

EB/CGATT/55/7

**CONTAINS CONFIDENTIAL
INFORMATION**

October 14, 1955

To: Members of the Committee on Liaison with the CONTRACTING
PARTIES to the GATT

From: The Acting Secretary

Subject: Tenth Session of the CONTRACTING PARTIES to the GATT

The attached memorandum from the Director of the Exchange
Restrictions Department will be considered by the Committee at its
meeting on Tuesday, October 18, 1955.

Att:(1)

Other Distribution:
Members of the Executive Board
Department Heads
Division Chiefs

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INFORMATION

October 13, 1955

TO: Chairman of the Committee on Liaison with the CONTRACTING PARTIES
to the GATT

FROM: Director, Exchange Restrictions Department

SUBJECT: Tenth Session of the CONTRACTING PARTIES to the GATT

The Fund has been invited to be represented at the Tenth Session of the CONTRACTING PARTIES to the GATT which is to commence in Geneva on October 27, 1955 (EBD/55/101, Sup. 1). In accordance with the decision taken at Meeting 55/53, the invitation has been accepted. The Provisional Agenda for the Session has been circulated as EBD/55/109, Sup. 2. An annotated version of the Advance Agenda, and a report on the activities of the Intersessional Committee with respect to it, are contained in the report of the Fund representative to the meeting of the Intersessional Committee of September 22 - 24, 1955 (SM/55/62). The following sections indicate Agenda items of interest to the Fund, the nature of the Fund's preparatory work for the Session, and the staff's recommendations.

1. Fund/GATT Relations

During the Ninth Session of the CONTRACTING PARTIES, a Special Group on Fund/GATT relations was established. The CONTRACTING PARTIES decided to accept the recommendations contained in the report of the Special Group, to refer the substance of the report to governments for consideration, and to resume discussion of the subject at the Tenth Session of the CONTRACTING PARTIES (EBD/55/69, pp. 17 - 20).

Subsequent to the end of the Ninth Session, the Executive Secretary of the CONTRACTING PARTIES wrote to the Fund concerning certain of these recommendations, in accordance with the decision of the CONTRACTING PARTIES (EBD/55/63). The Executive Secretary's letter of April 21 drew the attention of the Fund to "the intention of the CONTRACTING PARTIES to have the GATT secretariat, in appropriate cases and where practicable, discuss with the Fund staff trade matters which have implications for exchange policy . . ." and informed the Fund that "the GATT staff would be prepared, at the request of the Fund, to enter into similar discussions where practicable on the trade effects of exchange matters under Fund consideration." His letter also drew the attention of the Fund to new arrangements set up by the CONTRACTING PARTIES whereby the Intersessional Committee was authorized to conduct such consultations with the Fund as might seem appropriate in pursuing the objectives of Paragraph 1 of Article XV of the General Agreement; he indicated that this arrangement would make consultations between the GATT and the Fund easier and more expeditious than hitherto, and expressed the hope that this should improve progressively the effects of consultations both ways between the CONTRACTING PARTIES and the Fund.

On May 10, 1955, the Managing Director, in replying to the Executive Secretary's letter, stated that the Fund shared the hope of the CONTRACTING PARTIES that collaboration between the two parties would progressively increase in effectiveness and in mutual benefit to the objectives of both. He indicated that the Fund was studying the recommendations to which the Executive Secretary had referred, and anticipated further communications with the Executive Secretary on this subject. Meanwhile, he would be happy to receive from the Executive Secretary any further suggestions he might have.

On August 29, 1955, the Executive Secretary to the GATT circulated a note (EBD/55/139) reviewing the action taken at the Ninth Session and reporting on the communications between the Fund and the CONTRACTING PARTIES. He indicated that both the Fund staff and the GATT secretariat were giving further consideration to the matter, but that it appeared that more time would be needed for consultation before the Executive Secretary could report to the CONTRACTING PARTIES on arrangements and procedures for insuring the maximum practicable degree of collaboration between the two staffs on matters of mutual concern to the CONTRACTING PARTIES and the Fund. He furthermore expressed the view that consultations with a view to preparing a joint draft of a formal agreement between the Fund and the proposed Organization for Trade Cooperation, to be considered by the CONTRACTING PARTIES and the Fund at a suitable future date, could not successfully take place until the entry into force of the proposed Organization could be foreseen with a reasonable degree of certainty. He suggested that, in view of these circumstances, the CONTRACTING PARTIES might wish to defer further substantive discussion of GATT/Fund relations until their Eleventh Session.

The Executive Secretary's proposal to postpone the discussion until the Eleventh Session was presented to the Intersessional Committee in September 1955, where it met with no opposition. However, since it had been decided by the CONTRACTING PARTIES at their Ninth Session to discuss this subject at their Tenth Session, the Intersessional Committee was not empowered to delete it, and the item will appear on the Provisional Agenda. The delegate from the United Kingdom entered a reservation to the effect that a formal agreement between the CONTRACTING PARTIES and the Fund need not necessarily await the coming into existence of the proposed Organization for Trade Cooperation; however, he indicated in informal conversation that he was thinking in terms of some future date, should the OTC be delayed indefinitely, and would support the proposal to postpone discussion until the Eleventh Session. Representatives of several other countries also indicated informally that they would support the Executive Secretary's proposal to defer discussion.

It seems most probable, therefore, that this item will be dropped from the Agenda in the first days of the Tenth Session.

The staff recommends that, in the event the matter does come under discussion, the Fund mission should be guided by the policy statements, in the Annual Report on Exchange Restrictions and the Fund's Annual Report,

concerning the Fund's desire to collaborate with the CONTRACTING PARTIES; they might, if appropriate, call attention to the efforts which the Fund is making to facilitate the work of the CONTRACTING PARTIES, such as the preparation of special background papers for the recent consultation with Australia and for the forthcoming consultations with Ceylon, the Federation of Rhodesia and Nyasaland, and the United Kingdom; they should report to the Board on such discussion of the subject as may develop during the Session.

2. Consultations on the Discriminatory Application of Restrictions

In 1955 the Governments of Australia, Ceylon, New Zealand, the Federation of Rhodesia and Nyasaland, and the United Kingdom have initiated consultations with the CONTRACTING PARTIES under Article XIV:1(g) of the General Agreement on the continuance of discrimination. In connection with these consultations, the Fund has been invited to consult with the CONTRACTING PARTIES, pursuant to Article XV of the General Agreement, and has accepted this invitation. (EBD/55/57, and Sup. 1 and 2.)

In such consultations in the past, the Fund has provided the CONTRACTING PARTIES with the results of its Article XIV consultations with the member countries concerned and with the background material prepared in connection with these Fund consultations. The CONTRACTING PARTIES, in arranging for their 1955 consultations, seem likely to establish a procedure similar to that of previous years and have indicated that they consider that their consultations could be more effectively carried out if the Fund could make this material available to them (EBD/55/57).

In accepting the invitation to consult with the CONTRACTING PARTIES (EBD/55/57, Sup. 2) the Fund stated that in the case of Australia it expected that its consultations under Article XIV of the Fund Agreement would be completed in time for the results and background material to be made available to the CONTRACTING PARTIES before the opening of the Tenth Session. With respect to Ceylon and the United Kingdom, and also the Fund's consultation with the CONTRACTING PARTIES in connection with their consultation with the Federation of Rhodesia and Nyasaland, it had not been possible to arrange for the 1955 consultations under Article XIV of the Fund Agreement to take place in time to insure that material from them would be available during the Tenth Session. Accordingly, it was the Fund's intention, unless a substantive change should occur in the position of the country in question, to refer the CONTRACTING PARTIES to the results and background material from the latest Fund consultation with the country, and to provide them with factual material reviewing developments since that consultation. If this did not prove to be feasible in either case, because a substantive change had occurred in the position of the country, the Fund would communicate further. With respect to New Zealand, as in the past, the Fund would contact New Zealand directly in order to get the information necessary for consultation with the CONTRACTING PARTIES.

The Fund's consultation with Australia is scheduled for consideration by the Executive Board in the near future. The staff recommends that the results and background material from this consultation be transmitted to the CONTRACTING PARTIES as soon as the Executive Board has completed action on the consultation.

The staff has prepared factual papers on developments since the last consultation in Ceylon (SM/55/63), and the United Kingdom (including the Federation of Rhodesia and Nyasaland) (SM/55/64). (The background papers and results of the 1954 consultations with these countries were transmitted to the CONTRACTING PARTIES early in 1955.) The staff recommends that it be authorized to send to the CONTRACTING PARTIES these new papers, to supplement the information presently available to them in the background papers and results of the 1954 consultations, for use in connection with their consultations on the maintenance of discriminatory import restrictions.

In connection with New Zealand, the staff has prepared a background paper which has been revised in the light of comments and other information received from New Zealand (SM/55/61). The staff recommends that it be authorized to send this paper to the CONTRACTING PARTIES.

3. Waiver consultation with New Zealand

During their Ninth Session the CONTRACTING PARTIES voted, in a decision of January 20, 1955, to grant a waiver to New Zealand from the provisions of Article IV:(6), which provides that any contracting party which is not a member of the Fund shall either become a member or sign a Special Exchange Agreement with the CONTRACTING PARTIES. The text of the New Zealand waiver is set forth in Annex A of this paper, and a discussion of the New Zealand waiver is contained in the report of the Fund Mission to the Ninth Session (LBD/55/69, sup. 2, pp. 10 - 12). In the preamble of the waiver the CONTRACTING PARTIES noted "that, owing to special circumstances, New Zealand has not joined the Fund or signed an exchange agreement," "that New Zealand, in conformity with the provisions of paragraph 4, Article XV, has taken no exchange action which has frustrated the intent of the General Agreement," and also noted "the assurances given by New Zealand that it will continue to act in exchange matters in a manner fully consistent with the Fund's principles and in accordance with the intent of the General Agreement." The operative paragraphs of the waiver provide, among other things, that "New Zealand shall be relieved from the provisions of paragraph 6 of Article IV for such limited period of time as New Zealand satisfies the CONTRACTING PARTIES by means of annual consultations and such other consultations as may be held pursuant to this Decision, together with the information required therefor, that its action in exchange matters continues to be fully consistent with the Fund's principles and with the intent of the provisions of the General Agreement"; that "New Zealand may take action under paragraph 1 of Article XIV for such time and to such extent as such action would be available if New Zealand had joined the Fund or signed the Special Exchange Agreement"; and that "New Zealand shall report to and consult with the CONTRACTING PARTIES annually on any action taken by it during the preceding year which would have been required to be reported to the CONTRACTING PARTIES had New Zealand signed the Special Exchange Agreement."