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GENERAL AGREEMENT ON TARIFFS AND TRADE

COMMITTEE OF CONTRACTING PARTIES ON SPECIAL EXCHANGE AGREEMENTS

SPECIAL EXCHANGE AGREEMENT - REVISED DRAFT

(revision of Drafts A and B in GATT/CEA/W.2.)

The Contracting Parties to the General Agreement on Tariffs and Trade,

Considering that Article XV of the General Agreement on Tariffs and Trade (hereafter called the General Agreement) relates to exchange arrangements:

Considering that paragraph 6 of that Article provides that any contracting party which is not a member of the International Monetary Fund (hereafter called the Fund) shall, within a time to be determined by the CONTRACTING PARTIES after consultation with the Fund, become a member of the Fund, or, failing that, enter into a special exchange agreement with the CONTRACTING PARTIES:

Considering further that in accordance with paragraph 7 of Article XV of the General Agreement such special exchange agreement shall provide to the satisfaction of the CONTRACTING PARTIES that the objectives of the General Agreement will not be frustrated as a result of action in exchange matters by the contracting party in question, and taking into account that the terms of such agreement may not impose obligations on the contracting party in exchange matters generally more restrictive than those imposed by the Articles of Agreement of the International Monetary Fund on members of the Fund:

Hereby adopt the following as the text of the special exchange agreement which shall be submitted for accession to all contracting parties concerned (hereinafter called Acceding Governments):

Article I

Exchange Stability and Orderly  
Exchange Arrangements

The Acceding Government shall collaborate with the CONTRACTING PARTIES to promote exchange stability, to maintain orderly exchange arrangements with other contracting parties and to avoid competitive exchange alterations.

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Article II

Determination of Par Value

1. Unless a par value is agreed in the instrument by which the Acceding Government accedes to this Agreement, the Acceding Government shall, within thirty days after the CONTRACTING PARTIES so request, communicate to them the par value of its currency based on the rates of exchange prevailing at the time. The par value so communicated shall be the par value of its currency for the purposes of this Agreement unless within ninety days after the request has been received (i) the Acceding Government notifies the CONTRACTING PARTIES that it regards the par value unsatisfactory, or (ii) the CONTRACTING PARTIES notify the Acceding Government that in their opinion the adoption of such par value would not serve the purposes of exchange stability and orderly exchange arrangements. When such notification is given, the CONTRACTING PARTIES and the Acceding Government shall, within a period to be determined by the CONTRACTING PARTIES, agree upon a suitable par value.

2. Unless the Acceding Government has specified, in its act of accession, par values for the separate currencies where such exist in its territories the procedure of paragraph 1 shall apply mutatis mutandis to the determination of par values for those separate currencies.

3. The par value of the Acceding Government's currency shall be expressed in terms of gold as a common denomination or in terms of the United States dollar of the weight and fineness in effect on July 1, 1944.

4. The CONTRACTING PARTIES will keep the Acceding Government currently informed on the par values of the currencies of the other contracting parties.

Article III

Gold Transactions based on Par Value

1. The Acceding Government shall not buy gold at a price above the par value for its currency plus the margin permissible under this Article, or sell gold at a price below the par value minus the margin permissible under this article.

2. The margins permissible for transactions in gold by the Acceding Government shall be the same as those permissible to contracting parties which are members of the Fund, and the CONTRACTING PARTIES shall keep the Acceding Government informed of such margins.

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Article IV

Foreign Exchange Dealings Based on Parity

The maximum and the minimum rates for exchange transactions between the currency of the Acceding Government and the currencies of other contracting parties taking place within the territories of that Acceding Government shall not differ from parity:

- (i) in case of spot transactions, by more than 1%, and
- (ii) in case of other exchange transactions, by a margin which exceeds the margin for spot exchange transactions by more than the CONTRACTING PARTIES consider reasonable.

Article V

Obligations Regarding Exchange Stability

The Acceding Government undertakes through appropriate measures consistent with this Agreement, to permit within their territories exchange transactions between its currency and the currencies of other contracting parties only within the limits prescribed under Article IV. The Acceding Government, whose monetary authorities, for the settlement of international transactions, in fact freely buy and sell gold within the limits prescribed under Article III, shall be deemed to be fulfilling this undertaking.

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Article VI

Changes in Par Value

1. The Acceding Government shall not propose a change in the par value of its currency except to correct a fundamental disequilibrium.
2. A change in the par value of the Acceding Government's currency may be made only on the proposal of the Acceding Government and only after consultation with the CONTRACTING PARTIES.
3. When a change is proposed, the CONTRACTING PARTIES shall first take into account the changes, if any, which have already taken place in the par value of the Acceding Government's currency as determined under Article II. If the proposed change, together with all previous changes, whether increases or decreases,
  - (a) does not exceed 10% of the initial par value, the CONTRACTING PARTIES shall raise no objection;
  - (b) does not exceed a further 10% of the initial par value, the CONTRACTING PARTIES may either concur or object, but shall declare their attitude within ninety-six hours if the Acceding Government so requests;
  - (c) is not within (a) or (b), the CONTRACTING PARTIES may either concur or object, but shall be entitled to a longer period in which to declare their attitude.
4. The CONTRACTING PARTIES shall concur in a proposed change which is within the terms of (b) or (c) of paragraph 3, if they are satisfied that the change is necessary to correct a fundamental disequilibrium. In particular, provided they are so satisfied, they shall not object to a proposed change because of the domestic, social or political policies of the Acceding Government.
5. If the Fund, in accordance with Article IV, Section 7 of the Articles of Agreement of the Fund, makes uniform proportionate changes in the par values of the currencies of Fund members, the Acceding Government will change its par value proportionately, unless it informs the CONTRACTING PARTIES within seventy-two hours after it has been notified by the CONTRACTING PARTIES of the Fund's action that it does not wish the par value of its currency to be changed.
6. Changes in the par value made under paragraph 5 shall not be taken into account in determining whether a proposed change falls within (a), (b) or (c) of paragraph 3.
7. If the Acceding Government proposes a change in the par value of its currency it shall be deemed, unless it declares otherwise, to be proposing a corresponding change in the par value of the separate currencies of all territories in respect of which it has specified par values in terms of Article II or Article XIII. It shall, however, be open to the Acceding Government to declare that its proposal relates either to the metropolitan currency alone, or only to one or more specified separate currencies, or to the metropolitan currency and one or more specified separate currencies.

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8. If the Acceding Government changes the par value of its currency despite the objection of the CONTRACTING PARTIES, in cases where the CONTRACTING PARTIES are entitled to object, the Acceding Government shall be deemed to have failed to carry out its obligations under this Agreement.

Article VII

Avoidance of Restrictions  
on Current Payments

1. Subject to the provisions of Articles IX and XI the Acceding Government shall not, without the approval of the CONTRACTING PARTIES, impose restrictions on the making of payments and transfers for current international transactions.
2. No Acceding Government shall engage in, or permit any of its fiscal agencies referred to in paragraph 5 of Article XIII to engage in, any discriminatory currency arrangements or multiple currency practices except as authorized under this Agreement or approved by the CONTRACTING PARTIES. If such arrangements and practices were engaged in on January 1, 1948, (the date on which the General Agreement was first provisionally applied), the Acceding Government shall consult with the CONTRACTING PARTIES as to their progressive removal unless they are maintained or imposed under paragraph 1 of Article XI in which case the provisions of paragraph 3 of that Article shall apply.
3. Exchange contracts which involve the currency of any contracting party and which are contrary to the exchange control regulations of that contracting party maintained or imposed consistently with the Articles of Agreement of the Fund or with the provisions of this agreement shall be unenforceable in the territories of the Acceding Government. In addition, the Acceding Government may, by mutual accord with other contracting parties, co-operate in measures for the purpose of making the exchange control regulations of either contracting party more effective, provided that such measures and regulations are consistent with this Agreement or with the Articles of Agreement of the Fund as the case may be.

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Article VIII

Controls of Capital Transfers

1. The Acceding Government may exercise such controls as are necessary to regulate international capital movements, but may not exercise these controls in a manner which will restrict payments for current transactions or which will unduly delay transfers of funds in settlement of commitments, except as provided in Articles IX and XI.

2. The CONTRACTING PARTIES may request the Acceding Government to exercise controls to prevent a large or sustained outflow of capital if they consider that such outflow would be likely to have results which might endanger the objectives of this Agreement or of the General Agreement.

Article IX

Scarce Currencies

1. The Acceding Government is authorized to impose temporarily, after consultation with the CONTRACTING PARTIES, limitations on the freedom of exchange operations in a currency which has formally been declared scarce by the Fund in accordance with Article VII, Section 3 (a) of the Articles of Agreement of the Fund. Subject to the provisions of Articles IV and V of this Agreement the Acceding Government shall have complete jurisdiction in determining the nature of such limitations, but they shall be no more restrictive than is necessary to limit the demand for the scarce currency to the supply held by, or accruing to, the Acceding Government; and they shall be relaxed and removed as rapidly as conditions permit. The authorization here mentioned shall expire whenever the Fund formally declares the currency in question to be no longer scarce.

2. If the Acceding Government is imposing limitations in accordance with paragraph 1 or 2, it shall give sympathetic consideration to any representations by any other contracting party regarding the administration of such restrictions.

3. The CONTRACTING PARTIES shall request any contracting party against which restrictions may be permitted under this Article not to invoke the obligations of any engagement entered into with the Acceding Government prior to this Agreement in such a manner as will prevent the operation of the provisions of this Article.

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Article X

Convertibility of Balances Held  
by Other Contracting Parties

1. The Acceding Government shall buy balances of its currency held by another contracting party if the latter in requesting the purchase represents:
  - (a) that the balances to be bought have been recently acquired as a result of current transactions, or
  - (b) that their conversion is needed for making payments for current transactions.
2. The Acceding Government shall have the option to pay either in the currency of the contracting party making the request or in gold.
3. The obligation under paragraph 1 shall not apply
  - (a) when the convertibility of the balances has been restricted consistently with Article VII or VIII, or
  - (b) when the balances have accumulated as a result of transactions effected before the removal by the Acceding Government of restrictions maintained or imposed under Article XI, or
  - (c) when the balances have been acquired contrary to the exchange regulations of the Acceding Government, or
  - (d) when the currency of the contracting party requesting the purchase has been declared scarce and the Acceding Government has been so notified under Article IX, or
  - (e) with the approval of the CONTRACTING PARTIES, in any particular circumstance in which the fulfilment of the obligations of paragraph 1 of this article would dangerously threaten exchange stability, provided that in such case the CONTRACTING PARTIES shall pay due regard to the provisions of paragraph 7 of Article XV of the General Agreement.

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Article XI

Transitional Period

1. In the post-war transitional period the Acceding Government may, notwithstanding the provisions of any other article of this Agreement, maintain and adapt to changing circumstances (and, in the case of members whose territories have been occupied by the enemy, introduce where necessary) restrictions on payments and transfers for current international transactions. The Acceding Government shall, however, have continuous regard in its foreign exchange policies to the intent of the General Agreement and of this Agreement; and, as soon as conditions permit, it shall take all possible measures to develop such commercial and financial arrangements with other contracting parties as will facilitate international payments and the maintenance of exchange stability. In particular, the Acceding Government shall withdraw restrictions maintained or imposed under this Article as soon as it is satisfied that it will be able, in the absence of such restrictions, to settle its balance of payments in a manner which will not unduly impair its external financial position.
2. The Acceding Government shall notify the CONTRACTING PARTIES, within thirty days of the entry into force of this Agreement, whether it intends to avail itself of the transitional arrangements in paragraph 1, or whether it is prepared to accept the obligations of Articles VII and X. In the event that the Acceding Government avails itself of the transitional arrangements, it shall notify the CONTRACTING PARTIES as soon as it is prepared to accept the above-mentioned obligations.
3. Not later than March 1, 1950, and in each year thereafter, the CONTRACTING PARTIES shall report on the restrictions still in force under paragraph 1. Not later than March 1, 1952, and in each year thereafter, if the Acceding Government still retains any restrictions inconsistent with Articles VII and X, it shall consult with the CONTRACTING PARTIES as to their further retention. The CONTRACTING PARTIES may, if they deem such action necessary in exceptional circumstances, make representations to the Acceding Government that conditions are favourable for the withdrawal of any particular restriction, or for the general abandonment of restrictions, inconsistent with the provisions of any other article of this Agreement or of the General Agreement. The Acceding Government shall be given a suitable time to reply to such representations. If the CONTRACTING PARTIES find that the Acceding Government persists in maintaining restrictions which are inconsistent with the intent of this Agreement or of the General Agreement, the Acceding Government shall be subject to Article XXIII of the General Agreement.



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Article XII

Furnishing of Information

1. In accordance with paragraph 8 of Article XV of the General Agreement, the Acceding Government shall furnish the CONTRACTING PARTIES with such information as they may require in order to carry out their functions under the General Agreement and this Agreement, including, as a minimum, national data on the following matters:

- (i) Official holdings at home and abroad of (1) gold, (2) foreign exchange;
- (ii) Holdings at home and abroad by banking and financial agencies, other than official agencies, of (1) gold, (2) foreign exchange;
- (iii) Production of gold;
- (iv) Gold exports and imports according to countries of destination and origin;
- (v) Total exports and imports of merchandise, in terms of local currency values, according to countries of destination and origin;
- (vi) International balance of payments, including (1) trade in goods and services, (2) gold transactions, (3) known capital transactions, and (4) other items;
- (vii) International investment position, i.e. investments within the territories of the Acceding Government owned abroad and investments abroad owned by persons in the territories of the Acceding Government so far as it is possible to furnish this information;
- (viii) National income;
- (ix) Price indices, i.e. indices of commodity prices in wholesale and retail markets and of export and import prices;
- (x) Buying and selling rates for foreign currencies;
- (xi) Exchange controls, i.e. a comprehensive statement of exchange controls in effect at the date when this Agreement enters into force and details of subsequent changes as they occur;
- (xii) Where official clearing arrangements exist, details of amounts awaiting clearance in respect of commercial and financial transactions, and of the length of time during which such arrears have been outstanding.

2. In requesting information, the CONTRACTING PARTIES shall take into consideration the ability of the Acceding Government to furnish the data requested. The Acceding Government shall be under no obligation to furnish information in such detail that the affairs of individuals or corporations are disclosed. The Acceding Government undertakes, however, to furnish the desired information in as detailed and accurate a manner as is practicable, and, so far as possible, to avoid mere estimates.

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Article XIII

Miscellaneous Provisions

1. The relevant explanation of terms contained in Article XIX of the Articles of Agreement of the Fund shall apply to this Agreement.
2. The term "Acceding Government" is intended to include the Treasury, the central bank, the stabilization fund and other similar fiscal agencies of .....
3. The CONTRACTING PARTIES shall at all times have the right to communicate their views informally to the Acceding Government on any matter arising under this Agreement.
4. The CONTRACTING PARTIES shall suspend the operation of Articles IV and V of this Agreement for the same period of time and to the same extent as the Fund suspends the operation of corresponding provisions of its Articles of Agreement in accordance with Article XVI, Section 1, of the Articles of Agreement of the Fund. The CONTRACTING PARTIES designate the person or persons who may validly act on their behalf.
5. For the purposes of this Agreement the Acceding Government shall deal with the CONTRACTING PARTIES only through its Treasury, central bank, stabilization fund or other similar fiscal agency, and communications from the CONTRACTING PARTIES to the Acceding Government shall be made only through that agency.
6. Without prejudice to Article XXXIII of the General Agreement, whenever in the opinion of the CONTRACTING PARTIES the Acceding Government fails to observe any of the provisions of this Agreement, the CONTRACTING PARTIES shall make representations to the Acceding Government. The Acceding Government shall be given reasonable time to reply to such representations.

Article XIV

Amendments to this Agreement

Amendments to this Agreement may be suggested at any time by any contracting party. Such amendments if adopted by the CONTRACTING PARTIES will become effective, unless otherwise decided, thirty days after their adoption, provided that any contracting party having concluded a special exchange agreement may announce within the thirty days period that it does not accept the changes contained in the amendments.

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Article XV

Accession, Entry into Force and Termination

1. This Agreement shall be submitted for accession to any contracting party which has notified the CONTRACTING PARTIES that it does not intend to become a member of the Fund on or before ..... (or in the case of a Government which becomes a contracting party after ..... months after it has become a contracting party) or which has not become a member of the Fund on that date. Any contracting party concerned shall accede to this Agreement not later than fifteen days after the CONTRACTING PARTIES have received notification that it does not intend to become a member of the Fund, or not later than ..... as the case may be.
2. An act of accession may specify:-
  - (a) the initial par value of the contracting party concerned if at the time of accession the contracting party concerned and the CONTRACTING PARTIES have agreed on such par value,
  - (b) whether the contracting party concerned intends to avail itself of the transitional arrangements in paragraph 1 of Article XI or whether it accepts the obligations of Articles VII and X,
  - (c) whether the contracting party concerned accepts the Agreement in respect of any of its colonies, overseas territories, territories under its protection, suzerainty or authority or trust territories of which it is the administering authority, and, if so, par values in terms of the Acceding Government's own currency for the separate currencies, where such exist, of such territories.
3. This Agreement shall enter into force on the day on which it has been acceded to by the Acceding Government and CONTRACTING PARTIES. The original of the act of accession shall be deposited with the Chairman of the CONTRACTING PARTIES and a signed copy shall be furnished to the Acceding Government.
4. This Agreement shall terminate if and when the Acceding Government enters the Fund or withdraws from the CONTRACTING PARTIES.