

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

L/125/Add.1

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Limited Distribution

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## CONSULTATIONS UNDER ARTICLE XII:4(b)

### Additional Notes on the Consultations with the International Monetary Fund

1. Paragraph 2 of L/125 sets out the situation regarding the consultations with the International Monetary Fund in connection with the consultations under Article XII:4(b). Since the issue of that document there have been the following developments.

#### Netherlands and Pakistan

2. The Fund has accepted to consult pursuant to Article XV of the General Agreement with the CONTRACTING PARTIES in connection with the consultations with the Netherlands and Pakistan. These consultations were initiated to be carried out at the Eighth Session provided that the Fund would then be ready. The Fund has advised that its mission to the Eighth Session will inform the CONTRACTING PARTIES of the extent to which the Fund will be able to supply material in connection with these consultations.

#### Chile

3. The Fund has transmitted the results of its 1953 consultations with the Government of Chile and two background papers prepared by the Fund's staff in connection with this consultation. These results are reproduced in the Annex to this document, and the background papers will be distributed as soon as copies are available.

#### Finland and Sweden

4. The results of the Fund's 1952 consultations with Finland and Sweden were reproduced in L/79, and the background papers prepared in the Fund were forwarded to contracting parties in March 1953. As some time has elapsed since the conclusion of those consultations, the Fund staff has prepared supplementary background material on the two countries providing more up-to-date information. These two papers will be distributed as soon as copies are available.

Southern Rhodesia<sup>1</sup>

5. In its 1952 consultation with the United Kingdom in respect of Southern Rhodesia the Fund did not make any addition to the decision which it had made in respect of the United Kingdom. The Fund therefore invited the attention of the CONTRACTING PARTIES to the results of the Fund's consultation with the United Kingdom as relevant for their consultation with Southern Rhodesia. These results are reproduced in L/79. Two background papers on Southern Rhodesia were received from the Fund and were distributed to contracting parties in March 1953. The one entitled "Southern Rhodesia - Restrictive System" has recently been revised by the Fund staff. The revised version will be forwarded to contracting parties as soon as copies are available.

6. The results of the Fund's 1953 consultation with the United Kingdom, including Southern Rhodesia, are to be found in Annex II to L/126. The Fund has transmitted two background papers in connection with these consultations; the first, relating to the United Kingdom itself, has been distributed to delegations attending the Eighth Session and the second, relating to Southern Rhodesia, will be distributed as soon as copies are available.

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<sup>1</sup> The following information is also relevant to Southern Rhodesia's consultations under Article XIV:1(g), and therefore should also be read in conjunction with paragraph 2 of L/126.

ANNEX

Results of International Monetary Fund Consultation with Chile

The Government of Chile has consulted the Fund under Article XIV, Section 4 of the Fund Agreement concerning the further retention of its transitional arrangements.

In the course of this consultation the Chilean Government presented to the Fund its general programme of monetary stabilization. This programme is intended to deal with the inflationary pressures which have continued to prevail in the Chilean economy, which have resulted in an intensification of trade and exchange restrictions. The Fund notes that a broad and coordinated programme of action in combatting inflationary pressures is being put into effect in Chile and considers that in general this programme is well conceived. However the Fund is not in a position, at this time, to judge the efficacy of all the specific steps taken, or proposed, in various fields and wishes to emphasize that firm and energetic implementation will be essential, particularly as to adequate measures in the budget, fiscal and credit fields, to assure success of the plan. The Fund will closely follow the developments in Chile with particular reference to the stabilization plan.

The Fund notes that during 1952 Chile was able to secure a moderate improvement in its balance of payments position as the result of an increase in export prices coupled with an intensification of import restrictions. The balance of payments continued in equilibrium during the first half of 1953; the prospects have deteriorated owing to the difficulties in selling Chilean copper at the prices obtained in the past. Under existing circumstances, it is necessary for Chile to limit its foreign expenditures to the level of the country's exchange earnings. The Fund understands that Chile is taking measures to export its commodities at world market prices.

As part of Chile's general programme of monetary stabilization, the Chilean Government has presented to the Fund, for its approval, proposals for a gradual unification of the exchange system. On the selling side, the proposals, which required prior Fund approval, have already been put into effect; they involve the unification of the selling rate for private transactions (with certain exceptions, e.g., payments under certain payments agreements, tourist expenditures and the imports at the so-called "gold rate") at the level of banking free rate of exchange (currently 110 pesos per U.S. dollar). The remaining items on

the selling side will be shifted to the banking free rate in the near future. The structure of the buying rate is also to be unified in due course, after legislative approval has been obtained to the levy of additional taxation to offset the loss for the Government involved in such unification.

The Fund welcomes the progress made by Chile towards the unification of the selling rate and approves the measures taken in that direction. The Fund is looking forward to the prospective elimination of the remaining preferential selling rates and to the unification of the buying rates at the specific level of the banking free rate. Changes in the level of the banking free rate, which has been maintained at 110 pesos per U.S. dollar for some time, will require prior consultation and agreement with the Fund in accordance with the established procedures respecting multiple currency practices.

In concluding the 1953 consultations, the Fund has no other comments to make on the transitional arrangements maintained by Chile.

The Government of Chile has submitted a request to purchase twelve and one half million dollars from the Fund. The Executive Board takes note of the statement of Chile that it will comply with the provisions of the Fund's decision of 13 February 1952. The Executive Board, having considered the request of Chile to purchase twelve and one half million dollars, expresses no objection.

