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# GENERAL AGREEMENT ON TARIFFS AND TRADE

## CONTRACTING PARTIES

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

#### Statement by the Representative of the International Monetary Fund in reply to the statement made by the Australian Representative at the Seventh Meeting of the Working Party

Mr. Chairman,

The Australian representative has presented facts which are, generally speaking, in accord with the analysis made by the International Monetary Fund. He has given more recent information on the balance of payments, which bears out and indeed strengthens the judgment and conclusions of the Fund.

As to the point made that the International Monetary Fund has misunderstood the sterling area mechanism, the Fund representatives were surprised to find that this point was still in the written statement of the Australian representative and for this reason feel compelled to comment on it. It is assumed that objection is being taken to such statements within the Fund's submission on Australia as : that the amount of Australia's sterling balances that is converted is a matter of arrangement between the United Kingdom and the Australian Governments, and the reference to "The agreement accepted by Australia to restrain the rate of utilization...." In this connection the Australian representative has informed the Working Party that : "There is no limit agreed with the United Kingdom on the amount of our sterling and, indeed, of the sterling of any other independent sterling area country which can be converted in any given period." The Fund representatives are rather surprised at this Australian statement. We are not pretending in our submissions to set forth the exact details of the arrangements or understandings between Australia and other members of the sterling area, such as the particular criteria used by those concerned for determining the amount of conversion of sterling into dollars. We have been guided by well-known facts and published official statements. Surely the Australian representative does not mean to imply that Australia's entire sterling holdings are freely convertible at any moment into dollars, that sterling is now actually fully convertible into dollars and its limited convertibility is merely a misunderstanding by the public.

In the many months of discussion prior to the formation of the European Payments Union, we had heard at length the forceful arguments given by the United Kingdom's representatives on why the continued existence of the monetary arrangements of the United Kingdom with other sterling area countries had to be maintained to support the position and use of sterling as an international currency. In these discussions, the existence of such arrangements was repeatedly recognized. The Fund has not been called upon to appraise the need or the wisdom of having such special arrangements and we have not done so but we do feel that we have given due consideration to them and to their significance.

Allowing for the difficulties of exposition, we feel that the Fund's statements on Australia's arrangements with the sterling area do reflect the substance of the situation.