

GENERAL AGREEMENT ON TARIFFS AND TRADE

COMMITTEE OF CONTRACTING PARTIES ON SPECIAL EXCHANGE AGREEMENTS

SECOND MEETING, LONDON, NOVEMBER, 1948.

NOTES ON DISCUSSIONS ON 8TH NOVEMBER, 1948.

17. THE NEW ZEALAND PROPOSAL.

The representative of New Zealand stated that he had received new instructions from his Government. He put forward further arguments in favour of the short form of agreement as proposed in GATT/CEA/W.3. Other members of the Committee gave their reasons for believing that the more explicit agreement on the lines which the Committee had been discussing would be preferable.

The Committee then proceeded to examine the draft agreement which had been prepared by the Chairman in consultation with several members of the Committee as set forth in GATT/CEA/W.4.

18. ARTICLE VI - CHANGES IN PAR VALUE, paragraph 6.

A member of the Committee enquired whether in the event of the Fund deciding upon uniform proportionate changes in par values, changes in the par value of a currency of an Acceding Government would then be considered in relation to the new par value accepted in accordance with the Fund's decision or in relation to the initial par value established at the time of signature of the special exchange agreement. The representative of the Fund offered to obtain elucidation of the position from his Board of Directors and to report to the CONTRACTING PARTIES.

19. ARTICLE VI, CHANGES IN PAR VALUE, new paragraph.

The representative of New Zealand suggested that the following paragraph should be added to Article VI:-

"9. Where a change in the par value of an Acceding Government's currency is necessitated by pressure on monetary reserves and arises from carrying out the policies referred to in Article XII 3 (b) of G.A.T.T. the CONTRACTING PARTIES shall not object to such a change in par value on the grounds that a variation of policy would render the change unnecessary."

The members of the Committee expressed the opinion that policies not inconsistent with paragraph 3 (b) of Article XII of the General Agreement, that is policies directed towards the achievement and maintenance of full and productive employment etc., would be covered by paragraph 4 of Article VI which provides that the contracting parties shall not object to a proposed change in par value because of the domestic social or political policies of the Acceding Government.

20. ARTICLE XI - Transitional Period.

The representative of Pakistan drew attention to the requirement that an Acceding Government availing itself of the transitional arrangements should take all possible measures to develop such commercial and financial arrangements with other contracting parties as would facilitate international payments and the maintenance of exchange stability. At his request it was agreed that the following question and answer should be incorporated in the notes of the meeting:-

Mr. Hasnie (Pakistan) wanted to know the significance of the word "commercial" in Article XI. In his opinion it was necessary to state that to facilitate international payments countries will not be required to make commercial arrangements which are more stringent than what the General Agreement on Tariffs and Trade requires or Article 13 of the Havana Charter contemplates. He thought that the draft as at present worded, though in line with Article XIV of the Fund Agreement, left him in doubt
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whether the concessions relating to economic development granted by the General Agreement or the Havana Charter were not likely to become ineffective in view of Article XI of this Agreement. That the intent of the General Agreement is to be kept in view did not in his opinion cover the second half of the second sentence of this Article (Article XI) as it related to a different period, that is the period when conditions permitted removal of restrictions on payments. He was of the opinion that in essentially commercial matters commercial agreements like the General Agreement or the I.T.O. Charter should hold the field, while on financial matters the decision of the Fund or this Agreement would rule supreme.

Mr. Saad, the Executive Director of the Fund replied that he completely agreed with Mr. Hasnie that in purely commercial matters General Agreement and I.T.O. principles should be applied by members of those two institutions, while in financial matters the Articles of the Fund or the special exchange agreement should be applied; provided that all this is subject to the frustration and other related articles. As to the other part of the question regarding whether a commercial action taken, for example, under Article 13 of the Havana Charter by a member of the I.T.O. who is a member of the Fund, or who is an Acceding Government to a special exchange agreement, may be considered by the Fund as against its undertaking (mentioned in Article XIV of the Fund Agreement) to take all possible measures to develop such commercial arrangement with other members as will facilitate international payments and the maintenance of exchange stability, Mr. Saad said that he would draw the attention of Mr. Hasnie to the fact that if any matter arises out of the application by an I.T.O. member of an article of the Havana Charter, the final decision lies with the I.T.O., whether the Fund is called for consultation or not, and whether the I.T.O. has to accept the determination of the Fund or not; it was difficult to imagine that the I.T.O. would render unfavourable decisions against I.T.O. members exercising their rights under the Havana Charter provided they were not violating any of the purposes or the provisions of the Articles of that Charter.

21. PROCEDURE.

The Committee decided to complete its work on the following day.