When dealing with long-term rules for balance-of-payments restrictions coming into force after the introduction of convertibility, it is important to be aware of the various conditions having to be fulfilled if such a system of multilateral trade and payments is to work in a satisfactory manner.

First of all, countries participating in a system of convertible currencies should pursue economic policies aiming at full employment and a growing volume of real income and effective demand. Furthermore, they should seek to avoid inflationary or deflationary pressures within their own economies in order not to create balance-of-payments difficulties, neither for themselves nor for other countries.

The future of GATT-rules concerning balance-of-payments restrictions should, in the opinion of the Norwegian delegation, be worked out in such a manner as to give as much assurance as possible to the fulfilment of the above-mentioned conditions. This cannot be done only by introducing stricter rules for the use of balance-of-payments restrictions. Though the free flow of commodities is one of the main features of a multilateral trade and payments system, the trade liberalisation cannot be regarded as an end in itself. Stricter rules concerning quantitative restrictions for balance-of-payments restrictions give no sufficient guarantees for an expansive economic development in all countries, nor do they necessarily ensure the highest level of international trade with an optimum of international division of labour after the main currencies have become convertible.

As stated in the Plenary Debate, the Norwegian delegation regards the risk of spreading inflation and deflation and thus the risk of creating international economic crises as much greater in a convertible world, because in a multilateral trade and payments system the economies of all countries are more closely linked with each other. Both inflation and deflation in some countries may prevent other contracting parties from maintaining or achieving the objectives of the Agreement. For the purpose of ensuring that each country shall endeavour to avoid inflationary and deflationary pressures when carrying out the above-mentioned policies, the Norwegian delegation would like to see included in the
revised Agreement a new article enabling a member country under well-defined conditions and with the consent of the CONTRACTING PARTIES to discriminate against a country in order to safeguard its economy against deflationary tendencies from abroad. Furthermore, the CONTRACTING PARTIES should be enabled to resolve that a country which is pursuing an inflationary policy, under certain circumstances, shall not be permitted to institute import restrictions under Article XII. The Norwegian delegation is of the opinion that provisions along these lines to a greater extent would place a positive pressure on each country to carry out an expansive economic policy without creating either inflationary or deflationary pressures, and would thus secure a sound basis for our common efforts to abolish import and export restrictions.

The Norwegian delegation therefore proposes a new article for insertion between the present Articles XIV and XV reading as follows:

ARTICLE

Safeguards against Inflationary or Deflationary Pressure from Abroad

1. The CONTRACTING PARTIES recognize the right of a contracting party within the provisions of this Agreement to take action to safeguard its economy against inflationary or deflationary pressure from abroad.

2. If in a contracting party there is a deflationary pressure which causes a contraction in the level of imports while the level of exports is maintained or increased, and the contracting party's balance of payments thereby is tending to be exceptionally favourable, and other contracting parties by a decrease in their level of exports to that country have been prevented from fulfilling their obligations to achieve or maintain the objectives of this Agreement, the CONTRACTING PARTIES may, notwithstanding the provisions of Articles XI and XIII of this Agreement authorize any other contracting party to restrict the quantity or value of merchandise imported from that country subject to such limitations as the CONTRACTING PARTIES may impose. Such restrictions shall not be deemed to be a nullification or impairment under Article XXIII.

3. If in a contracting party there is an inflationary pressure which causes an increase in the level of imports which is not outweighed by a corresponding increase in income or loans from abroad, and the country thereby is placed in a balance-of-payments situation which will authorize it to institute import restrictions under Article XII of this Agreement, and if such restrictions, by the effect they will have for the exports of other contracting parties will prevent those other contracting parties from achieving or maintaining the objectives of this Agreement, the CONTRACTING PARTIES may, with due regard to the provisions of sub-paragraph 3(b) of Article XII, resolve that the contracting parties shall not be permitted to institute import restrictions under Article XII.