CONSULTATIONS UNDER ARTICLE XII:4(b) WITH
THE UNITED KINGDOM

Draft of the Basic Document prepared by the Secretariat

I: SYSTEM AND METHODS OF THE RESTRICTIONS

(a) Legal Basis of the Restrictions

The system of import regulation in operation at present in the United Kingdom is based on emergency legislation which was passed at the time of the outbreak of war in 1939. The primary objects of this legislation were to safeguard the balance of payments and to save shipping space. The Import, Export and Customs Powers (Defence) Act, 1939, gives the Board of Trade power to make orders prohibiting or regulating the import and export of all goods. The Import of Goods (Control) order 1940 which was made on 4 June 1940, was replaced in February 1954 by the Import of Goods (Control) Order 1954, the current legal basis of import control. By this Order the importation into the United Kingdom of all goods is prohibited except under the authority of a licence issued by the Board of Trade.

The full texts of the Import, Export and Customs Powers (Defence) Act, 1939 (2 and 3 Geo 6 Ch. 69) and of the Import of Goods (Control) Order 1954, are attached to this document as Annexes I and II respectively.

(b) Administrative Basis of the Restrictions

(To be completed by the United Kingdom authorities.)

(c) Methods used in Restricting Imports

The methods used in regulating imports may be conveniently described under the following headings:

A. The Open General Licence (the Free Lists).
B. The Restricted Sector (Negative Lists).
C. Bilateral agreements and arrangements.
D. Global Quotas.

Spec/91/57
English only
E. Dollar Quotas.
F. Imports for re-export.
G. Prohibition of imports.
H. Individual Licences (Discretionary Licensing - "case by case" method).
   (i) Open Individual Licence.
   (ii) Specific Licence.

The following notes give some details of these systems:

A. The Open General Licence

The Open General Licence (containing certain "free lists") made by the Board of Trade under the Order referred to in paragraph 1 above allows the importation of certain goods from specified countries without the need to apply to the Import Licensing Branch of that Department for an individual import licence.

The current Open General Licence came into operation on 22 June 1955, and has been amended from time to time by the addition of further items as liberalization has proceeded. It authorizes the importation of all goods originating in and consigned from the Scheduled Territories\(^1\) (i.e. the British Commonwealth except Canada, British Trust Territories, British Protectorates and Protected States, Burma, the Irish Republic, Iraq, Iceland, Jordan and Libya and Muscat and Oman) except those listed in Schedule VIII to the Open General Licence.

Of the remaining Schedules I, II and III are the most important; they authorize the importation of:

(a) Goods specified in Schedule I consigned from any country. These goods consist mainly of raw materials (e.g. iron ore, raw wool) and a miscellany of other goods.

(b) Goods specified in Schedule II originating in and consigned from any non-dollar country. This schedule is quite short and includes mainly raw materials.

(c) Goods specified in Schedule III originating in and consigned from the "Relaxation Countries", namely any country or territory other than dollar countries, the Soviet Bloc, Japan and Korea. China is included in the Relaxation Countries. Schedule III includes a wide

\(^1\) A complete list of the Scheduled Territories is given in Annex III.
variety of raw materials, foodstuffs and manufactures, and the list of goods specified in it largely reflects the results of measures taken to liberalize the United Kingdom’s imports from members of the OEEC. A full list of the Relaxation Countries is given in Annex IV.

The remaining Schedules to the Order relate to a few special arrangements which cannot be fitted precisely into the scope of the four main Schedules of the Open General Licence; viz. Schedule IV provides for the import of fur and fur-skins from the Soviet Union.

Schedule V imposes special conditions of origin when certain classes of fruit and fruit pulp are imported from the Relaxation and Sterling Areas; Schedule VI provides for the import of flower-bulbs, corms and tubers and rough precious and semi-precious stones from Canada in addition to the Commonwealth countries in the Sterling Area; Schedule VIII provides for the import of cordage and jute bags and sacks from the Irish Republic and also for the import of flower-bulbs, corms and tubers from the Netherlands under the authority of the Dutch Bulb Exporters Association.

Four other schedules have been added to the Open General Licence (Nos. IX, X, XI and XII) by amendment since the Licence came into operation relating to certain classes of goods which may be imported from the Argentine and Japan.

Owing to the legal complexity of the Open General Licence in its present much amended form a current text has not been supplied. The licensing position in relation to particular countries and commodities should, therefore, be ascertained by reference to the revised version of Notice to Importers No. 740, which is attached hereto as Annex V.

By Notice to Importers No. 825, certain goods were added, as from 1 August 1957, to the list of those which could be imported without an individual licence. A copy of this Notice is attached as Annex VI.
B. The Restricted Sector (Negative Lists)

For the importation of all goods not specified in the Open General Licence an import licence - either an Open Individual Licence or a Specific Licence - must be obtained. (Further details of this system of licensing are given in paragraph H of this section.)

The "negative" list vis-à-vis the Scheduled Territories is given in Annex II of Notice to Importers No. 740 (see Annex V to this document). It should be noted, however, that a very liberal licensing policy is applied in relation to these imports.

A separate "negative" list vis-à-vis the dollar area is not available, and can be arrived at only by deleting from the United Kingdom tariff items the goods which the Open General Licence indicates as being free from restriction if imported from the dollar area.

A list of products not liberalized vis-à-vis the Relaxation Countries is given as Annex IX to this document.

C. Bilateral Agreements and Arrangements

The United Kingdom has bilateral agreements or arrangements with most OEEC countries, with certain countries in Eastern Europe and with Spain, Finland, Argentina and Japan. The import quotas set up under these agreements provide for the issue of licences, up to the agreed total, permitting the import of the specified goods from the country in question. The United Kingdom does not undertake that any given quantity will in fact be imported by traders, nor does it limit its freedom to establish facilities for imports from other countries.

In regard to OEEC countries, as the United Kingdom has now liberalized 94 per cent of her imports from them, and as some of the non-liberalized sector is subject to "global" quotas allowing imports from any of the Relaxation Countries, the amount of trade which remains subject to bilateral discussion and agreement represents a very small proportion of total trade. A primary object

(Note for the United Kingdom Authorities: we discussed this in London, and hope you will be able to provide this list, especially as all the consulting European countries have already provided their OEEC negative lists.)
of these bilateral quotas with OEEC countries is to ensure a spread of imports and exports over the field of trade as yet not liberalized in which the respective countries have a traditional interest. The general objects are similar in the case of agreements with other countries.

In the particular case of the Soviet bloc countries, which operate a rigid control of imports, the bilateral arrangements are necessary to secure a reasonable spread of United Kingdom exports. Most of the goods for which the United Kingdom grants import quotas in return are goods which are admitted freely from OEEC countries; the quotas do not represent discrimination in favour of the Soviet bloc.

In the case of the Soviet bloc countries, and also Japan, imports of non-essential goods are normally only licensed when covered by bilateral quotas in return for which corresponding facilities, for United Kingdom exports have been given by the other country. Bilateral quotas may be administered by the United Kingdom or the foreign government; in the case of the Soviet bloc countries the allocation is generally speaking in their hands only where the goods concerned are on "Relaxation" Open General Licence. Where the United Kingdom authorities, i.e. the Board of Trade, administer the quota, applications may be considered individually or some objective method of sharing out the quota, e.g. imports in a specified period, may be used. The method of allocation varies with the nature of the commodity and the demand for licences. Licences are usually valid to the date of expiry of the relevant Trade Agreement and may be extended for three months afterwards.

D. Global Quotas

The term "global" is used to describe a quota which covers a number of countries e.g. the Relaxation Countries or the Dollar Area. This type of quota is mainly used for the less essential consumer goods whose import had to be restricted in November 1951, and March 1952, from Relaxation Countries (for historical reasons, the global quotas do not apply to every one of the present Relaxation Countries, but it is the policy to give such countries bilateral quotas for any goods in which they have an interest and which are the subject of global quotas. (See Annex IV.) Many of the goods originally affected have since been restored to the Open General Licence, but imports of a number remain restricted.
The quotas are non-discriminatory in that they cover all the countries affected and licences may be used to import from the source of the trader's choice up to the value of the quota. The quotas are shared among established importers in proportion to their imports (generally those for which they paid the overseas supplier direct) in specified post-war periods, during most of which imports were not subject to quantitative restriction. This method of allocation is considered the fairest and most obviously impartial and preserves as far as possible the normal pattern of import trade. It has the principal disadvantage, however, of excluding newcomers to the trade since control was imposed, but while the established importers are still restricted further limitation in order to provide a proportion of the quota for allocation to newcomers could not be justified. The quotas are announced half-yearly and there is a time limit for applications. The licences are valid to the end of the period (in most cases half-year) for which they were issued and may normally be extended for three months afterwards.

Since the global quotas might cause exceptional hardship to some foreign exporters the governments of other member countries of the OEEC have been allowed since 1953 to allocate small amounts (totalling about £200,000) known as the Special Country Quotas among their exporters, subject to certain conditions designed, for example, to prevent small quotas being "swamped". The governments concerned issue certificates which are presented, together with applications for import licences, by the trader in the United Kingdom to the Import Licensing Branch.

Details of the global quotas established for the second half of 1956 are given in Annex VII. In addition there is a World Global Quota of 650,000 tons for imports of newsprint. In 1956 the value of imports subject to Global Quota was £14,359,000 representing about 0.4 per cent of the United Kingdom's total import bill for the year and 1 per cent of imports from the countries concerned.

E. Dollar Import Quotas

Import quotas have been opened for a number of goods from the dollar area. Some of these goods are purchased, in the case of imports from the United States, with dollars made available under the United States Mutual Security Act. (Details of these quotas are given under Section (f) of this document.)
F. Imports for Re-export

To facilitate United Kingdom entrepot trade, where licensable goods are physically imported other than into bonded warehouse, and to reinforce the Exchange Control regulations, a special form of licensing has been devised. Another special form of licensing is used where imports, otherwise subject to restriction, are required for United Kingdom export orders.

(i) Import for Re-export in the same State (REX)

Generally speaking the desirability of the transaction from the Exchange Control angle is a fundamental consideration in applications to import goods for re-export in the same state. A licence will normally be issued, provided that the proposed methods of payment and reimbursement are as prescribed by the Treasury and the Bank of England.

Before a licence is issued, the importer is required to sign an undertaking that the goods will be re-exported; that sale to non-scheduled territories will conform to the requirements of the Bank of England Exchange Control and to scheduled territories will conform to Exchange Control regulations under supervision of his own bankers, (i.e. that the territory concerned accepts the foreign exchange liability for the goods); and to inform the Import Licensing Branch when export has been completed and, if requested, to supply details of imports and exports. Dutiable goods must be held in a bonded warehouse, unless there are good reasons to the contrary.

Goods admissible under Open General Licence do not require a separate licence, but the Treasury and Bank of England regulation still apply.

(ii) Imports for Export after processing or Incorporation in Goods or Manufactures in the United Kingdom (UX)

The Import Licensing Branch will consider applications for this purpose regardless of whether the applicant qualifies for a home trade licence for the goods. If the required import comes from the dollar area and is to be exported after processing to a non-dollar country, it is necessary to show that a worthwhile return in non-dollar currency is to be expected from the export.
Before a licence is granted, the importer is required to sign an undertaking that all the goods will be re-exported after the process or manufacture mentioned in his application has been completed and that he will inform the Import Licensing Branch when this has been done. If the goods are imported from the Dollar Area, and in certain other cases, the importer must supply half-yearly returns of imports and exports under his licence.

G. Prohibition of Imports

The only prohibitions of imports are those permitted under Article XX of the GATT.

H. Individual Licences

There are two types of individual licence:

(a) Open Individual Licence

(b) Specific Licence

(a) An Open Individual Licence allows the holder to import the commodity described on it without limit as to quantity or value from the source(s) shown thereon. It may be valid for a finite period or until it is revoked. A list of the principal commodities on Open General Licence in August 1957 is given in Annex VIII.

(b) A Specific Licence allows the holder to import a specified quantity or value of the commodity described on it from the source(s) shown thereon. It is valid for a finite period.

The Open Individual Licence has been used for the arrangements introduced for the private import of certain raw materials and foodstuffs. It has the advantage of allowing the trade a degree of freedom unattainable with specific licences, while simultaneously enabling any necessary administrative conditions to be imposed. For example, importers of grains are required to make regular returns to the Ministry of Agriculture, Fisheries and Food. These arrangements vary considerably in detail, being adapted to the requirements of trade in the commodity concerned. It is the intention to transfer such items to Open General Licence as soon as practicable. Open Individual Licences may be used for other special purposes e.g. to enable the National Coal Board to import coal within a programme agreed with the Government without the need to apply again for approval by specific import licence.
The Open General Licence or Open Individual Licence which relieve importers from special import documentation, do not in any way relieve them from the need to supply the appropriate Exchange Control and Customs forms or from compliance with any other relevant regulations governing the import such as Animal Health regulations.

At present it is estimated that about seven eighths of the United Kingdom's total imports, calculated on base year 1955, may be imported free of restriction, under Open General Licence or Open Individual Licence.

Specific licences may be granted after consideration of individual applications on their merits, the main criterion applied being that of essentiality, or, in the case of quotas, may be allocated to applicants on some arithmetical basis such as their share in the trade in some base year. The normal validity of specific import licences is six calendar months, although licences to import machinery etc. are initially valid for twelve months. An extension of three months (six in the case of machinery) is usually allowed.

Full details relating to the current regulations governing the import of specific commodities are set out in a series of "Notices to Importers" issued by the Board of Trade to members of the public.

Essential Imports

Applications to import those commodities which may be designated essential from countries for which they are not on Open Licence are usually considered individually.

The licensing of machinery and chemicals in particular from the Dollar Area is dealt with in more detail in paragraph (iv) of Section (f) below.

(d) Categories of Goods affected

Previous sections of this basic document have made reference to goods included in the Open General Licence which may be imported without restriction from specified countries. The various "negative" lists have also been mentioned, including the "negative" list vis-à-vis the Scheduled Territories.
The principal items still subject to import restriction are:

<table>
<thead>
<tr>
<th>Class A</th>
<th>Column 1 (Controlled from dollar area)</th>
<th>Column 2 (Controlled from &quot;relaxation&quot; area)</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td></td>
<td>- mainly Western Europe and dependencies</td>
</tr>
<tr>
<td>Food beverages and tobacco</td>
<td>Live cattle</td>
<td>Ham</td>
</tr>
<tr>
<td></td>
<td>Meat and meat preparations</td>
<td>Milk products; dried frozen and liquid egg</td>
</tr>
<tr>
<td></td>
<td>Dairy products, eggs and honey</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Fish and fish preparations</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Fruits and vegetables</td>
<td>Apples, pears and potatoes</td>
</tr>
<tr>
<td></td>
<td>Sugar preparations (most)</td>
<td>As in column 1</td>
</tr>
<tr>
<td></td>
<td>Coffee</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Miscellaneous food preparations</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Beverages</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Tobacco and tobacco manufactures</td>
<td>-</td>
</tr>
<tr>
<td>B</td>
<td>Synthetic Rubber</td>
<td>-</td>
</tr>
<tr>
<td>Basic materials</td>
<td>Some textile fibres</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Grass and other seeds for sowing and flower bulbs</td>
<td>As in column 1</td>
</tr>
<tr>
<td></td>
<td>Stone (some)</td>
<td>As in column 1</td>
</tr>
<tr>
<td>C</td>
<td>All</td>
<td>Coal, coke, and manufactured fuels</td>
</tr>
<tr>
<td>Mineral fuels and lubricants</td>
<td></td>
<td></td>
</tr>
<tr>
<td>D</td>
<td>Virtually all except metals, semi manufactures of metals, and some chemicals</td>
<td>Dyestuffs and intermediates Calcium carbide Leather Newsprint, paper manufactures, and other stationery Stockings and socks Lace and lace net Jute and manila hemp yarns and manufactures Jewellery Cutlery Motor vehicles and parts Clocks and watches Some Cameras Scientific and optical glassware and instruments Arms and ammunition Sports goods, toys and games Smokers requisites Basketware Curios</td>
</tr>
</tbody>
</table>
(e) **Proportion of Imports covered by each Method used**

(To be completed by the United Kingdom authorities)

(f) **Treatment of Imports from different Countries or Currency Areas**

(i) The Sterling Area.

As previously mentioned in this document imports from the Scheduled Territories and from Muscat and Oman with certain exceptions are admissible freely under the Open General Licence or under Open Individual Licence.

Certain other items, such as motor cars, cameras, watches and canned fruit are subject to special provisions to prevent their entering the United Kingdom under the Sterling Area Open General Licence unless genuinely of Sterling Area origin.

(ii) The "Relaxation" Countries.

This group comprises all countries other than those of the Sterling Area, the Dollar Area and Eastern Europe, Japan and Korea. The major part of United Kingdom imports is admissible from the "Relaxation" Countries under the Open General Licence and under Open Individual Licences. On the basis of trade in 1948, only 6 per cent of United Kingdom imports on private account from OECD countries is still subject to restriction. Apart from certain commodities, for which there are ad hoc licensing arrangements, and which account for some 1 per cent of 1948 trade, the remaining percentage is divided fairly equally between commodities covered by global quotas and those for which there are bilateral quotas. As stated in Section C, paragraph D, global quotas have been established for certain goods which were withdrawn from the Open General Licence in 1951 and 1952. The bilateral quotas cover a miscellaneous range of goods, e.g. confectionery, decorated glassware, lace and lace net, motor cars, precious jewellery, processed milk, scientific instruments.

(iii) **Soviet Bloc Countries**

The Soviet bloc may share in trade in essentials which are on World Open Licence and other essentials may also be Licensed, but imports of consumer goods are permitted only to the extent provided for in trade
arrangements giving the United Kingdom reciprocal advantages in the form of facilities for export trade, and undertakings about repayment of debts.

There is no trade arrangement with the USSR itself and trade in consumer goods is limited to a very small number of inter-Governmental arrangements for reciprocal trade in particular commodities such as canned crab and matches.

Special problems arise with Eastern Germany where it has been found necessary in a limited number of rather special cases to allow trade in non-essentials to take place under commercial barter deals. Import licences are issued provided the compensating export is "soft" i.e., the industry is in need of additional export outlets and the proposed deal will provide such an outlet which would not otherwise exist.

(iv) Dollar Area

The countries of the dollar area are listed in Annex X. Many raw materials and basic foodstuffs have been freed in accordance with the policy of giving United Kingdom manufacturers the widest possible access to such materials, although there are some even in this field which remain controlled. Chemicals for the most part are not yet liberalized and are licensed only if there is no adequate alternative United Kingdom source of supply. Machinery is licensed only if there is no non-dollar alternative offering roughly similar advantages.

Where, however, there is an approved investment project or royalty agreement involving a new technique or making a potential contribution to exports, some relaxation of the strict rules governing dollar imports may be allowed to permit the entry of components and in certain cases finished products provided full United Kingdom manufacture is promised within a specified and short period.

For dollar consumer goods, there is the Token Import Scheme which allows North American exporters to send up to 30 per cent by value of their pre-war exports to the United Kingdom of a fairly wide range of consumer goods. Imports under this scheme amount in all to rather less than
£3m. per annum. There have also been Mutual Security Aid programmes for citrus and other fruit, with some consequential imports from Canada.

There are also several dollar quotas, details of which follow:

**Dollar Quotas**

<table>
<thead>
<tr>
<th>Item</th>
<th>Area</th>
<th>Value</th>
<th>Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frozen beef tongues</td>
<td>N. Am.</td>
<td>£600,000</td>
<td>1/4/57-30/3/58</td>
</tr>
<tr>
<td>Cheese</td>
<td>N. Am.</td>
<td>£1,500,000</td>
<td>1/7/57-30/6/58</td>
</tr>
<tr>
<td>Salmon</td>
<td>N. Am.</td>
<td>£3,500,000 c.i.f.</td>
<td>1/7/57-30/6/58</td>
</tr>
<tr>
<td>Honey</td>
<td>$ (excluding Cuba)</td>
<td>£40,000 f.o.b.</td>
<td>1/7/57-30/6/58</td>
</tr>
<tr>
<td></td>
<td>quota Cuba</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Apple</td>
<td>N. Am. quota</td>
<td>£1,250,000 f.o.b.</td>
<td>16/11/57-30/6/58</td>
</tr>
<tr>
<td>Coffee</td>
<td>$ quota</td>
<td>£2,000,000</td>
<td>1/9/56-31/8/57</td>
</tr>
<tr>
<td>Motor cycles</td>
<td>N. Am. quota</td>
<td>50 machines</td>
<td>1/6/57-31/5/58</td>
</tr>
<tr>
<td>Cars</td>
<td>N. Am. quota</td>
<td>650 cars per annum</td>
<td></td>
</tr>
<tr>
<td>Synthetic rubber</td>
<td>$ quota</td>
<td>80,000 tons</td>
<td>1957</td>
</tr>
<tr>
<td>Leather</td>
<td>$ quota</td>
<td>£2,000,000 f.o.b.</td>
<td>1/8/57-31/7/58</td>
</tr>
</tbody>
</table>

(v) **Japan**

Until 25 April 1957 imports from Japan on Open General Licence were confined to essentials only; less essentials were licensed only against quotas agreed in the annual bilateral negotiations. Since that date, however, as part of the agreement reached in the last negotiations Japan has been accorded Open General Licence treatment for a range of goods already subject to Relaxation Open General Licence, but not for those goods set out in the excluded list of items scheduled to the Open General Licence (see Annex XII).

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1 Excluding purely Latin American quotas excluding United States Aid Quotas.
(g) **State Trading or Government Monopoly and the restrictive Operation of such Regimes**

State trading in the United Kingdom is now confined to certain jute manufactures only.

(United Kingdom authorities to elaborate a little reasons?)

(h) **Measures taken in preceding years to relax restrictions**

(A revised version of previous paragraphs 34 and 35 is being prepared by the United Kingdom authorities).

**ANNEXES**

I. The Import, Export and Customs Powers (Defence) Act, 1939.

II. The Import of Goods (Control) Order, 1954.

III. The Scheduled Territories.

IV. List of Relaxation Countries.

V. Summary of Import Licensing Regulations, Notice to Importers No. 740.

VI. Notice to Importers No. 825.


VIII. List of Principal Commodities on Open General Licence in August 1957.

IX. Products not liberalized vis-à-vis the Relaxation Countries.

X. Countries of the Dollar Area.

XI. Notice to Importers No. 814. Imports from Japan, Amendments to the Open General Licence.

II. **EFFECTS ON TRADE**

The United Kingdom authorities have made the following statement on this subject:

As noted in Part I, United Kingdom import controls start from the point that all imports are prohibited except under licence and liberalization is then effected by appropriate licensing including addition to the Open General Licence. This process has been carried forward in stages as the balance of payments has permitted. Groups of items have been liberalized at various times, but the balance of payments does not yet permit the process to be completed.
All the remaining restrictions are therefore necessary for balance-of-payments reasons but, except where there is no United Kingdom production they inevitably have the incidental effect of protecting the United Kingdom producer. If liberalization is expected to result in additional imports at the expense of the home producer, then he is being protected to the extent that the balance of payments is being protected. No opportunity is lost, however, of reminding United Kingdom producers that quantitative restrictions are not designed as an instrument of protection and that they must look forward to the day when all such controls will be removed and they must rely for protection on methods consistent with the GATT, i.e., the Tariff. Nevertheless, there may be cases where, as recognized in the Decision of 5 March 1955, certain domestic industries may be faced with particular difficulty in adjusting themselves to the situation which would be created by the removal of quantitative restrictions. It is not clear whether and to what extent the United Kingdom will need to invoke the provisions of the Decision of 5 March 1955 for this purpose and it is not possible to formulate a list of the industries concerned. Thus, special difficulties which may have existed a few years ago may already have been solved by the passage of time and we should hope that, by the time our balance-of-payments difficulties disappear, others of the special difficulties may also have been solved.

As regards steps taken to reduce incidental protective effects of the restrictions or steps taken to minimize the difficulties of transition, it is difficult to point to any special steps apart from those taken naturally in the course of the general move towards a more liberal regime for imports. Thus, the quotas which have been established for goods not yet liberalized are themselves a means of reducing the incidental protective effect, and in cases where such quotas have from time to time been increased, the incidental effect has been to accustom the domestic industry in question to a greater degree of competition, so paving the way towards the complete elimination of the restrictions.

Avoiding unnecessary damage

Of the imports still restricted from the relaxation countries a good proportion is covered by the global quotas. These enable United Kingdom importers to buy from any country covered by the quotas as commercial considerations dictate. This reduces the inevitable distortion of trade arising from any system of quantitative restriction. In addition, there is the system of Special Country
Quotas referred to elsewhere which enables exporting countries to make minor adjustments to their share of the global quota so as to overcome special points of difficulty.

Where Relaxation Countries have an interest in items not yet liberalized and not covered by the global quotas, they have requested, and been given, bilateral quotas so as to maintain normal channels of trade. In agreeing bilateral quotas for items in which several countries have an interest care is taken not to give favourable treatment to a particular country at the expense of others.

As regards restrictions on imports from the dollar area, the policy is to give priority to the importation of those products which are more essential. Many raw materials and basic foodstuffs may be imported under Open Licence and for chemicals and machinery imports are licensed up to the level of requirements having regard to supplies available from United Kingdom production. The controls on dollar imports are most severe on consumer goods. For these, however, there is the Token Import Scheme for imports from Canada and the United States of America covering a wide range of consumer goods which these countries had a pre-war interest in exporting to the United Kingdom, the quotas providing for exports up to 30 per cent by value of the pre-war trade.

In general, the policy of the United Kingdom has been to avoid unnatural restraints on trade by complete liberalization so far as the balance of payments has permitted and, where complete liberalization has not been possible, to provide, by means of quotas, facilities for the import of the goods in question, again within the limits imposed by our balance of payments.