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

Suggested on Procedural Arrangements

1. If the Working Party agreed to recommend that the consultations should be held as proposed by the United States, the next task for the Working Party would be to draw up a time table for the consultations taking account of the circumstances of individual contracting parties. On this matter the Working Party should consult fully with the International Monetary Fund. 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 XV:2. 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 XV:2. The invitation will presumably take the same form as previous invitations of this nature concerning Article XII consultations. It may be along the following lines:

"I wish to inform you that the CONTRACTING PARTIES, acting under the first part of the first sentence of paragraph 4(b) of Article XII, have decided to invite the contracting parties applying import restrictions under Article XII to consult with them, such consultations to take place between the close of the Eleventh Session and the close of the Twelfth Session.

"Accordingly, I have been directed to invite the International Monetary Fund to consult with the CONTRACTING PARTIES pursuant to paragraph 2 of Article XV in connection with each of these consultations, and to transmit to you the attached provisional timetable for these consultations which has been drawn up in consultation with your mission to the Eleventh Session.

"The Fund will be notified of any changes in the dates by which the consultations will take place and consequently the time by which the CONTRACTING PARTIES will wish to receive the determinations and other relevant material from the Fund. Meanwhile, I should be grateful if you would inform me of the Fund's acceptance of this invitation to consult, and of any changes the Fund might wish to make in the time table or in the related arrangements."
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.

Scope of the Consultations

4. 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. Attention may also 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.

5. It has been suggested that the "plan" for consultations under Article XII recommended by the Contracting Parties at the Tenth Session (see BISD, 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

6. 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.

7. 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 connexion 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. In preparing these papers the secretariat will consult as fully as possible with the contracting parties concerned.

8. For the purpose of the consultations the CONTRACTING PARTIES will appoint a Consultations Committee which will carry out those of the consultations which will take place in the intersessional period, and will prepare a report upon the conclusion of each consultation. Such reports will be circulated to the contracting parties forthwith and will be transmitted to the CONTRACTING PARTIES at the Twelfth Session. The other consultations to be carried out in the envisaged period will be conducted at the Twelfth Session in accordance with the normal procedures for such consultations.

9. The representatives of the Fund will be invited to participate in the discussions of the Consultations Committee.
ANNEX: PLAN FOR CONSULTATIONS TO BE HELD
IN 1957 UNDER ARTICLE XII:4(b)

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 régimes.

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)