1. The United Kingdom Delegation attaches great importance to the provision of appropriate rules to govern the imposition of quantitative restrictions by countries which are in balance of payments difficulties. It is important to frame rules which are, on the one hand, sufficiently flexible to safeguard the legitimate interests of countries in balance of payments difficulties without, on the other hand, leaving open the possibility of widespread use of quantitative restriction for other purposes.

2. We consider that the decision whether a country is in balance of payments difficulties must be left to that country. But it is correspondingly necessary that provision should be made for complaint by member countries whose interests are adversely affected and for appropriate action to be permitted by ITO (after consultation where appropriate with IMF) if it can be shown that the restrictions are being applied inconsistently with the purpose of the main provision.

3. We envisage provisions on the following lines:

(a) Members may impose restrictions only to the extent necessary to protect their monetary reserves from present or expected decline or to prevent them from falling below the level of safety. Correspondingly, these restrictions must be reduced in intensity - and if necessary abolished
altogether - if the member's monetary reserves are growing and have exceeded a safe level. [Paragraph 1 of the draft in Annex]

(b) A transitional period for each member country lasting until 31 December 1949, subject to extension with permission of ITO after consultation with IMF. During this period the member has the right to maintain discriminatory import restrictions, but undertakes to exercise this right as little as possible. [Paragraph 2 (a)]

(c) After this transitional period, import restrictions must be non-discriminatory except in certain special cases. [Paragraph 2 (a), (b) and (c)]

(d) Non-discrimination in the administration of import restrictions to be defined. The desired principle is that import licences and quotas should not specify the source of supply, but this is not always applicable. [Paragraph 3]

(e) If a member has complaint against any other member's application of import restrictions, it can raise the matter with ITO. If ITO decides, after consultation with IMF in appropriate cases that the restrictions are being improperly applied, and they are not withdrawn, ITO may give permission to the complaining country and others to take such action as ITO may specify. [Paragraph 5]

(f) Some provisions must be made for investigation and remedial action if a fundamental disequilibrium in the international balance of payments results in the persistent and widespread application of quantitative import restrictions. [Paragraph 6]

We attempt to put these ideas into formal shape in the draft Article annexed. This draft Article would take the place of
5. This draft is on the assumption that, in respect of the related problem of exchange restrictions, Chapter III, Section F, of the United States Proposals of December 1946 (requiring common membership of ITO and IMF) would be followed and not the provision of Article 23 of the United States Draft Charter.
ANNEX

DRAFT ARTICLE

RESTRICTIONS TO SAFEGUARD THE BALANCE OF PAYMENTS

Members are entitled to impose or maintain restrictions on the quantity or value of merchandise permitted to be imported as an aid to the restoration or maintenance of equilibrium in their balance of payments or to the restoration of their reserves to a safe level. This provision is subject to the following conditions and qualifications:-

1. Members may impose or maintain import restrictions insofar as they are necessary to safeguard their balance of payments and monetary reserves, but they undertake to observe the following principles in administering them:-

(a) To refrain from imposing new or intensifying existing restrictions except to the extent necessary (having due regard to any special factors which may be affecting the level of reserves) to prevent or stop a serious decline in monetary reserves or to prevent them from falling below the level of safety or to avoid the need for drawing unduly upon special credits to protect their reserves;

(b) To expand imports - if necessary reducing restrictions to the point of elimination - to the extent necessary to correct a substantial or persistent growth in monetary reserves, except where such growth is needed to restore reserves to a safe level or where it is caused by capital imports which are not likely to recur in future years.
(c) Any imposition of new import restrictions or intensification of existing restrictions in pursuance of
(a) shall not be carried to the point at which it involves the complete exclusion of imports of any class of goods;
(d) Members imposing new or intensifying existing restrictions under (a) above undertake to inform the ITO. In addition, all members applying restrictions under this Article undertake, if requested to consult the ITO.

2. Import restrictions applied by a member under this Article shall be non-discriminatory, except for:

(a) restrictions imposed in conformity with Article VII of the IMF Agreement, relating to scarce currencies;
(b) restrictions to enable members to use balances of inconvertible currencies for buying imports. Arrangements which a member may make for the conduct of trade with countries having inconvertible currencies shall be subject to discontinuance or modification in the event of the ITO finding that they are contrary to the purposes of the Organization;
(c) restrictions to assist, by measures not involving a substantial departure from the general rule of non-discrimination, a country whose economy has been disrupted by war. The provisions of this sub-paragraph will cease to operate at 31 December 1949.
(d) restrictions imposed by any member during a postwar transitional period. Members exercising their rights under this sub-paragraph shall administer their import restrictions so as to promote the maximum development of multilateral trade during that period and shall not
depart from the rule of non-discrimination except to the extent necessary to prevent a serious decline in the member's reserves of gold and convertible currencies.

Members shall withdraw discriminatory restrictions maintained or imposed under this sub-paragraph as soon as possible and in any event not later than 31 December 1949, unless this period is extended in the case of any particular member by the Organization after consultation with the International Monetary Fund. The Organization may further make representations to any other member regarding any matter in which it considers that the member imposing restrictions under this sub-paragraph could be assisted to reduce or eliminate their discriminatory application.

3. Definition of non-discrimination, stating that where possible import licences and quotas should not specify the source of supply.

4. Quantitative import restrictions shall be deemed non-discriminatory if they are applied, in a manner otherwise consistent with (3), by a group of territories which have a common quota in IMF, against imports from other countries.

5. Any Member-Country which considers that any other Member-Country is applying import restrictions in a manner inconsistent with the provisions in paragraphs (1) to (4) above, or in a manner which unnecessarily damages its commercial interests, may bring the matter for discussion at the ITO, and the Member-Country imposing the restrictions undertakes to discuss the reasons for its action. The ITO may, after consultation with the IMF on any matter falling within the competence of the IMF,
recommend that the restrictions are being applied in a manner
inconsistent with the provisions of paragraphs (1) to (4) of
this Article or in a manner which unnecessarily damages the
commercial interest of another member. If these restrictions
are not withdrawn or modified as the case may be within
sixty days, other Member-Countries shall be released from
such obligations incurred under this Charter towards the
country applying the restrictions, as the ITO may specify.

6. If there is persistent and widespread application of
quantitative import restrictions under this Article, the ITO
shall, at the request of three or more members, inform the
IMF of the existence of an apparent disequilibrium which is
restricting international trade. The ITO may then in
collaboration throughout with IMF, 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
international institution or institutions, to remove the
underlying causes of the disequilibrium. Member-Countries
agree that they will take part in such discussions.

7. Throughout this section the phrase "quantitative import
restrictions" includes the restriction of imports by State
Trading Organizations to an extent greater than that which
would be permissible under Article 27 of this Charter.