

DOCUMENT OF INTERNATIONAL MONETARY FUND AND NOT FOR PUBLIC USE

COMMITTEE ON LIAISON WITH THE CONTRACTING PARTIES TO THE GATT

Meeting 58/1

3:00 p.m., April 9, 1958

Present: Mr. Southard, Chairman Mr. Hooker
 Mr. Adarkar Mr. Pinto
 Mr. Callaghan Mr. Fleming
 Mr. Paranagua Mr. Hockin
 Mr. Mansour
 Mr. Thorold Mr. Toussaint
 Mr. Watanabe Mr. Tun Thin

Also

Present: Mr. Caranicas
 Mr. Haucmann
 Mr. Theron
 Mr. van der Valk
 Mr. Voutilainen

European Department: A. Abadjis, B. Rose. Exchange
Restrictions Department: I. S. Friedman, Director;
R. V. Anderson, W. L. Hebbard, M. K. Kurdas. Legal
Department: A. S. Gerstein. Technical Assistant to
Executive Director: M. A. Schofield.

F. Hodel, Secretary

1. GATT Interseasonal Committee Meeting (including consultation with
New Zealand)

The Committee considered the staff's recommendations with regard to Fund preparation for the forthcoming meeting of the GATT Interseasonal Committee (EB/CGATT/58/3). The Chairman noted that, in addition to the consultation with New Zealand, the principal items on the agenda were (1) the further consideration of the Treaty establishing the European Economic Community, (2) import restrictions maintained by the Federal Republic of Germany and (3) a report by the Member States of the European Coal and Steel Community (EBD/58/48). He agreed with the staff view that the only matter which appeared to require action by the Committee or the Board at this time was the consultation with New Zealand. If it should become necessary for the Fund's representatives to comment on the other items in the course of the meeting, it seemed reasonable that with respect to the Treaty establishing the European Economic Community they should state that the Fund had no comments since it had not formally studied the Treaty. If asked for any comments on the German import restrictions, the Fund's representatives should indicate the status of the Fund's present Article XIV consultation with Germany and refer to the decision transmitted to the CONTRACTING PARTIES last June. As regards the European Coal and Steel Community matter, there seemed no reason for anticipating any need for the Fund representative to make any remarks.

With respect to the item relating to German import restrictions, Mr. Adarkar pointed out that the Federal Government had taken the position that in accordance with the Torquay Protocol it was justified in applying the import controls required under its market organization laws (EBD/58/49) an argument which was not linked to Germany's financial condition. As he understood it, the only question for the Fund was whether German restrictions were or were not necessary for balance of payments reasons. He asked the staff to clarify the position it would take if asked for any Fund comments.

A staff representative recalled that in connection with the June 1957 GATT consultation with the Federal Republic of Germany the Fund had transmitted its decision of June 11, 1957 (EBM/57/26, Item 1) and drew particular attention to paragraph 5 reading as follows:

The Fund believes that Germany's efforts to maintain internal price stability would be strengthened and balanced growth of international trade would be facilitated by the dismantling of its restrictions. The Fund welcomes the measures taken by Germany to relax restrictions and reduce discrimination, including the reliance on bilateral arrangements. The Fund considers that restrictions on imports are no longer necessary in order to safeguard Germany's monetary reserves and balance of payments. The Fund urges Germany to eliminate its remaining restrictions and discrimination, other than prescription of currency, as soon as possible.

The GATT Consultation Committee had reported the results of its consultation in which the Chairman, concluding the discussion, stated that the general feeling of the Committee was that the import restrictions applied by the Federal Republic did not fall under Article XII of the GATT. The CONTRACTING PARTIES adopted this report but deferred consideration of further action until the forthcoming meeting of the Intersessional Committee. The staff took the position that the question whether the Torquay Protocol applied to certain German restrictions was a matter for the CONTRACTING PARTIES. The staff felt that the only question the Intersessional Committee might ask the Fund's representatives would relate to the Fund's attitude toward German restrictions and that, if asked, the Fund's representatives should indicate the present status of the Fund's current Article XIV consultation with Germany. If appropriate, they might recall the Fund's decision of last June provided to the CONTRACTING PARTIES and state that it was to be anticipated that the Fund's decision on the current consultation would be transmitted to the CONTRACTING PARTIES if they so desired.

Mr. Hanemann said he was in agreement with the position outlined. Mr. Adarkar concurred. In reply to a question by Mr. Callaghan, Mr. Adarkar added that his earlier question had not been intended to imply that he endorsed the Federal Government's position or the justification for it; he had merely restated its argument.

The Committee then considered the staff's recommendations with respect to the consultation with New Zealand. Mr. Callaghan stated that on its face the staff's background paper (SM/58/31) appeared to conform with his understanding of the New Zealand situation, and he agreed with the recommendation that it be transmitted to the CONTRACTING PARTIES.

The Chairman asked the staff whether in the process of New Zealand's intensification of restrictions there had been any increase in discrimination. The Director of the Exchange Restrictions Department explained that it was difficult to make any firm judgment because enforcement of the new regulations would be based on administrative discretion. So far as the staff had been able to learn it seemed clear, however, that there was no intention to increase discrimination.

After some further discussion of other aspects of the new system, the Committee agreed to recommend that the background paper be forwarded to the CONTRACTING PARTIES. The Committee also agreed to recommend that, if the Fund's representatives should be called upon to make a statement supplementing the Fund's documentation, they should be guided by the following:

The general level of restrictions of New Zealand which are under reference does not go beyond the extent necessary at the present time to stop a serious decline in its monetary reserves.

It being the opinion of the Committee that none of the other items on the agenda for the forthcoming Intersessional Committee meeting required action by the Executive Board at this time, it was agreed to recommend that the Fund's representatives follow these items and report thereon to the Fund.

2. Handling of Routine GATT Matters

The Chairman reviewed the existing procedure for handling relatively routine matters arising in connection with the Fund's relations with the CONTRACTING PARTIES, pointing out the duplication of paper work in cases which did not call for meetings of the Committee or the Board. He drew attention to the suggestions for simplifying this procedure (EB/CGATT/58/4), which he found acceptable, provided that in the instance of background papers, the staff recommendations would also be discussed with the Executive Director most directly concerned before submission to the Executive Board. After some discussion, the Committee accepted the proposed changes with the amendment suggested by the Chairman and agreed that the Secretary of the Fund should be asked to inform the Executive Board of the following new procedure:

When the Fund is called upon to deal with (1) invitations to GATT meetings, (2) invitations to consult with the CONTRACTING PARTIES extended pursuant to Article XV:2 of the General Agreement, (3) the transmittal of background papers to the CONTRACTING PARTIES in those cases not covered by the arrangements contained in EBD/56/102, and (4) the derestriction of GATT documents, a document containing the incoming letter, if any, and the management and staff recommendations would normally be issued directly to the Executive Board. In all cases, recommendations would be discussed by the management with the Chairman of the Committee, and in the instance of background papers with the Executive Director most directly concerned, and the matter would be sent to the Executive Board unless the Chairman or that Executive Director requested that it be first considered by the

Committee. The opportunity for Board discussion would be provided either by the circulation of the document on a lapse-of-time basis or by scheduling its consideration for a Board meeting. Furthermore, any member of the Committee on Liaison with the CONTRACTING PARTIES to the GATT could request a Committee meeting on any matter. No change would be made in the existing procedure for the disposition of matters arising in the Fund's relations with the CONTRACTING PARTIES to the GATT other than those enumerated above.

3. Classification of Fund Papers Sent to GATT

The Director of the Exchange Restrictions Department stated that, unless the Committee had some objection, the staff proposed to label the New Zealand background paper (SM/58/31), and subsequent background papers sent to GATT, "Confidential" rather than "Secret" as in the past. Papers not for circulation to GATT delegations would be labeled "Confidential - For Use of the GATT Secretariat Only". The proposed practice would conform with that used for papers sent to OEEC and would facilitate the operations of some GATT delegations with burdensome procedures with respect to papers marked "Secret". On the understanding that the New Zealand authorities would be advised, the Committee expressed no objection to the proposed procedure.

Approved: April 24, 1958