

J. A.

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TARIFFS AND TRADE

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ORIGINAL: ENGLISH

CONTRACTING PARTIES

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

Statement by the New Zealand Representative at the  
Ninth Meeting held on Wednesday, 22 November 1950  
at 3 p.m.

The balance of payments situation which accounts for the discrimination by New Zealand against imports from dollar sources has already been dealt with fully by the representative of the United Kingdom when he explained the position of the sterling area, as well as in the document presented by the United Kingdom on behalf of Commonwealth countries in the sterling area. However, it may be of incidental interest to representatives to know the latest figures of receipts and payments of dollars by New Zealand. For the six months from January to June, 1950, receipts expressed in terms of United States dollars, totalled 44 million and payments 28 million. These figures must be treated as highly confidential as they are subject to check and have not been published. For the first two quarters of 1950 separately, approximate figures are as follows :-

	1950	
	1st Qtr.	2nd Qtr.
Receipts	18	26
Payments	14	14

These figures show a considerable improvement on previous years, and it is gratifying that New Zealand has been able to make this small contribution to strengthening the position of the sterling area.

The system of import licensing in New Zealand, as it affects dollar imports, is as follows. In general, each application for a licence by an importer is considered on its merits, having regard to the essentiality of the product, availability from soft currency sources, urgency of the requirement, comparative delivery dates from various currency sources, and so on. For 1949, licences issued on dollar sources were available for imports at any time during a fourteen months period ending on 28 February, 1950. Generally the bulk of such licences was issued immediately prior to the commencement of a licensing period, or during the first few months of the period. For 1950, licences were issued on a six-monthly basis, but those issued for the first six months (January - June) were made available also for imports after 30th June. The object of this alteration was, of course, to lessen the expenditure of dollars during the June year 1949/50, so as to reduce the immediate impact on the reserves of the sterling area.

The reduction in dollar imports cannot, of course, be entirely accounted for by the effects of increased restriction and, as with other sterling area countries, considerable importance attaches to the effects of devaluation and improved availability from soft currency sources. Because of the nature of the products concerned, increased home production has little or no effect in our case.

So far as export receipts are concerned, the main feature has been an approximate doubling in the quantity of wool exported to the United States and Canada.

I have given this brief survey of our bilateral dollar position not because it has any direct relevance to the present consultation, but because other members of the working party will be interested no doubt, in the dollar receipts and payments of New Zealand as they affect the sterling area as a whole.

#### FUND REPORT:

While we do not wish to raise further discussion on a point that has already been discussed at length, my delegation regrets that the Fund should have seen fit to submit conclusions when consulting with the CONTRACTING PARTIES in relation to procedures under the GATT which do not call for any conclusions by the CONTRACTING PARTIES, acting jointly, themselves.

There are certain points in the Fund statement concerning New Zealand on which it seems desirable to comment. Before doing so, however, I would like to say that my delegation quite understands the difficulty the Fund must have had in preparing the statement concerning the New Zealand position, having regard to the fact that, as New Zealand is not a member of the Fund, the Fund staff worked from published information without direct consultation with officials of the New Zealand Government.

My purpose in commenting now on certain of the points in the Fund document which are inaccurate, is to save the time of the working party by forestalling possible questions which might otherwise arise.

#### Page 2 - Sentence commencing "Second repayment of sterling debt..."

There have been no limitations imposed on the use by New Zealand of past accumulations of sterling. Appreciating, however, the importance of avoiding the strain on the United Kingdom economy imposed by unrequited exports, the Government has, since 1947, endeavoured to avoid current payments exceeding current receipts. In any case, this policy has been indicated, especially in the last year or so, by the inadequacy of our sterling reserves. This inadequacy has been increased by the constant rises in import prices and in the total value of our international trade, while the reserves have remained more or less stable, apart from seasonal fluctuations.

#### Two sentences commencing "So far as the dollar area is concerned..."

Reference is made to agreed limits on the amount of sterling which can be converted. This point was clarified in the consultation with Australia and I do not need to elaborate on it, beyond saying that the comments made previously apply equally to the New Zealand position.

#### Page 3 - Sentence commencing "The long-term contracts..."

This sentence is probably true if tonnages are considered but, as no wool is sold under long-term contract, only about half by value of our exports are sold in this way.

Concerning the next sentence, I have already pointed out the importance of export of increased quantities of wool to the dollar area which, in the immediate past period, has been of far greater importance than the rather moderate increase in the dollar price of wool over the 1949/50 season.

Sentence commencing "At the same time imports were subject to control..."  
It is safe to say that despite import control the large increase in value of imports over the last few years does reflect increased demand for imports, thus indicating that pressures emanating from the domestic economy have affected imports to a very great extent.

Page 4 - Sentence commencing "No commodities falling within these groups could be imported from the United States and Canada..."  
The import licensing authorities have complete power to issue import licences for any commodity from dollar sources. For certain commodities some licences on soft currency sources are issued automatically to importers and these automatic issues (which we call basic allocations) are related to licences issued to individuals in some previous year. Basic allocations are not generally made for imports from dollar sources. In respect of commodities subject to basic allocations, just as much as for commodities for which no basic allocations are made, some dollar licences can be and are usually issued. There is, therefore, no question of lists of commodities which are eligible or ineligible for import from dollar countries. Changes between the groups for which basic allocations are made on the one hand, and the group for which basic allocations are not made on the other hand, have, therefore, no particular significance in considering New Zealand's policy towards dollar imports.

Page 5 - Paragraph V.  
Probably the major factor in increasing demand for imports is the increase in wool prices. One of the major threats to our overall balance of payments is the fact that we are now only just achieving balance in our overall accounts with the assistance of import control at a time of high export earnings. Because of the inadequacy of our sterling reserves we would be faced with considerable difficulty if our export receipts were to drop. It is to be borne in mind that, in general, changes in the demand for imports arising from export receipts lag approximately a year behind the changes in the export receipts themselves. This time lag protects the balance of payments in a period of rising prices like the present, but is a serious difficulty in periods of falling prices. Furthermore, even in the event of a general drop in world prices, our export price level may be expected to drop more than the prices of our imports. This comment on our overall balance of payments situation is made only because the matter has been dealt with in the Fund report, without adequate mention of the important factor to which I have referred. We would not consider it appropriate, in the present consultation on our dollar import restrictions, to enter into any discussion on our overall balance of payments position.

CONCLUSION:

The discrimination we exercise against dollar imports reflects our real economic interest in strengthening the international position of sterling, so that it may become, as soon as possible, fully, securely and permanently convertible, without the need for us to exercise any self-restraint in our demands for conversion. We are convinced that this is the only lasting solution to our own dollar problem and, indeed, an essential prerequisite to conditions of fully multilateral trade. The views expressed by the United Kingdom representative here as to the appropriate line of action in present circumstances were those agreed by Ministers from sterling countries of the Commonwealth at their meeting in September and are fully endorsed by the New Zealand Government..