Attached is a draft of the section of the abridged GATT annual report for 1957, dealing with developments in the field of quantitative restrictions. (A draft of the sections on "bilateral agreements" and on "export promotion" was circulated in June, and the remaining sections will be available shortly.)

Any comments on the draft attached hereto should reach the secretariat not later than 20 August 1958.
QUANTITATIVE RESTRICTIONS

During the four years from the beginning of 1953 to the end of 1956 the payments situation of the world improved steadily; the aggregate gold and dollar reserves of countries outside the United States increased by an average annual rate of $2 billion, acquired principally from transactions with the United States. This situation ceased to recur last year. In 1957, the aggregate reserves of these countries would have fallen by some $250 million had it not been for drawings, totalling $900 million, on the resources of the International Monetary Fund. The resulting increase of some $650 million in the aggregate reserves of these countries fell far below the rate of increase in preceding years. The outflow of gold from the United States has, however, been resumed in 1958; in the first five months of the year United States gold stock fell by $1.2 billion.

The predominant factor in the change in 1957 was the reversal of the trend in the United States balance of payments. Whereas in the previous five years, the other countries as a whole had been acquiring gold and dollars through transactions with the United States, in 1957 they had a net deficit with that country amounting to over $600 million. This shift from a surplus to a deficit in the balance of payments of the rest of the world with the United States during 1957 took place in spite of an increase in the United States purchases and payments abroad, and reflected a sharp increase in United States exports and an influx of short-term capital into the United States. The cause of this change is to be found in a number of factors. In addition to the normal forces given rise by the world-wide boom conditions and inflationary tendencies, the Suez crisis created an inordinate demand for petroleum and other United States exports, such as cotton and wheat, in the first half of the year. Beginning in 1956 there had been a general trend of falling prices for metals and other primary commodities and, with the decline in the level of economic activity in a number of countries, notably those of North America, the prices for several important raw materials fell drastically in 1957. Viewed in this light, it is not surprising that the deterioration in the balance of payments and loss of reserves occurred predominantly in countries which rely on the export of primary commodities. The impact of the external factors on the balance of payments has been more acutely felt in countries which are suffering from inflationary pressures.

Towards the end of 1957 there were signs of a levelling-off of the expansion which had been going on for several years of production and income in most industrial countries, and particularly in the United States the up-swing gave way to recession which has continued into 1958. Though the industrial countries have not felt the effect of the United States recession on their trade or economic activity, a general sense of caution has set in.
Up to 1955 the increase in the gold and dollar reserves outside the United States had been fairly evenly shared. In 1956, however, the increase was concentrated in a few countries. For the reasons given above, this trend was further accentuated in 1957. While the aggregate gold and dollar reserves increased only by an insignificant amount, some of the countries, notably, Germany and Venezuela, reaped sizeable gains in their reserves. A significant decline was registered in the gold and dollar reserves of many other countries.

Against this background it was natural that little further progress was made in the past year in the direction of freer trade. Such steps as were taken were limited to the consolidation of earlier progress and the reduction in discriminatory features of import restrictions rather than their general level. Most noteworthy has been the increasingly general awareness of the limited value and negative nature of restrictive measures and the more widespread recognition of the necessity to adjust domestic economic policies and programmes in line with the resources available and external economic atmosphere. Even in the few cases in which use was made of new import restrictions on balance-of-payments grounds such restrictions were not exclusively relied upon but rather regarded as supplementary to or part of a general programme of stabilization aimed at restoring equilibrium through measures in the internal monetary and fiscal domain.

**STERLING AREA**

The United Kingdom suffered substantial losses in its gold and dollar reserves in the last months of 1956. After some recovery during the first half of 1957, reserves fell again in the third quarter; strong pressures were brought to bear on the pound sterling by speculative movements of capital to certain Continental European countries. To restore confidence and to contain the creeping inflation the Bank of England took the drastic step of raising the Bank Rate from 5 to 7 per cent in September. Steps were taken to restrict public investment to the 1956 level and to ensure that bank advances and private investment were similarly restrained. Thereafter, the external value of sterling strengthened and gold and dollar reserves strengthened. The circumstances, except towards the end of the year, were thus hardly propitious for taking long strides in the liberalization of imports. Nevertheless, in August, import controls were removed from a number of raw materials, foodstuffs, chemicals and semi-manufactured goods of dollar area origin. Most of these goods had been licensed liberally and the broad effect of the measure was that—except for leather for which the dollar quota was

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1 The following paragraphs discuss only sterling countries which are members of the British Commonwealth. Non-Commonwealth sterling countries are dealt with elsewhere.
substantially increased, fuel and certain chemicals - imports of the basic raw materials for industry and metal semi-manufactures were no longer subject to licensing control. From October, the criteria used in licensing imports of machinery from the dollar area were somewhat relaxed. No significant changes were introduced in the control of imports from non-dollar sources, except that at the beginning of January 1958, quotas for exports from non-dollar countries were established on an annual, instead of semi-annual, basis.

In 1956 Australia had taken a series of counter-inflationary measures to stabilize the level of economic activity and to supplement certain new measures of import restriction taken to safeguard the monetary reserves. Early in 1957 the balance-of-payments position improved significantly and steps were taken in January to allow some relief for certain more essential goods where shortages were appearing. Provisions for increased imports of textiles, capital equipment, machinery and agricultural implements and for the extension of the licensing period from three to four months were the principal features of these measures. In view of the further improvement in the financial situation which was expected to continue, new measures were taken in April to permit a substantial increase in the rate of imports from non-dollar countries covering a wide range of raw materials, industrial equipment and consumer goods. At the same time relaxation of restrictions also took the form of widening the scope of interchangeability of most quotas. In August the level of quotas for a number of items was increased and the "all countries" licensing list of products under global quotas was enlarged from fourteen items to thirty-five. A new control technique limiting licences to sales performance was introduced at the same time, covering some fifty-six items, seven of which were to be licensed on an "all countries" basis. In April 1958 a number of basic materials, such as nickel ingots, fertilizers, ferrous alloys, industrial diamonds, abrasives, mercury, which had already been licensed to meet requirements in full, were exempted from licensing control. Steps were also taken to reduce discrimination against dollar imports; several industrial materials, including chemicals and fibres, were transferred to the category for which quotas were established on a world-wide basis.

The Union of South Africa was also able to relax import restrictions in 1957 on the basis of improvements in its balance of payments. The "restricted list" of goods subject to quota restriction was shortened and many items, including textile piece goods, tractors, photographic material, office equipment, industrial materials, scientific instruments, were included in the list entitling automatic licensing. Permits were issued to meet importers' full requirements of raw materials and machinery. Changes in the regulations first enabled a substantial increase in the import of motor-cars within the lower price range, and later also cars of higher values. Though there was some decline in the gold and foreign exchange reserves in the year relaxation of restrictions was continued. Additional quotas for consumer goods announced in July.
resulted in an increase of about 25 per cent in the quotas for consumer goods for 1957 as compared with 1956. Late in November, the "Restricted", "Priorities" and "Automatic" lists were withdrawn, and imports were divided into three categories, viz. a "free list", a "replacement list" and a "quota list". Goods on the Free List were admitted without licence. All raw materials, consumer stores, industrial plant equipment and spares, most items previously subject to licensing control but enjoying free issue of licenses were to be licensed on a replacement basis or on the basis of actual requirements. Only about 8 per cent of the country's imports remained subject to quota restriction. As a result of further changes made in May 1958, however, certain goods under the replacement system were regrouped for licensing on an ad hoc or quota basis.

With the liberalization measures taken in 1956 imports into the Federation of Rhodesia and Nyasaland from most non-dollar countries had been almost completely free from restriction, the only exceptions being motor vehicles and second-hand clothing; five other items remained under licensing control but were in fact admitted without limitation. Dollar imports had also been substantially freed from restriction. On 1 July 1957 the Federation further liberalized imports from dollar countries, by placing all dollar goods previously subject to liberal licensing on Open General Licence and by transferring a substantial number of other items on to the unrestricted list for free importation for industrial purposes, and for a number of items the dollar quotas were increased. The import control procedure was further simplified.

Under the import control system in Ghana most imports from countries outside the dollar area and Eastern Europe have been free of restriction. Apart from flour, which may be freely imported from the United States and Canada all commercial imports from the dollar area have been subject to licensing control. Up to 1956 all licences for dollar imports were valid for specified classes of goods. In 1957, limited dollar quotas were granted to importers with respect to less essential but desirable imports. Beginning in August, importers who had received dollar allocations were permitted to use their quotas to purchase from the United States and Canada any goods except a few specified items including petroleum products, explosives, ordnance, cars, motion-picture films and gold.

By 1956, as a result of the successive measures of liberalization previously taken, almost 90 per cent of New Zealand's imports from non-dollar countries had been free from restriction and some 153 items were included in a "World Exemption List" for unrestricted importation from all countries including those in the dollar area. This list was further extended in 1957 by the addition of six more items. It was also intended to raise the number of items to seventeen in 1958, the new items including mining machinery, electric railway equipment, etc. Further, the dollar exchange budget for goods under licence was to be increased from £8.8 to £11 million in 1958. Towards the end of 1957, however, it was found that the overall payments surplus of the previous year was replaced by a
substantial deficit in 1957 resulting in a considerable fall in the foreign exchange reserves. Contributing to the deterioration had been an increase in the volume of imports and, in the second half of the year, higher import prices. With reserves falling to a level equivalent to about two months' imports and faced with declining export prices, the Government revised its import control policy for 1958. Effective from 1 January, all exemptions from import control, whether global or otherwise, were revoked and all licences previously issued were cancelled, and import allocations of various proportions were imposed. Exceptions were made for goods already shipped from foreign countries before 31 December 1957, and goods on firm orders might be admitted if necessary as charge against new licences. Internal monetary and fiscal measures were continued and the Government expects that the combined effects of these measures would bring down imports in 1958 to a level near that of 1956, and that the new restrictions would be of short duration. In March 1958 it was publicly announced that for a wide range of goods, licences for imports from the United States and Canada would be issued on the same basis as from other areas, it being recognized that the balance-of-payments problem was one which demanded an overall restraining of imports rather than one aimed at particular countries or areas.

In 1956 India had met with a continuous loss of foreign exchange reserves, principally owing to big increases in imports of capital goods. In order to check the accelerated decline in reserves, the Government introduced certain reductions in the programmed imports for the first half of 1957. Quotas for over 500 items were drastically reduced and for some of them were totally eliminated; the liberal licensing scheme and the practice of granting licences to "new-comers" were discontinued; there was also a tightening of the rules governing the use of quotas. These measures, taken as a whole, were expected to produce a saving of $62 million a year. Controls were further tightened during the interim licensing period July - September 1957, and all imports, excepting those on the Open General Licences from Pakistan, samples, etc., were made subject to licence. The licensing programme for the period October 1957 - March 1958 was somewhat more liberal, but continued to be strict by general standards. In the successive measures, however, discrimination of imports from the dollar area was not increased, but on the contrary was somewhat lessened and stabilized. The import policy for the subsequent six-month period April - September, 1958, remained substantially the same as in the preceding period; only some marginal changes were made to ensure imports of essential raw materials for certain industries.

In Pakistan little change took place in 1957 in its import controls except for the suspension, in August, of licensing imports of the bigger sizes of motor-cars. Some relaxation was seen in the import control policy for the first half of 1958.
The authorities in Ceylon, concerned with the effects of falling export prices and declining reserves, took certain measures in August 1957 to reduce external expenditure. By Central Bank directive, commercial banks increased interest rates on money advanced for the import of "luxury and non-essential" goods - which in effect included radios, cars, refrigerators, silk and nylon goods - increased the margin for the opening of letters of credit for import of such goods and drastically reduced the limits of accommodation in regard to some goods. The very liberal import control system evolved in recent years was, however, not modified.

Continental Western Europe

The industrial countries in Western Europe were the principal beneficiaries of developments in 1957 and many of them added to their gold and dollar reserves. The increases achieved by the Federal Republic of Germany, Italy, Austria and Norway were substantial, whereas certain others, including the United Kingdom, Belgium and the Netherlands, owing to inflationary pressures and speculative flights of capital, met with losses of reserves during the greater part of the year, and consequently had only limited increases in their reserves or merely managed to maintain their previous position. The only exception in Western Europe was France which, in the course of 1957, lost virtually all its official foreign exchange holdings and incurred large external debts.

As early as 1956 a gradual deterioration had set in in France's trade and payments position. The weakening of the reserve position led the French Government to take a number of corrective measures. Early in 1957 the special temporary compensation tax on imports was standardized at a uniform level of 15 per cent and its scope of application was extended. An advance deposit requirement for licensing imports was introduced with the object of reducing liquidity and inflationary pressures. The balance of payments further deteriorated and in June the Government first raised the rate of advance deposits and then decided on the suspension of all trade liberalization, including that of certain dollar imports introduced in 1956. Global quotas on a regional basis were introduced for the goods on which restrictions were thus reimposed, and a ceiling of 700 billion francs was set for imports during the second half of 1957, equivalent to a global reduction of imports of some 11 per cent. These restrictions accompanied a series of internal measures designed to reduce excess demand and to rehabilitate the economy through limiting budgetary expenditure, increasing revenue and restricting credit. In August, substantial adjustments were made in the payments and trade control systems; the special compensation tax on imports was replaced by a standard levy equivalent to 20 per cent of exchange payment for most categories of imports. From 28 October, all incoming and outgoing payments were made subject to the 20 per cent adjustment, thus establishing a new de facto exchange rate for the franc.

The French authorities changed the official rate in 1958, thus dispensing with the levy.
A number of the Western European countries which improved their balance of payments and monetary reserves took some action in relaxing their restrictions on imports. In March 1957 the Federal Republic of Germany took a number of measures to encourage imports. The measure taken to liberalize imports from OEEC countries raised the level of liberalization to 92.6 per cent of private imports on the basis of 1949 trade. In May, the Free List, hitherto applicable to imports from EPU countries, was made applicable to the "partly-convertible D-Mark area" as a whole and new items were added to the list. A new range of imports from the dollar area consisting almost entirely of industrial finished products, was freed from control. The level of liberalization of dollar imports was thereby raised to 93.4 per cent of private imports from the United States and Canada in 1953. In June, in a consultation with the CONTRACTING PARTIES to GATT the Government of the Federal Republic, recognizing that in terms of GATT it was no longer entitled to apply import restrictions on balance-of-payments grounds, undertook to reconsider its policy in the light of this situation. Further liberalization measures came into effect on 1 July 1958, and other measures have been announced to be introduced before 1960.1

In July, Italy extended its dollar liberalization by freeing a group of raw materials, chemicals and engineering and steel products from licensing control, thus bringing its dollar restrictions nearer to the level of restrictions applying to goods of non-dollar origin. The percentage of dollar liberalization thereby rose from 40 to 71 per cent of private imports from the United States and Canada in 1953. These measures were adopted within the framework of the policy followed by the Italian Government to reduce discrimination as the payments position permitted, and to improve the competitive strength of Italian manufactures through reducing costs.

As from July 1957 Sweden exempted from licensing control imports from the dollar area of seventeen important agricultural products, including wheat, rye, flour, sugar and certain vegetables, this liberalization to be valid insofar as the price for similar products of domestic origin remains within certain predetermined limits. On 8 July, following the introduction of a purchase tax on motor vehicles, Denmark added private passenger motor-cars, motor-cycles, trailers and certain other items to its regional free list which specified goods which can be imported from non-dollar countries without limitation. In February 1958 restrictions were removed from a number of imports from the dollar area; the goods added to the dollar free list included such important United States exports as barleys, corn and oats, dried figs, peaches and apricots, almonds, artificial textile fibres, coal and coke, iron products, textile machinery, etc., and the percentage of dollar liberalization was raised from 55 to 66 per cent based on private imports in 1953.

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1 See Part II, page
In November 1956, Norway had enlarged its dollar liberalized list by the addition of more than forty-five items. The same measure was extended in April 1957 to certain fruits, chemical products, machinery and parts. At the same time, its imports from Western European countries were also further liberalized, the proportion of freed imports thereby raised by 2.8 per cent to 80.3 per cent of base year private imports. This percentage was further raised to 81.4 in January 1958.

As a result of successive measures of liberalization, the Netherlands no longer applied restrictions for balance-of-payments reasons on imports from non-dollar sources; only on imports from the dollar area were there some restrictions being retained for payments reasons. Some restrictions, however, have been maintained for other reasons, and there is a common quota list applicable to imports into the three Benelux countries.

In December 1956, because of falling foreign exchange reserves, the Finnish authorities reduced the coverage of automatic licensing under which a considerable number of goods had been admitted freely. In March 1957, the automatic licensing system was discontinued altogether and, after the renegotiation of several trade agreements, was replaced by a more restrictive but less discriminatory import licensing system based mainly on global quotas. These quotas applied to most OEEC countries and to the sterling area end, as in the case of the previous automatic licensing list, a number of items were allowed to be imported on a non-discriminatory basis from the United States and Canada. As dollar imports were included in the new list to a larger extent than previously in the automatic list, the discrimination vis-à-vis dollar imports was reduced. As from 1 October 1957, following the devaluation of the Finnish markka, the Government freed a large number of imports from certain countries in Western Europe. These measures related to imports from those Western countries which had removed their quantitative restrictions on imports of Finnish origin and which granted Finland the benefit of their multilateral payments arrangement. The freeing of imports first took the form of automatic licensing; subsequently, on 9 December 1957, the licensing requirement for these imports was abolished altogether. By April 1958, the liberalization percentage for imports from Western European countries had been raised to 81 per cent on the basis of 1954 trade.

In December 1956, the Icelandic import restrictions were radically altered and a number of new or increased levies on imports were introduced. Previously, Iceland operated two kinds of free list, the "normal" free list, consisting of goods which could be imported without an import licence, and the "conditional" free list, consisting of goods which could be imported against certificates issued on payment of a premium which financed a subsidy to the fishing-boat industry. Under the new regulations, the import certificate system, and with it the "conditional" free list, has been abolished and a new free list established which incorporates, with some modifications, the items in the previous "normal" free list and the "conditional" free list.
Latin America

The countries of Latin America, as producers of primary commodities, naturally bore the brunt of the falling prices in 1956 and especially in 1957. Among the countries adversely affected, most notably were the metal producing countries. The combined effect of falling export earnings and domestic inflation brought about in 1957 a serious decline in the gold and foreign exchange reserves of many of the countries in this region.

As the world's largest exporter of liquid fuels, Venezuela was an exception to this tendency. In 1957 it added substantially to its gold and dollar reserves until the fourth quarter. Though a less spectacular growth may be expected in its economy in the near future the country is unlikely to be faced with difficult problems of adjustment. No major change was made in its import control system, under which only a few items of imports were subject to licensing or quota restriction for protective reasons; new restrictions were applied in 1957 to the import of shoes and in 1958 to iron and steel bars.

Among the other Latin American countries, Ecuador and Paraguay were able to reduce reliance on import restrictions. In March 1957, Ecuador simplified its exchange structure by abolishing the so-called "special free rate" of exchange. Various goods, including textiles, radios, motorcars of the more expensive types (and, later, matches) were removed from the prohibited list and might be imported at the free market exchange rate. With a simplification of its multiple exchange structure, Paraguay, in August, ceased to apply quantitative restrictions on imports. A surcharge on imports was replaced by prior deposits at five different rates. These rates were raised slightly in May 1958. Imports from certain neighbouring countries are exempt from this requirement.

In Colombia, though there was a substantial increase in the gold and dollar holdings in the first half of 1957, fundamental causes which threatened imbalance in its payments were not eliminated. At the beginning of the year, imports were admitted under a new scheme, involving the use of exchange certificates, stamp taxes and prior deposits at different rates. After the installation of a new government a fundamental reform in the foreign exchange system took place in June 1957. The number of exchange rates were reduced to two - a fluctuating certificate-market rate, which applied to all trade and most invisibles and a separate free market rate for other transactions; a 15 per cent tax was imposed on the proceeds from exports and a 10 per cent levy on imports; import restrictions were abolished except for those on goods included in a prohibited list which was being maintained on a provisional basis. The advance deposits which had previously been at 40 per cent and
80 per cent of import values were reduced to 20 per cent. In September, however, this was raised to 100 per cent for a wide range of goods. After substantial changes were made in the import control system in March 1958 the restrictions were drastically tightened in April; licensing control was reimposed on a number of items and other imports previously subject to quota control were prohibited.

In April 1956, Chile had introduced a new exchange system and suspended the use of direct quantitative import controls. Under this system all goods included in an import list were admitted at the free market rate of exchange, but subject to advance deposits at various rates. The list of permitted imports was enlarged in September 1956. In 1957, the country continued to be faced with inflationary pressures and the unfavourable trend in the world markets for metals, particularly copper, again placed strains on its balance of payments. Advance deposit rates were raised in February 1957, but a relief was granted in June for certain essential items. In view of the further decline in copper prices measures were taken in September and December to reduce foreign expenditure. The prior deposits for many items were increased. As of 7 February 1958 the rates ranged from 5 per cent for essentials to 1,500 per cent for motor vehicles.

With the introduction of a new exchange system in August 1956, some imports into Uruguay had been freed from licensing control while others remained under quota. Most imports were subject to exchange surcharges and prior deposits at various rates. In 1957, mounting budgetary deficits were accompanied by a continual decline in gold and foreign exchange holdings. In October difficulties in the wool exporting trade prompted the authorities to suspend all imports at the preferential rate of 2.10 pesos to the United States dollar and to close down the whole controlled foreign exchange market except for export deals. Importers were thus compelled to resort to the free exchange market. The controlled exchange market was re-opened in November for a few essential fuels, basic raw materials and foodstuffs, when adjustments were also made in the arrangements under which exchange proceeds from wool exports were to be negotiated by exporters. Under the new system introduced in November, only a few specified goods were allowed in at the controlled market rate of exchange. All other imports were now required to be paid at the free market rate. A short list of goods was permitted to be imported before the end of January and February, other imports being presumably banned. These measures were subsequently extended to be valid until 31 January 1958 and again until 30 June. It has been reported that the total of licences issued for the seven months ending 30 June 1958 was substantially lower than in the previous months.
In the case of Argentina, gold and foreign exchange reserves continued to decline in 1957. In April, primarily with a view of reducing demand for exchange on the free exchange market, the authorities imposed an advance deposit requirement on certain imports. The deposits varied between 20 and 100 per cent of the f.o.b. value of the imported goods and were refundable after ninety days. Beginning in 1958 the requirement was extended to cover imports payable at the official rate and made refundable after 120 days. During 1957 measures were taken to direct imports from non-dollar sources, particularly from countries with which Argentina maintained multi-partner or bilateral payment agreements; for example, in the spring of 1957 automatic granting of currency was announced for the import of various chemicals from certain European and sterling area countries, and the issue of all import permits was suspended in May 1958, but was resumed soon afterwards for import from neighbouring countries; certain countries were designated as the sole sources from which a selected group of commodities might be imported.

No substantial change took place in the Brazilian system of imports, under which only a "Special Category" and a few other specified imports were subject to licensing control in relation to the auction of foreign exchange. The pressures in the balance of payments have been reflected in increases in auction premia for foreign exchange.

Other Countries

External reserves of most Asian countries declined in 1957. In the first nine months Japan faced a substantial decline in its gold and foreign exchange holdings principally due to large increases in imports of raw materials and durable goods. Early in the year restrictive internal monetary and fiscal policies were initiated to restrain domestic demand, and various measures were taken to tighten the financing of imports. In June the Government took measures to curb the import of non-essentials. The new regulations raised the "guarantees" which importers had to deposit when applying for authorization to import non-essentials. As a result of these measures imports of tobacco, coffee, liquor, cocoa, cheese and certain other items were expected to fall. The amount which importers had to deposit in advance with the Bank of Japan in order to obtain foreign exchange allocations was raised by 3 to 5 per cent to a ceiling of 35 per cent. Furthermore, all guarantees had to be deposited in cash and could no longer be effected in national bonds or documentary credits as in the past. The import budget for the six-month period from April to September 1957 had provided for imports substantially higher than the level in the corresponding months of 1956. The subsequent six-monthly import budget was, however, substantially reduced. In May 1958 the rates of deposits were reduced and the requirement was made applicable to luxuries and non-essentials only.

In Indonesia the serious shortage of foreign exchange which began in 1956 had brought on severe restrictions on imports involving exchange levies ranging up to 400 per cent of the import value and the use of foreign exchange certificates, which were issued to exporters, for purchases of certain luxury goods. Certain imports were suspended in
January 1957 on the grounds of adequate supply from local production. The issue of import licences was suspended in April 1957, except for imports under special schemes, pending a further review of the exchange system. The suspension was partially relaxed at the beginning of June, and the importation of certain essential goods was resumed under licence. A new system of import controls came into force on 20 June under which all external transactions were conducted through an open exchange certificate market; the exporter received a so-called Bukti Ekspor certificate equivalent to the value of his exports and importers must purchase such Bukti Ekspor certificates after acquiring an import licence. Bukti Ekspor certificates were sold at rates set by the Bank of Indonesia on the basis of supply and demand and subject to a 20 per cent transaction tax. Import surcharges remained to be levied but at rates lower than those prevailing before the change. Further changes were introduced in February 1958 which seemed to have a restrictive effect on imports.

In spite of a weakening in its reserve position during the first half of 1957 caused by increased imports, Burma continued to relax its import restrictions. The coverage of the Open General Licence was extended by the issue of a new licence covering additional categories of consumer goods. With a view to bringing down the price of essential imports, larger amounts of foreign exchange were allocated in the import budget for imports which were subject to individual licence. In December 1957, however, a more strict control of imports was introduced through the new requirement that all applications to open letters of credit in respect of imports under Open General Licence must be submitted for prior approval by the Central Bank.

General

Taking the world as a whole, no substantial change appears to have taken place in 1957 in the use of quantitative import restrictions. Western European countries were generally preoccupied with the setting up of the European Economic Community and the negotiations for a free trade area, and in view of the recessional tendencies in North America, were scarcely prepared to take momentous steps in dismantling the remaining fraction of the restrictions. Further, the scope of the restrictions in many of these countries has been reduced to an extent where further liberalization has become increasingly difficult for economic and social reasons. This is particularly true of the restrictions remaining on agricultural imports. Outside Europe, some countries e.g. Australia, the Union of South Africa and the Federation of Rhodesia and Nyasaland were able to relax their import controls, while others e.g. India, Japan, New Zealand did not succeed in avoiding the use of
intensified restrictions. In Latin America, up to the first half of 1958, the more flexible regimes of import and exchange controls that had been evolved in preceding years were maintained, though future prospects in this regard would seem to depend heavily on developments in the commodity markets and in capital movements. The more widespread use and increased reliance on advance deposits connected with the licensing of imports also reflects the general recognition of the close relationship between excess internal liquidity and disequilibrium in the balance of payments.