

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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LIMITED B  
GATT/CP.5/SR/19  
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ORIGINAL: ENGLISH

CONTRACTING PARTIES  
Fifth Session

## SUMMARY RECORD OF THE NINETEENTH MEETING

Held at the Marine Spa, Torquay on  
Friday, 8 December, 1950, at 4 p.m.

Chairman: M. André PHILIP (France)

- Subjects discussed:
1. Arrangements for future consultation with the International Monetary Fund in connection with consultations under Article XII. (GATT/CP.5/38)
  2. Closing date of the Fifth Session. (GATT/CP.5/34)

1. Arrangements for future consultation with the International Monetary Fund in connection with consultations under Article XII. (GATT/CP.5/38)

Mr. TONKIN (Australia) expressed satisfaction with the successful conclusion of the full and frank consultations under Article XII which had been carried out in a spirit of goodwill and co-operation. There were, however, some misgivings on the part of certain representatives, including himself, which had arisen from a division of opinion as to the basis on which the Contracting Parties were to consult with the International Monetary Fund, and from the absence of a full understanding between the Fund and the Contracting Parties at certain stages of the consultation. It was most important for the future of the General Agreement, and for international collaboration generally, that the possibility of misunderstanding between the two institutions should be minimised. The respective jurisdictions of the two institutions were naturally not mutually exclusive, and the procedure for co-operative consultation and mutual assistance should, therefore, be developed. It was hoped that the Contracting Parties, in due course, would be able to make contributions to the Fund on trade matters comparable to that which the Fund had been able to make in the financial field, and it would be reasonable to expect reciprocity in this regard, even though the Fund constitution contained no provision corresponding to Article XV of the General Agreement. In the absence of a definition of the manner in which co-operation between the Fund and the Contracting Parties should be carried out in practice, the relationship must be worked out on a reasonable and commonsense basis. It was essential that the terms of invitation to the Fund to consult should be carefully worded so as to avoid any possible misunderstanding on the nature and scope of the information and advice to be sought from the Fund. To avoid any possible embarrassment, such terms should in future be determined by the Contracting Parties. Whilst it was quite proper for the Fund, as an expert body in the field of monetary reserves, balance of payments and foreign exchange arrangements, to make definitive findings of statistical facts, to give judgments based on its analysis of the facts and to express its views fully, it would help to avoid possible future misunderstanding if the broad manner in which such information would be requested were agreed upon in advance. Any comments or views which the Fund should feel inclined to express on matters not strictly within its field as provided for in Article XV would be welcome if they were submitted informally through the Fund representative at such consultations. It is difficult to see the provisions of Article XII:4(e) regarding the importance of consulting procedures in the procedure of

matters to be or being considered and of maintaining the utmost secrecy, applied to consultations under Article XII. An assurance of adequate secrecy and a clear indication of the precise nature of a consultation would both be conducive to the successful implementation of these provisions of the Agreement; the objectives of this section of the Agreement would be defeated if dangerous precedents in these aspects were allowed to be established at this Session. Mr. TONKIN then proposed that those aspects of Article XII on consultations be considered by the Contracting Parties at their next session with a view to clarifying the procedures of consultation with the Fund and **that the Contracting Parties give immediate consideration to the proposal that the precise terms of invitation to the Fund to consult be approved in advance by the Contracting Parties.** The former proposal was made in the belief that contracting parties would wish to have an opportunity between now and the Sixth Session to consider the appropriate basis for the full part which the Fund might play in such consultations.

In conclusion, Mr. TONKIN expressed the belief that the Contracting Parties were capable of evolving, on a reasonable and commonsense basis, arrangements for consulting fully with the Fund which would leave no ground **for doubt** as regards the full sovereignty of the Contracting Parties in trade matters and which would at the same time ensure that the most useful and essential part to be played by the Fund in such consultations was clearly laid down.

M. CASSIERS (Belgium) pointed out that the primary purpose of the consultations under Article XII was to find out whether quantitative restrictions were maintained for the purposes specified in that Article, i.e., whether they were necessary to forestall the imminent threat of, or stop, a serious decline in the monetary reserves of the contracting party, or, in the case of the contracting party with very low monetary reserves, to achieve a reasonable rate of increase in its reserves. This being so, the Fund, when consulted, would naturally be expected to express its views on the impact which a relaxation of quantitative restrictions would have on the monetary reserves of the contracting party. The Australian proposal was in effect tantamount to a revision of paragraph 2 of Article XV, the provisions of which implied that the Fund should supply the Contracting Parties with all its findings on financial matters. It would be regretted if the Fund would not do so in the future but limit itself to providing undigested bulk of statistics.

Mr. TONKIN (Australia) pointed out that the proposals put forward by his delegation referred to future consultations and not to the issues raised at the Working Party on **Consultations** at this session.

Mr. BROWN (United States of America) agreed with the Australian representative that all consultations under Article XII should be carried out as fully and as frankly as possible and that the responsibilities of the Fund in these consultations lay in the field described in paragraph 2 of Article XV. As regards the proposal that the Contracting Parties should decide in advance the precise nature of information and advice to be submitted by the Fund, he thought that only the Fund, as the expert body in the field of exchange matters, would be in a position to judge what information or advice would be useful. The United States delegation therefore believed that the Fund itself must be essentially the judge of what is and what is not relevant to present to the Contracting Parties in such consultations. Moreover, Article XII envisaged consultations under a variety of circumstances. In the case of a contracting party considering the institution of restrictions and taking action under paragraph 4(a) of the Article, the advance consultation with the contracting parties might be a matter of real urgency. In such cases the Contracting Parties would be obliged to give as early notification as

possible to the Fund, since the kind of material which the Fund had to present to the Contracting Parties could not be prepared in a very short time. It would therefore be impracticable to have the terms of an invitation to the Fund defined by the Contracting Parties at a session even if such definition were possible. At any rate, the scope and nature of the information and advice to be sought from the Fund were hardly susceptible to clear-cut definition, and such consultations must be carried out on a commonsense basis.

Sir Stephen HOLMES (United Kingdom) agreed with the Australian representative that an understanding with the Fund on the question of procedure was of great importance to the future of the General Agreement. Even though the separate fields of interest of the Fund and the Contracting Parties were incapable of complete definition, there were nevertheless two separate spheres of activity for the two bodies which were clearly laid down in paragraph 1 of Article XV. The Belgian representative, in quoting paragraph 2 of Article XV, seemed to have, in effect, supported rather than opposed the Australian contention. When a body was called upon to express its views, it should be careful to confine itself to its own appropriate province. In a frank and friendly discussion the Contracting Parties should endeavour to obviate the difficulties created by inappropriate views of the Fund such as it had provided at this session. The Australian representative's proposal should be given full and sympathetic consideration, since a well defined invitation to the Fund approved in advance by the Contracting Parties would provide a better lead and guidance both to individual contracting parties and to the Fund.

M. LECUYER (France) said that the concern expressed by certain contracting parties was fully appreciated by the French delegation but it found itself unable to accept the view that the scope and nature of the information and advice to be sought from the Fund could be determined by the Contracting Parties in advance. Quantitative restrictions and other trade matters were obviously subjects on which only the Contracting Parties themselves were competent to take decisions. But in practice, whilst the Fund should be free to determine what was appropriate to advise, the Contracting Parties could, nevertheless, decide for themselves to what extent their decisions should be affected by the views of the Fund.

Mr. DI NOLA (Italy) said that since real difficulties had been demonstrated by the proceedings of the Working Party on Consultations, the problem should be dealt with by the Contracting Parties and an understanding reached with the Fund on the procedure for future consultations, in accordance with the provisions of paragraph 3 of Article XV. Matters relating to foreign exchange etc., though belonging to the jurisdiction of the Fund, were closely related to quantitative restrictions. Any agreement with the Fund regarding procedures for consultation should therefore define clearly the division of the activities of the Fund and the Contracting Parties. It was admittedly difficult to define the respective jurisdictions, but difficulty provided no justification for avoiding the issue.

Mr. TONKIN (Australia), in agreement with a summary of his proposals made by the Chairman, stated that he had in effect proposed

- (i) a preliminary examination of the question of procedure, which had been satisfactorily carried out at the present meeting; and
- (ii) careful consideration by contracting parties between now and the next session, of the problem of procedure, on which the Australian delegation would submit definite proposals at the next session.

The CHAIRMAN, summing up the discussion, felt that it was generally agreed that the Contracting Parties should give further reflection to the question of procedure for consultation with the Fund, on which the Australian Government would submit detailed proposals at the Sixth Session. It was hoped that the Contracting Parties would be fully prepared to take up the question at that time.

2. Closing Date of the Fifth Session (GATT/CP.5/34)

At the invitation of the CHAIRMAN, the EXECUTIVE SECRETARY summarized the outstanding work of this session and the programme envisaged for its accomplishment.

Mr. BYSTRICKY (Czechoslovakia) drew attention to the consultation between Czechoslovakia and the United States which had been recommended by the Contracting Parties at this session and which had not made satisfactory progress. He suggested that a working party might be appointed to study the matter.

Mr. BROWN (United States of America) said his delegation was still prepared to carry on the negotiations and was awaiting alternative proposals from the delegation of Czechoslovakia, since the initial proposals of that delegation had been found unacceptable to his delegation.

M. LECUYER (France) pointed out that it would be useful to know whether the consultation was being carried out in favourable circumstances with a good prospect of reaching satisfactory results. If not, it would be open to the contracting parties concerned to bring the matter up for further consideration.

Mr. BYSTRICKY (Czechoslovakia) said that the United States representative had not replied to his suggestion to set up a working party to give immediate attention to the matter. His delegation was prepared to continue the consultation and had in fact put forward concrete proposals to the United States delegation from which no reply had been received, nor had it offered any counter-proposals. He would declare that Czechoslovakia was prepared to accept any reasonable proposition embodying a compromise solution.

Mr. BROWN (United States of America), agreeing that a consultation normally involved give and take by both parties, suggested that the two delegations should get together to engage in direct consultation rather than exchange formal correspondence.

Mr. BYSTRICKY (Czechoslovakia) said that a second letter had been addressed by his delegation to the United States delegation and a reply was awaited. He repeated that his delegation was willing to accept a compromise solution. The Contracting Parties, however, should bear in mind the possibility of the matter being brought up for their consideration.

The CHAIRMAN proposed that the meeting take note of the discussion and regard the matter as remaining on the Agenda pending the outcome of the consultation.

After further discussion on the question of the closing date of the session, in which Mr. BOTHA (Union of South Africa), Mr. BROWN (United States of America), Mr. TONKIN (Australia), Mr. DEUTSCH (Canada), Mr. GUERRA (Cuba) and Mr. OLDINI (Chile) participated, it was decided that the session should be brought to a close on Saturday, 16 December 1950.

Mr. BROWN (United States) informed the Contracting Parties that he was leaving Torquay on the following day and that Mr. Evans would be in charge of the United States delegation after his departure.

The CHAIRMAN, on behalf of the representatives, expressed good wishes to Mr. Brown, and welcomed Mr. Evans.

The meeting rose at 6.30 p.m.