canada were allowed $230 for each vehicle which they sold in the year ending October 31, 1947, and these quotas were increased by 33⅓% in 1949. Dealers in automotive parts and accessories were also allowed 75% of their base period imports in the year ending October 31, 1947.

Individual capital goods import permits are granted for some imports of vehicles and parts from the United States. This is done for irregular shipments such as gifts of automobiles, special types of automobiles, trucks of 16,501 lbs gross vehicle weight and over, ambulances hearse, and some buses. These applications, apart from gifts, are considered on the basis of their essentiality to the Canadian economy as well as their availability elsewhere.

Individual capital goods import permits are issued for imports of motor vehicles and their parts from non-scheduled countries; Thus every shipment entered from these countries must be accompanied by its particular permit. In general these permits are freely granted.

Production Materials and Parts

Schedule III controls the imports of a large amount of these types of goods. For example parts for stoves, refrigerators, vacuum cleaners, washing machines, radios and television sets are all under import control. In Canada a substantial percentage of this sort of equipment is manufactured by branch plants of American companies. Therefore, these firms, like the motor vehicle manufacturers, are highly dependent upon American parts to maintain their production. The system of determining allotments for these types of goods is the same as that for motor vehicle parts,
That is, the industry-average United States content for each product is first determined and a percentage of this is then allowed each manufacturer multiplied by the number of units he produced and imported complete in the year ending October 31, 1947. The exact percentage varies somewhat depending upon the particular product. For example, stoves are allowed 100% whereas radios are allowed 70%. In 1949 the allotments for manufacturers of stoves, refrigerators, office machines and radios were increased by 25%.

There are special regulations covering the establishment of new firms in Canada who were not in business in the year ending October 31, 1947. If these firms are branch plants of United States companies and require continuous imports of production parts from that country, they are generally granted allotment permits based upon their proposed production and the industry-average United States content for the product which they intend to manufacture. If they are branch plants of United Kingdom or other non-scheduled countries' companies and also require continuous imports of production parts from those countries, they are generally granted their applications commensurate with their proposed production. Since so few of these latter companies were in operation in the year ending October 31, 1947, it has not been possible to arrive at industry-average foreign content for them. If these latter applicants wish to import from the scheduled countries they must be governed by the rules which apply to importers entering goods from those countries.

In general the administration has not so reduced applicants' supplies of imported parts that the operations of their plants are jeopardized. Because of this any applicant, regardless of his source of imports, is granted an additional allotment if he can prove that he has had to reduce production because of an insufficient supply of parts. No applicant, because he has exhausted his allotment from the scheduled countries, has been forced to commence importing parts from the non-scheduled countries. In practice it has been found impossible to transfer sources of parts' supply between countries.

Capital Goods

In general these imports are applied for on an individual capital goods import permit regardless of their country of origin, provided the shipments are not regular and continuous. The practice is not to allow importations of capital goods from the scheduled countries if they are readily available at a reasonably equivalent price elsewhere. If, however, delivery is slow from suppliers or if the prices are too high, then the import from the scheduled countries is authorized.

Those applicants who import capital goods, regardless of their origin, in a regular pattern are granted allotment permits, provided the unit values of their importations are less than $1,000. If the unit values are more than $1,000, they must import on individual capital goods import permits. In the case of construction equipment importers the unit value is $10,000. These applicants are granted specific percentages of the various tariff items under which they wish to import.

Merchandise for Re-sale

In general most of this type of Canadian imports are obtained from the scheduled countries. Those importers who require these goods in a continuous flow from the scheduled countries are
generally granted allotment permits. A specific percentage of the value of the goods entered in the year ending October 31, 1947, under each tariff item is granted. These percentages vary between 100% for tariff items covering goods not formed in Canada and 75% for tariff items covering less essential goods. Importers not in business in the base year must import on individual capital goods import permits. Before these latter permits are approved the importer must have attempted to obtain the same goods at comparable prices elsewhere. Importers requiring goods from the non-scheduled countries in a steady flow are generally granted their requirements. If their imports are non-continuous they also must import on an individual capital goods import permit. In general these permits are approved freely.

**Export Bonus**

The administration has established an export bonus system whereby Canadian manufacturers are permitted to increase their imports from the scheduled countries in exchange for exports. These manufacturers are allowed 50% of the Canadian content of their increased exports plus the foreign content of the exported goods. It is possible to allow increased imports from the scheduled countries in exchange for exports to any country since Canada received payment in dollars for all its exports.

**PRIMARY IRON AND STEEL**

At present Canada does not produce a sufficient supply of primary iron and steel to meet its own requirements and is thus heavily dependent upon foreign sources. The main source of Canadian imported steel has always been in the United States. The Canadian steel industry has been confronted with great difficulties since the war. It was expanded to meet the special requirements of the wartime period and at the same time steel production and consumption were under strict control in wartime by agreement between Canada and the United States. Following the war there was a continuous shortage of steel in Canada and the United States and the Canadian steel industry was subject to control until the present year when it was able to undertake its real economic adjustment to peacetime conditions. Because of the continuous controls in this industry this adjustment had been long delayed and the policies followed in 1949 really found their roots in the wartime period.

Tariff items containing mainly structural steel were included in Schedule III from the very beginning but it was never necessary to put these under effective import control. During the postwar period until the fall of 1949, due to the world wide shortage, Canada had difficulties in obtaining sufficient foreign steel to meet its essential needs. For this reason the actual imports in 1947 and 1948 were below rather than above the level to which the procedures of the Emergency Exchange Conservation Act would otherwise have restricted them. The shortage was so acute in the United States that the Canadian Government was requested by the United States government to limit Canadian imports of primary steel from that country. Accordingly restrictions were placed on imports on October 25, 1948. This was done under the Export and Import Permits Act, since the import restrictions in this case were arranged by agreement between the United States and Canada, the governments concerned.

These restrictions continued until May 2, 1949, when it was found that demand for steel in the United States had declined sufficiently to permit removal of the controls on all items except steel scrap. However, Canadian firms had such a large back-log of
Canada (Continued)

duplicated orders in the United States resulting from the pre-
vious scarcity that once the restrictions were removed, Canadian
imports from the U.S. reached higher levels than in any previous
year and it was necessary to take account of the effect of this
upon the Canadian balance of payments. In 1948 Canada imported
a total of 936,000 tons of steel from the United States; in the
first nine months of 1949 alone these imports amounted to
965,000 tons. With this flood of imports it became necessary for
the Canadian government to re-impose the import restrictions,
this time as a balance of payments measure. These restrictions were
imposed by the Steel Controller's Order No. S.C. 2-49 of September
23, 1949.

To facilitate administration the Steel Controller uses
techniques similar to those employed by the Schedule III adminis-
tration. The individual capital goods import permit is employed
for all applications to import regardless of the country of origin
of the imports. The import controls on steel have had very lit-
tle effect during the period they have been in force, because
they were designed in the beginning as a selective screening to
get at a few specialized items and there have been few applica-
tions to import under these particular headings in the meantime.

The Representative Period in Schedule III

It was unavoidable that a postwar period be chosen as the
representative period for determining allotments. The year ending
October 31, 1947 was chosen after careful study of the structu-
ral changes which had taken place in Canadian industry during the
war years and due regard was given to the prospects for the fu-
ture. The large scale industrial expansion which took place in
Canada during the war did not affect all industries in the same
degree, quite naturally. Some of them increased their capacity
by a much larger proportion than others and their requirements for
imported materials and equipment were similarly affected. Thus
there was no prewar year nor combination of prewar years which
could be chosen as a basis of import allotments if the requirements
of new industries and of expanded industries were to be met. Un-
der these circumstances it was essential that a postwar year be
chosen.

While capital equipment has frequently been imported from
countries other than the United States, imports of production ma-
terial and parts have been small in the past. This was the case
because, until 1948 and 1949, very few firms from these countries
had established branch plants in Canada. During and after the
war it was difficult to obtain goods of all kinds from sources
outside the Western Hemisphere. Thus it was not possible to es-
tablish allotments based upon the year ending October 31, 1947,
for the few firms which wished to commence importing parts from
non-United States sources in 1948 and 1949. For this reason some
technical discrimination in favour of imports from the non-sche-
duled countries was inevitable (see page 50). Where discrimina-
tion occurred it was administered in accordance with the require-
ments of Annex J.

Deviations from the rules of non-discrimination.

It should be said that while no statistical estimate can
be given of the amount of imports thus coming under the terms of
Annex J, the total is not large. Roughly 90% of the imports
under Schedule III are obtained in the United States, and all of
these are imported into Canada under the rule of non-discrimination.
The remainder of the imports which enter from countries other
than the United States may be subject to discrimination in certain
instances. For example, there are some goods which because of their quality or related reasons, normally come from the United Kingdom and other overseas countries; in all cases the supply of these has increased since 1947. Considering these factors it is obvious that the proportion of Schedule III imports which are likely to fall under Annex J is quite limited.

It is not possible, however, to give an absolute figure on the value of the goods falling under the provisions of Annex J. The main reason why this is so is because it is not at all possible, through the use of official import statistics, to separate out those goods from the non-scheduled countries which would enter Canada if there was no import control program. For example if no controls existed on the import of automobiles there would still be considerable Canadian importation from the non-scheduled countries. But the extent of this normal importation, although known to exist, is doubtful. A further reason why no figure can be given is that a fairly wide range of the goods which are listed in Schedule III are subject only to a cursory screening and hence are not under full import control.

Those goods which Canada does import under the provisions of Annex J are supported by a very definite price policy. When importation is approved under Schedule III the administration always allows importers to obtain their goods in the scheduled countries if such goods are not obtainable at reasonably comparable prices in the non-scheduled countries. The initiative of purchasing the goods lies completely with the importer as to the price he wishes to pay and the types of goods he requires. All that the Canadian government does is direct importers into those markets, either foreign or domestic, which can supply goods at reasonable prices and delivery dates. Since Canada has no bulk purchasing plan for Schedule III goods, Canada's machinery imports, during the whole of the control period, from all countries have been of very comparable prices.

Canada does not have any "arrangement" under Annex J "by which the gold or convertible currency which (Canada) currently receives directly or indirectly from its exports... is appreciably reduced below the level it could otherwise have been reasonably expected to attain".

3. The system of import restrictions introduced by Order in Council on November 18, 1947 was incorporated without any basic revision in The Emergency Exchange Conservation Act.

The changes which have been made since January 1, 1948 have occurred in the form of adjustments to Schedules I, II or III to The Emergency Exchange Conservation Act.

Changes in Schedules I and II:

The only additions made to Schedule I since January 1, 1948 were those resulting from An Act to amend The Emergency Exchange Conservation Act, which was assented to on June 30, 1948. This Act made minor changes in the wording of two existing items and added the following
Canada (Continued)

to Schedule I:

Acoustical wallboards, acoustical pads and
acoustical tile of all kinds.

Synthetic resin soft sheets or strips or
similar shapes, and manufactures thereof.

Floor or wall tile having an asphalt base.

At first the relaxations were confined to the issue of
permits — for example, Open General Permits were issued
for the importation of cabbages and carrots between the time
when domestic supplies from the 1947 crop were exhausted and
1948 crops became available. At a later stage much more
extensive relaxations were made by Order in Council. There
were three major steps, as described below.

(a) P.C. 5732, dated December 10, 1948, effective January 1,
1949.

This Order in Council suspended import prohibitions
on the following goods:

Fresh and canned meats (except pork); poultry and
game; eggs; yeast; prepared cereal foods; peanut
butter; condensed milk; beans; peas; honey; nuts
in the shell; oysters and other shell-fish; syrups;
cigars and cigarettes; paper towels; napkins and
doilies; candles, lubricating oils and greases;
wet cell batteries; non-electric signs; door frames
and sash; synthetic casings for meat; andirons; and
brass or bronze cases, boxes and trays.

The following goods were transferred from the pro­
hibited list to the quota group:

Bathtubs, and other iron or steel plumbing
fixtures, stoves, furnace and other cooking and
heating equipment, furniture, all kinds of
dressed furs and manufactures of fur, slide
fasteners, umbrellas, buttons, wallpaper kitchen
or household hollow-ware, cameras, binoculars
and cocoa powder.

Domestic sewing machines were transferred from the
prohibited list to Schedule III.

Unmanufactured leather and cheeses are suspended
from Quota Categories 3 and 5, respectively, and became
unrestricted.

This Order in Council also provided that the import
restrictions under The Emergency Exchange Conservation Act
should no longer apply to incidental personal purchases —
when entered under Tariff Item 703(b) — valued at not more
than $100 which are made abroad by Canadians who have been
out of Canada not less than 48 hours.

(b) P.C. 1200, dated March 22, 1949, effective April 1, 1949:

The principal relaxation made by this Order in Council
Canada (Continued)

took the form of a general increase in quotas of approximately 25 p.c. from the original level. In the case of Category 1 an interim increase had been made six months earlier. This Order brought the quotas up to the present levels set out in the answer to Question 2.

In addition to the general increase in quotas on goods under Schedule II a few items (glass articles designed to be cut or mounted and certain hat braids and hat bands) were dropped from this Schedule. The following items were suspended from Schedule I.

Lumber, including veneers and plywoods; paints varnishes and lacquers; gunned paper; mirrors of glass and silvered glass; and machine-made tumblers and decanters of glass.

(c) P.C. 4915 of September 26, 1949 and P.C. 4916 of September 27, 1949, both effective October 1, 1949:

The first of these Orders in Council suspended all remaining import restrictions affecting fresh fruits and vegetables. The second Order removed clocks and watches and movements therefrom from the list of goods subject to quota.

As indicated by the preceding paragraphs, in the period since January 1, 1948, the non-discriminatory quantitative restrictions imposed by Canada on the importation of consumer goods specified in Schedule I and II of The Emergency Exchange Conservation Act have been relaxed greatly.

A convenient consolidation of these changes is available in Order in Council P.C. 5702, dated November 10, 1949. A copy of this Order is attached.

Schedule III and Primary Iron and Steel

The import control program was originally implemented in November, 1947. But since there were a great many administrative problems to be solved it was decided to put the various tariff items in Schedule III under import control gradually. Thus by July, 1948, nearly all of the items listed in the Schedule were under import control. From then until the end of 1949, no major changes have taken place except in the quotas to various producers which have been mentioned in answer to Question 2. So far as steel is concerned, it was only put under import control, as a balance of payments measure, at the end of September, 1949.
2. The general system of import control is as follows:

(a) Annual estimates of exchange available for expenditure on merchandise are made, these estimates being subject to periodical review. Ceiling values are fixed for the different items of merchandise to be imported. These values are nearer estimated requirements in the case of essential goods and diverge from requirements with decrease in essentiality.

(b) Essential foods such as rice and sugar are imported only by the government. All other commodities come either under open general licences or are subject to individual licensing. Open general licences allow importation without licences of certain goods from one of two areas, namely (1) India, Pakistan, Burma and Maldives Islands or (2) the British Commonwealth other than Canada, Newfoundland and Hongkong. Goods under open general licences are those for which liberal ceiling values have been allowed (i.e. essential goods such as cotton textiles) or those which are not to be imported in excess of the ceiling values fixed because of high duties (e.g. whisky).

(c) In the case of all other commodities imports from hard-currency sources are allowed only on grounds of essentiality and non-availability from soft currency sources and if hard currency is available.

(d) With above considerations in view quotas are issued to importers. In some cases these quotas have relation to imports in recent years. In others they are distributed among importers on an equitable basis. In the case of goods of high essentiality global quotas are issued or a part of the quota is allowed to be imported from hard-currency sources. In the case of less essential goods quotas have to be used for imports from soft-currency sources only.

(e) Imports of some commodities available locally (e.g. tea) are prohibited.

(f) Further details regarding administration of control will be found in copy of import control manual and supplement which are being forwarded by fast airmail.

3. No significant changes in policy have been made since 1948 except reduction of ceiling values in certain commodities and in the values of imports permitted from hard currency areas for less-and non-essentials.
In view of the fact that the Czechoslovak economic system and therefore also the functions of its foreign trade materially differ from the system of the other contracting parties to the General Agreement on Tariffs and Trade, we think it essential that the Czechoslovak economy be explained in a general outline as follows:

1. The basis of all Czechoslovak economy for the years 1949 to 1955 is the first Czechoslovak Economic Five-Year Plan of October 27, 1948, which is a law of the State.

According to that plan, the industrial production of Czechoslovakia is to rise by the end of 1953 by 57 per cent above the 1948 level, i.e. from 288 milliard Czechoslovak crowns to 454 milliards, the agricultural and timber-producing industry by 16 per cent, i.e. from 90,5 milliard Czechoslovak crowns to 105 milliards.

During the same period the social (i.e. cultural, educational and health, etc.) and individual services are to be raised by 35 per cent per head of the population.

2. The attainment of the aims set forth by the Czechoslovak economy is to be ensured in addition to the country's own production also by foreign trade which, during the same period, is to be raised by 40 per cent as against its volume in 1948.

The fact that Czechoslovakia is actually trying to develop her trade to the maximum extent both on the side of her exports and her imports can best be seen from the summary data of Czechoslovak imports, which amounted (Czechoslovak Crowns, Kčs)

<table>
<thead>
<tr>
<th>Year</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1937</td>
<td>to 10,980,268,000 Kčs</td>
</tr>
<tr>
<td>1946</td>
<td>to 10,307,850,000 &quot;</td>
</tr>
<tr>
<td>1947</td>
<td>to 33,581,000,000 &quot;</td>
</tr>
<tr>
<td>1948</td>
<td>to 35,237,000,000 &quot;</td>
</tr>
</tbody>
</table>

As can be seen from the above, the aims of the Czechoslovak Economic Five-year Plan are in complete accord with the aims set forth in the preamble to the General Agreement on Tariffs and Trade, i.e. the raising of the standard of living, the securing of full employment, the raising of the real income level and the raising of production and the exchange of goods.

On the organizational side, trade was separated from production as from January 1, 1949 and foreign trade was put in charge of 27 Export-Import Companies divided according to the various trade groups of industry (and not according to provinces), pursuant to the Law No. 119 of April 28, 1948.
Czechoslovakia (cont.)

The Export-Import Companies, organized in their greater part as joint-stock companies, have to conduct their business on a commercial basis, i.e., buy and sell as advantageously as possible.

3. The extent of Czechoslovak imports is governed by the extent of Czechoslovak exports, because the Czechoslovak balance of payments is based on an active balance of trade whilst the sum total of its other component parts is passive. (1)

4. The procedure in the case of imports is as follows:

The Export-Import Companies make known their import requirements and the Czechoslovak National Bank makes known its foreign exchange reserves, inclusive of foreign exchange receipts estimated for a foreseeable time after deduction therefrom of sums required for financial payments. Provided the foreign exchange reserves are sufficient to cover all these requirements (due regard being paid to whether the exchange is convertible or non-convertible), the import is not restricted. When the reserves are insufficient, the Export-Import Companies amongst themselves must agree (the Ministry of Foreign Trade only intervening when no agreement can be reached) as to who is to have priority; priority shall be given to imports necessary for the fulfilment of the Five-Year Plan and of contractual obligations.

Subsequently, the charter companies announce their actual imports merely for checking-up purposes, so that, in the true meaning of the word, the system of import permits has been totally abolished. In view of the circumstances that, as said above, the possibilities of import depend on the exports, it cannot be determined beforehand what extent the imports will have, nor which imports can or cannot be realised.

5. From the aforesaid general consideration there arise the following answers to the GATT/CP/39 questionnaire:

(1) Note: The balance of payments of the Czechoslovak Republic for the years 1937, 1947 and 1948 was given in Czechoslovakia's reply, but is not included here since it has already been distributed in the Annex to SECRET/CP/7.
Czechoslovakia (cont.)

1. Czechoslovakia limits her imports in order to protect her balance of payments pursuant to Art.XII GATT.

2. The system of import restrictions is apparent from what was said above.

3. As from Jan. 1, 1949 Czechoslovakia's foreign trade is entrusted to Export-Import Companies, and the import permit procedure was changed to a mere notification of intended imports.
1. At present Denmark maintains restrictions on part of her imports with a view to maintaining equilibrium in the balance of payments. The value of imports subject to quantitative restrictions will appear from the following survey where the import figures from the calendar year of 1948 have been broken down by the various forms of existing regulations:

| Unrestricted imports from all countries and currency-areas | about 30 million kr. |
| Regional free list giving access to free imports from all countries participating in the OEEC, except Belgium, Western Germany, Switzerland and Italy | " 660 " " |
| Centralised imports of grain and feeding stuffs | " 20 " " |
| Imports subject to quantitative restrictions | " 2383 " " |
| Total imports in 1948 | 3153 million kr. |

2. (i) An estimate for each calendar year is prepared of the total currency earnings broken down by currency areas. The estimate is based on expected exports and income from the invisible items of the balance of payments. This estimate is used for another estimate of currency expenditures on imports, freights and other invisible transactions. The total volume of imports is adapted to the expected currency availabilities and the quantitatively restricted part of imports is curtailed to the extent by which total currency earnings are expected to fall short of complete satisfaction of import needs and other necessary currency expenditures. Under the Principles adopted for this curtailment, the raw materials and semi-manufactures needed for production of export commodities are given preference to the various manufactures and supplies intended for the home market which is satisfied according to the importance of reconstruction and consumption.

The annual import plan is drawn up with a view to establishing a proportion between imports of manufactured consumer goods, raw materials, semi-manufactures and investment goods that will ensure the necessary competition for Danish production.

The import estimate of currency earnings and expenditures for the calendar year in question is revised during the year to the extent necessitated by actual developments in the assumptions on which the estimate was prepared.
DENMARK (Continued)

(11) The procedure adopted for imports under the estimate for the calendar year is as follows:

A. Imports not subject to quantitative restrictions: Such imports may be made either under the regular free list or the regional free list. Imports of commodities included in these free lists require no licences. For imports under the regular free list, the importer is free to decide on the country where he wants to buy such goods, irrespective of their origin and of the currency in which payment is to be made. Unrestricted imports of goods on the regional free list may take place only from certain countries and currency areas — see notes to question 3.

B. Imports subject to quantitative restrictions: Importation of goods subject to quantitative restrictions requires import licences which at the same time make the necessary foreign exchange available for the importer to pay for the approved imports, including freight, if any. The practice adopted for issuance of licences is:

1°. Licences issued under bilateral agreements. The scope of such licensing is determined by the trade agreements concluded with the individual countries, generally periods of 12 months.

2°. Periodical licensing: Licences for imports from e.g. the sterling area are issued within the limits of the annual estimated total imports and their distribution over currency areas. This category also includes licences for imports financed under the European Recovery Program.

3°. Current licensing for imports of goods from countries with which no trade agreements etc. are concluded: This procedure applies to e.g. imports from the dollar area which are not financed under the European Recovery Program.

(iii) In regard to that part of imports which is affected under special import quotas provided for by bilateral trade or which special import figures have been provided in other ways, licences are allocated among importers after negotiation with interested business organizations. The basic principles for the issuance of import licences for the individual countries and currency areas are made known by circulars sent to the individual importers by the licensing authorities. Such notifications are circulated wherever trade agreements are concluded or any general decision is made on the planning of imports.

(iv) Licences are issued to individual importers according to the following basic principles:

General allocation of import licences:

Import licences are allocated to the importers in accordance with a general, previously established plan. This licensing principle is generally adopted for imports of ordinary raw materials and consumer goods. For some commodity groups, the licences are divided among industrial enterprises and commercial enterprises and a plan is established for allocations among each category.
Licences are generally allocated according to a plan worked out in consultation with the interested trade organisations. The plan is prepared on the basis of the firms' previous imports, generally during a prewar year and one or two postwar years. In certain commodity groups, notably in the case of licences issued to industrial enterprises, licences are issued in proportion to previous consumption or turnover of imported goods. In commodity groups where consumption is rationed, the allocation of import licences is based mainly on the number of rationing coupons surrendered by consumers to the importer in question, through the domestic trade. Finally, there are certain fields where imports are handled by a central purchasing agency, in which cases the imports are allocated in the subsequent stages according to the previous turnover if the firms concerned.

Licences issued individually after special application.

Under this system of allocation, individual licences are issued to importers on applications. Thus, allocation does not take place according to any general plan. This principle is adopted chiefly for special commodities for particular purposes such as machinery, plants, special semi-manufactured etc. This practice is also used for commodities imported from currency areas where imports availabilities are so scarce that each application must be considered on its own merits.

To obtain a licence, an applicant must generally have had previous experience in import activities. For certain commodities, an application for import licence must be accompanied by evidence of availabilities with details on the country of purchase, description, price, purpose and quality of the goods to be imported. In fields where it is believed possible to satisfy import needs, licences are issued under freer conditions, for instance by making licences available to a wider circle without evidence of availabilities.

New importers.

5 - 10 per cent of planned imports in the individual commodity groups are generally earmarked for special purposes or for new importers in order to enable new importers to establish themselves in the import business or to make adjustments in the existing plans for allocation. Such prospective new importers must be approved in order to become eligible for allocation of import licences. A new importer must submit an application which is considered in the light of the information available on the nature of the business in question, the training and education of the applicant and the capital at his command.

Transfer of licences.

When licences are allocated according to an established plan, some importers may be granted very small licences, especially in cases where import availabilities are very limited. In such cases the importer may find it inexpedient to utilize such small import licences, and a minimum amount for licences has therefore been fixed. In cases where the amounts are also too small to enable the individual importer to effect direct imports, he may purchase the commodity through another larger importer and transfer his licence to the importing firm.
DENMARK (Continued)

3. Since January 1st, 1948, appreciable relaxations have been made in the Danish import regulations. It has been possible to extend the scope of licences in commodity groups where quantitative restrictions are still in force to safeguard the balance of payments. Free lists have also been introduced with the result that the scope of quantitative controls on imports have been considerably reduced. The free lists which have been put into operation are described in greater detail below.

The free list proper.

On February 14th, 1949, a number of commodities were transferred to the free list. Goods comprised by this list may be imported freely (without licence) from all countries and currency areas, and the importer is free to decide the currency in which payment is to be effected. Imports under this list represent about 40 million kroner a year (estimate for 1950).

Regional free list.

In pursuance of the resolution adopted by the Organisation for European Economic Cooperation (O.E.E.C.) on November 22nd, 1949, for liberalisation of trade between the participating countries, Denmark has introduced a regional free list as from December 15th, 1949. The goods included in this free list may be imported freely (without licence) from the countries participating in the O.E.E.C. with the exception of Belgium, Western Germany, Switzerland and Italy. Payments relations with the latter countries have made it impossible to include these countries in the arrangement at the present time. Imports under the regional free list may be effected without import licence, provided that:

- a. the goods have been purchased in a country or currency area comprised by the regional free list;
- b. the country of origin is identical with the country of purchase or belongs to the same currency area as the latter;
- c. the goods are paid under the general payments agreement concluded between Denmark and the country of purchase (the currency area to which the country of purchase belongs).

In regard to the conditions mentioned under b., it should be noted that in cases where the country of origin of imported articles is not identical with the country of purchase or does not belong to the same currency area as the latter, "free licensing" is generally adopted with the result that import licence is granted to applicants without any restrictions as to the volume of such imports.

Imports in 1948 from countries comprised by the regional free list of the commodities transferred to regional import free list represented about 660 million kroner. In 1950, imports of such commodities are estimated at about 1,100 million kroner, which is more than 20 per cent of total imports.
FINLAND

1. According to regulations which entered into force in Finland in autumn 1939, no goods are allowed to be imported into Finland without the permission of a special Government office, called the Board of Licences. The said Board was created to control the country's export and import trade, a measure which was considered necessary to safeguard the balance of payments, i.e. for reasons mentioned in Article XII in the General Agreement.

During the war and some years thereafter the importation of certain essential goods in short supply, for instance, grain, meat, sugar, edible and industrial fats and fertilizers, was concentrated for practical reasons in the hands of the Ministry of Supply. The work of this Ministry having been terminated as from the beginning of the year 1950 the importation of grain, fertilizers and sugar has been confided, until further notice, to state controlled or private enterprises.

The exchange controls, which are used as a supplement to the import restrictions in Finland are described in the answer to question 2 below.

2. Finland has concluded bilateral commercial agreements with nearly all of its most important foreign trading partners. These agreements are usually based on balance between import and export lists containing quotas for different goods to be exchanged. The Board of Licences mentioned above issues import licences against the said quotas. When considering the applications received the Board pays due attention not only to the respective quota in the agreement but also to the prevailing balance of payments with the country from which the commodity will be imported. Thus, in case the debt on the accounts exceeds the so-called ceiling provided for in the payment agreement between both countries, import licences may be provisionally refused also for goods covered by quotas in the commercial agreement.

On the other hand, if the balance of payments is favourable the Board is often prepared to overdraw quotas or approve import licences for goods which are not specifically included in the commercial agreement. In that way the quotas do not create absolute limits for the foreign trade and the system allows in practice an expansion of trade within the frame of the payment possibilities.

The Board of Licences also take due notice of the price of goods to be imported. Thus if it appears that the price of the imported product is considerably higher than the price of the same product if imported from some other source the import licence may be refused.

Regarding the quotas, such as "iron and metal products", "machinery and apparatus", "pharmaceutical preparations" and "miscellaneous", which allow a rather free interpretation, the Board of Licences is considered to have the right to decide what kind of goods classified under these quotas are allowed to be imported.
The members of the Board of Licences are appointed by the Government among experts in the field of foreign trade. When considering import licence applications the Board often request expert advice from federations and associations operating in the import and export trade.

The exchange controls which are used as a supplement to the above import restrictions and which lay any Finnish citizen under the obligation to declare and to transfer his foreign assets to the Bank of Finland, are not directed to intensify the effects of the import restrictions described above. The exchange controls merely intend to provide the Bank of Finland with all foreign currency available in order that the importation of essential goods should be safeguarded and the currency used in the best possible way.

With reference to the countries with which Finland has not concluded bilateral commercial agreements, the import restrictions are mainly the same as described above. When considering applications for import licences the Board of Licences pays attention to the availability of the currency in question and the importance, price, quality etc. of the commodities concerned.

Due to the fact that bilateral commercial agreements have been concluded with nearly all foreign trading partners it is difficult, for technical reasons, to avoid deviations from the rule of non-discrimination provided for in Article XIII of the General Agreement. When negotiating a bilateral agreement with a country it is mostly impossible to grant the latter such a share in imports of a certain commodity as would be proportional to the share which the said country used to have in imports of that commodity during a given prewar basic period. On the other hand, while the commercial agreements in question always are the result of bilateral negotiations, it seems natural that the lists of commodities to be exchanged thereunder should contain as many as possible of the goods exchanged also under normal conditions.

The deviations from the rule on non-discrimination are considered to fall under Article XIV 1 (b) and (c).

3. Since January 1, 1948, no other legislative changes in the import restrictions have occurred than the abolition of the Ministry of Supply mentioned in the answer to question 1. Owing to larger income from exports the importation of various goods has been facilitated and thereby the discriminatory effects of the import restrictions have been alleviated.
1. The purpose of the import restrictions imposed by the French Government is to safeguard the balance of payments as provided for in Article XII of the General Agreement. To the extent that (such) restrictions affect State trading, they do not differ from those applying to individual importers; both categories of restrictions result from the existence of a trade control system under which the allocation of foreign exchange is subject to the issuance of import licences. In the domain of trade it should be noted that there are no exchange restrictions as distinct from import restrictions, as import licences automatically carry the amount of foreign exchange necessary for the payment of the imports which they authorize.

2. Under the present system, no foreign products imported into France can be cleared through the customs for consumption purposes unless the import of these products has been previously authorized by an administrative decision.

Except in general or particular cases of extremely limited scope, such as frontier traffic, etc., exceptions to general import prohibitions can be granted only with respect to:

a) Commodities originating in countries with which France has no commercial agreement with schedules annexed thereto, to the extent of the credits allocated within the general import programs drawn up by the French authorities;

b) Commodities originating in countries with which France has entered into commercial agreements with schedules annexed thereto, within the limit of the quotas provided for in such schedules.

It should be made clear however, that even in the latter case, the quotas provided for in any of the agreements may not be fully utilized if the amount of foreign exchange available is not adequate.

However, the allocation of the above-mentioned quotas or foreign exchange which is publicized in the French Gazette does not, as a general rule, permit any physical or moral entity to import freely into France the commodities which it is intended to purchase. Indeed, import thereof is subject in both cases to previous issuance of individual import licences which may not be transferred and are only valid for a specific operation.

Furthermore, import licences cannot in any case be granted unless:

a) the applicant is domiciled in France;

b) the profession of the applicant involves the use or sale of the commodity which it is intended to import;

c) the means of payment envisaged are authorized under the existing exchange regulations.
Lastly, a number of commodities can only be imported by the associations or bodies mentioned in the regulations currently in force, (Joint Agencies, Technical Associations, State Offices, etc.).

(i) Individual imports for which licences are required.

Such private enterprises as fulfil the above-mentioned conditions and wish to import commodities for which there is no import monopoly, to the extent of the quotas and foreign exchange allocated, shall, at the date provided for in the notices to importers inserted in the French Gazette, file with the Exchange Control Authorities application for import licences giving all the necessary details relating to the nature, quantity, value, origin and source of the goods to be imported and the means of payment thereof.

Applications relating to the same categories of products are examined either simultaneously under the "appel d'offres" procedure, or as they are being received. Their examination is conducted by the appropriate technical Ministry assisted in some cases by advisory technical committees on which most professional circles are represented. Although it may have to state the reason for its refusal, the Technical Ministry makes the final decision as to the acceptance or rejection of the application on economic grounds. If the decision made is unfavourable, the applicant may file a new request asking for the reversal of the said decision, (recours gracieux).

(ii) Imports by Joint Agencies

In order to facilitate the application of the economic policy that they have adopted, the French Authorities have entrusted the conduct of operations that consist in grouping or allocating certain categories of resources to organs called "Groupements d'Importation et de Rèpartition" (Joint Import and Allocating agencies) or "Groupements Nationaux d'Achat" (Joint Purchasing Agencies) placed under the direct supervision of the relevant technical Ministry.

As a general rule such bodies enjoy an exclusive monopoly for domestic and foreign purchases. They are therefore the only bodies empowered to obtain the import licences for the commodities with which they deal.

Although a number of these bodies have ceased operations, some have been maintained and continue to function simultaneously with state monopolies and nationalized enterprises.

Whatever the profession of the importer, any import licence issued, the validity of which is limited, has to be submitted to customs authorities when the commodity is delivered for consumption and to the banking authorities through which the settlement is effected. Furthermore, the latter establishments must have been approved by the Exchange Control Authorities (Office des Changes).

It has been reported that, in a number of cases, the procedure requiring a previous authorization in the form of an import licence has been provisionally suspended. Imports of various commodities originating in foreign countries have then been freely authorised subject to the presentation of import certificates within the limits of a specific tonnage or for a given period.
Thus, the system at present in force in France is based on the allocation of bilateral quotas of foreign exchange, within the general purchase programs but does not imply any system of global quotas or of quotas for specific groups of countries. The methods applied are the same, irrespective of the nature of the commodities imported and there is no distinction resulting from their degree of essentiality. The existence of bilateral quotas and of the purchase program results in exceptions to the rule of non-discrimination provided for in Article XII. Such exceptions are authorized by Article XIV (l) (b) under which a contracting party which applies restrictions under Article XII may, in the use of restrictions, deviate from the provisions of Article XIII in a manner having equivalent effect to restrictions which that contracting party may, at any time, apply under Article XIV of the Articles of Agreement of the International Monetary Fund.

Thus, under the provisions of Article XIV, the countries participating in OEEC were in a position to alleviate a number of quantitative restrictions within the application of a regional system of payments enabling them to eliminate monetary difficulties with respect to current payments. As regards France, the commodities included in the schedules published in the Official Gazette of 6 October and 27 December 1949 can now be freely imported when they originate in and are supplied by one or several Members of OEEC or overseas territories thereof.

3. The measures taken by the Members of OEEC within the liberalization of intra-European trade, which affect over 50% of French imports from participating countries, on the basis of the 1946 statistics, have resulted in the elimination of the quotas provided for in the agreements entered into and in the correlative abolition of the import licence system. Such commodities can now be imported into France, subject to an import certificate delivered by the importer, upon receipt of which the necessary foreign exchange is allocated by the Exchange Control Authorities (Office des Changes), while the Customs Administration discharges the import certificate at the time of import. As a result of such provisions, the restrictions affecting an important share of France's trade with OEEC countries have been eliminated.

As regards other imports under the regular import system, it should also be mentioned that the amount of foreign exchange available has often facilitated the issuance of import licences.
Application of quantitative restrictions to Overseas Territories

The information contained in the above-mentioned memorandum applies not only to the metropolitan territory but also to all the overseas territories of the French Union subject to the following:

1. Certain bilateral agreements provide for special quotas for overseas territories whereas other agreements provide for no such specialization. In the latter case, the share allocated to overseas territories results from a domestic decision.

2. The licence system applicable to the metropolitan territory also applies to overseas territories. These licences are issued by the local offices of the Exchange Control Authorities upon the recommendation of the Governor of the territory and are reserved for importers domiciled or who have elected domicile within the territory concerned.

3. The foreign exchange necessary for the payment of imports is allocated by the Offices of the Exchange Control Authorities within the jurisdiction of the "Caisse Centrale de la France d'Outre-mer". The Indo-China Exchange Control Office is a sub-office of the Metropolitan Office which is also represented in Algeria and Tunisia.

4. As a general rule, import licences are only issued to individual importers, as most of the joint import agencies set up during the war have now been liquidated.

5. It is also reported that the system of imports without transfer of payments is applicable to overseas territories. This enables a number of products not included in the schedules to be imported into those territories by importers who have the necessary foreign assets abroad to effect payments therefor. Such a system constituted therefore an exception to the rule outlined in paragraph 1 of the memorandum, under which the import licence carries an allocation of whatever foreign exchange to the extent necessary for the settlement to be made.

FRANCE (contd.)
1. Import restrictions have been continually in operation since 1932, except for a short period in 1946 when the importation of certain important commodities was freed with the result that Greece's available exchange was soon exhausted and the restrictions were again put into effect.

Notwithstanding the long-sustained restrictions by which the entire import trade of the country was subjected to strict Government control, it should be noted that this control was exercised in compliance with sub-paragraph (c) (i), (ii) and (iii) of Article XII, paragraph 3 of the General Agreement.

Import restrictions and controls were imposed under the provisions of Laws 5426/32, 1960/39 and Legislative decree 480/47.

Imports are effected through private trade except for the following items which are subject to State monopoly control: matches, playing cards, cigarette paper, stamped paper, narcotics, quinine, saccharin and kerosene. The following items are imported by the appropriate State services: rice, sugar, evaporated milk, wheatseed, wheat, flour, soya flour, nitrogenous and potassium fertilizers, solid fuels, asphalt, copper for making sulphuric copper and some other items required of reconstruction. It was decided that that importation of fluid fuels should be effected through private trade except for kerosene to the mainland which is a monopoly item. Edible pulses, coffee beans and codfish are imported by the respective importer's unions.

The State monopoly items are imported by the Government for reasons of public health, public order and on financial grounds. The Government imports the other items named above in order to achieve an equitable allocation among consumers and a check on prices. These items constitute essential products of wide consumption and for use in agriculture and are available only in restricted quantities, they are distributed either by coupon or through direct government control.

Therefore it is not a question of carrying out a system of indirect exchange restriction, inasmuch as this could be done through the existing import licensing system.

2. The import restrictions are carried out mainly through a system of a programme for imports and on the basis of previous import licenses issued by the Ministry of National Economy. Import programmes are annual and were sub-divided before July 1, 1949, on a quarterly and, after that date, on a semi-annual basis. The programme indicates the quantity of each item to be imported by the state and by private trade on an ad valorem basis; and it indicates sources—whether from the dollar or sterling area, or from countries with which Greece has bilateral clearing agreements. Import permits are granted to importers within the framework of the quotas provided in these programmes.

Licenses are granted for some items, according to the past importing activity of each applicant importer directly by the Ministry of National Economy. For others they are granted by the Central Committee of Allocations, representing the Chamber of Commerce and Industry, on a previous allocation basis or on the quota for each importer as determined by the local committees of the Chamber of Commerce. This system does not, however, prevent State services or institutions from supplying their exclusive requirements.
The following criteria are used for determining the import quotas of the various importers: activity, professional practice in trade or industry, lowest unit price and taxes paid, the latter having been added recently.

In accordance with the criterion of price, import licences with respect to imports by individuals are granted when the prices asked for the items to be imported are not higher than the prices of comparable goods from other countries. This condition is imposed for exchange reasons in order to prevent an export deficit through unduly high prices. With respect to State imports, licences are granted to the lowest bidder in order to ensure the most profitable terms and prices.

Apart from programmed items, further imports of non-programmed items are permissible subject to licence. These imports can be effected by free exchange or in the place of certain imports of programmed items, so long as the importation of off-programme items is considered essential during the operation of import programmes, or in execution of certain bilateral and clearing agreements. They may also be effected on the basis of private barter, mainly with countries with which Greece is not bound by agreements or by war reparations, or without exchange formalities. In the latter case imports may be effected by persons regardless of occupation when they can prove that they hold exchange sufficient to pay for the items to be imported, or that the items are sent as gifts or for financial assistance. On the basis of the foregoing distinctions between imports and ways of assessing their essentiality, import licences are granted by means of the following: ECA dollar aid, free dollars, indirect aid in pounds sterling, free sterling, clearing and bilateral agreements with OEEC countries, private barter, reparations and without exchange transfers.

Import restrictions in the sense of Article XIV: I(w) of the General Agreement, regarding deviations from the rule of non-discrimination, result in the main either from bilateral or clearing agreements concluded in order to safeguard the balance of payments or from exhaustion or decrease of the country's available resources of certain currencies.

3: The following are the principal changes in the system of import restriction which have been made since 1 January 1948:

(a) The application of a four-year programme of American aid made it possible for imports to be programmed on a stable and long-term basis and permitted the maintenance of commercial relations with countries where it would have been impossible to carry on trading because of the lack of Greek exports.

(b) The substitution of semi-annual import programmes for the original quarterly ones facilitated importation.

(c) The conclusion of commercial clearing agreements concurrently with the signing of bilateral agreements permitted importation of merchandise which hitherto had been impossible owing to shortage of exchange.
(d) The liberalization of imports from OEEC countries inaugurated on 31 December, 1949. This liberalization is an important step in the government's efforts to return to a system of free commercial transactions and will apply to approximately 57% of the total value of imports from those countries. To be sure, the liberalization concerns a certain group of countries and has a preferential character within this group, but it is an outstanding step in the direction of liberalization and elimination of restrictions and toward the realization of the rules of the Havana Charter.

In accordance with the procedure specified, importation of freed goods may be effected without quantitative restriction or import permit from the Ministry of National Economy, but it requires the approval of the Bank of Greece in respect of the ways of payment of the cost of the imported goods through the opening of an irrevocable credit, and also the approval of the Ministry of National Economy as to the unit price of the product. With regard to importation requiring payment by other means (cash against shipping documents, etc.) the previous system of import licenses remains in force.
ITALY
(Translation)

1. Italy is at present applying quantitative restrictions on imports in accordance with Article XII of the General Agreement on Tariffs and Trade, in order to protect her balance of payments. Such restrictions, which were introduced in Italy in 1935, have had to be maintained owing to the persistent disequilibrium of her balance of payments. The situation was further worsened because of the considerable losses suffered by the national economy during the war.

2. The system of restrictions varies as between those of Italy's trading partners with which Italy has trade agreements, and those with which she has not.

Countries with which trade agreements are in force:

With such countries imports and exports take place in accordance with the terms of the agreement, which, usually, contains import and export quotas.

It is pointed out that these agreements besides increasing the volume of trade allow a considerable relaxation of restrictions through the setting up of quotas which are sufficient to cover the demand and, above all, through the abolition in practice of the quotas themselves, by freeing importation and exportation. This is known as the system "a dogana" which allows importation without license.

Payments are effected mainly through clearing arrangements (France, Belgium-Luxemburg, West Germany, etc.). Only when the clearing rate of exchange would become a serious obstacle to the normal flow of trade between the two partners exchanges take place on the basis of private barter deals (e.g., Czechoslovakia), or of "Reciprocity" transactions, which are, in effect, private barter deals which take place under direct supervision of a governmental institute, (Ufficio Italiano dei Cambi).

Payments between Italy on the one hand and the United Kingdom, Dominions, Colonies and British Dependencies on the other hand take place in pounds sterling.

The restrictions mentioned above are applied in accordance with Article XIV, 1(c) of the General Agreement on Tariffs and Trade.

Countries with which no trade agreements exist:

Imports with these countries are authorized mainly with payment in hard currencies (dollars and Swiss francs) and, to a lesser extent barter deals are allowed. Quantitative restrictions on imports from these countries are appreciably stricter because of the well-known shortage of hard currencies. Import licences are generally granted on purely commercial grounds (quality, price, etc.)

Quantitative restrictions on exports for payments in hard currencies are limited to few products. As in the case of countries with which trade agreements exist, restrictions are applied in accordance with Article XIV, 1(c) of the General Agreement on Tariffs and Trade.
3. No substantial modifications have been made to the system regulating imports in the last two years. It should be pointed out, however, that a gradual liberalization of trade is being pursued - in the framework of the OEEC whereby imports and exports of many products will take place without licence. Italy has consequently liberalized imports of many goods consigned and originating from the other OEEC countries, and which account for 50% of Italian imports from these countries in 1948.
2. Every import and every payment relating to such import are prohibited unless an import licence has been granted, which is at the same time a permit to pay the required amount of foreign exchange. The legal basis for this system is two fold.

On the one hand, the Import and Export Regulation Decree of 1944, authorizing the Minister of Trade, Industry and Agriculture, in consultation with the Minister of Finance, to prohibit, restrict or regulate the importation and exportation of specific goods. By the Import and Export Prohibition Decree of 1945 the Minister, on the strength of this authority, prohibits any imports or exports unless an import or export licence has been issued by or on behalf of the Government’s Central Import and Export Service.

On the other hand, the Foreign Exchange Decree of 1945 forbids residents to make any payment to, or receive any payment from, non-residents, unless a permit is obtained from the Nederlandse Bank, as well as a number of documents specified by the Minister of Finance, in the case of payments in connection with imported or exported goods.

The Document Order of 1945 provides that the documents to be produced at the frontier shall include: an import- or export licence issued by the Central Import and Export Service, and a Payment licence issued by or on behalf of the Nederlandse Bank. In practice those two licences are generally contained in one document.

The reason for maintaining this licensing system is the necessity, in face of the prevailing balance-of-payment difficulties and the inconvertibility of currencies, to ensure that the available foreign exchange shall be spent on imports of such goods as are essential to the supply of the country and the rehabilitation of the Netherlands economy in accordance with the urgency by which they are needed.

In principle, therefore, it is decided from country to country, which are the limits within which and which are the classes of goods for which import licences can be granted, given the position of the balance of payments with that particular country.

With regard to a large number of countries, mainly belonging to the dollar- and sterling-areas, the import policy is determined by the Netherlands authorities themselves, in the absence of conventional engagements (except as far as with regard to U.K., agreements on mutual import policy have been made in the case of a number of commodities).

It should be noted here that on account of the difference in exchange position the number and description of goods that can be admitted from one area or from the other, varies as well every year. For the areas concerned import programmes are drawn up under which import licences are granted, the import programmes being adjusted to changed circumstances.

With many other countries trade agreements have been concluded, notably with such countries as have themselves enforced controls on imports, either on account of their exchange position or for some other reason.
These agreements regulate trade by quotas, thus moderating the autonomy of import policy. In framing them the Netherlands aim at as voluminous an exchange of goods with its trade partners as possible. The extent to which and the products for which quotas may be specified in the agreements for this purpose, will differ from country to country and depends, among other factors, on the balance of payments with such country and on the volume and selection of Dutch exports into that country.

Once quotas have been laid down reciprocally in an agreement, import licences will be granted up to the amount of those quotas, additional arrangements being made if there are prospects of trade for additional quotas.

In the system of import control a distinction is made between agricultural products and food-stuffs on the one hand and the remaining products on the other. For the former group of products a system of import regulations has been in effect since the economic crisis of 1930, which neither aims at promoting the equilibrium in the balance of payments nor at restricting imports, but at stabilising the prices of these articles on such a level that agriculture can continue to perform its essential economic function. These measures have been enacted in the Monopoly Decree Food Supply. Under this decree monopoly holders have been nominated for specified classes of products and any import is subject to their authorisation.

3. Describe the main changes introduced since January 1, 1948 in the system outlined in your reply to question 2 above, particularly those which have had the effects of either intensifying or alleviating the discriminatory effects of your restrictions.

Within the framework of the European Economic Co-operation the Netherlands have drawn up a list of goods, which, on the assumption that balance-of-payment difficulties will be net, may be imported as from October 10th, 1949 without quantitative restrictions from countries participating in the O.E.E.C. and their Overseas Territories, with the exception of Western Germany and Switzerland.

Economic Unions being outside non-discrimination rules no specific mention is made of arrangements within the framework of "Bonelux".
No, but Surinam has a Foreign Exchange Control system to safeguard the balance of payments.

The Foreign Exchange Control system, which is at present in force, is based on the Foreign Exchange Decree 1947, which does not allow residents to make any payment to, or receive any payment from, non-residents, unless a permit is obtained from the Exchange Control Board. The system is maintained in order to ensure that the available foreign exchange is spent on the importation of such goods as are essential to the country's economy.

The documents required under the present system are an import or export licence and a payment authorization, both issued by the Import and Export Control Board.

The Board may ask for a pro-forma invoice, stating price as well as time of delivery. No such invoices are needed on application for an import licence for wheat flour, naval beef, edible oils and fats, textiles, hardware, mineral oils and laundry soap.

Import licences are valid for a period of six months; this period, however, may on request be extended in case the goods ordered are considered essential.

No import licences are granted for non-essentials from soft-currency countries, when Surinam's reserves of the currency concerned are below the safety level.

As for imports from hard-currency countries, these are regulated by a Government Order, as amended on March 1, 1949, which provides that

a) for the importation of a category of "essential goods" import licences are granted without restriction;

b) for the importation of "less essential goods" moderate annual quotas are fixed and subsequently divided among importers on the basis of their imports in a previous period;

c) for a category of "special goods" import licences are granted only by special authorization of the Foreign Exchange Control Board;

d) for a category of "luxury goods" no licences are granted.

The imports from countries with which the Netherlands have concluded a (bilateral) trade agreement provide a special case, as part of some quota fixed therein are destined for Surinam. Should Surinam want to import quantities in excess of its share in a quotum, the Netherlands authorities will have to be consulted.

No restrictions apply to the importation of goods from the Netherlands, except for some luxury articles, the importation of which has until now not been authorized.

Exportation from Surinam is not restricted. For all
exports, however, a licence is required from the Import and Export Control Board, stating the amount of foreign exchange that will be obtained. This amount has to be delivered by the exporter to the Foreign Exchange Fund (according to the provisions of the Foreign Exchange Decree 1947).

3. No changes affecting the system as such have been made since January 1, 1948, the only changes being the shifting of some goods from one category to another.
ANTILLES
(Netherlands cont'd)

1. The law provides for such control, but in effect no restrictions are applied at the present time.

2. As has been laid down in the enclosed resolution of the Foreign Exchange Control Board, the previous consent of this Board is required for every order placed abroad, with the exception of a large group of commodities (a.o. food and beverages, textile and clothing products). In practice, however, this consent is always given. Therefore it may be said that no import restrictions are being applied at the moment. Whenever needed the relative regulations may become effective again, as they were during and immediately after the war.

3. Gradually the restrictions on the importation of luxury goods, to be paid for in dollars, in effect on January 1, 1948, have been removed.
NEW ZEALAND

2. Import control for balance of payments purposes was introduced in New Zealand in December, 1938, at a time when, through various causes, overseas funds declined to a dangerously low level, which called for immediate corrective action by the Government. In conjunction with import control, steps were taken simultaneously to control, through the Reserve Bank, all remittances of funds overseas and to bring under the control of the Reserve Bank overseas funds accruing from exports from New Zealand. Circumstances have necessitated maintenance of such controls.

Under the Import Control Regulations, 1938, which came into force on 7th December, 1938, the importation into New Zealand of any goods is prohibited, except pursuant to a licence or to an exemption granted by the Minister of Customs. Exemptions from the requirement of a licence have been created in respect of imports by the Government and of certain classes of import — e.g., passengers' baggage and effects, for which no remittance of funds is required.

Application for an import licence is required to be made in a prescribed form setting out a description of the goods, the country of origin, the C.I.F. value in New Zealand currency and particulars as to the manner of payment. A licence when issued authorises the person or firm mentioned therein to import from the country or countries mentioned thereon goods, as specified, to the value stated, within the period of validity of the licence. An extra copy of the licence, known as a bank copy, is supplied for the purpose of enabling the importer to apply through his trading bank to the Reserve Bank for authority to remit funds overseas in payment for the goods.

With the exception of licences granted for imports from Canada and the United States, which cover six-monthly periods, licences are granted for the full calendar year and are valid also for imports up to the end of February in the following year. Thus, licences granted for the 1950 period may be utilised for imports up to 28th February, 1951. The object in extending for two months the period of validity of the licence is to allow for delays in shipping and to avoid congestion in shipping at the end of the year.

The purpose in arranging the shorter period for licences for imports from Canada and the United States, which has only been introduced in respect of imports in 1950, is to enable closer control to be exercised over the expenditure of dollars on imports from those sources.

For the purpose of import licensing, goods are classified according to items shown in the Customs tariff, or portions of items.

Before the commencement of each licensing period, an estimate is made of the amount of overseas funds which it is anticipated will be received during the licensing period. The difficulty in formulating such estimates will be appreciated when it is understood that, with the exception of certain invisibles, such income is derived almost entirely from the export of products of primary industries which are subject to market and seasonal conditions. After allowing for invisibles,
including debt servicing, travellers' expenses, dividends, etc. and payment for imports by the Government, the balance is available for licensed imports.

The amount thus available for licensed imports has been much less than the amount necessary to provide for all import requirements and it has, accordingly, been necessary to regulate imports on a selective basis. The general policy is to provide, firstly, for most essential needs such as essential foodstuffs, drugs and chemicals and materials for primary and secondary industries. In the light of such circumstances, it has also been necessary to exclude or limit imports of goods of a class the requirements of which could be supplied satisfactorily by domestic producers or which are in a less-essential or non-essential category.

With a view not only to ease of administration but also to assisting importers by making them aware immediately of the extent to which they may obtain licences for the importation of particular classes of goods, it has been the practice wherever possible to fix basic allocations for licences. Such basic allocations are indicated in the licensing schedule as a percentage of the amounts for which licences were granted to a particular importer for imports of similar goods from the same source in the basic period, which is generally the previous year. Where basic allocations are provided, the amounts for which licences might be granted for imports from the same source or from other sources are not necessarily limited to the basic allocations. Thus, the fact that a basic allocation may be provided for imports from the United Kingdom only does not preclude the granting of licences for imports from other countries. In respect of a large number of items, such as industrial machinery, where conditions governing supply and demand are subject to variation, it is not possible to fix basic allocations and all applications for licences are considered on their merits.

Since the United Kingdom has been the principal and a regular source of supply for most goods imported into New Zealand, it has been possible in many cases to arrange basic allocations for imports from that country. In other cases basic allocations apply to the United Kingdom and other British countries, except Canada. In certain cases the basic allocations are applicable to all countries, with the exception of certain "hard currency" countries in relation to sterling. This is clearly set out in the notes to the licensing schedule for 1950.

With respect to imports from "hard currency" areas, applications are considered on their merits, having regard to essentiality, availability from other sources and any other factors which might justify the granting of licences.

With regard to licences for imports from "soft currency" areas, it has been the policy to consider requests for the transfer of a licence for imports from one country to another country and advantage of this provision has been taken in many cases. Token imports from the United Kingdom to the extent of 20 per cent, of the value of the goods supplied by particular manufacturers in 1938 were provided for in 1949 in respect of a number of commodities for which no other provision was made for imports. This procedure is being continued in the 1950 period.
Any deviation from the rule of non-discrimination is pursuant to Article XIV (1)(c).

Importations through State Trading operations for other than Governmental use are confined to a few commodities, including principally wheat, fresh fruits and tea and sources of supply are determined by commercial considerations. Purchases of wheat are in accordance with the international wheat agreement, supplies being obtained from Australia, which is a regular and favourable source, having regard to currency and shipping considerations. For similar reasons citrus fruits are purchased principally from Australia, which has always been the main source of supply. Tea is purchased in Ceylon and India under ordinary market conditions.(1)

3. Apart from the provision for token imports from the United Kingdom, no change in the general system of import licensing has been introduced since 1st January, 1948. A new Government has recently assumed office and it is expected that an early opportunity will be taken to make a general review of the position.

(1) The following supplementary statement has been received from the Government of New Zealand: "In making any decisions involving commitment of foreign exchange, the Government and any state trading authorities must necessarily have regard to the overall balance of payments situation of New Zealand. In practice, however, the commodities imported by state trading authorities are regarded as being of such a degree of essentiality that no reduction in total imports has been imposed for overall balance of payments reasons."
2. The general system of import restrictions in operation in Norway is based upon and governed by Temporary Law concerning import control of the 13th December, 1946. The provisions of this Law are mainly confined to a general ban on the import of all goods, and do not give detailed rules on the policies and practices to be followed with respect to import regulations. In connection with the operation of the Law, however, the administrative authorities are authorized to grant dispensation from the ban on imports to a degree which at any time is considered necessary to meet the country's needs and to carry out its foreign trade. Dispensation is granted in the form of an import licence issued for each shipment of goods. Authorization is given in the Law to the administrative authorities to issue detailed rules and regulations for the practical operation of the Law. The authority responsible for the enforcement of the provisions of the Law is the Ministry of Commerce, which acts in close cooperation with the Ministry of Foreign Affairs and the Bank of Norway.

Regulations governing the import of precious metals and transfer of payments not connected with exchange of goods, such as capital, interest, freight, ships' repair costs, travelling expenses, etc. are issued by the Bank of Norway. According to the Foreign Exchange Control Law of the 19th July, 1946, as amended on the 8th July, 1949, payments of all kind. to and from foreign countries shall be made only through Norges Bank (Bank of Norway) or through such other agency as the Ministry of Finance may designate.

The licensing policy of the Ministry of Commerce is determined by the total earnings in the various currencies. For some currencies the earnings are generally at a level far below the amount which is deemed necessary to finance a total import which would be desirable. The result is that import restrictions will unavoidably be applied more stringently in respect of some currencies than in respect of others. Such is the case at present with for instance US dollars, Swiss and Belgian francs. The amounts available in these currencies are being used preferably for the purchase of goods which play a dominant part in realizing the aims set forth in the annual National Budget and which are unobtainable in other currency areas.

Such deviation from the rule of non-discrimination is considered to be in accordance with the provisions of Article XIV (1)(b) of the GATT.
The distribution of import licences among supplying countries is determined mainly by the following factors:

1. The amount available in the various currencies.
2. Prices and qualities.
3. Terms of delivery.

It goes without saying that the reserves and the expected earnings in the various currencies have been an important factor to be considered by the licensing authorities after the war. The Ministry of Commerce has, however, taken due account of such commercial considerations as prices, quality and terms of delivery, thus enabling importers to place as far as possible, their orders in countries where the conditions of purchase have been most favourable. In cases where the conditions of purchase have been the same in hard as in soft currency areas, the importers have generally been referred to the latter sources of supply. To some extent the import of relatively low-priority goods has been dependent on the sale of Norwegian exports of the same category. In order to facilitate the exchange of such goods, bilateral trade agreements have been concluded with a number of countries. For the same purpose certain barter and reciprocity arrangements have been made.

3. Since November 1949, the Ministry of Commerce in accordance with the decisions of the Council of the Organization for European Economic Cooperation on liberalization of intra-European trade, has taken steps to free certain commodities from the general import restrictions. For this purpose lists of commodities which are exempt from the import restrictions when imported from certain countries, have been drawn up. The commodities on these lists are still subject to import licences but such licences are granted automatically upon application.
PAKISTAN

2. The import control in Pakistan is administered through the 'Import and Export Control Act of 1947' (copy enclosed). A general notification has been issued by Government placing import of almost all the goods into Pakistan on the Control list vide Notification No. 23-I.T.C./43, dated the 1st July 1943, copy enclosed. The goods on which import control is not considered necessary are excluded from the operation of the said Notification by bringing them on to a list of goods for which an Open General Licence (O.G.L.) is issued. No licence is required for the import of goods which are on the O.G.L. list. Import of goods which are not on "O.G.L." is regulated by issue of import licences by Government.

For the purposes of this control foreign countries are divided into various categories according to the availability of currency of that country. These categories are:-

(i) American Account Area comprising U.S.A. and Dependencies, Canada, New Foundland, Phillipine Islands, Bolivia, Columbia, Costa Rica, Cuba, Dominica, Ecuador, Gautamala, Salvador, Haiti, Honduras, Mexico, Nicaragua, Paraguay, Panama and Venezuela.

(ii) Switzerland.

(iii) Japan

(iv) All other countries except India.

(v) India.

In regard to the American Account Area licences are freely issued for essential goods.

Licensing from Switzerland is regulated by the consideration of availability of Swiss currency to the Sterling area and is limited to the amount of that currency made available to Pakistan out of that area's pool.

Licensing from Japan is done keeping in view the Trade Arrangements reached with that country.

All the remaining countries except India are treated as one unit for the purposes of import control. Imports from this area are divided into two categories :-

(a) Goods, the import of which is on O.G.L.

(b) Goods the import of which is allowed under a licence.
India forms a separate category for the import of goods. Import of only sixteen items is restricted from this country. All other items are imported freely.

Licensing Procedure:

For purposes of import licensing, the year is usually divided into two shipping periods (i) January to June and (ii) July to December. The general import policy for each period is determined and announced on the eve of that period. The main considerations taken into account in determining the import policy are availability of foreign exchange, comparative need for each type of goods and position of past imports. Applications for import of goods are then called by issue of a Public notice and licences issued to the extent of ceilings fixed for each item.

3. Before September 1949, the American Account together with other Hard Currency areas namely the Belgian Monetary Area, Japan, the Phillipines, the Portuguese Monetary area excluding Portuguese India, the Joint U.S.-U.K. Zone of Germany and Switzerland comprised one sector for purposes of import licensing. From 21st September the countries mentioned under American Account Area in reply to Question No. 2 above were separated into an individual sector for the operation of import control.

Switzerland and Japan each comprise a separate import sector from 21st September 1949.

The only other changes effected since January 1948 have been widening of the scope of the Open General Licence in two ways namely (i) by making it applicable to a larger number of countries from time to time and (ii) by adding more items to it.

The O.G.L. No.IV issued under Notification No. 8(17)-IETC/48, dated 30/1/48 which was initially applicable to the Commonwealth Countries (excepting Canada, Newfoundland, South Africa), British Protectorates and mandated territories was extended to all soft currency countries except South Africa.

The following changes were made in so far as items on the O.G.L. were concerned:

(1) On 30th January 1948 more items were added to the Open General Licence vide O.G.L. No.IV Notification No.8(17)-IETC/48, dated 30/1/48 copy attached.

(11) On April 16, 1948, the scope of O.G.L. No.IV was widened by including another 29 items to the list of items covered by that licence vide Notification No.10(14)-IETC/48, dated 16.4.48. copy attached.
Pakistan (cont.)

(iii) With effect from 27th August 1948, O.G.L. No.IV was replaced by O.G.L. No.V which introduced further liberalisation of import policy, copy of Notification No.31(12)-IETC/48, dated 6.11.48, attached.

(iv) On 1st June, 1949, O.G.L. No.VII was issued in supersession of No.V & VI. This O.G.L. did not make any material change in the number of items. Copy of Notification No.335/210 dated 1.6.49, attached.

(v) On 21st September, 1949 consequent on devaluation of their currencies by a number of countries O.G.L. No.VII was cancelled and replaced by O.G.L. No.VIII (copy of Notification No.335/210/11, dated 11.10.49, attached). It was issued to enable Pakistan to take stock of the situation created by the devaluation of Sterling and many other currencies until it could see more clearly the effect of the devaluation particularly of the Indian rupee on our external trade. Actually it has no restrictive effect in as much as the value of imports under the existing import policy is not likely to be adversely affected.
2 & 3. Southern Rhodesia's payments on international account are finally settled through London and the information provided by the United Kingdom in respect of payment arrangements in answering this questionnaire should be considered as applicable to Southern Rhodesia as well.

Generally speaking Southern Rhodesia limits the value of its importations to the availabilities of the currencies concerned. This was and still remains the foundation of the control and is emphasised in the various regulations. No description would be complete without the history of the action taken and it is felt that it would be better to embody the answer to Question 3 in the answer to this question.

(1) On the 19th September 1947, the Import Control Regulations, 1947, were published in Government Notice No. 757. These Regulations, generally known as "Dollar Control", placed upon a "Specified List", the following countries from which imports would be allowed only under permit:

The U.S.A.; the Philippine Islands, and any territory under the sovereignty of the United States of America;

Bolivia
Chile
Colombia
Costa Rica
Cuba
Dominican Republic
Ecuador
Guatemala
Haiti
Honduras
Mexico
Nicaragua
Panama
Peru
Salvador and Venezuela
Canada
Newfoundland.

Section 4 of these Regulations reads as follows:

"The Minister of Commerce and Industries may authorise the Secretary, Department of Commerce and Industries, to issue a permit in writing for the import of:

(a) goods which are the product or manufacture of a specified country; or

(b) any motor vehicle which has been subjected to any process of manufacture in any territory other than the territory of a specified country from materials which are the product or manufacture of a specified country;

subject to the following conditions:

(i) that the goods are in the opinion of the Minister of Commerce and Industries essential to the life of the community; and
(ii) that the aggregate value of the goods represented by the permits issued, comprising the cost of the goods, freight, insurance and other charges, if payable in the currencies of specified countries, shall not exceed the value of the Colony's earnings of the currencies of the specified countries plus the value of the Colony's domestic gold production.

Section 4 (ii) states very clearly the considerations attached to the control.

For the purposes of this control the merchant importers were assembled into groups with identical interests, e.g. Agricultural Machinery, Textiles, Motor Vehicles etc. Allocations of dollars were then made to the various groups and the distribution of these dollars amongst the individual members was made by the groups themselves. Once the allocations were agreed the permits were issued and could be used in any of the countries on the "specified list" - the allocation was thus to a group of supplying countries. In conformity with Section 4 (i) a "prohibited" list was issued merely as a guide and not as a schedule of prohibitions which required rigid adherence. Circumstances of particular cases, alternative sources of supply, conditions of delivery and effects on local industry and employment were taken into consideration as well as the availability of the dollar currency.

(2) On the 7th of April, 1948, by Government Notice No. 228, the following countries were added to the list of "specified countries":

- Argentina
- Belgium
- Luxemburg
- Belgian Congo and the Mandated territory of Ruanda-Urundi
- Portugal and the Portuguese Empire
- Sweden.

This extension to "hard-currency" areas was accompanied by a new Section 4 which read as follows:

"The Minister of Commerce and Industries may authorise the Secretary, Department of Commerce and Industries, to issue a permit in writing for the import of goods which are the product or manufacture of a specified country, subject to the following conditions:

(1) that the goods are in the opinion of the Minister of Commerce and Industries essential to the life of the community; and

(ii) that the aggregate value of the goods represented by the permits issued, comprising the cost of the goods, freight, insurance and other charges, shall not exceed in value an amount considered by the Minister of Finance to be detrimental to the financial stability of the Colony in relation to its external balances."
SOUTHERN RHODESIA (Continued)

In this case again the consideration was set out in Section 4(ii) and allocations were made to importers in the curren­cies of particular countries. In this respect the control was varied from the "group of countries" system in dollar control but in all other respects the system was the same.

An important exception was made in the case of Portuguese East Africa. There is an essential trade in raw produce of the soil and locally bred animals between the two territories and a special Agreement dated the 30th of June 1910 has permitted the interchange of these products free of customs duties. Such items have continued to move across the Border free from any restrictions. In 1948 Southern Rhodesia imported £475,678 from Portuguese East Africa of which the main items were:

- Rice £44,641
- Fresh Fruit £33,674
- Unrefined Sugar £48,344
- Unmanufactured Wood £206,712

(3) On the 4th of June, 1948, by Government Notice No. 368 the following were added to the list of "specified countries" and are treated on the same basis as the "hard currency" areas:

- Japan
- Bi-Zonal (later amended to Tri-Zonal)
- Germany.

(4) On the 13th of June, 1948, by Government Notice No. 463, Brazil was added to the list of "specified" countries.

(5) Following the promulgation of the Exchange Control Act, on the 4th of March, 1949, these separate sets of Regulations were repealed and fresh consolidated Regulations were issued under this Act. The System of allocations as well as the conditions governing their issues remain unaltered, except in small respects. Section (4) (b) of the "dollar" Import Regulations relating to motor cars was amended in the re-issue to apply specifically to such cars assembled or partly processed in the Union of South Africa. The opportunity was taken to remove Chile and Peru from the list of "specified" countries. The "prohibited" list was replaced by a list of "permissibles" and the system of applications for goods required under special circumstances was retained.

(6) No restrictions have been placed on goods imported from other sources. Capital investment mainly from the Sterling Area has in the past more than off-set any deficit in pay­ments.

(7) As regards the rule of non-discrimination, Southern Rhodesia elected to be governed by the provisions of Annexure J.
In order to safeguard the reserves of foreign funds from being depleted, especially with regard to the currencies of the dollar area, Switzerland and certain other countries, a general system of import licences was introduced on March 14, 1947. A great number of essential commodities, enumerated in a special free list were in the beginning exempt from the import license system. Owing to a more and more favourable development of the balance of payments the Swedish Government was, however, forced to restrict this free list successively, finally arriving at a point where only books, newspapers, stereotypes, ice, timber of domestic pine, fir and aspen, sawn timber of domestic pine and fir, fire-wood and wood pulp were left on the free list.

The import restrictions are based upon the above mentioned general import licensing system, which is included in the enclosed notices nos. 89 and 134, issued by the State Trade Commission. The import licensing system functions as follows:

Importation of goods to Sweden may not take place without an import licence. Import licences for food-stuffs are granted by the State Food Commission, for fuels by the State Fuel Commission, and for all other products by the State Trade Commission.

The possession of an import licence entitles the importer to foreign currency equivalent to the sum due the seller abroad. Import licences are issued within the framework of the quotas in the bilateral trade agreements, and in regard to those countries with which Sweden has no such agreements, within the limits of the Swedish import plan. In drawing up this plan consideration is, to the largest possible extent, taken to traditional imports from different countries. Owing to the present scarcity of certain currencies, it has been unavoidable that the importation of goods to be paid for in such currencies has been directed mainly towards goods of special supply interest. This deviation from the rule of non-discrimination should fall under the stipulations of Article XIV 1 1(c) as the present import restrictions were already in force before March 31, 1948.

The most important changes, which have taken place in the import licensing system since January 1, 1948, are, on the one hand the final limitation of the free list of February 6, 1948, whereby the import licensing system covered almost, and on the other hand the liberalization of imports of November 1 and December 1, 1949, of a certain part of the imports from the countries belonging to the Organisation for European Economic Cooperation. It may furthermore be mentioned that as from January 1, 1950, more than 50 per cent of all imports from O.E.C.D. countries will be freed.