

Working Party 4 on Balance-of-Payments  
Import Restrictions

RESTRICTED

26 February 1955

DRAFT REPORT TO THE CONTRACTING PARTIES

I. The Fifth Annual Report under Article XIV:1(g)

1. Under paragraph 1(g) of Article XIV the CONTRACTING PARTIES are required to report annually on the action still being taken by contracting parties under the provisions of that Article. As instructed by the CONTRACTING PARTIES the Working Party prepared such a report for 1954. The text of the report, which has been circulated as I/331 is hereby submitted to the CONTRACTING PARTIES for approval.

2. In preparing that text the Working Party referred to a preliminary draft prepared by the secretariat on the basis of the statements sent by the governments applying restrictions in response to a questionnaire issued by the CONTRACTING PARTIES for this purpose, and data gathered from other sources including papers supplied by and publications of the International Monetary Fund. The Working Party also took into account information adduced in the consultations which it conducted with five governments in accordance with paragraph 1(g) of Article XIV. The conclusions which the Working Party was able to draw from those consultations are also embodied in that report.

II. Consultations under Article XIV:1(g)

3. Under paragraph 1(g) of Article XIV, contracting parties still entitled to take action under the provisions of sub-paragraph 1(c) of Article XIV or of Annex J are required to consult the CONTRACTING PARTIES annually as to any deviations from Article XIII still in force pursuant to those provisions and as to its continued resort to such provisions. In March 1954 such consultations were initiated by five governments, namely Australia, Ceylon, New Zealand, the Federation of Rhodesia and Nyasaland and the United Kingdom. The Working Party was instructed to conduct these consultations at this Session.

4. Pursuant to the provisions of Article XV, the CONTRACTING PARTIES had invited the International Monetary Fund to consult with them regarding these consultations and in each case the Fund had accepted the invitation to consult. Consequently, the representative of the Fund participated in all the consultations conducted by the Working Party. In accordance with the procedure agreed to the Fund supplied the CONTRACTING PARTIES with the results of its own consultations with the governments concerned as well as the background material prepared by the staff of the Fund in connection with those consultations. These were taken into account by the Working Party as basic reference in the consultations.

5. In the course of the consultations the representatives of the consulting governments referred to or supplemented the data supplied by the Fund on the balance-of-payments situation of their countries in justification of the maintenance of the discriminatory import restrictions, amplified the written data on the application of the restrictions, and answered various questions on the different aspects of the restrictions. In general, discussions took place on all questions on which members of the Working Party showed an interest, and the representatives of the consulting Governments indicated that they had taken full note of the views expressed by other delegations. In certain cases representations were made by other contracting parties regarding the possibility of liberalizing restrictions on imports of particular commodities, and the representatives of the consulting governments expressed their willingness to convey these representations to the attention of their governments for sympathetic consideration. A summary note on the consultations with each of the five governments is contained in the Annex II.

### III. Operation of Article XIV:1(g) in 1955

6. In accordance with its terms of reference the Working Party also considered the appropriate procedures which should be adopted by the CONTRACTING PARTIES for the preparation of the Sixth Annual Report on Discrimination and for the conduct of consultations under Article XIV:1(g) in 1955.

7. In the course of preparing the 1954 report under those provisions, certain members of the Working Party expressed concern over the inadequacy of the procedure that had been adopted for this purpose; in particular, they regretted the insufficient information available to the CONTRACTING PARTIES on the basis of which the report had to be drawn up. However, in view of the fact that the Agreement was being reviewed and since it was expected that a new set of rules and procedural provisions governing the review of, and consultations on, balance-of-payment restrictions would result from the deliberations of this Session, the Working Party considered that little advantage would be gained from designing at this stage an improved procedure which might not be useful except perhaps for one year only. As for the reviews and consultations provided for in the revised Agreement a new set of procedural arrangements will be required and the CONTRACTING PARTIES will no doubt instruct the Executive Secretary to consider the question and make recommendations before the revised provisions come into force.

8. The Working Party, therefore, agreed not to recommend any changes in the existing procedures for the report and consultations under the existing provisions of the Agreement. Accordingly, it is proposed that for the preparation of the 1955 report, the CONTRACTING PARTIES should request that governments applying discriminatory restrictions provide an up-to-date reply to the questionnaire drawn up at the Seventh Session<sup>1</sup>; such replies should be sent to the Executive Secretary three months prior to the opening of the Tenth Session. In this connection, however, the Working Party proposes that the governments be commended to supply the fullest possible information on the questions asked in the questionnaire. The CONTRACTING PARTIES should also call the attention of the contracting parties once again to the agreed rule requiring that any contracting party modifying its import restrictions furnish detailed information promptly to the Executive Secretary.

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<sup>1</sup> See Basic Instruments and Selected Documents, First Supplement, pages 46-48.

9. As for the consultation under Article XIV:1(g), the Working Party proposes that any government which wishes to initiate such consultation in 1955 should so notify the Executive Secretary in the course of March 1955 so that he may inform the contracting parties and the International Monetary Fund at the end of that month. Any such consultations initiated should take place at the Tenth Session of the CONTRACTING PARTIES, if the International Monetary Fund is by then ready to consult with the CONTRACTING PARTIES in connection therewith pursuant to Article XV.

10. In the consultations held at this Session, the representatives of some of the consulting governments were unable to enter into detailed discussions of particular commodities, as no advance notice had been given them that such questions would be raised. In order that in future consultations delegations of consulting governments would be properly briefed for this purpose and would include the required personnel, the Working Party suggests that it should be laid down as a rule that contracting parties wishing to discuss with a consulting government questions relating to particular commodities should give notice as early as possible in advance of the opening of the session at which the consultation is to take place.

ANNEX

NOTES ON CONSULTATIONS WITH

- (A) Australia (Text has been circulated separately)
- (B) Ceylon
- (C) New Zealand (Text has been circulated separately)
- (D) Rhodesia and Nyasaland
- (E) United Kingdom