

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED
LIMITED B
GATT/CP.6/18
13 September 1951
ORIGINAL: ENGLISH

CONTRACTING PARTIES
Sixth Session

SPECIAL EXCHANGE AGREEMENTS

Note by the Executive Secretary

(a) Implementation of Special Exchange Agreements with Haiti and Indonesia

1. Since the close of the Fifth Session the Governments of Haiti and Indonesia have accepted special exchange agreements with the CONTRACTING PARTIES. The agreement with Haiti entered into force on February 23, and that with Indonesia on February 25, 1951. The text of these agreements is in conformity with the standard text adopted by the CONTRACTING PARTIES at their Third Session.

2. Pursuant to the procedural arrangement made at the Fifth Session for the implementation of the provisions of special exchange agreements (GATT/CP.5/44, paragraph 9), the Chairman of the CONTRACTING PARTIES has taken certain action in relation to these two agreements. A report on the action taken in the inter-sessional period is attached.

(b) Preparations for Report by the CONTRACTING PARTIES and Consultations under Article XI of the Special Exchange Agreements

3. The Governments of Haiti and Indonesia notified, in accordance with the provisions of Article XI of their agreements, that they intended to avail themselves of the transitional arrangements for the maintenance of restrictions on payments and transfers for current international transactions (GATT/CP/96 and Add.1). Paragraph 3 of that Article requires the CONTRACTING PARTIES to report, not later than March 1, 1950 and in each year thereafter, on such restrictions still in force. It also provides that, not later than March 1, 1952 and in each year thereafter, if a government still retains any restrictions inconsistent with Article VII or X of the agreement it shall consult with the CONTRACTING PARTIES as to their further retention. The CONTRACTING PARTIES, when giving consideration at the Sixth Session to the procedure for making these annual reports and for carrying out the annual consultations, might take into account the procedure they decide to adopt for the preparation of the annual reports on the discriminatory application of import restrictions applied for balance-of-payment reasons and for the annual consultations on the continuance of certain discriminatory practices (cf. GATT/CP.6/19).

(c) Action required of Burma, Sweden, Germany and Liberia

4. At their Fifth Session the CONTRACTING PARTIES granted an extension of time, until September 17, 1951, to the Governments of Burma and Sweden for action under Article XV:6 of the General Agreement, the Fund having indicated that these Governments were likely to become members before the opening of the Sixth Session (GATT/CP.5/44). Sweden joined the Fund on August 31, 1951. No indication has been received from the Government of Burma as to its intentions.

5. Among the governments which participated in the Torquay tariff negotiations with a view to acceding to the General Agreement, only Germany and Korea are not members of the Fund. Under the terms of a resolution of the Third Session, governments acceding to the agreement which are not Fund members are required either to join the Fund or to enter into a special exchange agreement with the CONTRACTING PARTIES within four months after the date of accession (GATT/CP/32, page 32). Germany will become a contracting party on October 1, 1951 and should therefore enter into a special exchange agreement not later than February 1, 1952, if by that time it is not a member of the Fund. Korea has not yet signed the Torquay Protocol.

6. The position of Liberia in relation to the provisions of Article XV:6 of the General Agreement was examined at the Fourth Session. In the course of discussion the Fund advised that Liberia was expected to become a member of the Fund within a short time, the Fund having determined the conditions of membership for that country. On the basis of this information the CONTRACTING PARTIES took no action but noted that if Liberia, after its accession to the General Agreement, should claim to be covered by the provisions of the third Resolution on exchange agreements adopted at the Third Session, the CONTRACTING PARTIES should consider the applicability of that resolution to Liberia (GATT/CP.4/41/Rev.1, paragraph 18). The Fund advised on August 1, 1951 that the Government of Liberia had been unable to take up membership in the Fund under the resolution enabling it to enter the Fund by accepting the terms and conditions of such membership by October 1, 1950. In these circumstances, the CONTRACTING PARTIES will wish to consider whether the position of Liberia conforms to the conditions set forth in the Resolution of the Third Session (GATT/CP/32, page 34) by which a country which uses solely the unrestricted currency of another contracting party and which is not a member of the Fund, is, under certain conditions, exempted from the requirement of entering into a special exchange agreement with the CONTRACTING PARTIES.

A N N E XREPORT BY THE CHAIRMAN OF THE CONTRACTING PARTIES
ON ACTION TAKEN UNDER THE PROCEDURAL ARRANGEMENT
FOR THE IMPLEMENTATION OF THE PROVISIONS OF
SPECIAL EXCHANGE AGREEMENTS

1. The procedural arrangement made at the Fifth Session provides that if a question should arise under an agreement requiring action by the CONTRACTING PARTIES at a time when they are not in session the matter will be referred to the Chairman and he will undertake consultation with, and seek necessary determinations by, the International Monetary Fund in accordance with Article XV:2 of the General Agreement (GATT/CP.5/44, paragraph 9). The present report deals with action taken in accordance with this arrangement between the Fifth and Sixth Sessions with respect to the two special exchange agreements, with the Governments of Haiti and Indonesia.
2. On the basis of advice from the Fund, and pursuant to Article III:2 of the agreements, a copy of Regulation F-4 of the Fund's Rules and Regulations, which sets forth the margins permissible for transactions in gold to members of the Fund, was transmitted to the two governments. A copy of the Schedule of Par Values published by the Fund containing the current par values of the contracting parties which are members of the Fund was furnished to the two governments in connection with the provisions of Article IV of the agreements.
3. With regard to the question of initial par values for the currencies of the two countries, consultation was initiated with the Fund on February 9. The Fund advised that since discussions on the membership application of Indonesia were in an advanced stage the transmission of a request to that Government for a communication of the par value of its currency, as envisaged in Article II:1 of the Special Exchange Agreement, should be deferred. In respect of Haiti, the Fund suggested that the CONTRACTING PARTIES should request that Government to communicate the par value of its currency based on the rates of exchange prevailing at the time. A request was accordingly addressed to Haiti on April 6 and confirmed by telegram on May 15. In reply the Haitian Government communicated by telegram on May 19 in the following terms:

"Haitian gourde exchangeable against U.S. dollar of weight and fineness in effect July 1, 1944 rate five for one dollar".

The Fund was informed of this communication and was requested, pursuant to Article XV:2 of the General Agreement and in accordance with the intersessional procedure, to take the steps necessary to advise the Contracting Parties on the matter. Complying with this, the Fund stated in a letter dated July 2 that:

"The Fund has considered whether the communicated par value is suitable as an initial par value. Pursuant to Article XV, paragraph 2 of the General Agreement on Tariffs and Trade and Article II of Haiti's Special Exchange Agreement, the Fund determines that it is suitable as an initial par value for the currency of Haiti".

The contracting parties were advised on the communication from the Government of Haiti and of the action taken by the Chairman.

4. In accordance with the provisions of Article II of the Special Exchange Agreement, the initial par value of the Haitian currency for the purpose of the Agreement was determined on August 14. This was announced on August 15 in GATT/CP/125.

5. In connection with the report and the consultation required under Article XI of the special exchange agreements (cf. paragraph 3 on page 1 above) the Fund suggested that the Governments of Haiti and Indonesia be asked to supply detailed information on the restrictions on payments and transfers for current transactions which are maintained under that Article of the agreement. Accordingly requests have been addressed to the two governments.

