I. Consultations

1. The Working Party was instructed to conduct the consultation initiated by the Governments of Australia, Ceylon, New Zealand, the Federation of Rhodesia and Nyasaland, and the United Kingdom under the provisions of paragraph 1(g) of Article XIV on the deviations from Article XIII still in force pursuant to the provisions of paragraphs 3(c) of Article XIV or of Annex J. and on their continued resort to such provisions. In conjunction with the consultation with Australia, the Working Party also conducted the consultation initiated with that Government under paragraph 4(b) of Article XII on the substantial intensification of its import restrictions on 1 October 1955. The consultation with New Zealand was extended to cover the consultation required under the Decision of 20 January 1955 regarding New Zealand's obligations under paragraph 6 of Article XV. Annex I contains the Summary Notes which record the main points of discussion during these consultations. This Annex contains certain information which is considered to be of a confidential nature, and therefore it should not be subject to the normal procedure of derestriction. The Working Party recommends that it be recorded that the above-mentioned consultations have been concluded.

2. Pursuant to the provisions of Article XV the CONTRACTING PARTIES had invited the International Monetary Fund to consult with them regarding these consultations and in each case the Fund had accepted the invitation to consult. In accordance with the agreed procedures the Fund supplied the CONTRACTING PARTIES, except in the case of New Zealand, with the results of its latest consultations with the governments concerned and the background material prepared by the Fund staff in connexion with those consultations. In addition the Fund had prepared supplementary factual data reviewing the developments since those consultations. In the case of New Zealand, which was not a member of the Fund, the Fund prepared a background paper specially for the assistance of the CONTRACTING PARTIES in its consultations with that Government. These data supplied by the Fund were referred to and taken into account by the Working Party in the course of the consultations, and the Fund representative participated in the discussions. The Working Party wishes to record its appreciation of the assistance thus rendered by the Fund.

3. In the course of the consultation with New Zealand under the Decision of 20 January 1955, the Working Party took note of a statement by the representative of the International Monetary Fund that the Fund after examining the information had found nothing to cause it to comment on the question as to

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whether New Zealand's action in exchange matters was consistent with the Fund's principles.

4. When referring these consultations to the Working Party the CONTRACTING PARTIES called its attention to a "plan" for consultations under Article XII:4, which had been used by the working Party conducting the consultation with Australia under Article XII:4(b) in June-July 1955. In conducting the present consultation with Australia under Article XII:4(b) the Working Party broadly followed that plan. Before beginning the consultations under Article XIV:1(g) the Working Party formulated a similar plan which was used experimentally in the consultations that were conducted under Article XIV:1(g) with the contracting parties mentioned in paragraph 1, and was modified as the consultations progressed. In the view of the Working Party the use of this plan has contributed to making the consultations more meaningful. The texts of the two plans are reproduced in Annex II. The Working Party is of the same opinion as the previous Working Party that future consultations would be greatly facilitated by advance preparation and by the use of such plans. However, in view of the diversity of circumstances, these plans should not be regarded as rigid programmes but might require suitable modifications on each occasion.

5. In the course of the consultations the representatives of the consulting contracting parties provided information under the various headings in the relevant plan and in most cases references were made to the data supplied by the Fund. They answered various questions on the different aspects of the restrictions and generally participated in the discussions on all questions on which members of the Working Party showed an interest. The Working Party wishes to record its appreciation of the frank and cooperative attitude of representatives in supplying the information requested.

6. In the light of the provisions of the waiver for Czechoslovakia from the obligations of paragraph 6 of Article XV, an exchange of views took place. A further exchange of views will take place in 1956.

II. Sixth Annual Report on Discrimination

7. As instructed by the CONTRACTING PARTIES, the Working Party prepared a text of the Sixth Annual Report required under paragraph 1(g) of Article XIV on the discriminatory application of import restrictions (Annex III). It recommends that this be adopted by the CONTRACTING PARTIES. In preparing that text the Working Party noted that no information was supplied for that purpose by four contracting parties, namely Brazil, Burma, Chile and Italy as requested by the CONTRACTING PARTIES. A communication from the Brazilian delegation on the position of Brazil is noted in paragraph 2 of that Report, and a similar communication from the Chilean delegation will be found in Annex IV. The Working Party wishes to take this opportunity of noting its appreciation of the assistance rendered by the Fund in connexion with the preparation of the report.
III. Procedures for Article XIV Consultations and the Report in 1956

8. In accordance with its terms of reference the Working Party considered the appropriate procedures which should be adopted by the CONTRACTING PARTIES for the preparation of the Seventh Annual Report on Discrimination and for the conduct of consultations under Article XIV:1(g) in 1956.

9. The Working Party considered that some changes should be adopted in the next annual report so as to take adequate account of changes that are occurring in the use of discriminatory restrictions and that in order to make this possible there should be some improvements made in the questionnaire which contracting parties applying restrictions are asked to answer. In particular, the Working Party found it difficult to determine in quantitative terms the extent of progress that had been made in the liberalization of imports from the dollar area in the past year. It also found that, where statistics are used to indicate the amount of dollar trade so liberalized, these statistics often covered only trade with the United States and Canada.

10. Some members of the Working Party also considered it essential that the CONTRACTING PARTIES have available more detailed information on bilateral agreements, especially those under which the partners accord to each other guaranteed quotas or in other respects grant treatment more favourable than that granted to other countries where this distinction is not based on balance-of-payments considerations.

11. In the light of these considerations the Working Party has drawn up a revised questionnaire for the purpose of obtaining information for the preparation of future annual reports (Annex IV). The Working Party recommends that this be approved and that in other respects the present procedure for the preparation of annual reports on discrimination be continued in 1956 without change. Accordingly the governments applying restrictions should be requested to provide the fullest possible answers to the specific questions asked, which would be used, together with information from other sources including the Fund's annual report on exchange restrictions, for the preparation of the Seventh Annual Report. As in the past, such replies should be sent to the Executive Secretary three months prior to the opening of the Eleventh Session (three copies by air mail and fifty copies by surface mail).

12. In order that the secretariat may be kept aware of any changes in import restrictions and in order that the provisions of the Agreement may be effectively implemented, the CONTRACTING PARTIES should also call the attention of the contracting parties once again to the requirement that any contracting party modifying its import restrictions should furnish detailed information promptly to the Executive Secretary.

13. As for the 1956 consultations under Article XIV:1(g) the Working Party proposes that any government which wishes to initiate such consultations in 1956 should notify the Executive Secretary in March 1956 so that he may inform
the CONTRACTING PARTIES and invite, on behalf of the CONTRACTING PARTIES, the International Monetary Fund to consult in connexion therewith. Any such consultations initiated should take place at the Eleventh Session.

14. While discussing the procedures for the implementation of the provisions of Article XIV:1(g) in 1956, the Working Party considered the situation that would occur if the revised provisions of the Agreement resulting from the Review at the Ninth Session should enter into force before the Eleventh Session. The Working Party noted that because of the provisions of paragraph 8(c) of the Protocol Amending the Preamble and Parts II and III, the provisions of the existing Article XIV:1(g) were virtually certain to remain in force during 1956 and that consequently no change needs to be made on that account in the procedures for the report and consultations in 1956. If the review of balance-of-payments restrictions provided for in paragraph 4(b) of the revised Article XII were initiated in 1956 the report and consultations required by the existing Article XIV:1(g) could, of course, be dealt with in conjunction with that review.

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| Annex II         | Plans for Consultations under Article XII:4 and Article XIV:1(g) (attached) |

| Annex III        | Sixth Annual Report under Article XIV:1(g) on the Discriminatory Application of Restrictions (text approved by the Working Party) |

| Annex IV         | Communication from the Chilean Delegation (attached) |

| Annex V          | Questionnaire for the purpose of obtaining information for the preparation of annual reports on discrimination (attached) |
PART OF ANNEX I


At the close of these consultations under Article XIV, the Norwegian representative stated that he was impressed by the extent to which the external receipts of Australia, Ceylon, the Federation of Rhodesia and Nyasaland the New Zealand were dependent on the export of one or two commodities. These countries were all undergoing a process of rapid development. In determining what levels of reserves should be considered sufficient for these countries, one therefore had to bear in mind their particularly vulnerable position and the necessity of holding sufficient reserves to ensure a steady fulfilment of their development programmes. The principal consumers of the commodities exported by these countries could greatly contribute to the stability in the foreign exchange situation of these countries through pursuing good-creditor policies and through the adoption of internal policies which aimed at maintaining a high and stable level of economic activity. These views were supported by the representative of Pakistan.
ANNEX II

A. PLAN FOR CONSULTATIONS UNDER ARTICLE XII

I. Circumstances leading to the Intensification

1. Changes in exports and imports;
2. Changes in other external receipts and payments;
3. The resulting changes in gold and foreign exchange reserves;
4. Effects of governmental policies on the balance of payments;
5. Prospects for the future.

II. Alternative Measures to restore Equilibrium

6. Internal fiscal and monetary measures to preserve or restore equilibrium (see Article XII:3(c)(i));
7. Long-term measures, e.g. to raise productivity and export capacity, to reduce structural disequilibrium or rigidities;
8. Measures expected to have more immediate effect on the balance of payments.

III. Nature and Extent of the Intensification

9. Categories of goods affected; changes in quotas and treatment of goods for which no quotas are provided;
10. Treatment of exports from different countries or currency areas; increase or reduction in discrimination;
11. Level of restrictions resulting from the intensification in relation to the need for restrictions (see Article XII:2(a));
12. Expected duration of the intensified restrictions; possibility of alleviation or modification in the near future.

IV. Effects on Trade

13. Expected changes in imports as a result of the intensification (total and from different currency areas);
14. The avoidance of unnecessary damage in accordance with Article XII:3(c)(iii), including steps:
   (a) to alleviate hardships by admitting goods under firm order placed before the intensification;
   (b) to preserve the normal channels of trade, through admitting token imports, avoiding total prohibition, etc.
15. Steps taken to reduce the protective effect of the restrictions;
16. Effects of the restrictions on particular commodities of interest to individual contracting parties.

B. PLAN FOR CONSULTATIONS UNDER ARTICLE XIV:1(g)

I. Basis and Background for the Application of Discrimination

1. Trade and payments position and trends with respect to various currency areas.
2. Level and movement of reserves.
3. General position and the reasons for the continued resort to the provisions of Article XIV:1(g) or of Annex J.

II. System of discriminatory Restrictions and their Effects

4. Description of the system of restrictions applying to imports from different areas, countries or groups of countries; changes in the past year.
5. Changes in quotas for imports, or in the criteria used in licensing imports not under quota, from such areas, countries or groups of countries.
6. Price considerations as a factor in determining the discriminatory elements in licensing policy.
7. Participation in multilateral or regional payments arrangements.
8. Extent to which bilateral agreements are used; their nature and scope (whether they provide for the fixing of import quotas, or involve undertaking to purchase goods or to issue import licences, etc.); their effects on the administration of import restrictions.
9. Effects of discriminatory restrictions. Measures taken to ensure that discriminatory restrictions do not cause unnecessary damage to the commercial or economic interests of other contracting parties.

III. Prospects

10. Prospects of eliminating the discriminatory restrictions.
ANNEX IV

Communication received on 18 November 1955
from the Delegation of Chile

Despite our intentions, we have been unable to report to the CONTRACTING PARTIES on the deviations maintained by our country under Article XIV of the General Agreement. The serious inflation which is being experienced by Chile is having a concrete effect on all aspects of our financial, economic and trading activities, etc., and is bringing about frequent modifications in the various factors which should be included in our report. These circumstances might mean that the data we have previously communicated to the CONTRACTING PARTIES are no longer accurate.

To remedy the situation, the Government of Chile has engaged a commission of international experts who are at present in Chile, where they will be concerned with a study of the problem in all its aspects and will report back to the Government. I trust we shall then be able to supply detailed information to the CONTRACTING PARTIES.
ANNEX V

QUESTIONNAIRE FOR THE COLLECTION OF INFORMATION FOR THE PREPARATION OF ANNUAL REPORTS UNDER ARTICLE XIV:1(g) ON THE DISCRIMINATORY APPLICATION OF IMPORT RESTRICTIONS

General Notes

1. This questionnaire should be answered by all contracting parties which are applying import restrictions under the provisions of Article XII. Those contracting parties which are not applying such restrictions need only notify the CONTRACTING PARTIES to that effect. Those contracting parties whose import restrictions do not deviate from the provisions of Article XIII should so state and need not answer those questions relating to discrimination.

2. The term "import restrictions" is meant to include restrictions made effective either directly or indirectly through state trading operations including the operations of enterprises to which the contracting party has granted formally or in effect exclusive or special privileges.

3. Contracting parties should furnish information and data also in respect of restrictions applied to imports into their non-metropolitan territories to which the General Agreement applies.

4. Replies to this questionnaire should be accompanied by copies of laws, decrees, etc., which are relevant to the restrictions (as well as public notices or licensing instructions issued in connexion with these restrictions). Copies of bilateral agreements (excluding state trading contracts) relevant to question 9 directly affecting imports should be supplied. Where the requirements of this paragraph would place an undue burden on the reporting government (for example, where laws and agreements are not available in one of the official languages) a summary of the pertinent provisions should be supplied.

5. Replies should be submitted not later than three months prior to the opening of the session at which the report is to be drawn up. The replies should be prepared in English and/or French. At least three copies should be sent to the Executive Secretary in Geneva by air mail and fifty copies should follow by surface mail.

A. THE SYSTEM AND TECHNIQUE OF RESTRICTION

Question 1: System of Import Control

Describe in general terms the import control system, the financial considerations and the policy underlying the maintenance of the restrictions.
Question 2: Methods of Restrictions

Describe the methods employed in applying the restrictions (e.g. individual and discretionary licensing without the fixing of quotas, the fixing of global quotas, prohibitions, any techniques other than those covered by question 11 below).

If different methods apply to different products, name the groups of products to which each method applies and show the proportion of total imports affected by each method in the last full year for which information is available.

Question 3: Non-discriminatory Administration of the Restrictions

With respect to restrictions which involve no deviation from the provisions of Article XIII, describe the methods of allotting shares in quotas to countries of supply, either by unilateral action, special arrangements, or through consultation with supplying countries.

Where the shares in quotas are allotted on the basis of "previous representative periods" state the period selected and give, by products or by group of products, the basis used for the choice (cf. Article XIII for relevant provisions).

B. DISCRIMINATORY APPLICATION OF RESTRICTIONS

Question 4: Policy of Discrimination

With respect to restrictions not administered in accordance with the rule of non-discrimination in Article XIII, describe the policy pursued and describe the classification of countries, or groups of countries, or areas for the purpose of discriminatory application of the restrictions. List the countries in each group or area.

Question 5: Methods of discriminatory Restriction

This question should be answered separately with respect to each of the groups or areas referred to in question 4.

Describe in detail (cf. the examples mentioned in question 2) the methods of restrictions applied to each of those groups or areas. Name the groups of products subject to each method when imported from each group or area, and show for each method the proportion of total import trade in the past year from each group or area.

Question 6: Measures taken to reduce the Restrictions

Describe the changes made in the past year in the policy pursued and any measures taken for the liberalization of imports from any of the groups of countries or areas.
If any free list, open general licence, or other list of goods exempted from licensing requirements is in force, specify the groups of countries or areas to which the list applies, the proportion of imports on the basis of the trade of a previous year which is covered by such exemption, and the volume of imports which have been admitted in the past year under such regime of liberalization.

Question 7: Effects of the Discriminatory Administration of the Restrictions

Furnish trade statistics including those for the latest available year which may help to indicate the effects of the restrictions on imports from each of the groups or areas referred to in question 4. For the purpose of comparison, also furnish statistics of trade, under identical or similar grouping, for a representative pre-war year.

Question 8: Considerations affecting the source of the Imports

State the considerations which are taken into account in determining the sources of the imports, including any recent changes in the emphasis given to each consideration.

Contracting parties operating under Annex J should describe in addition the implementation of (i) and (ii) of paragraph 1(a) of that Annex, giving, if possible, illustrative examples with regard to (i). Contracting parties which are governed by paragraph 1(b) or 1(c) of Article IV are requested to describe the rôle played by price and other commercial considerations in determining their policy of discrimination.

Question 9: Bilateral Commitments

Describe each type of bilateral arrangement or agreement, with contracting parties or other countries, in respect of the importation of goods subject to import restrictions, and the extent to which each affects the pattern of trade or involves discrimination against imports from third countries (e.g., whether it provides for special quotas in favour of the partner country, guarantees that a specified quantity will be admitted from the partner country within a broader quota, provides any limitation on the country's freedom to establish, revise or eliminate quotas, provides treatment to the partner country more favourable than that accorded to other countries in the same group or area, etc.)

List the partner countries with which each type of agreement is in force.

Show, in terms of proportions of total trade or in absolute terms, the volume of trade covered by agreements of each type entered into by the contracting party.
Question 10: Other discriminatory practices affecting imports

Describe any other arrangements or restrictions affecting trade other than quantitative import restrictions, which discriminate as between different goods or as between imports from different sources of supply.

C. STATE TRADING

Question 11: Import Restrictions through State Trading

Provide a general statement showing which products or groups of products are imported by the State or by the enterprises to which exclusive or special privileges have been granted. Show the proportion of such imports to total imports. Indicate whether the imports of such commodities are restricted for balance-of-payments reasons. If so, outline the methods and criteria in determining the volume to be imported. Describe any element of discrimination that may be exercised through the application of restrictions to the purchasers of state or monopoly enterprises, and the role or price and other commercial considerations in determining the source from which such imports are obtained.

D. PROTECTIVE EFFECTS OF RESTRICTIONS

Question 12: Incidental Protective Effects of the Restrictions

Describe the steps taken to minimize the incidental protective effects of the restrictions. (Note inter alia the recommendations contained in paragraphs 18 and 19 on the CONTRACTING PARTIES' Report on the "Use of Quantitative Restrictions for Protective and other Commercial Purposes").

Question 13: Action to avoid damage to trade of other contracting parties

Describe any action taken to allow:

(a) the import of goods in minimum commercial quantities where their exclusion would impair regular channels of trade (with reference to the countries or areas to which such measures apply);

(b) the import of commercial samples.

Describe action designed to avoid, in the application of import restrictions, unnecessary damage to the commercial or economic interests of other contracting parties.
E. GENERAL CONSIDERATIONS

Question 14: Current Programme and the Prospects

Describe the policy and the programme for the coming year in relation to the groups or areas referred to in question 4.

Describe the prospects for the near future in general terms and add any general observations or comments which the contracting party wishes to be taken into account in the preparation of the annual report.