

COMMITTEE ON LIAISON WITH THE CONTRACTING PARTIES TO THE GATT

Meeting 56/1

3:00 p.m., September 5, 1956

Present: Mr. Southard, Chairman

Mr. Bury

Mr. Callaghan

Mr. Heasman

Mr. Paranagua

Mr. Prasad

Mr. Saad

Mr. Mansour

Mr. Couillard, Temporary

Mr. Toussaint

Mr. Yumoto

Mr. San Lin

Also

Present: Mr. Friis

Mr. van der Valk

Mr. Fawcett, General Counsel

Mr. Friedman, Director, Exchange Restrictions Department

Mr. Gerstein, Legal Department

Mr. Hebbard, Exchange Restrictions Department

Mr. Hexner, Legal Department

Mr. Lloyd, Technical Assistant

Mr. Rose, European Department

F. Hodel, Secretary

1. Fund Representation at GATT Meetings

The Committee took up the matter of Fund representation at the meetings of the GATT Intersessional Committee on September 11 and October 10, 1956 and at the Eleventh Session of the CONTRACTING PARTIES beginning October 11, 1956. It was agreed to recommend to the Executive Board that the Fund be represented at these meetings.

2. GATT Consultation with Australia on Intensification of Import Restrictions

The Committee considered the invitation received from the CONTRACTING PARTIES to consult with them in connection with a GATT Article XII:4(b) consultation with Australia, if initiated at the Eleventh Session (EBD/56/100). Mr. Bury stated that Australia would be prepared to be consulted at the Eleventh Session if the CONTRACTING PARTIES decided to initiate the consultation. The Director of the Exchange Restrictions Department noted that in connection with such a consultation the Fund would be required to make a special determination and submit up-to-date financial data on Australia. The staff was preparing the necessary papers.

The Committee agreed to recommend to the Executive Board that the Fund accept the invitation.

3. Fund-GATT Cooperation

The Committee reviewed the management's proposals for an extension of the present cooperation between the Fund and the GATT (EBD/56/102). In urging the Committee's approval, the Chairman noted that in essence the arrangements would parallel the action already taken with relation to the OEEC (EBD/56/37 and EBM/56/29) and would provide the GATT Secretariat with additional background information on a consistent basis. Looking ahead to the future, he felt this should prove useful to both the Fund and the GATT. He noted that the proposals marked the culmination of considerable discussion between the staffs of the two organizations.

Several questions were raised concerning the detailed operation of the proposed arrangements. While he had no objection to the plan, Mr. Saad thought one might get the impression from the specification of certain security precautions that the Fund was offering the GATT Secretariat more information than it provided its own members. The fact was that all common Fund-GATT members received the documents in question through their Executive Directors. He felt, therefore, that the proposal largely raised a matter of form. The Director of the Exchange Restrictions Department explained that, although the papers were sent to common members, they were not being sent to the GATT Secretariat as now proposed. The Chairman said that, while he agreed with much that Mr. Saad had said, he felt it would be desirable to provide for some commitment regarding the confidential handling of Fund papers by the secretariat of another international body. Several other members took the same position.

Mr. Prasad expressed the hope that the proposed arrangements would not cause Fund members to be less open with the Fund in their future consultations with the Fund. The Director of the Exchange Restrictions Department replied that this possibility had been considered by the staff. On balance, it had been thought that the possibility was small while the advantages of the proposal were clear and substantial. The actual operation of the arrangement would, of course, be watched closely. Furthermore, any Director concerned would always have the right to object to the transmittal of any particular document or portion thereof.

After further discussion, the Committee agreed to recommend that the Executive Board approve the management's proposals as set forth in EBD/56/102. The Committee also expressed the view that, if the Board went along with this recommendation, the Managing Director's communication of that fact to the Executive Secretary of GATT should request that the Fund be advised that the proposed arrangements had been found satisfactory by the CONTRACTING PARTIES.

4. Eleventh Session - Advance Agenda

The Committee also discussed items of particular interest to the Fund on the advance agenda for the Eleventh Session (EBD/56/84 and Sup. 1). The Director of the Exchange Restrictions Department presented background information and reported on the stage of staff preparation for the Article XIV:1(g) consultations with Australia, Ceylon, New Zealand, Rhodesia and Nyasaland and the United Kingdom.

The staff also pointed out that at this stage the situation was not yet clear with respect to consultations with New Zealand and Czechoslovakia under

the GATT waiver decisions of January 20 and March 5, 1955. It was also noted that the Fund had not yet been invited to consult with the CONTRACTING PARTIES in this regard. The staff felt that the formula which had been agreed in 1955 with respect to New Zealand probably would be acceptable again this year, if a consultation with New Zealand were held. As regards Czechoslovakia, however, the situation was very unclear and developments would have to be watched carefully. If a consultation was entered into, the staff's objective would be to work toward a formula which would be acceptable to both the Fund and the CONTRACTING PARTIES. If these efforts failed, however, the Fund would be faced with a request for a determination which might well raise some difficulties. Mr. Southard, speaking as Executive Director for the United States, agreed that this case had potential difficulties for the Fund because it seemed unlikely that Czechoslovakia would provide the type of information needed to make the necessary determination. He foresaw no difficulty in the New Zealand case because that country supplied the same kind of information as Fund members provide the Fund. He believed the Fund's representative to the forthcoming Intersessional Committee meeting should keep in close touch with the developments in these two cases.

The Director of the Exchange Restrictions Department drew attention to the fact that the advance agenda for the Eleventh Session also contained an item on discrimination in transport insurance. He reviewed the developments since 1951 in regard to this question and recalled the Fund's position on the matter. He also pointed out that the Fund was dealing with the exchange aspects of this type of restriction in the course of its Article XIV consultations. Another staff representative recalled that the discussion of this question at the Tenth Session had centered around a proposed resolution calling for no further extension of such practices and elimination of them as soon as circumstances permitted. This discussion had been inconclusive. Since it was not yet known how the matter would arise at the Eleventh Session, the staff felt that at this stage it should take the same position as last year unless the Executive Directors thought a different approach should be taken.

The Chairman said he hoped that, if the Fund mission to the Eleventh Session were asked for the Fund's views, there would be enough guidance from previous Board discussions of the matter to indicate that the Fund favored the limiting and eventual elimination of such restrictions. Mr. Heasman supported this position. Mr. Saad pointed out that the CONTRACTING PARTIES had no jurisdiction with respect to the exchange restrictions that might be involved. While he saw no harm in the Fund's taking the position suggested by the Chairman with respect to a GATT resolution, he felt that the Fund mission should point out that the Fund is dealing with the exchange aspects in the course of its own Article XIV consultations. The Chairman suggested that the staff might begin to draft the text of a statement which could be made on behalf of the Fund if a resolution were proposed at the Eleventh Session. This could be considered by the Committee at a later date. The other members of the Committee agreed.

The Chairman also drew attention to the fact that the new Brazilian customs tariff might be placed on the agenda for the Eleventh Session and

that this matter could involve the Fund because of a possible cross link with Brazilian exchange arrangements. Mr. Paranagua noted that the Fund's role probably would be to clarify the exchange premia system for the CONTRACTING PARTIES. The Chairman said that the Committee would have to discuss the matter further if it became clear that it would be taken up at the Eleventh Session.

5. Committee Report

The Committee agreed that the Chairman should submit a report to the Executive Board setting forth the recommendations agreed at the meeting.

Approved: September 20, 1956