

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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NEW MEASURES OF IMPORT RESTRICTION

NEW ZEALAND

Note by the Executive Secretary

The Government of New Zealand has indicated that it will advise in the near future the details of recent measures of import control. When these are received they will be distributed to the contracting parties and will be examined in accordance with the recommendation of the Intersessional Agenda Committee as set out in GATT/IC/3. Meanwhile the following announcement by the Reserve Bank of New Zealand is circulated for information:-

Announcement by the Reserve Bank of New Zealand (31 March 1952)

1. The Reserve Bank has been considering further ways and means of ensuring that the demands on our overseas funds to pay for imports do not become too heavy as the year progresses.

2. Three of the causes which make additional safeguards necessary are:-

(i) The recent fall in prices of wool, hides and skins, seeds, and other farm products, and a consequent reduction in estimated export receipts;

(ii) The recent heavy restrictions imposed by several Commonwealth countries on imports from other countries in the Sterling Area.

This means a much greater availability of goods, which are liable to be diverted to New Zealand to a much greater extent than we can afford to absorb.

(iii) The abnormally high level of private imports into New Zealand, which during the past few months have been arriving at the rate of more than £280 million a year.

This excessive rate of importing is regarded as being temporary and not chronic, but specific measures are needed to prevent our overseas reserves being depleted to a level below what can be regarded as reasonably safe.

3. After consultation between the Government, the Reserve Bank, the Board of Trade, the Customs Department, the Department of Industries and Commerce, and the Trading Banks, it has therefore been decided to take the following action forthwith:-

(1) Except with the approval of the Reserve Bank, the Trading Banks have been advised not to sell to any importer, during the whole of 1952, more than 80 per

cent of the amount of exchange sold to that importer during 1950. The 80 per cent includes payment for both licensed and unlicensed imports from all countries. It also includes payment for goods brought or sent into New Zealand on consignment.

(ii) Reference must be made to the Reserve Bank through the Trading Banks in cases where importers require more than the 80 per cent.

Decisions will be made, in consultation with the Board of Trade, the Department of Industries and Commerce, and the Customs Department, according to a scale of priorities which will take the following factors into account:-

- (a) Essentiality of the goods in question.
- (b) Whether or not the goods are already in over-supply in New Zealand.
- (c) Firm commitments entered into before 1 April 1952.
- (d) Import licenses held by the importer.
- (e) Any other special circumstances, which will be dealt with on their merits.

(iii) To ensure speedy and orderly handling of applications, the banks are being supplied within a few days with application forms.

Importers who require an allocation should lodge their applications as soon as possible. In the interim, to prevent any avoidable interruption to the handling of current transactions, the banks are being authorised to meet the immediate overseas commitments of importers provided they are satisfied that each transaction is in the normal course of business and has not been speeded up in any way.

(iv) To enable the banks to obtain the necessary information more quickly than is possible from their own records, the application forms will be accompanied by a circular requesting importers to supply the following information:

- (a) Total value in New Zealand currency of all orders placed before 1 April 1952, and accepted overseas and not yet delivered. This covers remittances to pay for imports during each of the remaining three quarters of 1952 and the first two quarters of 1953.

Where definite information is not available as to when shipments will be made, the closest possible estimate should be given.

- (b) Total amount remitted to pay for imports in 1950 and 1951 respectively.

(v) In a number of cases reference to the Reserve Bank may be necessary, even though the total allocation which the importer wants for 1952 may be less than 80 per cent of his 1950 remittances; for example, reference would need to be made, in terms of the Reserve Bank's announcement of the 17th December, 1951, if an increase in the importer's overdraft limit would be involved.

It should be clearly understood that the basic allocation of 80 per cent does not confer on any importer the right to obtain bank accommodation to pay for the exchange; this means that if, for any reason, an importer's bank is not willing to grant him increased accommodation, there is nothing in the present arrangement that requires the bank in question to grant the accommodation.

(vi) Importers should not place fresh orders overseas without first consulting their bank managers.

(vii) Any importer who does not use his full allocation this year will not thereby be penalised on any future occasion.

4. The effect of these measures on imports for 1952 can be assessed from the fact that payments for non-government imports in 1950 were £140 million, and in 1951 were £201 million. On present indications an amount of up to between £170 million and £180 million can be made available for the whole of 1952 to pay for non-government imports.

5. To enable this to be done the Reserve Bank is prepared to supplement overseas receipts by a reasonable amount from its reserves of foreign exchange.

6. In doing so, the Bank must keep in mind its statutory duty to -

"maintain reserves which, in the opinion of the Board of Directors, will provide a reasonable margin for contingencies, after taking into account prospective receipts and disbursements of overseas funds, and having regard to the economic position within New Zealand".

7. The Reserve Bank regards the introduction of exchange allocations as a temporary measure to meet a particular situation, to be abolished as soon as they have served their purpose.

8. It is important that the above measures should be seen in their proper perspective.

9. They are designed not only to ensure that our financial structure will pass through 1952 with its basic soundness unimpaired, but also to ensure, so far as humanly possible that importers and consumers alike will not be called upon to suffer any undue stringency in overseas exchange during 1953.