EXPANDED CONSULTATIONS IN 1957 UNDER ARTICLE XII: 4(b)

Procedural Arrangements in connexion with the United States Proposal

1. If the Working Party agreed to recommend that the consultations should be held as proposed by the United States in L/526, the next question for the Working Party to examine would be which countries to invite to consult, taking account of the interests of individual governments. On the basis of decisions in this respect the Working Party should, in consultation with the contracting parties concerned and with the International Monetary Fund, draw up a time-table for the consultations. It has been proposed that the consultations should take place in groups of four or five at short intervals between the close of the Eleventh Session and the close of the Twelfth Session.

Arrangement with the International Monetary Fund

2. Having decided upon the invitation and agreed upon a time-table, the CONTRACTING PARTIES should at the Eleventh Session formally invite the contracting parties to consult with them in terms of Article XII:4(b), and at the same time invite the International Monetary Fund to consult with them pursuant to the provisions of Article X:2. The invitation to the Fund should set out the proposed time-table.

3. It has been the practice of the Fund in recent years to make available to the CONTRACTING PARTIES before the opening of their consultations the results and background papers of its own consultations with the countries concerned. Where the Fund does not expect to have a consultation with a government in question before the scheduled time, it has referred to the results of a previous consultation and the background paper relating thereto, and in many cases has supplied supplementary background papers on new developments specially compiled for the assistance of the CONTRACTING PARTIES.

4. When inviting the Fund to consult with them, the CONTRACTING PARTIES might call attention to the scope of the consultation between the CONTRACTING PARTIES and the Fund as defined in Article X:2. It might be pointed out that in connexion with each consultation the CONTRACTING PARTIES would be interested in having "the determination of the Fund as to what constitutes a serious decline in the contracting party's monetary reserves, a very low level of its monetary reserves or a reasonable rate of increase in its monetary reserves, and as to the financial aspects of other matters covered in consultation in such cases".

Spec/172/56
English only
Scope of the Consultations

5. The subject matters for consultations under paragraph 4(b) of Article XII are specified in paragraph 4(a) of that Article, viz.: (a) the nature of the balance-of-payments difficulties; (b) alternative corrective measures which may be available; and (c) the possible effects of the restrictions on the economies of the contracting parties. In discussing these subjects opportunity will be taken to examine questions such as to what extent the restrictions applied by a contracting party are necessary in the light of the criteria set forth in paragraph 2 of Article XII, and to what extent the other requirements of Articles XII, XIII and XIV are met. Attention may be drawn to the special report adopted by the CONTRACTING PARTIES in 1950 on the use of quantitative restrictions for protective and other commercial purposes. It will be recalled that in that report the CONTRACTING PARTIES inter alia (a) made certain recommendations on methods to reduce undesirable incidental protective effects of balance-of-payments restrictions, and (b) drew certain conclusions regarding the use of such restrictions in a manner calculated to afford undue protection to domestic industries. These recommendations and conclusions are pertinent points to be taken up in the consultations.

6. It has been suggested that the "plan" for consultations under Article XII recommended by the CONTRACTING PARTIES at the Tenth Session (see Basic Instruments and Selected Documents, Supplement VI, pages 44 and 45), which provides an outline of questions to be discussed in consultations concerning intensifications of restrictions, should be used in the proposed consultations with appropriate modifications. The Annex contains a modified plan which has been drawn up on the basis of that plan, taking account of the nature of the proposed consultations.

Procedure for the Consultations

7. In order that the consultations may be as effective and meaningful as possible, it is suggested that for each consultation the following stages of work should be performed:

(a) Preparation of Documentation

8. The data supplied by the International Monetary Fund will be circulated to the contracting parties. On the basis of available information, including the Fund papers, data supplied by the contracting party concerned and information gathered from other sources, the Secretariat will compile a basic document in connection with each of the consultations. As the financial aspects of the restrictions will be fully dealt with in the Fund papers, the Secretariat paper will concentrate on the trade aspect of the restrictions giving, as far as possible, a precise and comprehensive description of the restrictive systems and their administration, and an analysis and evaluation of the effects of the restrictions on trade. Comments may be included on individual measures taken, techniques used and commodities affected.
(b) Discussion with Governmental Experts

9. Arrangements will be made for detailed discussions to be held between members of the Secretariat and officials of the consulting government. Such discussions may take place at the GATT Headquarters in Geneva, but preferably at the site of the government in question. The timing for such discussions will be such as to suit the convenience of the government as well as the Secretariat.

10. On the Secretariat side it is envisaged that in addition to the regular staff members there will be appointed a special consultant of international standing who will have high qualifications in economic knowledge, wide experience in commercial policy matters and adequate acquaintance with the economies of the various consulting contracting parties.

11. The purpose of such discussions will be to provide an opportunity for a free and frank exchange of views at the official or expert level on the financial background, on the policy, system and administration of the restrictions so as to enable the Secretariat to have a more direct understanding and better appreciation of the problems facing the country applying restrictions. The discussion will cover any of the questions included in the annexed plan as necessary. The basic document of the Secretariat will be modified on the basis of these discussions, and then submitted to the Consultations Committee.

(c) Committee on Consultations

12. After initiating the consultations, CONTRACTING PARTIES will appoint a Consultations Committee consisting of not more than seven members to take charge of the consultations. The Committee will possess the power to conduct the final stage of the consultations which in form will not be dissimilar to the discussions in the balance-of-payments working parties at past sessions, and its meeting will presumably be held in Geneva. For each consultation the Committee will study the data supplied by the Fund and the basic document compiled by the Secretariat. With the assistance of the special consultant attached to the Secretariat and other staff members it will hold discussions with representatives of the consulting government.

13. The representatives of the Fund will be invited to participate in the discussions.

14. After a full discussion the Committee will draw up a report on each consultation for submission to the CONTRACTING PARTIES. Such reports will be considered at the Twelfth Session. The Committee will also have the power of making recommendations to the consulting governments concerning any matters falling within the purview of Articles XII, XIII and XIV. The contracting party concerned may act in accordance with such recommendations pending an opportunity for consideration by the CONTRACTING PARTIES in session.
I. Balance-of-Payments Position and Prospects

1. Level of monetary reserves and expected movements in reserves.
2. Balance-of-payments situation and prospects.
3. Special considerations affecting the availability of or the need for monetary reserves.
4. Necessity for maintaining import restrictions; effects of the restrictions on the balance of payments; expected effects on the balance of payments of any relaxation or elimination of the restrictions.
5. Expected duration of the restrictions; prospects of relaxation or elimination.

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. Other measures which may help to restore balance in international payments.

III. System and Methods of the Restrictions

9. The origin of the import control system; legal provisions requiring or permitting the maintenance of the restrictions.
10. Methods used in restricting imports. Categories of goods, and proportion of imports covered by each method used.
11. Discrimination in the application of restrictions: financial basis for discrimination; classification of sources of supply; differences in treatment of imports from different sources of supply; the effects of the discrimination; the use of bilateral arrangements which involve discriminatory restriction of imports.
12. The use of state trading or governmental monopoly in imports; restrictive operation of such regimes.

IV. Effects on Trade

13. Intended and incidental protective effects of the restrictions on domestic production; difficulties or hardship that may be expected upon relaxation or elimination of the restrictions.
14. Steps taken to reduce incidental protective effects of the restrictions; steps taken to minimize the difficulties of transition to the stage where balance-of-payments restrictions may be eliminated.
15. Steps taken to avoid unnecessary damage in accordance with Article XII:3(c)(iii).