

Quantitative Restrictions

No change has been proposed in the basic principle of the agreement that contracting parties which maintain quantitative restrictions for balance of payments reasons have to eliminate them as soon as they can no longer be justified for balance of payments reasons. But in order to make this principle more effective in practice and particularly in order to adapt it to a period when the major currencies may become convertible, it is proposed that, soon after entry into force of the amendments, the organization will review all quantitative restrictions still maintained for balance of payments reasons. Thereafter a system of annual consultations with contracting parties still applying restrictions of this type would come into effect and these countries would be required to justify each year the restrictions still being maintained.

In association with the proposed system of tighter control on the use of quantitative restrictions for balance of payments reasons, the contracting parties have taken a decision, with immediate effect, to assist in resolving the problems faced by contracting parties in eliminating the so-called "hard core" of their import restrictions. These are restrictions whose sudden removal, when no longer justified for balance of payments reasons, would result in a serious injury to a domestic industry or branch of agriculture, to which they have afforded protection. The decision grants a temporary waiver from the obligation to eliminate quantitative restrictions in such circumstances subject to the concurrence of the contracting parties in each case. The contracting parties may impose such conditions and limitations as they determine to be reasonable and necessary and the obligation is laid on the applicant to eliminate the quantitative restrictions in question over a comparatively short period of time not exceeding five years. The application of these "hard core" restrictions and the progress made towards eliminating them will be reviewed by the contracting parties annually.

In connection with the review of quantitative restrictions, the contracting parties, by a separate decision, dealt with the conflict which may occasionally arise between action required under U.S. legislation and the provisions of the agreement dealing with quantitative restrictions and additional charges on imports. The contracting parties adopted a decision, effective forthwith, which recognizes the difficulties arising from the terms of section 22 of the United States Agricultural Adjustment Act, permits the United States to apply measures under this legislation, but at the same time preserves the right of a contracting party whose trade is damaged by

import restrictions or additional charges imposed under that act to have recourse to the procedures of the agreement for adjusting the balance through negotiation. The contracting parties will review annually action taken by the United States under this legislation, and the U.S. government has given assurances that before taking any new action it will consult with substantially interested countries and will terminate any restriction imposed under the legislation as soon as it is no longer required.

Assistance for Economic Development

The need to encourage and facilitate the development of the economies of countries which can only support low standards of living and are in the early stages of development is consistent with the long-term objectives of the general agreement, and steps have been taken in the revision to reduce to a minimum the conflict which may arise between the requirements of economic development and the short-term commercial interests of the other countries. Under the new provisions it has been recognized that contracting parties in the early stages of development should enjoy additional facilities to enable them (a) to maintain sufficient flexibility in their tariff structure to be able to grant the tariff protection required for the establishment of particular industries and (b) to apply quantitative restrictions on imports, to protect their balance of payments in a manner which takes full account of the continued high level of demand for imports likely to be generated by their programs of economic development.

Procedures have been worked out by which a country in an early stage of development may enter into tariff negotiations with a view to modifying a concession that is bound under the agreement, in order to promote the establishment of an industry. If agreement is not reached between the country concerned and other interested countries the matter may be referred to the contracting parties. The contracting parties may allow the applicant contracting party to modify or withdraw concessions if they find that the compensation offered is inadequate.

In addition, procedures are established under which, in cases where no measure of commercial policy consistent with the general agreement, such as tariffs or subsidies, would be practicable to protect a new industry in a country in the early stages of development during the first years of production, that country would be able to apply non-discriminatory restrictions on imports for such a transitional period.

The most significant change from the existing provisions of the agreement would be that