Introduction

1. Under paragraph 1(g) of Article XIV of the General Agreement the CONTRACTING PARTIES are required to report annually on any action still being taken by contracting parties under the provisions of Article XIV which permit the use of discrimination in the application of import restrictions imposed for balance of payments reasons. Discriminatory restrictions which are not claimed to be justified on balance of payments grounds are not dealt with in this report. The present report has been drawn up by the CONTRACTING PARTIES at their fifteenth session held in Tokyo during October-November 1959.

2. At present, twenty-five of the thirty-seven contracting parties state that they maintain restrictions on imports to safeguard their balance of payments. These are: Australia, Austria, Brazil, Burma, Ceylon, Chile, Denmark, Finland, France, Ghana, Greece, India, Indonesia, Italy, Japan, Federation of Malaya, New Zealand, Norway, Pakistan, Federation of Rhodesia and Nyasaland, Sweden, Turkey, Union of South Africa, United Kingdom and Uruguay. Of these contracting parties, Ceylon, Indonesia, Pakistan and the Union of South Africa state that they are not acting under any of the provisions of Article XIV. The remaining twenty-one countries applying restrictions for balance of payments purposes are exercising some degree of discrimination as between sources of supply under Article XIV, as follows:
Relevant paragraph of Article XIV: Contracting Party

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<th>Paragraph 1 (b)</th>
<th>Austria</th>
<th>Finland</th>
<th>Japan</th>
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<td>Brazil</td>
<td>France</td>
<td>Norway</td>
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<td>Burma</td>
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<td>Chile</td>
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<td>Denmark</td>
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<th>Paragraph 1 (c)</th>
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<th>Paragraphs 1 (b) and 1 (c)</th>
<th>Australia</th>
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<th>Paragraph 1 (d) - (Annex J)</th>
<th>Ghana</th>
<th>Federation of Rhodesia and Nyasaland</th>
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<td></td>
<td>Federation of Malaya</td>
<td>United Kingdom</td>
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3. The other twelve contracting parties, namely Belgium, Canada, Cuba, Czechoslovakia, the Dominican Republic, the Federal Republic of Germany, Haiti, Luxemburg, the Netherlands, Nicaragua, Peru and the United States, state that they do not have recourse to Article XII to restrict imports for balance of payments reasons. Among these the Netherlands informed the CONTRACTING PARTIES in February 1959 that it ceased to resort to the provisions of Article XII.

4. While all the twenty-one countries listed in paragraph 3 above are resorting to the provisions of Article XIV or Annex J, it should be noted that the degree of balance of payments discrimination used by them varies considerably as does the level of their import restrictions. As a result of successive measures taken in past years, the extent of discrimination by many contracting parties appears to be small; in some other cases, much remained to be done.

5. In the period under review important steps have been taken by several contracting parties to remove discriminatory dollar restrictions in particular from their import control system. During 1958 there was a substantial improvement in the balance of payments position of the non-dollar world. The gold and dollar reserves of countries outside of the United States increased by roughly $4 billion in 1958. This was a particularly large increase and countries outside the United States had in fact acquired reserves from the United States during nine of the preceding ten years [aggregating $14 billion]. Although this is an overall picture to which there are exceptions—notably many of the primary producing and less-developed countries did not share in the increase in reserves—many of the countries outside the dollar area had by the end of 1958 achieved a high degree of financial stability and high levels of productivity. Perhaps of more fundamental importance is the fact that these countries by that time had fully regained the power to compete successfully in all world markets.

6. These were some of the underlying conditions which led to the establishment of the external convertibility of most of the major currencies at the end of 1958.
7. While prior to these developments there had been gradual progress in the reduction of dollar discrimination, and in the relaxation of quantitative import restrictions generally, as payments positions improved, the establishment of external convertibility had special significance for discrimination. It eliminated the distinction between important trading currencies and with it were appreciated major moves in the direction of removing dollar discrimination. This process has continued in 1959 until at the present time the scope of the restrictions which the contracting parties would justify under the provisions of Article XIV has been greatly reduced.

8. The following paragraphs note the more important changes in discriminatory import restrictions which took place in the past year, most of them since the introduction of external convertibility by a number of countries in December 1958 and shortly thereafter.

Recent Changes in Discrimination

9. In August and September 1958, the United Kingdom announced the removal of restrictions from a wide range of products including discriminatory dollar restrictions on industrial, agricultural and office machinery, and Colonial Governments were also invited to relax their restrictions. Further important relaxations in the United Kingdom controls on imports of goods from the dollar area were announced in May 1959. The effect of these measures was to remove quantitative restrictions on a wide range of goods from the dollar area, to open to the dollar area global quotas covering some other imports and to increase dollar quotas.

10. Important liberalization measures were also introduced by all United Kingdom dependent overseas territories. These measures which had been taken in two stages became effective as from 1 January 1959 and 1 July 1959. As a result, most territories have reduced to a very small list the items which are subject to no special restrictions when imported from the dollar area.

11. Discrimination was removed by Australia for a number of capital equipment items imported from the dollar area in August 1958, and for a further list of dollar products in December. On 1 April 1959, the Australian Government removed licensing discrimination against about 330 items of dollar imports. The items in question cover trade worth about £170 million a year and represented about 20 per cent of all Australian imports. Up to that date 50 per cent of Australian imports had been freed from currency discrimination and from 1 April, 70 per cent were licensed on a non-discriminatory basis. Effective 1 August 1959, still further licensing discrimination was removed for dollar imports. As a result of this latest relaxation of restrictions on imports from the dollar area, about 90 per cent of Australian imports could come from any source. For the remaining 10 per cent, provision was being made to widen trade with the dollar area and it was the stated intention of the Government to proceed towards the lifting of the remaining controls on dollar imports.

12. In New Zealand, despite a reduction in the level of imports in 1959, dollar discrimination was substantially reduced through the introduction of global licences on a much wider basis. The licensing schedule for 1960 reduced discrimination further by a reduction in the number of items which remain subject to separate licensing when imported from dollar area countries.
The only goods still affected by this limitation are motor vehicles (but not spare parts) and timber. The token import scheme which was temporarily suspended has been reintroduced and extended under the 1960 licensing schedule so as to apply to imports from all sources. In January 1959 controls on all dollar imports into Western Samoa were removed subject to the requirement that the goods were genuinely required for use within Western Samoa, and that Western Samoa's overseas funds were adequate to permit continuation of unrestricted imports.

13. The Federation of Malaya announced in December 1958 that effective 1 January 1959, import restrictions would be removed on twenty-three items from the dollar area. In July 1959 the Governments of Singapore and the Federation of Malaya, which apply co-ordinated import control policies, announced that discriminatory restrictions on the direct import of dollar goods would cease as from 1 August. All goods, with the exception of radios, watches and motor vehicles, might now be imported freely under open general licence from the dollar area as well as from OEEC countries. Previously, all imports from the dollar area could only be made through Hong Kong. The change, by enabling direct importations, had the effect of reducing the landed cost of dollar imports by from 5 to 7 per cent.

14. India has extended some of the licences which had previously been granted for imports from soft-currency countries only to apply to dollar goods also. More recently a further relaxation has been announced in that applications for conversion of these licences up to the full value for imports from the dollar area are considered on merits.

15. The Federation of Rhodesia and Nyasaland also announced important changes in its import licensing system following the move to external convertibility. Controls were removed from a number of goods originating in the dollar area. Further steps in the same direction were taken in September 1959.

16. On 10 July 1959 the Government of Ghana announced the liberalization of seven categories of imports from the dollar area. Prior to these liberalizations, individual licences were required for the import into Ghana of all dollar goods other than wheat flour.

17. Effective 1 January 1959 Norway expanded the dollar import free list to include all goods at that time freely imported into Norway from OEEC countries. In February, Denmark extended the application of the OEEC free list to the dollar area; by this move, the liberalization percentage for dollar imports has been raised from 70 to 80 per cent. Sweden has during 1959 gradually continued to liberalize imports from the dollar area. As of 1 November 1959, the level of liberalization based on imports in 1958 will be about 88 per cent, or almost the same percentage as for the OEEC area. In April 1959, Finland enlarged the dollar allocations within the global quotas thus permitting dollar imports under 25 out of a total of 32 global quotas. At the same time, the liberal licensing procedure for dollar imports was considerably extended.

18. In Western Europe, the Government of France announced on 18 December 1958 that effective January 1959 quantitative restrictions would be abolished in respect of about 40 per cent (1948 basis) of imports from OEEC countries and their overseas territories, and in respect of 13 per cent (1953 basis) of imports from Canada and the United States. The quotas for certain imports which were not to be affected by the new liberalization measures were to be increased by
20 per cent. In accordance with these decisions, a wide range of raw materials imported from the dollar area and from non-OEEC countries were freed from quota restriction on 13 January 1959. Further liberalization measures were taken on several occasions in 1959. As a result, over 93 per cent of goods from the OEEC area (1948 basis) and over 60 per cent of dollar goods (1953 basis) have been freed from quantitative restrictions.

19. Early in 1959 the Government of the Netherlands freed from quantitative restrictions a number of imports from dollar countries. Although licences were still required they were to be granted automatically for the products in question. This measure eliminated the differentiation which had existed between imports into the Netherlands from dollar and Western European countries, and the Netherlands declared that it no longer applied restrictions on balance-of-payments grounds.

20. In June 1959, Italy increased the number of liberalized dollar items from about 1000 to approximately 3800. This level of liberalization was raised to over 80 per cent (on the basis of 1953 trade) of total private imports from the United States and Canada.

21. In January 1959 Japan removed dollar discrimination under the Automatic Approval system on 217 items and in April on three more items. As a result, the remaining dollar discrimination now applies only to 10 out of 786 items in this licensing category.

General Observations

22. In 1959, as in other years, the consultations held by the CONTRACTING PARTIES on import restrictions applied for balance-of-payments reasons contributed considerably towards a clearer understanding of the various measures which contracting parties had taken in implementing their restrictions, as well as to a better understanding of the adverse effects which the maintenance of restrictions had both on the countries that were applying them and on their trading partners.

23. The considerable progress which has recently been made in the general relaxations of restrictions has been accomplished with no serious ill-effects to the reserve and balance-of-payments position of the manufacturing countries taken as a group. In some countries, as a result of automatic licensing arrangements, this progress was in fact greater than the formal position would indicate. Those countries which reduced or discarded discrimination in 1959 in the administration of their import restrictions have not suffered in consequence an inordinate inflow of dollar goods nor a threat to their monetary reserves. In fact, developments in 1959 have been generally favourable and the aggregate monetary dollar reserves of the countries outside the United States have continued to rise.

24. Despite the recent progress which has been made, discriminatory import restrictions are still being applied by a number of countries on a significant proportion of trade. Further, whereas there have been important steps in the
removal of dollar discrimination as described above, progress in the removal of
discrimination against imports from certain other sources has been less
pronounced. For example, some countries in Western Europe have not completely
extended OEEC liberalization to non-OEEC countries, while other OEEC countries
have extended full OEEC treatment only to specified areas such as the outer
sterling area countries. In certain other parts of the world also some
discriminatory restrictions against non-dollar as well as against certain
dollar countries continued.

25. Despite the fact that in certain cases imports from sources which are
officially subject to discrimination are being licensed liberally, trade
continues to be significantly damaged by discriminatory practices. Further
a number of countries continue to operate bilateral arrangements which
contain certain elements of trade discrimination.

26. [to be drafted]