

GENERAL AGREEMENT  
ON TARIFFS AND  
TRADE

ACCORD GENERAL SUR  
LES TARIFS DOUANIERS  
ET LE COMMERCE

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29 September 1951  
BILINGUAL

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CONTRACTING PARTIES  
Sixth Session

ITEM 5 : MEMBERSHIP OF THE INTERNATIONAL MONETARY FUND  
AND SPECIAL EXCHANGE AGREEMENTS

Exchange Restrictions applied by Haiti and Indonesia

The following letter, dated September 29, 1951, and reports have been received from the representative of the Fund:

" I am pleased to submit the attached reports on restrictions on payments and transfers in Haiti and Indonesia as of March 1, 1951, which have been prepared by the Fund for the assistance of the Contracting Parties in the preparation of their report on the restrictions in force under Article XI, paragraph 1 of the Special Exchange Agreements with Haiti and Indonesia. These reports have been prepared on the basis of available information in the Fund but have not been discussed with the Governments of Haiti and Indonesia. Therefore the Fund Mission will be pleased to receive during the meeting any comments on these reports."

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PARTIES CONTRACTANTES  
Sixième Session

POINT 5 : ACCESSION A LA QUALITE DE MEMBRE DU FONDS MONETAIRE  
INTERNATIONAL ET ACCORDS SPECIAUX DE CHANGE

Restrictions de change appliquées par Haïti et par l'Indonésie

Le représentant du Fonds monétaire a adressé au Secrétariat, à la date du 29 septembre 1951, la lettre suivante, accompagnée de rapports:

" J'ai l'honneur de vous adresser les rapports ci-joints concernant les restrictions de paiements et de transferts en vigueur à Haïti et en Indonésie, à la date du 1er mars 1951. Ces rapports ont été élaborés par le Fonds en vue d'aider les Parties Contractantes dans la préparation de leur rapport sur les restrictions en vigueur, conformément au paragraphe 1 de l'article XI des accords spéciaux de change conclus avec Haïti et l'Indonésie. Ils ont été établis d'après les renseignements dont disposait le Fonds, mais n'ont pas fait l'objet d'une discussion avec les gouvernements d'Haïti et de l'Indonésie. Les représentants du Fonds seront heureux de recevoir, au cours de la session, toutes observations appropriées concernant ces rapports".

Restrictions on Payments and Transfers in Haiti

September 18, 1951

Introduction

The Government of Haiti accepted a Special Exchange Agreement with the Contracting Parties to the General Agreement on Tariffs and Trade on January 24, 1951.<sup>1/</sup> On February 23, 1951, the Haitian Government notified the Contracting Parties that it intended to avail itself of the transitional arrangements in paragraph 1 of Article XI of the Special Exchange Agreement. More recently, the Government of Haiti informed the Contracting Parties on August 14, 1951, that it wished to avail itself of the transitional arrangements for a new period of nine months. Under paragraph 3 of Article XI, the Contracting Parties are required to report "Not later than March 1, 1950, and in each year thereafter, ... on the restrictions still in force under paragraph 1. Not later than March 1, 1952, and in each year thereafter, if the Government of Haiti still retains any restrictions inconsistent with Article VII or X, it shall consult with the Contracting Parties as to their further retention."

In order to provide some assistance to the Contracting Parties, the International Monetary Fund has prepared a brief statement on the position of Haiti - as of March 1, 1951 - in the matter of restrictions on the making of payments and transfers for current international transactions. In addition to an official Haitian statement (letter of August 29, 1951 to the Contracting Parties), information available within the Fund has been used as a basis for this report.

Exchange Rates

The local currency, the Gourde, is by law and in fact exchangeable on demand for U.S. dollars at the fixed rate of Gourdes 5 to U.S. \$1. This rate - which was communicated to the Chairman of the Contracting Parties in a cable, dated May 19, 1951 - has not varied since it was

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<sup>1/</sup> An instrument of acceptance was deposited with the Secretary-General of the United Nations on January 24, 1951; Article XIV, paragraph 3 stipulates that the Agreement shall enter into force thirty days after the deposit, in this case February 23, 1951.

stabilized on May 2, 1919.<sup>1/</sup> United States currency circulates freely throughout the Republic and may be freely brought in and taken out.

#### Exchange Payments

There is no exchange control in Haiti and payments and transfers abroad may be freely made, although by a law of January 1, 1942 - modified March 19, 1942 - exchange and banking transactions can only be effected by the National Bank, the Royal Bank of Canada, or by a banking company established in Haiti for 20 years and composed of citizens of allied countries. With the exceptions of arms and ammunition which are controlled by the Army of Haiti, and tobacco, which is controlled by the Haitian Government Tobacco Monopoly, it is understood that there are no regulations or restrictions in connection with imports into Haiti, apart from import duties.

#### Exchange Receipts

There are no requirements concerning the proceeds of exports, which, for most items are not subject to licensing, and the exchange proceeds may be retained by the exporter without formality. With the exception of certain local food crops which may temporarily be banned from export, the re-exportation of machinery which requires a permit, and a prohibition on the export of mahogany timber and lumber, there are no regulations or restrictions in connection with exports from Haiti, apart from export duties.

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<sup>1/</sup> It is stated in a note by the Executive Secretary to the GATT (GATT/CP/125, August 15, 1951) that: "The Contracting Parties were informed by airgram on May 29, 1951 of the communication dated May 19, 1951 from the Haitian Government concerning the rates of exchange for the Haitian currency prevailing at the time. Pursuant to Article II, paragraph 1 of the Special Exchange Agreement between the Contracting Parties and the Government of Haiti, the initial par value of the Haitian currency for the purpose of the Special Exchange Agreement has now been determined as follows:

5 gourdes per U.S. dollar;  
0.177734 gram of fine gold per gourde; or  
175 gourdes per troy ounce of fine gold

The action taken by the Chairman of the Contracting Parties in this connection, in accordance with the procedural arrangements made at the Fifth Session (GATT/CP.5/44, paragraph 9), including the consultation with the International Monetary Fund, will be reviewed in a document to be distributed prior to the Sixth Session."

Recourse to Article XI: The Transitional Period

Insofar as the Fund has been able to learn and, as this report indicates, Haiti has not maintained restrictions on payments and transfers either immediately before becoming a contracting party or since that time. The Government of Haiti, however, notified the Contracting Parties on February 23, 1951, in accordance with Article XI, paragraph 2 of its Special Exchange Agreement, that it intended to avail itself of the transitional arrangements in paragraph 1 of Article XI. Under these transitional arrangements, the Government of Haiti is permitted, during the post-war transitional period, to "maintain and adapt to changing circumstances restrictions on payments and transfers for current international transactions." In view of the statement of the Government of Haiti (letter of August 29, 1951) there would appear to be no restrictive arrangements in Haiti to which this provision would apply. Moreover, the information from Haiti does not contain a statement to the effect that it feels unable to settle its balance of payments without resort to restrictions on the making of payments.<sup>1/</sup>

New restrictions - and since Haiti does not now have any restrictions, the imposition of restrictions would involve a new undertaking - may be authorized only with the consent of the Contracting Parties under Articles VII or IX.

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<sup>1/</sup> In this connection, the communication from the Government of Haiti dated August 29, 1951, is of interest. The request for an extension of nine months - which may be interpreted to mean that Haiti intends to remain under the transitional arrangements for another nine months before accepting the obligations of Articles VII and X - may be based on the belief that, should an emergency situation arise, new restrictions on payments and transfers might be imposed under the provisions of Article XI.

Restrictions on Payments and Transfers in Indonesia

September 18, 1951

Introduction

The Government of Indonesia accepted a Special Exchange Agreement with the Contracting Parties to the General Agreement on Tariffs and Trade on January 26, 1951.<sup>1/</sup> Earlier, on October 27, 1950 the Indonesian Government had notified the Contracting Parties that it intended to avail itself of the transitional arrangements in paragraph 1 of Article XI of the Special Exchange Agreement. Under paragraph 3 of Article XI, the Contracting Parties are required to report "Not later than March 1, 1950, and in each year thereafter, . . . . on the restrictions still in force under paragraph 1. Not later than March 1, 1952, and in each year thereafter, if the Government of Indonesia still retains any restrictions inconsistent with Article VII or X, it shall consult with the Contracting Parties as to their further retention."

In order to provide some assistance to the Contracting Parties, the International Monetary Fund has prepared a brief statement on the position of Indonesia -- as of March 1, 1951 -- in the matter of restrictions on the making of payments and transfers for current international transactions. In the absence of an official Indonesian statement,<sup>2/</sup> information available within the Fund has been used as a basis for this report.

Rates of Exchange

Officially the name of the unit of Indonesian currency is the Gulden, but for all practical purposes the term Rupiah is used. The official buying and selling rates are respectively Rupiah 3.79 and Rupiah 3.81, the parity being Rupiah 3.80 per U.S. dollar. However, these official rates have virtually no direct practical application, since the effective rates consist

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<sup>1/</sup> An instrument of acceptance was deposited with the Secretary-General of the United Nations on January 26, 1951; Article XIV, paragraph 3 stipulates that the Agreement shall enter into force thirty days after the deposit, in this case February 25, 1951.

<sup>2/</sup> The Government of Indonesia has, however, sent the following telegram to the Contracting Parties:

"Re your letter 21 August draw your attention we not received detailed questionnaire from IMF in connection special exchange agreement but did with regard application membership, latter questions being under consideration Ministry Finance. Wonder whether pages 8 and 9 April 1951 publication IMF concerning "Surveys of Exchange Controls etc. Argentina etc." would suffice for purpose Article XI paragraph 3 agreement; if not request information about further points desired. Might clarify exchange rates mentioned page 9 by addition that certificate rate although subject to supply and demand still amounts to about 200 percent."

of the official rates plus the rates for exchange certificates -- the use of which is explained below. The rates for exchange certificates may vary, but since the introduction of this system in March 1950, the Indonesian authorities have controlled these rates on a basis of 199 per cent (Rupiahs 7.54) of the official buying rate and 200 per cent (Rupiahs 7.62) of the official selling rate. In respect of exchange purchased from the banks, these certificates are required 100 per cent; in respect of exchange surrendered, they are issued to the extent of 50 per cent only, except for certain adjustments (rebates, claims for differences, etc.) and approved direct capital investments in respect of which certificates are issued 100 per cent. As a result the effective rates per U.S. dollar for most transactions are:

Buying: Rupiah 7.56 (i.e. Rupiah 3.79  $\times$   $\frac{1}{2}$  Rupiah 7.54)  
Selling: Rupiah 11.43 (i.e. Rupiah 3.81  $\times$  Rupiah 7.62)

The Government of Indonesia has not yet been requested to communicate a par value to the Contracting Parties. The wide margin of approximately 50 per cent between the effective buying and selling rates at which most exchange transactions take place, clearly indicates the existence of a multiple currency practice.

#### Exchange Payments

Payments for imports require exchange licenses issued by the Foreign Exchange Institute. Fees for the issue of these licenses amount to 1 per cent. They are issued when imports have been approved by the import licensing authorities and an import license has been issued.<sup>1/</sup> Exchange licenses are not issued when the importer uses self-provided exchange which accrued to him in a bona fide way or where barter trade transactions (which are allowed with Singapore and Hong Kong for a limited number of native products) are concerned.

Allotments of foreign exchange are made according to three different methods. Under the first method, a certain amount of exchange is allotted to a group of experienced importers for the importation of certain products on a quota basis. These importers may submit requests accordingly for import licenses and exchange licenses for the importation of these products, and such requests are usually granted automatically.<sup>2/</sup> Under the second method, exchange licenses and import licenses are issued to most importers for the importation of certain goods on the basis of the most attractive terms submitted in regard to price, origin and terms of delivery. Under the third method, import licenses and exchange licenses are usually issued to any importer for the importation of certain goods which are published in a so-called "free-list." In addition to the exchange license which is required, an

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<sup>1/</sup> As from April 1, 1951, the separate exchange license was abolished and the import license became the authority on which the banks would provide exchange in payment of imports.

<sup>2/</sup> This method of allocation which was known as "historical rights" was abolished on April 1, 1951.

exchange certificate for 100 per cent of the amount involved must also be provided by the applicant in order to purchase the required exchange. 1/

Payments abroad for invisibles require exchange licences, which are granted for all purposes connected with trade and for the remittance of dividends due to non-residents. Transfers of capital abroad also require exchange licences, but these are not normally granted for investments abroad by residents or the remittance of non-resident capital. As in the case of payments in respect of imports, in addition to the exchange licence which is required, an exchange certificate for 100 per cent. of the amount involved must also be provided by the applicant in order to purchase the required exchange. These exchange certificates are obtained through the authorized banks at a price equivalent to 200 per cent. of the official rate, so that, in effect, the buyer of foreign exchange pays three times the value calculated at the official rate.

#### Exchange Receipts

Exporters and others receiving foreign exchange must surrender it at the official rate but there are special exchange arrangements for certain foreign-owned oil companies. Export proceeds must be received in foreign exchange appropriate to the country of destination. In addition to the local currency equivalent of their exchange proceeds, exporters receive an exchange certificate for 50 per cent. of the surrendered proceeds. The certificate entitles the holder to purchase foreign exchange to an amount equivalent to the face value in Rupiah, calculated at the official rate of exchange. Certificates are valid for thirty days, during which period, exporters may either use the certificates directly or sell them through the authorized banks, where their value is equivalent to 199 per cent. of the official rate. This, however, as mentioned, only applies to 50 per cent. of the exchange surrendered, so that, in effect, the seller of foreign exchange receives approximately twice the value calculated at the official rate.

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1/ On March 5, 1951, a new additional type of import permit, called "import permit (new style)" was introduced. These permits are denominated in Indonesian currency and are similar in use to the "inducement" certificates mentioned under "Exchange Receipts." They entitle the holder to import all goods except those whose import is reserved to newly-established importers of Indonesian nationality. These permits are sold on behalf of the Government by authorized banks to any importer at a price fixed periodically by the Government. Since the introduction of these permits, the price has amounted to 200 per cent. of the official selling rate. Since these importers have also to pay 200 per cent. of the official rate for their exchange certificates, importers under these new import permits have to pay in total 500 per cent. of the official rate or Rupiah 19.05 per U.S. dollar, in order to obtain the exchange required to pay for these imports.

All exports require export licences. Exporters of some native products receive "inducement" certificates, available as import permits, representing 5, 7-1/2, or 10 per cent. of export proceeds, which can either be directly used for imports or sold at a free market price. Special exchange arrangements exist for certain foreign-owned oil companies. Exports of certain commodities (e.g. copra, quinine, mineral oils) are handled by special government agencies.

Exchange received in respect of invisibles and capital must also be surrendered at the official rate and an exchange certificate is also issued for, in most cases, 50 per cent. of the amount surrendered, thus achieving the same effective rate as is applicable to export proceeds. However, exchange certificates are provided to the extent of 100 per cent. in those cases where the exchange surrendered is in respect of freight rebates, claims on account of differences, other refunds and commissions related to merchandise imports or services calculated on the basis of the 100 per cent. certificate requirement. Certificates are also issued 100 per cent. in respect of those capital transfers officially acknowledged as being direct investments by the Indonesia exchange control authorities.

