

GENERAL AGREEMENT ON TARIFFS AND TRADE

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LIMITED B
GATT/CP.5/44
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ORIGINAL: ENGLISH

CONTRACTING PARTIES
Fifth Session

REPORT OF WORKING PARTY "J" ON SPECIAL EXCHANGE AGREEMENTS

(A) Position of the Five Contracting Parties Reviewed

1. The Working Party, addressing itself to Section (a) of its terms of reference, first considered the position of those contracting parties which were not members of the International Monetary Fund and had not yet complied with the Resolution adopted at the Fourth Session of the Contracting Parties requiring such countries to enter into a special exchange agreement not later than November 2, 1950. The position of Sweden, which became a contracting party on April 30, 1950 and which was therefore required by the first Resolution of the Third Session to take such action before August 31, 1950, was also considered. In considering the position of these countries, the Working Party had the benefit of the assistance of the representative of the Fund.
2. The position of the five countries, as noted by the Working Party, is set out below:
 - (a) Burma: The Government of Burma made an application for membership in the Fund on October 9, 1950, which is under consideration by the Fund. Burma, in the opinion of the representative of the Fund, is likely to become a member of the Fund before the opening of the Sixth Session of the Contracting Parties. The representative of Burma therefore requested that additional time be allowed for action under Article XV, paragraph 6.
 - (b) Sweden: The Government of Sweden made an application for membership in the Fund on June 16, 1950, which is under consideration by the Fund. In the opinion of the representative of the Fund, Sweden is likely to become a member of the Fund before the opening of the Sixth Session of the Contracting Parties. The representative of Sweden requested that additional time be allowed for action under Article XV, paragraph 6. The representative of Sweden informed the Working Party that his Government had secured from its legislature authority to enter into a special exchange agreement with the Contracting Parties only in the event of failure to become a member of the Fund.
 - (c) Haiti: The Government of Haiti made an application for membership in the Fund on July 14, 1949, which was approved by the Fund. Although Haiti was not able to give effect to the application within the time limit set by the Fund, the Haitian Government considers the question still open. Furthermore, it has notified the Contracting Parties that it is prepared to enter into a special exchange agreement but has been unable to effect the acceptance owing to constitutional changes in the country at the moment. For these reasons, the representative of Haiti requested that more time be allowed for action.
 - (d) Indonesia: The Government of Indonesia made an application for membership in the Fund on July 24, 1950, which is under consideration by the Fund. In the opinion of the representative of the Fund, Indonesia is likely to become a member of the Fund before the opening of the Sixth Session. Nevertheless, the Government of Indonesia informed the Contracting Parties on October 27, 1950, that it would enter into a special exchange agreement with the Contracting Parties

and that arrangements have been made by that Government for the requisite instrument of acceptance to be deposited with the Secretary-General of the United Nations. It is understood that the delay in actually depositing such an instrument has been for purely mechanical reasons. The Government of Indonesia has informed the Contracting Parties that it proposes to avail itself of the transitional arrangements referred to in paragraph 1 of Article XI of its special exchange agreement, when it comes into force.

- (e) New Zealand: The Government of New Zealand has not applied for Fund membership. For reasons given at the plenary meeting on November 10, 1950, it has not felt able to accept a special exchange agreement.

3. Taking account of these facts the Working Party considered that the Contracting Parties would be justified in granting an extension of time to Burma and Sweden for action under Article XV, paragraph 6, having regard to the prospect of their becoming members of the Fund within a short time. In the case of Haiti the Working Party agreed that a similar extension would be reasonable in view of the explanation given by the representative of Haiti. After consultation with the representative of the Fund the Working Party, with his concurrence, recommends that the time limit for the acceptance of special exchange agreements by Burma, Haiti and Sweden, failing their becoming members of the Fund in the meantime, be extended to _____, (1) the opening date of the Sixth Session.

4. Since the Government of Indonesia has informed the Contracting Parties that it has arranged to deposit an instrument of acceptance of its special exchange agreement, the Working Party recommends that the Contracting Parties consider that the Government of Indonesia, when it deposits such an instrument of acceptance, shall have fulfilled its obligations under the Resolution of April 3, 1950, notwithstanding the time limit set in that Resolution.

5. With regard to New Zealand, the Working Party noted that that Government had not complied with the provisions of paragraph 6 of Article XV of the General Agreement within the time limit fixed by the Resolution of the Contracting Parties of April 3, 1950.

6. In the course of the discussion of New Zealand's position the United Kingdom representative stated that his delegation also attached importance to the difficulties created by the fact that a special exchange agreement required the Contracting Parties to exercise authority in exchange matters and suggested that for the reasons given by the United Kingdom representative in the plenary session of 10 November 1950 consideration should be given at some appropriate time in the future to the possibility of amending the General Agreement so as to overcome these difficulties. Such amendment might exclude the provision for special exchange agreements and require any future acceding government to join the Fund, but special consideration would need to be given to the position of existing contracting parties who had accepted the General Agreement in its original form. The representative of Belgium supported the idea of amending the General Agreement but felt that any amendment should impose the same obligation both on existing contracting parties and on any future acceding government. He thought that the Sixth Session would be a convenient time to consider such amendments.

(1)

To be filled in when the opening date of the Sixth Session is fixed by the Contracting Parties.

(B) Procedure for the Administration of Special Exchange Agreements

7. With respect to section (b) of its terms of reference, the Working Party considered the report prepared by a similar working party at the Fourth Session. Some members of the Working Party thought that the principal difficulty in formulating procedures which would be generally acceptable arose with respect to periods between sessions of the Contracting Parties. The Working Party noted that more general proposals concerning the operation of the General Agreement between sessions have been placed before the Contracting Parties (cf. GATT/CP.5/11). There was general agreement that action upon such proposals might go a long way towards simplifying the problems of devising procedures for the administration of special exchange agreements, but the representatives of New Zealand and the United Kingdom felt that difficulties of a substantial character would still remain.

8. It was felt that a simple and provisional procedure would be adequate to take care of all the situations which may arise, pending consideration by the Contracting Parties of the more general proposals. From the discussion in the Working Party it appeared likely that Haiti and Indonesia would be obligated by the terms of special exchange agreements for at least a brief period of time, and it was recognized that other contracting parties might accept special exchange agreements. Therefore, the Working Party recommends that the Contracting Parties adopt the following simple procedure for the administration of special exchange agreements, which would be adequate for general application to all situations which may arise in connection with any signatory of a special exchange agreement. This procedure could be re-examined at a future session if it proved inadequate or if it was not replaced by more general intersessional procedures.

9. Procedural Arrangement: If a question should arise under a special exchange agreement requiring action by the Contracting Parties, at a time when they are not in session, the matter shall be referred to the Chairman, and he shall undertake consultation with, and seek necessary determinations thereon by, the International Monetary Fund, pursuant to Article XV, paragraph 2, of the General Agreement. A signatory of a special exchange agreement may initiate direct consultation with the Fund pursuant to Article XIII, paragraph 5(a) of its special exchange agreement. Pending an opportunity for consideration of the matter at the next session of the Contracting Parties, the contracting party involved shall be considered to be acting in conformity with the special exchange agreement if it acts in accordance with the determinations of the Fund.

10. While the representatives of Haiti and Indonesia joined with other members of the Working Party in recommending this procedure, the representative of New Zealand stated that it would not be acceptable to his Government. The representatives of the United Kingdom and France stated that in their view the proposed procedure did not serve the purpose of making a special exchange agreement an effective alternative to membership of the Fund as envisaged in Article XV:6 of the General Agreement. For this reason they could not support its adoption except as a temporary and provisional measure.