

GENERAL AGREEMENT ON  
TARIFFS AND TRADE

RESTRICTED

L/23/Add.1

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Limited Distribution

CONSULTATIONS UNDER ARTICLE XIV:1(g)

Results of the consultations between the International  
Monetary Fund and Australia, Italy, the Netherlands  
and the United Kingdom.

1. As has been indicated in Paragraph 5 of L/23, the CONTRACTING PARTIES considered at the Sixth Session that the consultations initiated pursuant to Article XIV:1(g) could be concluded more effectively at the Seventh Session, if, before the end of that Session, the Fund would make available the results of its consultations with the countries concerned pursuant to Article XIV of its Articles of Agreement. Accordingly, the Fund arranged its consultations with its members in such a way as to ensure, as far as possible, that those with the governments which would also consult with the CONTRACTING PARTIES, would be completed in advance of the Seventh Session.

2. In a letter dated 28 August 1952 the Fund advised that it had completed its consultations with Australia, Italy and the United Kingdom. The Fund also supplied copies of the background material which its staff had prepared in connection with these consultations. The material takes the form of separate documents under the following headings:

Australia: Economic position

Australia: Restrictive system

Italy: Economic situation

Italy: Restrictive system

United Kingdom: Economic position

United Kingdom: Exchange Control system and restrictions.

A copy of these documents has been sent to each delegation.

3. By letters dated 2 October 1952 the Fund has given the following information on the results of its consultations with the three governments mentioned above, and with the Netherlands, as relevant for the CONTRACTING PARTIES in connection with their consultations with these governments under Article XIV:1(g) of the General Agreement:

Australia

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

"The Fund notes that there has been a serious deterioration in the Australian balance of payments and reserves position during 1951/52 and that the outlook for 1952/53 is not yet clear. The recent intensification of restrictions on imports and other external expenditures is regarded by the Commonwealth Government as a temporary measure only, to be reduced as soon as possible. The Commonwealth Government has taken a number of measures to correct the external imbalance including budgeting for a surplus in 1951/52, imposing more rigorous monetary and credit restraints, cutting immigration targets, reducing public investment programs in conjunction with the States; and has taken steps, including tax and other concessions to farmers, to increase agricultural production.

"In concluding the 1952 consultations, the Fund has no other comments to make on the transitional arrangements maintained by Australia."

#### Italy

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

"The Fund notes that Italy's external payments position has been characterized so far by an over-all deficit, reflecting a dollar deficit partly offset by a surplus in non-convertible currencies. The Fund considers that the present level of gold and dollar reserves is sufficiently large so that Italian exchange policy need no longer emphasize to the same degree the desirability of increasing gold and dollar reserves. The Fund considers also that a possible moderate deterioration in Italy's dollar payments position could appropriately be absorbed by some use of these reserves prior to the introduction of new restrictions.

"The Fund notes with satisfaction that Italy's credit and monetary policies have contributed significantly to the attainment of monetary stability, and to the improvement in the balance of payments position, and that Italy is endeavoring to increase production, consistently with the maintenance of a satisfactory reserve position.

"The staff is requested to explore further with Italy the possible multiple currency aspects of the Italian exchange system.

"In concluding the 1952 consultations, the Fund has no other comments to make on the transitional arrangements maintained by Italy."

#### Netherlands

"The Government of the Netherlands has consulted the Fund under

Article XIV, Section 4 of the Fund Agreement concerning the further retention of its transitional arrangements.

"The Fund notes with satisfaction the successful application by the Netherlands Government of monetary, fiscal and credit measures which have considerably strengthened the Netherlands balance of payments and reserve position. The Fund notes that the Netherlands' balance of payments position at present involves an over-all surplus, mainly in EPU currencies, together with a dollar deficit on current account.

"The Fund has also noted that under existing circumstances the removal of the restrictions on dollar payments is not feasible, if, however, there is any further substantial rise in gold and hard currency reserves, part of this increase could be devoted to some relaxation of the dollar payments restrictions.

"The Fund notes that the Netherlands is practicing dollar retention quotas and commercial switches. The Fund also notes the reasons given by the Netherlands for the maintenance of these practices.

"In view of the resolution adopted by the Board of Governors at the Seventh Annual Meeting requesting the Executive Directors of the Fund to make a special study of dollar retention quotas and other similar practices in member countries, the Fund's conclusion as to these measures in the case of the Netherlands will be deferred.

"In concluding the 1952 consultations, the Fund has no other comments to make on the transitional arrangements maintained by the Netherlands."

#### United Kingdom

"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.

"In the course of the 1952 consultations with the United Kingdom, the Fund was informed of the efforts being made by the United Kingdom to strengthen the position of sterling. The Fund records its view that the interest of all members of the Fund will be much advanced by the convertibility of sterling on a firm basis and the relaxation of restrictions, and welcomes the efforts being made by the United Kingdom Government to progress toward those declared objectives. However, the Fund has also had to take note of the present low level of the United Kingdom reserves and the serious disequilibrium in the United Kingdom balance of payments.

"In concluding the 1952 consultations, the Fund has no other comments to make on the transitional arrangements maintained by the United Kingdom".