

GENERAL AGREEMENT ON
TARIFFS AND TRADE

CONTRACTING PARTIES

WORKING PARTY "K" ON CONSULTATIONS UNDER
ARTICLE XII: 4 (b)

ORAL REMARKS OF THE HEAD OF THE DELEGATION OF THE INTERNATIONAL
MONETARY FUND AT THE SEVENTH MEETING OF WORKING PARTY "K"
(20th November 1950, 3:00 P.M.)

Mr. Chairman:

I would like to clarify a few of the points which have been raised in the course of the Working Party's discussion of the Australian import restrictions.

First, I believe I should comment briefly on the statement of the Australian representative that his Government was willing to be consulted at Torquay on the basis of its present financial situation, provided this would not be regarded as a precedent for future consultations. I do not quite understand the implication of this proviso. Therefore I should like to submit the following statement to the Working Party for its information.

The question of the scope of these consultations was raised in the Fund by Australia and the United Kingdom. Insofar as the Fund's role in the consultations is concerned it was decided by an overwhelming majority of the Fund's Executive Board that "if they (the consultations) were to serve any useful purpose, the Fund had to examine the current balances of payments and the reserves positions of the countries involved and express its opinion on the import restrictions imposed, in the light of the actual financial conditions and not in the light of those which no longer existed." I am therefore happy to note that we are proceeding in these consultations on this basis.

The second point on which I would like to comment is the statement of the Australian representative, supported by the United Kingdom delegation, that it was inappropriate for the Fund to submit to the Contracting Parties its conclusions on the import restrictions of the countries being consulted here at Torquay. Mr. Chairman, the Fund in accordance with an invitation from the Contracting Parties has accepted the responsibility of advising the Contracting Parties. This responsibility that the Fund was asked to accept by the Contracting Parties means that the Fund must express its views freely and fully. To express its views adequately and usefully on the balance of payments of the contracting parties it must also study the trade restrictions of the country since no analysis of the balance of payments position can be made without this. Furthermore, the Fund's responsibilities are not limited to supplying statistical data to the Contracting Parties; the Fund has a duty to express its opinion on several highly important matters relating to balance of payments, reserves, the general level of restrictions, etc. With this understanding the Fund prepares its reports for its consultations with the Contracting Parties.

Mr. Chairman, as you have ruled before, the question of the Fund's submitting conclusions to the Contracting Parties should properly be raised in the Fund. In fact, both the United Kingdom and Australia already have raised the question before the Executive Board of the Fund. And, again, by a large majority the Board decided that the reports which the Fund should be prepared to submit to the Contracting Parties in the course of these consultations at Torquay should contain conclusions of the type and scope of those in the reports which I have presented to the Contracting Parties. Moreover, those reports were approved in their entirety by the Executive Board. The decisions

of the Executive Directors can only be reversed by them or by their Board of Governors. I therefore cannot see any useful purpose in bringing this matter to the forum of the Contracting Parties. Except in cases where the Contracting Parties are required by the GATT to accept the findings and determinations of the Fund, it is, of course, for them to decide whether they agree or disagree with the Fund's views and opinions.

As for the statements made by the representatives of Australia and the United Kingdom that the Fund's studies and reports have not given due regard to the special problems and circumstances of the sterling area as a whole, I would like to endorse the earlier remarks of Mr. Friedman, Acting Director of the Exchange Restrictions Department of the Fund. In my view, there is no one who could deny the existence of the sterling area. It is a fact which everyone can see for himself. We are not here, as the United Kingdom delegate said, to enter into argument as to the merits and demerits of the sterling area. Indeed, I think you will agree that the fact of its existence has been given due regard in our reports. As to why, as has been suggested by some, the Fund did not consider the sterling area as a unit, and, indeed, treated each country separately and came to different conclusions with regard to their restrictions, I wish to draw your attention to the fact that we were consulted on individual countries and that membership in the Fund is on an individual basis and not on a regional basis. Exchange arrangements between two or more members of the Fund cannot affect their individual obligations under the Fund Articles of Agreement. Thus, the Fund cannot treat the sterling area for the purpose of these consultations as a unit; it must examine the external financial position of each member separately.