

GENERAL AGREEMENT ON
TARIFFS AND TRADE

RESTRICTED
LIMITED C
GATT/CP/52
6 March 1950
ORIGINAL: ENGLISH

CONTRACTING PARTIES

SPECIAL EXCHANGE AGREEMENTS

Letters addressed to
the Chairman of the Contracting Parties
by the Chairman of the Executive Board
and Managing Director of the International
Monetary Fund:

Letter of 3 March, 1950:-

"I have the honor to inform you that the Fund has considered the problem raised by the New Zealand representatives, during the Annecy discussion of the special exchange agreement, that the provisions of Article XI, Section 2, of the Fund Agreement presented an obstacle to adherence to a special exchange agreement. The point was made at Annecy that since the text of the special exchange agreement did not contain a provision corresponding to Article XI, Section 2, of the Fund Agreement, contracting parties which are members of the Fund would be authorized to apply discriminatory exchange restrictions against those contracting parties which sign a special exchange agreement, unless the Fund determined that such measures were prejudicial to the interest of its members and contrary to the purposes of the Fund.

"The Fund has decided that it would be reasonable that there be reciprocity with respect to that matter. Accordingly, the Executive Board has determined, pursuant to Article XI, Section 2, of the Fund Agreement, that discriminatory restrictions to be imposed by contracting parties which are members of the Fund on exchange transactions with those non-members of the Fund which have signed a special exchange agreement with the CONTRACTING PARTIES prejudice the interest of Fund members and are contrary to the purposes of the Fund; therefore, they are subject to prior approval of the Fund (provided, that the Fund member is not authorized to institute discriminatory exchange measures under similar circumstances on exchange transactions with members of the Fund without prior approval of the Fund):

"The foregoing decision of the Executive Board requires appropriate amendment of Rules M-3, M-4 and M-5 of the Fund's Rules and Regulations. As soon as this action has been taken, I shall be pleased to transmit to you the amended text of these Rules.

"The Fund is informing all of its members of this decision and I would appreciate it if you would inform the CONTRACTING PARTIES of the Fund's action in this regard."

Letter of 27 February, 1950:-

"Reference is made to my letter of August 19, 1949, (1) concerning direct consultation of contracting parties which are not members of the Fund with the Fund on the monetary aspects of problems arising in the course of the application of GATT. I have informed you that the Fund is prepared to cooperate in the development of informal and temporary arrangements for such consultations:

"I am attaching hereto a draft on procedure for the information of the CONTRACTING PARTIES. These rules would become effective upon your communication that you consider them satisfactory.

"I understand that the CONTRACTING PARTIES intend to issue later procedural provisions concerning application of special exchange agreements. The Fund is prepared to consider additional rules on direct consultation as soon as it receives information on the procedural provisions decided by the CONTRACTING PARTIES concerning special exchange agreements.

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"Rules of Procedure for Direct
Consultation Between an Individual
Contracting Party and the Fund

"(1) The following rules of procedure pertain to direct consultation of an individual contracting party which is not a member of the Fund with the Fund.

"(2) Upon the application of a contracting party which is not a member of the Fund to consult with the Fund the Chairman shall communicate such request to the Fund. The Fund will thereupon enter into direct consultation with the contracting party concerned. No information shall be released by the Chairman to the other contracting parties on the initiation of the direct consultation.

"(3) The subject matter of the direct consultation is limited to problems relative to monetary reserves, balances of payments and foreign exchange arrangements. The consultation may concern the actual position of a contracting party or problems which may arise under specified future conditions.

"(4) Direct consultation will take place as a rule at the principal office of the Fund. However, in exceptional circumstances it may be conducted at another place agreed upon between the contracting party and the Fund. The time of consultation shall be agreed upon directly between the contracting party and the Fund.

"(5) The representatives of the contracting party shall present to the Fund customary credentials.

(1) The letter of 19 August, 1949, was distributed in GATT/CP/28.

"(6) The contracting party shall supply the Fund with such information as is necessary for the consideration of the problems involved. The contracting party may designate certain material confidential and request the Fund not to divulge it without the consent of the contracting party."

"(7) The Fund will prepare brief minutes on the direct consultation with the cooperation of the contracting party."

"(8) The CONTRACTING PARTIES' function pursuant to GATT remains unaffected by the direct consultation of a contracting party with the Fund. Nor does the direct consultation affect the consultative procedure between the CONTRACTING PARTIES and the Fund pursuant to GATT. However, upon application of the contracting party which requested the direct consultation the minutes and the other material used in the direct consultation may be released by the Fund to the CONTRACTING PARTIES in order to be used in the course of the consultation between the contracting party and the CONTRACTING PARTIES."

"(9) The Fund will inform the Chairman of the CONTRACTING PARTIES regarding the termination of the direct consultation."

