

8 November 1960

Committee on Balance-of-Payments Restrictions

DRAFT

ELEVENTH ANNUAL REPORT UNDER ARTICLE XIV:1(g) ON
THE DISCRIMINATORY APPLICATION OF IMPORT RESTRICTIONS

Preliminary Draft to serve as a basis of
discussion at the Committee

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 seventeenth session held in Geneva during October-November 1960.
2. At present, the following seventeen contracting parties state that they maintain restrictions on imports under Articles XII or XVIII:B to safeguard their balance of payments: Austria, Brazil, Burma, Ceylon, Chile, Denmark, Finland, Greece, India, Indonesia, Japan, New Zealand, Norway, Pakistan, Turkey, Union of South Africa and Uruguay. Of these contracting parties, Ceylon, Indonesia, Pakistan, Turkey and the Union of South Africa state that they are not acting under any of the provisions of Article XIV. The remaining countries applying restrictions for balance-of-payments purposes state that they are exercising some degree of discrimination as between sources of supply under Article XIV as follows:

<u>Relevant paragraph</u> <u>of Article XIV</u>	<u>Contracting party</u>												
Paragraph 1(b)	<table border="0"> <tr> <td>Austria</td> <td>Denmark</td> <td>Japan</td> </tr> <tr> <td>Brazil</td> <td>Finland</td> <td>Norway</td> </tr> <tr> <td>Burma</td> <td>Greece</td> <td>Uruguay</td> </tr> <tr> <td>Chile</td> <td>India</td> <td></td> </tr> </table>	Austria	Denmark	Japan	Brazil	Finland	Norway	Burma	Greece	Uruguay	Chile	India	
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Paragraph 1(c)	New Zealand												

3. When the last report was drawn up in October-November 1959 there were twenty-four contracting parties applying restrictions for balance-of-payments reasons. The seven which have ceased to do so are: Australia, France, Ghana, the Federation of Malaya, the Federation of Rhodesia and Nyasaland, Sweden and the United Kingdom, all of which had also been making use of the provisions of Article XIV.

4. The process of reduction of import restrictions and discrimination applied on balance-of-payments grounds begun several years ago and has quickened since the establishment of external convertibility at the end of 1958 and the beginning of 1959. This change resulted in an almost complete elimination of the formal distinction of important trading currencies and greatly reduced the scope of the restrictions which contracting parties could justify under the provisions of the General Agreement. In October 1959 the Executive Board of the International Monetary Fund approved a Decision on discrimination imposed for balance-of-payments reasons. In that Decision the Fund noted the progress that had been made towards the elimination of discriminatory restrictions and the substantial improvement in the reserve position of the industrial countries, and considered that there was no longer any balance-of-payments justification for discrimination by members whose current receipts were largely in external convertible currencies. The Fund, recognizing that a short time might be needed for

the elimination of such restrictions, expected that members would proceed with all feasible speed in eliminating discrimination against other Member countries, including that arising from bilateralism. In the case of countries with a substantial portion of their receipts in currencies still subject to limitations on convertibility, particularly in payments relations with State-trading countries, the Fund would be prepared to consider balance-of-payments consideration that would still justify the maintenance of some degree of discrimination, although not as between countries having externally convertible currencies. In this connexion the Fund reaffirmed its basic policy on bilateralism as stated in a previous Decision adopted in June 1955.

5. In the light of this Fund Decision on discrimination the CONTRACTING PARTIES reaffirmed, in their Tenth Annual Report on Discrimination, that the removal of discrimination applied under Article XIV of the General Agreement was a vital step towards the achievement of the objectives of the Agreement and the expansion of international trade. There was a consensus that the remaining discrimination applied under Article XIV of the Agreement should quickly be eliminated. Contracting parties applying restrictions, for their part, reaffirmed their intention of doing away with such restrictions as soon as their balance-of-payments positions permitted.

6. The progress which has been made in 1960 is not only reflected in the considerable number of contracting parties ceasing to apply restrictions and discrimination on balance-of-payments grounds, but also in the reduction of the level of restrictions and the degree of discrimination by countries continuing to resort to the balance-of-payments provisions of the Agreement. Most of the discrimination applied for balance-of-payments reasons had been based on the fact that currencies were not convertible into gold or "hard

currencies", notably the dollar. It was natural, therefore, that since the establishment of external convertibility, progress should have been the most conspicuous in the elimination of dollar discrimination. A number of contracting parties have amalgamated their dollar and non-dollar free lists or extended global quotas to countries in the dollar area. As a result, discrimination against imports from the dollar area have been reduced to a low level, although in some cases a procedural distinction is still drawn so that, while freed imports from non-dollar countries are free of licensing control, similar imports from the dollar area still require licences.

7. A number of countries have continued to maintain distinctions in their import control systems between sources of supply which appear to bear no direct relationship to the availability of different currencies. For example, some European countries have continued to accord differential treatment to imports from OEEC countries and non-OEEC countries, including those in the outer sterling area, although since the establishment of convertibility or even before that change, there have been no balance-of-payments justification for such a distinction to be made.

The following paragraphs note the more important changes in the field of discriminatory restrictions in 1960.

Recent Changes in Discrimination

8. As from 1 October 1960, Australia removed the discriminatory restrictions on imports of motor vehicles from the dollar area /thus eliminating all discrimination against dollar imports/.
9. Effective 7 July 1960, Austria took action to eliminate the last remnant of discrimination against imports from the United States and Canada by liberalizing certain textile and agricultural products. On 15 July 1960, some 287 items, consisting mostly of agricultural products and manufactured goods, were liberalized for all contracting parties to GATT.
10. During 1960 Denmark continued to apply a policy of non-discriminatory liberalization of imports from countries in the "Free List Area", i.e. all GATT countries except Brazil, Chile, Uruguay, Israel, Czechoslovakia, Yugoslavia and Japan. On 1 March 1960, many items were removed from the list of commodities for which import licences were previously required.
11. In January 1960, France issued a new list showing goods the import of which was restricted for all sources of supply. This conversion to a negative basis of restricted items also reduced the element of discrimination in the former free lists. In latter months, several steps of liberalization were taken, in some cases covering imports from non-dollar, non-EEC GATT countries.
12. On 1 January 1960, Finland instituted a system under which imports from Canada, the United States and France, were placed on the same basis as imports from other OEEC countries with whom Finland had payments arrangements.
13. Ghana, on 25 February 1960, placed on the free list imports of all types of machinery from Japan. On 19 March 1960, dollar discrimination was removed by the removal of all import restrictions except those applied on arms and ammunition, explosives, gold, cinematographic film, petroleum products, unmanufactured tobacco and tobacco manufactures.
14. Japan undertook several steps during 1960 to remove dollar discrimination. On 1 January 1960, dollar discrimination was removed for copper alloys scrap, abaca fibre, lauan wood and opossum. Automatic licensing was extended to certain countries for imports of slightly over one hundred items. In April 1960, dollar discrimination was removed for iron and steel scrap, and beef tallow. At the same time automatic licensing was again extended to certain countries from some 581 items. Another step, taken on 1 July 1960, removed dollar discrimination on cattle hides, calf skin and kip skins. At the same time a further thirty-four items were added to the automatic approval list and thirty-nine items to the Automatic Fund Allocation System.

15. With the termination of import licensing control on 1 July 1960, Malaya ceased to maintain any quantitative restrictions or licensing procedures on imports from the dollar area, from OEEC countries or from Czechoslovakia.

16. On 1 July 1960, the Government of Norway announced a new liberalization measure covering approximately 400 items. This and previous liberalization lists were made applicable to all GATT countries except Japan. Thus the extreme element of discrimination previously existing in the Norwegian import system has been largely eliminated.

17. On 1 April 1960 and again on 1 August 1960, Sweden introduced measures reducing the element of discrimination in its restrictive system. Nevertheless, many items remain subject to restriction from Japan and Czechoslovakia, while a few items are restricted from the dollar area and other countries.

18. Prior to January 1960, only a few items remained subject to restriction from the dollar area when imported into the Federation of Rhodesia and Nyasaland. At the beginning of this year the Federation announced the liberalization of the following items previously restricted from dollar countries: blankets, rugs and sheets, certain piecegoods, canvas tarpaulin, tents, cutlery, and metal furniture. Imports from Japan continued to be subject to licensing control.

19. On 1 February 1960, the United Kingdom removed controls from dollar imports of tobacco and tobacco manufactures (other than cigars) and from fresh, chilled and frozen fish, synthetic rubber and transistors. As of 1 March 1960, a unified list was established of approximately ten items still subject to restriction from all sources.

Concluding paragraphs to be added.