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

Statement by the United States Delegate at the Eighth
Meeting of the Working Party, held on Tuesday,
21 November, 1950 at 3 p.m.

Mr. Chairman,

The time has now come when we have concluded the development of the facts with respect to Australia and for the expression of views by the members of the Working Party.

We are indebted to the representative of Australia for the clear and helpful statement which he made at the opening of our consultation with his country. We welcome the Australian decision to enter into these consultations, as of the current situation, in a spirit of frank and open interchange of views. This is a further expression of an attitude which his government has always shown in its participation in the operations of the General Agreement.

As in the case of the United Kingdom consultation and the Southern Rhodesian consultation, we are also indebted to the International Monetary Fund for the comprehensive analysis of relevant factors which it has made available to us. We have at various times in this consultation expressed our views as to the entire appropriateness of the comments by the Fund contained in its reports. In connection with the United Kingdom consultation, I called attention to the universal agreement around this table that we were indebted to the Fund for not just giving us a mass of undigested statistics, and that when an international institution is asked to participate in a full and frank consultation, the form in which it expresses its views is a matter for it to decide. As the representative of the Fund told us yesterday, this matter was fully debated in the Fund and the report now before us represents the considered judgment of a large majority of its Executive Board.

I have also pointed out that by entering into the General Agreement we have all accepted the principle established in Article XI that, as a trade matter, quantitative import restrictions are not an acceptable method of trade control, and that what we were considering in this Working Party were import restrictions based not on any trade basis but on the basis of overriding financial necessity, for which provision is made in Article XII of the GATT. Quantitative import restrictions under Article XII, which are the sole subject of discussion here, are only acceptable under the General Agreement to the extent that they can be justified by financial necessity. The judgment of the Fund on the question of the extent of this necessity is, in our view, clearly a financial judgment which is entirely within the province of the Fund.

The views that I expressed in connection with the United Kingdom consultation apply with equal force to the consultation with Australia.

In the course of his able discussion of the situation of Australia, the Australian delegate called attention several times to the fact that Australia keeps its reserves for the most part in sterling, and he, as did the delegate from the United Kingdom, urged the Working Party not to overlook the existence and the relevance of the sterling area.

I would like to reassure the delegate from Australia. In reaching the views I am about to express on behalf of my Delegation, we were well aware of and gave full consideration to the existence of the sterling area. The report of the Fund indicates that the Fund also is entirely aware of the relationship and, in fact, has devoted many pages of its detailed factual submissions and a considerable portion of the summary report to describing the relationship of the consulting Contracting Parties (other than Chile) to the sterling area.

With this awareness on the part of everyone around this table of the existence of the sterling area, I am sure we can all agree with the delegate of the United Kingdom in his statement on Friday that we need not enter here into a discussion of the merits or demerits of the sterling area.

But, along with this awareness of the existence of the sterling area, I think the members of the Working Party would also agree that we must not overlook the existence of the fact that each of the countries which are now engaged in consultation around this table, except for Southern Rhodesia, is an independent sovereign state, that each of them participates in the General Agreement in its own right and has assumed the obligations and is enjoying the benefits of the Agreement in its own right. Southern Rhodesia is independent in her external commercial affairs and is an independent Contracting Party. This is to us a central fact.

With this brief restatement of the attitude with which my Delegation approaches this problem, I would now like to comment briefly upon the conclusions to which we have come as a result of the information which has been provided to the Working Party, the views which have been expressed in its deliberations, and the independent study which my Government and Delegation have given to the problem before us.

The factual data put before us in this consultation show clearly the sharp and steady improvement in the current balance-of-payments position of Australia since the last quarter of 1949. This position is indicated most clearly by the table on page 5 of the paper submitted by Australia, GATT/CP.5/K/2, as it has been brought up to the middle of 1950 by the oral statement of the Australian Delegate.

If we take the line in this table called "deficit" and subtract from these figures the gold sales to the United Kingdom (since the gold is a current asset available for dollar imports) and convert all these figures to an annual basis, we find that in 1947 Australia ran a dollar deficit of \$191 million. In 1948 this deficit had dropped to \$61 million and in the first quarter of 1949 to the annual rate of \$44 million. In the second quarter of 1949, the deficit jumped to an annual rate of \$104 million, and in the third quarter to an annual rate of \$216 million. From then on the picture was reversed. In the fourth quarter of 1949,

the deficit was at the rate of only \$32 million per year - a better result than the best previous period mentioned, the first quarter of the year. For the first half of 1950, a surplus at the rate of \$76 million per year has developed. The deficit in the one quarter of the year in which wool is not shipped is very small and leaves the figure for 1950 still in substantial surplus. The wool shipping season is just beginning, and reports on current prices at the wool auctions certainly indicate a sustained favorable dollar position for Australia for the foreseeable future.

We have also been told that Australia is finding an increasing availability of supplies from soft-currency areas of things which it needs which are increasingly competitive in price and delivery date with goods of dollar origin. We are aware of the beneficial effect of devaluation of the Australian pound upon Australia's dollar earnings. We have noted the very high demand in dollar areas for Australia's principal export products, notably wool, and of the declining domestic production of wool in Australia's main dollar market referred to in the Fund's report. We are also aware of the fact that there are uncertainties in the picture - for example, that periods such as the present normally involve higher prices for capital and consumer goods, as well as higher prices for raw materials, and that the exact interrelationship of these prices cannot be reliably foretold. This is an important uncertainty. There are others which the Australian delegate has mentioned which must also be taken into account.

Looking at the totality of the picture as we understand it, however, our Delegation has concluded that the time has now come when a progressive relaxation of restrictions by Australia on imports from the dollar area can begin. We recognize that caution in the nature and extent of the relaxation is justified, but we think that the circumstances justify a significant beginning of the relaxation process.