

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

W.10/6

4 November 1955

Special Distribution

CONTRACTING PARTIES
Tenth Session

CONSULTATIONS UNDER ARTICLE XIV:1(g)

Consultation with the International Monetary Fund

1. In connexion with the consultations initiated by five contracting parties under Article XIV:1(g), the Executive Secretary, in accordance with the procedures agreed to at the Ninth Session, invited the Fund to consult with the CONTRACTING PARTIES pursuant to Article XV of the General Agreement. The Fund, by letter dated 22 July 1955, replied as follows:

"The Fund will be pleased to consult with the CONTRACTING PARTIES in connexion with these consultations. In the case of Australia, the Fund expects that its consultation under Article XIV of the Fund Agreement will be completed in time for the results and background material to be made available to the CONTRACTING PARTIES before the opening of the Tenth Session. With respect to Ceylon and the United Kingdom, and also our consultation with the CONTRACTING PARTIES in connexion with their consultation with the Federation of Rhodesia and Nyasaland, it has not been possible to arrange for the 1955 consultations under Article XIV of the Fund Agreement to take place in time to ensure that material from them could be made available during the Tenth Session. Accordingly, it is our intention, unless a substantive change occurs in the position of the country in question, to refer the CONTRACTING PARTIES to the results and background material from the latest Fund consultation with the country, and to provide them with factual material reviewing developments since that consultation. If this does not prove to be feasible in either case because a substantive change occurs in the position of the country, we shall communicate further with you. With respect to New Zealand, as in the past, the Fund will contact New Zealand directly in order to get the information necessary for consultation with the CONTRACTING PARTIES."

2. Accordingly, the Fund has transmitted copies of six background papers, and supplied further copies of two papers (marked * in the list below) which were distributed at the Ninth Session. One copy (in English) of each of these papers, which are classified as "Secret", is being forwarded to each delegation.

	<u>Date of Paper</u>
<u>Australia</u>	
"Background Material for 1955 Consultations"	30 August 1955
"Supplementary Information"	11 October 1955
<u>Ceylon</u>	
*"Background Material for 1954 Consultations"	17 January 1955
"Economic Developments Since the 1954 Consultations"	13 October 1955
<u>New Zealand</u>	
"Economic Position and Restrictive Systems"	7 October 1955
<u>Rhodesia and Nyasaland</u>	
"Developments in the Federation of Rhodesia and Nyasaland Since the 1954 Consultations [with the United Kingdom]"	13 October 1955
<u>United Kingdom</u>	
*"Background Material - 1954 Consultations"	14 January 1955
"United Kingdom - Developments since the 1954 Consultations"	13 October 1955

3. The Fund has concluded its 1955 consultations with Australia, and the results of that consultation will be circulated to contracting parties as soon as received. The results of the Fund 1954 consultations with Ceylon and the United Kingdom, referred to in the letter quoted in paragraph 1, are reproduced in the Annex.

A N N E X

I. Communication dated 16 February 1955 from the International Monetary Fund on the results of its consultation with Ceylon

"I have the honour to inform you, as relevant for the CONTRACTING PARTIES in connexion with their consultation with Ceylon under Article XIV:1(g) of the GATT, that the Government of Ceylon has consulted the Fund under Article XIV, Section 4, of the Fund Agreement concerning the further retention of its transitional arrangements. The results of this 1954 consultation were as follows:

"1. The Government of Ceylon has consulted the Fund under Article XIV, Section 4, of the Fund Agreement concerning the further retention of its transitional arrangements.

"2. There has been a marked improvement in Ceylon's economic and financial situation since the middle of 1953. Internal stability has been achieved through monetary and fiscal policies. In the second half of 1953, Ceylon's balance-of-payments position began to improve, largely as a result of rising prices for tea exports, and in 1954 the external accounts are estimated to have been in over-all surplus, including a surplus with the dollar area. There has also been a rise in Ceylon's international reserves during the past year.

"3. The Fund notes with satisfaction the determination of the Ceylon Government to maintain internal stability and to co-ordinate the undertaking of investment and economic development projects with the availability of domestic and foreign resources.

"4. The Fund also notes that, during 1953 and 1954, Ceylon has responded to improvement in its position by relaxing restrictions and reducing discrimination, and the Fund will expect a continuation of this policy, especially with respect to the dollar area, if Ceylon's balance-of-payments position continues favourable.

"5. In concluding the 1954 consultations, the Fund has no other comments to make on the transitional arrangements maintained by Ceylon."

II. Communication dated 16 February 1955 from the International Monetary Fund on the results of its consultation with the United Kingdom, including the Federation of Rhodesia and Nyasaland

"I have the honour to inform you, as relevant for the CONTRACTING PARTIES in connexion with their consultations with the United Kingdom and the Federation of Rhodesia and Nyasaland under Article XIV:1(g) of the GATT, that the Government of the United Kingdom has consulted the Fund under Article XIV, Section 4, of the Fund Agreement concerning the further retention of the transitional arrangements by the United Kingdom, including the Federation of Rhodesia and Nyasaland. The results of this 1954 consultation were as follows:

"1. The Government of the United Kingdom has consulted the Fund under Article XIV, Section 4, of the Fund Agreement concerning the further retention of its transitional arrangements.

"2. United Kingdom production and incomes have continued to rise in 1954. Monetary and fiscal policies have succeeded in maintaining balanced expansion. There has also been an improvement in the balance of payments with the dollar and other areas and in the reserve position. A substantial volume of indebtedness has been repaid.

"3. The Fund welcomes the relaxations of restrictions and reduction of discrimination made since the 1953 consultations and notes with satisfaction the United Kingdom's intention to continue this policy and progress further toward convertibility. While appreciating the United Kingdom's need to maintain a substantial current surplus in its external accounts, the Fund hopes that this objective will not impair the further removal of restrictions, and believes that a continuation of the favourable circumstances now prevailing will permit the present policy of moving towards convertibility to be continued.

"4. In concluding the 1954 consultations, the Fund has no other comments to make on the transitional arrangements maintained by the United Kingdom."

