Restrictions to Safeguard the Balance of Payments

1. Members may need to use import restrictions as a means of safeguarding their external financial position or as a step toward the restoration of equilibrium in their balance of payments on a sound and lasting basis, particularly in view of their increased demand for imports needed to carry out their domestic employment, reconstruction, development or social policies. Accordingly, notwithstanding the provisions of Article 25, any Member may restrict the quantity or value of merchandise permitted to be imported in so far as this is necessary to safeguard its balance of payments or monetary reserves.

2. The use of import restrictions under paragraph 1 shall be subject to the following requirements:

(a) no Member shall impose new restrictions or intensify existing restrictions except to the extent necessary to stop or to forestall the imminent threat of a serious decline in the level of its monetary reserves or, in the case of a Member with very low monetary reserves, to achieve a reasonable rate of increase in its reserves; due allowance being made in each case for any special factors which may be affecting the level of the Member's reserves, for any commitments or other circumstances which may be affecting its need for reserves, and for any special credits or other resources which may be available / to protect
to protect its reserves.

(b) Members shall eliminate the restrictions when conditions would no longer justify the imposition of new restrictions under sub paragraph (c), and shall relax them progressively as such conditions are approached.

(c) Members shall not apply the restrictions in such a manner as to exclude completely imports of any class of goods.

3. (a) Any Member which is not maintaining restrictions under paragraphs 1 and 2 but which is considering the need for their imposition, shall, before imposing such restrictions (or, in circumstances in which prior consultation is impracticable, immediately following upon the imposition of such restrictions) consult with the Organization as to the nature of its balance of payments difficulties, the various corrective measures which may be available, and the possible effects of such measures on the economies of other Members. The Organization shall invite the International Monetary Fund to participate in the consultations. No Member shall be required during such discussions to indicate in advance the choice or timing of any particular measures which it may ultimately determine to adopt.

(b) The Organization may at any time invite any Member applying import restrictions under paragraphs 1 and 2 to consult with it about the form or extent of the restrictions, and shall invite a Member substantially intensifying such restrictions to consult accordingly within thirty days. Members thus invited shall participate in such discussions. In the conduct of such discussions the Organization shall consult the International Monetary Fund and any other appropriate specialized inter-governmental agencies, inter-governmental organizations, in particular with regard to the alternative methods available to the Member in question of meeting its balance of payments difficulties. The Organization shall,
not later than two years from the day on which this Charter enters into force, review all restrictions existing on that day and still maintained under paragraphs 1 and 2 at the time of the review.

(c) Any Member may consult with the Organization with a view to obtaining the prior approval of the Organization for restrictions which the Member proposes, under paragraphs 1 and 2 to maintain, intensify or impose, or for the maintenance, intensification or imposition of restrictions under specified future conditions. The Organization shall invite the International Monetary Fund to participate in the consultations. As a result of such consultations, the Organization may approve in advance the maintenance, intensification or imposition of restrictions by the Member in question in so far as the general extent, degree and duration of the restrictions are concerned. To the extent to which such approval has been given, the action of the Member applying restrictions shall not be open to challenge under sub-paragraph (d), on the ground that such action is inconsistent with the provisions of paragraphs 1 and 2.

(d) Any Member, which considers that any other Member is applying import restrictions under paragraphs 1 and 2 in a manner inconsistent with the provisions of those paragraphs or of Articles 27 and 28, or in a manner which unnecessarily damages its commercial interests, may bring the matter for discussion to the Organization. The Member applying the restrictions shall then participate in discussions of the reasons for its action. The Organization shall, if it is satisfied that there is a prima facie case that the complaining Member’s interests are adversely affected, consider the complaint. It may then, after consultation with the International Monetary Fund on any matter falling within the competence of the Fund, and, if it considers desirable, after submitting observations to both parties with the aim
of achieving a satisfactory settlement of the matter in question, recommend the withdrawal or modification of restrictions which it determines are being applied in a manner inconsistent with the provisions of paragraphs 1 and 2 or of Articles 27 or 28 or in a manner which unnecessarily damages the interests of another Member. If the restrictions are not withdrawn or modified in accordance with the recommendation of the Organization within sixty days, such other Member shall be released from such obligations incurred under this Charter towards the Member applying the restrictions as the Organization may approve.

(e) The Organization, in reaching its decision under sub paragraph (d) shall not recommend the withdrawal or general relaxation of restrictions on the ground that the existing or prospective balance of payments difficulties of the Member in question could be avoided by a change in that Member's domestic employment, reconstruction, development or social policies. In carrying out such domestic policies, however, Members shall pay due regard to the need for restoring equilibrium in the balance of payments on a sound and lasting basis.

4. In giving effect to the restrictions on imports under this Article, a Member may select imports for restriction on the grounds of essentiality of other imports to essentiality in such a way as to give priority to imports required by its domestic employment, reconstruction, development or social policies and programmes. In so doing the Member shall avoid all unnecessary damage to the commercial interests of other Members.

If there is persistent and widespread application of import restrictions under this Article, indicating the existence of a general disequilibrium which is restricting international trade, the Organization shall seek consultation with the International Monetary Fund. The Organization may then,
in collaboration throughout with the Fund, initiate discussions to consider whether other measures might not be taken, either by those countries whose balances of payments are under pressure or by those countries whose balances of payments are tending to be exceptionally favourable, or by any appropriate intergovernmental agency or organization to remove the underlying causes of the disequilibrium. On the invitation of the organization Members shall participate in such discussions.

6. Throughout this Section the phrase "import restrictions" includes the restriction of imports by state-trading organizations to an extent greater than that which would be permissible under Article 32 (provided that no Member shall be required to disclose information which would hamper the commercial operations of such a state-trading organization).

7. Members recognize that in the early years of the organization all of them will be confronted, in varying degrees, by problems of economic adjustment resulting from the war. During this period the Organization shall, when required to take decisions under this Article or under Article 2C, take full account of the difficulties of post-war adjustment.