GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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REPORT OF THE WORKING PARTY ON CONSULTATIONS WITH NEW ZEALAND[1]

Introduction

1. In January 1958, the Government of New Zealand notified the CONTRACTING PARTIES of certain modifications in its import restrictions which came into force on 1 January 1958, and whereby all goods were made subject to licence, all outstanding licences were cancelled and import allocations of various proportions were imposed. The notification was circulated to the contracting parties in document L/790, and copies of the revised Import Licensing Schedule of New Zealand for 1958 were also transmitted. Under paragraph 4(a) of Article XII (Revised) a contracting party raising the general level of its restrictions by a substantial intensification of the measures applied under that Article should consult with the CONTRACTING PARTIES. The Government of New Zealand advised that it was prepared to enter into consultation with the CONTRACTING PARTIES in accordance with those provisions.

2. At its meeting on 14 February 1958 the Intersessional Committee, in agreement with the New Zealand representative, decided that the consultation should be held on 21 April, and appointed this Working Party to conduct it. On 18 April, the New Zealand delegation informed the Intersessional Committee that New Zealand, having initiated a consultation under Article XIV:1(g) on the discriminatory application of restrictions, wished that this be carried out at the same time as the consultation under Article XII, and the Committee agreed to this proposal (see IC/SR.37 and 38).

3. Accordingly the Working Party has conducted consulations with New Zealand both under paragraph 4(a) of Article XII (Revised) and under paragraph 1(g) of Article XIV. In conducting the consultations the Working Party followed the relevant "Plans" which had been recommended by the CONTRACTING PARTIES for such consultations. The present report summarizes the main points of the discussion during the consultations.

Consultation with the International Monetary Fund

4. Pursuant to the provisions of Article XV of the General Agreement, the International Monetary Fund had been invited to consult with the CONTRACTING PARTIES in this connexion. As a part of the consultation between the CONTRACTING PARTIES and the Fund the latter supplied documentation as referred to below. In accordance with established procedures the representative of the Fund was invited to make a statement supplementing the Fund's documentation concerning New Zealand's position. The statement made was as follows:

> "The International Monetary Fund has transmitted to the CONTRACTING PARTIES a background paper on recent economic developments and changes in the restrictive system of New Zealand, dated April 3, 1958. In preparing this paper, the Fund had had available a considerable amount of factual data on the current situation of New Zealand and again has received the cooperation of officials of New Zealand in ensuring the accuracy of the data used and in supplying the latest available information. Again I should like to take this opportunity to express the Fund's appreciation for this assistance.

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[1] Certain sections of this report are CONFIDENTIAL.

"The Fund has also furnished additional copies of the background paper on New Zealand which it provided to the CONTRACTING PARTIES in connexion with the consultation held during the Twelfth Session.

"With respect to Item 11 of the Plan for Consultations under Article XII:4 of the General Agreement, relating to the level of restrictions resulting from the intensification in relation to the need for restrictions, the general level of restrictions of New Zealand which are under reference does not go beyond the extent necessary at the present time to stop a serious decline in its monetary reserves."

Opening Statement by the New Zealand Representative

5. In opening the consultation the representative of New Zealand made a statement on the circumstances leading to the present balance-of-payments difficulties and the consequent intensification of the restrictions, and on the measures that had been taken. The full text of the statement is annexed to this report, and the principal points are summarized below.

6. The New Zealand representative recalled the fear expressed by his delegation at the previous consultation in November 1957, that while New Zealand had found it possible progressively to relax its import restrictions, the overall surplus of £9 million in 1956 might be converted into a significant deficit in 1957. In fact overseas transactions in 1957 actually resulted in a deficit of £32.2 million and overseas exchange reserves fell in the year from £76.7 million to £44.7 million, an amount equivalent to less than two months' overseas payments. The deterioration was due principally to an increase in the volume of imports and to a substantial rise in import prices during the second half of the year. Export receipts were maintained but only because of the high prices for wool in the early part of 1957. Prices for wool had since declined severely; receipts from exports of dairy products fell considerably partly owing to the widespread application of price support schemes, subsidies and dumping. Meat earned about the same amount as in 1956 although prices showed a downward trend by the end of the year. During the fourth quarter New Zealand's terms of trade worsened by 10 per cent from those of a year earlier.

7. During the first three months of 1958 imports continued to be higher than in the corresponding months in 1957. As export proceeds continued to fall, the deficit during January and February - normally "building-up" months for the reserves - amounted to £2.3 million compared with a surplus of £17.8 million in the same months in 1957. As many export prices had continued to decline the latest estimates were for a deficit in 1958 much larger than that of £32.2 million in 1957.

8. The representative of New Zealand stressed the vital importance of external trade to New Zealand's economy - exports representing no less than one-third of the national income - and its dependence for external income on the export of a limited range of agricultural products. As an efficient producer of certain primary products New Zealand should normally be able to earn enough to pay for the imports needed by its rapidly expanding economy and its very high rate of population increase. It had been unable to do so not because of foreign competition on free markets - or any decline in the demand for New Zealand's export products, but because of the prevalence of protectionism in the agricultural field.

9. The internal monetary and fiscal measures referred to at the November consultation had been continued and intensified, but their effects could not be expected to be rapid or far-reaching, especially as a wide range of such measures had already been in existence.

10. The new measures of restriction took the form of a revocation of all exemptions from import control whether "global" or otherwise and the cancellation of all existing licences for 1958. Goods already shipped from the exporting country before the intensification would be admitted and goods on firm order on 31 December could be imported if necessary as a charge against new licences - provided the quantities involved were not excessive in relation to the importer's normal pattern of trade. As regards discrimination, the general policy was to ensure that the percentage reduction in total dollar expenditure was no greater than in other currencies.

11. In conclusion, the representative of New Zealand noted that unless a solution could be found to the increasing disparity between the positions of agricultural and industrial countries, increased balance-of-payments difficulties would be faced and new restrictions might be imposed, not only by other agricultural countries, but also by the industrial countries who could not for long remain immune from the spread of the malaise.

12. Members of the Working Party expressed appreciation of the very thorough and informative statement made by the New Zealand representative which had brought out the causes and extent of the recent deterioration in New Zealand's balance of payments, and the serious nature of the reserve situation.

Circumstances leading to the Intensification

13. The Working Party expressed sympathy with New Zealand in its present plight and appreciation for its prompt action in bringing the new measures before the CONTRACTING PARTIES. Some members stated that they specially appreciated the measures taken in March 1958 which reduced the intensification of discrimination against dollar goods caused by the new import regulations. It was hoped that the situation would soon improve so that the New Zealand Government would again be in a position soon to resume its course of gradually relaxing import restrictions and reducing discrimination. In discussing the difficulties reference was made to the high degree of dependence of the New Zealand economy on the export of a few agricultural commodities, which in the view of several members of the Working Party was closely related to the sensitivity of the country's balance-of-payments position to external changes. These members shared the view that if access to foreign markets for such commodities should continue to be impaired by the widespread application of restrictive policies, many primary producing countries might soon find themselves in a situation similar to that of New Zealand and have no alternative but to resort to more stringent import controls.

14. A member of the Working Party, while agreeing to the undesirable effects of restrictive policies, pointed out, however, that at least in one commodity, namely wool, which was one of New Zealand's important export products, exports could not be considered to have been hampered in world markets, as practically no country applied subsidies or import restrictions to trade in this commodity. New Zealand's present balance-of-payments difficulties in his view mainly reflected an excessively high level of imports and might partly be attributed to the fact that economic expansion in New Zealand was out of phase, or at too fast a rate to be compatible with developments in the world economy.

The New Zealand representative commented that in his view the three main factors which affected New Zealand's balance of payments were: first, the difficulties arising from widespread agricultural protectionism; second, the problems peculiar to agricultural producers and, finally, the general level of world economic activity.

15. Insofar as the difficulties related to world market conditions for primary commodities, some members of the Working Party recalled that the whole question of trends in international trade had been entrusted to a Panel of Experts, whose findings, when reported to the CONTRACTING PARTIES at the Thirteenth Session, would provide a basis for discussion of this question which should not be prejudged.

16. The Working Party observed that as indicated in the background paper supplied by the International Monetary Fund the increase in the trade deficit and the consequent drain on overseas reserves in 1957 mainly reflected a rapid rise in the volume and prices of imports after July 1957. Some members of the Working Party noted that although resources had already been strained in the first half of 1957, the New Zealand economy continued to operate at a very high level of activity in the second half of the year when impetuses were added to expansion by even higher levels of public and private expenditure. The resulting substantial rise in aggregate demand must have contributed to the high demand for imports. The representative of New Zealand thought, however, that the increase in imports in 1957 was not necessarily due to the upsurge of activity in the middle of that year, having regard to the normal time-lag of about six to nine months between the moment of ordering goods and actual importation. Nor, for the same reason, could the budget appropriations in 1957 have much affected imports during that same year. The expansion of credit in the private sector, which was mentioned in the Fund paper, should be regarded as a consequence of increased interest rates abroad which had led New Zealand traders to seek additional credit in the domestic money market. That the pressure of internal demand had not been excessive might be deduced from the relative stability in internal prices during the year, wholesale prices between the first and last quarters of 1957 having risen by no more than 1.8 per cent.

17. In response to an enquiry the New Zealand representative explained the manner in which the prospective deficit in 1958 was estimated: estimates for imports were based on the scope of the new licensing schedule and regulations due account being taken of the value of confirmed orders which were entitled to excess licences; expectations concerning price developments for the main export commodities formed the basis for estimating prospective earnings. It might be noted in this connexion that price trends for wool, butter, cheese and recently also meat, had been downward.

18. Requested to supply breakdown figures for New Zealand's deficits with countries in the dollar area, the New Zealand representative provided the following data on deficits in 1957:

With Canada	£NZ 3.5 million
With United States and other American Account countries	£NZ 2.7 million

19. Representatives from countries in the dollar area pointed out that the deterioration in the New Zealand balance of payments - the conversion from a surplus of $25 million in 1956 to a $90 million deficit in 1957 - principally represented a deterioration vis-à-vis the sterling area, and that the deterioration on the dollar account amounted to less than $20 million.

Alternative measures to restore equilibrium

20. In response to questions regarding the steps which New Zealand had taken to adjust its internal situation so that the new restrictions would be of short duration, the representative of New Zealand referred to the measures of restraint which, as noted in his opening statement, had been taken when the balance of payments began to deteriorate, and which were designed to counter excessive pressures on resources. The policy followed in 1957 had been one of firm pressure on the trading banks to reduce advances to a lower level, so that aggregate expenditure might be brought into line with the goods and services available. In February 1958 the Minister of Finance instructed trading banks to reduce their advances from the existing level of £172 million to £156 million by the end of June and to give preference, in pursuing this objective, to loans for essential production purposes and for the financing of exports. Reserve ratio requirements of the trading banks were changed in such a way as to keep their cash position under constant pressure. Other measures to reduce liquidity were at present under consideration, and the opportunity for further appropriate internal measures would be available in the coming budget for 1958-59. The New Zealand representative emphasized, however, that such measures could not by themselves be relied upon to restore equilibrium. (The New Zealand delegation subsequently informed the Chairman of the Working Party that a further measure contemplated at the time of the consultation had since been proceeded with. This was the raising of a £20 million loan in London.)

Nature and extent of the Intensification

21. The Working Party took note of the new system of restrictions as described in L/790 and in the Fund paper, and as explained by the New Zealand representative. Further information was supplied in response to various enquiries. It was noted by the New Zealand representative that imports of those items in the new 1958 Licensing Schedule which were marked "C" and with a percentage would be licensed up to the percentages indicated. However, licences over and above these limits could also be issued after individual consideration. Although prima facie the new licensing system might appear to be highly restrictive it was in effect less so in view of the provisions made for goods "en route" and on confirmed order. The Government expected that the overall effects of the new measures were such that imports in 1958 would be brought down to a level near that of 1956. Proportionately, restrictions on imports from dollar sources had not been intensified to any greater degree than those of other imports. The criteria used in the licensing of dollar goods remained the same as those applying before the imposition of the new restrictions. In the issue of licences for dollar imports account continued to be taken of the essentiality of the goods in question, their availability from other sources, significant price differences, delivery dates and suitability for New Zealand conditions. There had been no substantial change in the discriminatory elements in the restrictions since the time of the last consultation in November 1957.

Effects of the restrictions on trade

22. The representatives of certain contracting parties called attention to the fact that the intensification of the import restrictions, owing to the selection of products on which heavy quota reductions were now imposed, particularly affected their exports. The Norwegian representative said that two-thirds of Norwegian exports to New Zealand consisted of paper and paper-board which, under the new regulation, were classified in category "C" for which licences would only be issued sparingly or in category "D" for which licences would be granted only in the most exceptional circumstances. Norway's exports to New Zealand could thereby be greatly reduced. Increased purchases of paper had not been a factor in New Zealand's new trade deficits; in fact the heavy imports in the past year had been concentrated on investment goods, fuels and metal products. In the circumstances it was hard to understand why Norway's exports should be more severely affected than those of other contracting parties. Contracting parties experiencing balance-of-payments difficulties had admittedly a certain freedom to establish import priorities, but at the same time Article XII:3(c) imposed the obligation not to impair regular channels of trade by preventing unreasonably imports in minimum commercial quantities. The Italian representative, for his part, pointed out that about half of the Italian exports to New Zealand were made up of finished products and consumer goods, classified mainly in category "C". Italian exports consequently would suffer a drastic reduction, proportionately much greater than that of other countries. The Italian delegation would therefore request that import licences for certain products, in particular textiles, be issued to the fullest extent possible, so as to avoid what in its view constituted a practical discrimination against Italian exports.

23. The representative of New Zealand replied that his Government profoundly regretted the adverse effects of the restriction on the trade of some countries and had done its utmost to avoid unnecessary damage to the commercial and economic interests of other contracting parties. He pointed out, however, that category "D" was intended to include not only what the New Zealand authorities considered to be luxury goods, but also commodities which, under the present circumstances, could be dispensed with. Category "C" goods were those for which the demand, or the amount of foreign exchange that could be made available, could not be determined in advance. For these categories foreign exchange allocations would be made, which in the event might be quite considerable. It was clearly impossible for a country to reduce imports of all commodities by a uniform percentage, as that would lead to shortages of essential commodities and hardships in the domestic economy. Nor, by virtue of paragraph 3(b) of Article XII was a contracting party required to do so.

24. At the end of this discussion the New Zealand representative stated that he had taken note of the views expressed on the effects of the restrictions and that he would bring all these to the attention of his Government which would no doubt endeavour to make any necessary adjustments insofar as it was practicable to do so within the limits set by the present urgent need to protect the country's balance of payments and external reserves.

25. The representative of the United States noted that New Zealand's restrictions largely precluded the access of certain dollar goods to the New Zealand market and expressed the hope that the New Zealand authorities would administer the controls in such a way as to make provision for greater imports of these products. These included for example aluminium windows and awnings, beer, autobus bodies, electrical appliances, motor and related equipment and supplies, dried fruits, garden tractors, medical and dental equipment, roofing paint and flooring compounds. The Canadian representative stated that his Government might wish to make similar representations to the New Zealand Government concerning certain products. The New Zealand representative undertook to convey these requests to his Government, adding that these, and indeed any similar requests that might be made by a contracting party, would undoubtedly receive his Government's careful and sympathetic consideration. His Government was fully prepared to discuss with any contracting party which might approach it on any matters of this nature.

26. The Working Party expressed appreciation of the efforts which the New Zealand Government had made to ensure full publicity of the new regulations. By avoiding uncertainty for the trading community concerning the extent and the nature of the intensified restrictions and in making special exemptions for goods "en route" or under firm order placed prior to the introduction of the new measures the New Zealand Government had clearly demonstrated its desire to reduce to a minimum the dislocative effects of the restrictive measures on trade.

<u>The discriminatory aspects of the restriction</u>

27. Members of the Working Party representing countries in the dollar area emphasized their view that in a situation of acute foreign exchange shortage such as New Zealand was experiencing at present it was particularly important to make the best possible use of the reserves by ensuring that purchases could be made at the most advantageous prices in the most competitive market. The representative of New Zealand replied that his Government was fully aware of this need. It was precisely for these considerations that before the recent adverse developments in the overseas exchange reserves, his Government had progressively extended the World Exemption List; in the original 1958 Import Licensing Schedule the number of items in that list had been increased from 159 to 170. Even under the present conditions the consideration of prices, delivery terms and other factors, might well lead to large allocations for imports of some items from the dollar area.

28. A member of the Working Party noted that although most of the 170 items previously on the World Exemption List had now been included in the automatic licensing category (category "A"), some twenty-five items, including tyres, cash registers, typewriters and computing machines, had been excluded from this procedure when imported from the dollar area and were dealt with under the individual consideration procedure. This, in his view, appeared to introduce a new element of discrimination. It was also noted that the number of quotas for dollar goods was relatively small when compared with non-dollar goods. Since the deterioration in the New Zealand balance of payments was mostly with the non-dollar area, the New Zealand representative was requested to explore the possibility of making more reasonable allocations for dollar goods. The representative of New Zealand emphasized that it was not the intention

of his Government to reduce dollar imports to a greater extent than imports from other sources. In some cases reclassifications had been made for administrative convenience, but broadly the previous non-discriminatory considerations would continue to apply.

General

29. Members of the Working Party expressed concern that these new restrictive import measures had been necessary. In general they fully appreciated the current difficulties with which New Zealand, as a rapidly developing country, was confronted. It was noted with gratification that the New Zealand Government had re-affirmed its intention to relax the restrictions as soon as practicable and to pursue internal policies designed to reduce and eventually eliminate the need to rely on quantitative restrictions. Hope was expressed that New Zealand would be successful in the near future in achieving the requisite equilibrium for constructive action.

30. The Working Party welcomed the assurance of the New Zealand representative that full publicity had been given to the purpose of the new measures of intensification and this should discourage the build-up of uneconomic industries behind the restrictions.

ANNEX

INTRODUCTORY STATEMENT BY THE NEW ZEALAND REPRESENTATIVE

Balance-of-payments position - recent developments

When New Zealand last consulted with the CONTRACTING PARTIES in November 1957 we were able to report that despite increasing difficulties it had been possible to continue the policy of relaxing import restrictions to the largest possible extent. In spite of the fact that even then our balance-of-payments situation was far from satisfactory, liberalization had reached 86 per cent of all private imports and 65 per cent of dollar imports. In our opinion this was a noteworthy achievement for a country which has experienced continued pressures on its exchange reserves for a considerable time, and, during that time, more than one period of very acute strain. In referring to the increasing difficulties we were facing in continuing our trade policies the New Zealand representative at the previous consultations sounded a warning note as to the future. In concluding his statement he said:

"..., an improvement, in our balance of payments in the foreseeable future cannot be expected. Wool prices have shown some decline in recent weeks in comparison with last year's prices. At the same time there is a tendency for our import payments to increase. In July and August of this year import payments were substantially higher than those of the same months last year. Moreover, preliminary estimates indicate a fairly substantial increase in import payments for 1957 compared with 1956. As no corresponding increase in export receipts is expected, it is not unlikely that our overall surplus of £9 million in 1956 will be converted into a significant deficit in 1957."

The paper transmitted by the IMF to the CONTRACTING PARTIES on recent economic developments in New Zealand clearly indicates that what has in fact happened is even more serious than the prospects formulated at the previous consultation. Overseas exchange transactions for the year 1957 actually resulted in a deficit of £32.2 million compared with a surplus of £5.9 million for 1956 and overseas exchange reserves fell from £76.7 million at the end of 1956 to £44.7 million at the end of December 1957.

This amount represented less than two months' imports and for a country in New Zealand's situation this is clearly an impossible basis for secure trade and payments. In November attention was drawn to the need which was felt for urgent action on a previous occasion when the reserves fell to an amount sufficient to cover only four months' trading. As the implications of this for New Zealand are set out in document L/746/Add.2 there is no need to cover the same ground.

Causes of deterioration of the balance of payments

The Fund report sets out the causes of this serious deterioration in our balance of payments and exchange reserves. First, payments for private imports rose in 1957 by 16.7 per cent to a total of £268.1 million - an increase which took place mainly in the second half of the year. This was due largely to an increase in the volume of imports but also to a considerable extent to a rise in import prices which by the end of the third quarter of 1957 were 8 per cent higher than a year earlier. Export receipts for 1957 rose by only 1 per cent or £2.4 million, compared with an increase of 11 per cent in 1956. The fact that receipts for 1957 were maintained was entirely due to higher prices for wool in the early part of the year, but the decline in wool prices, to which we referred during the November consultations, continued and even worsened. Receipts from exports of butter and cheese fell by £13.4 million. Meat earned almost the same amount as in 1956, although a marked downward trend had become evident by the end of the year.

The overall situation by the fourth quarter of 1957 was that New Zealand's terms of trade (that is the purchasing power of 100 units of exports) had worsened by 10 per cent from those of a year earlier.

This was the situation in December. Furthermore forecasts, which the first months of 1958 showed more than justified - indeed perhaps even unduly optimistic - suggested that the adverse trend was likely to continue. While payments for private imports actually fell off a little in January and February 1958 this was almost certainly due to a time lag in payments and not to the direct effects of the controls. Indeed, for January, February and March the value of imports continued to exceed the comparable figures for the same months of the previous three years. During January and February export proceeds fell by £7 million compared with the same months in 1957 and the final result for the two months was a deficit of £2.3 million compared with a surplus of £7.8 million in the corresponding months of 1957. These are months in which exports are normally high - indeed they are expected to be "building-up" months. Wool receipts continued to fall in this period as, in fact, did receipts generally except for meat. Since then many export prices have fallen still further, and the decline of butter prices as a result of widespread support price schemes, subsidies and dumping has been catastrophic. Even with the intensified import control the latest estimates are for a deficit in 1958, much larger than that of £32.2 million incurred in 1957. This forecast must be considered in the light of exchange reserves of only £44.7 million at the beginning of this year.

This, then, is the situation in which New Zealand found it necessary to intensify import restrictions as a means of checking the seriously adverse trend in its balance of payments and the critical fall in its overseas reserves. Even if that fall is checked and unless present trends are reversed it will be some considerable time before reserves are once again built up to a level which we can, after an experience of the last few months, regard as reasonably safe.

It is interesting to examine the reasons why a country like New Zealand - a prosperous, expanding community and certainly one of the world's most efficient and competitive producers of a limited range of primary products - has been compelled to take this action. New Zealand depends essentially on the export of a very few products of her grasslands - wool, meat and dairy produce together account for 85 per cent of her export earnings. In all, the value of our exports represents no less than one-third of our national income, and a corresponding proportion of national expenditure is on imported goods and services. New Zealand is thus extremely sensitive to market conditions for her few exports. Furthermore New Zealand's is a rapidly expanding economy. It will surprise many to know that our rate of population increase is among the world's highest. Such an expansion calls for a particularly high level of investment and importation, and correspondingly high and expanding export earnings if we are to avoid the pitfall of inflation. As an efficient and competitive producer of certain primary products which the world needs we could reasonably expect to achieve this.

Bitter experience, however, has taught us that in the world of today we have not been able to achieve it. If we had to meet merely a situation in which total demand for the products we export was declining, or in which other equally efficient and competitive producers were, by virtue of that efficiency and competitiveness, reducing our markets, we would have to face the consequent readjustments and reductions in living standards uncomfortably, but more or less philosophically. That is not the present situation. What we in fact come up against in endeavouring to market our meat and dairy products in many of the countries to which we should be able to look as expanding markets is the Frankenstein monster of agricultural protectionism. Perhaps that monster, like the original, will eventually devour its own creators; in any case it shows signs of destroying the efficient agricultural producers of the world first.

Some of the representatives present here should reflect a little on the extent to which their countries' agricultural policies have brought New Zealand to the position of having these consultations. Other countries will follow if neither the CONTRACTING PARTIES nor any other international organization or forum can make the high-sounding principles for which the General Agreement stands really mean something to agricultural countries. The present situation cannot continue without affecting the industrial countries themselves - unfortunately the just as well as the unjust. A cycle of trade contraction is thereby set in motion. I realize that this is a meeting of a working party not of the CONTRACTING PARTIES and that some of the views I expressed would be more appropriate in a plenary discussion. However, this is the only opportunity at the moment for expressing them. But if it is true - and we say it is true - that the balance-of-payments situation which has impelled New Zealand to take the measures now under review has largely (though of course not entirely) been caused by protective import restrictions applied by other contracting parties, by policies of fantastically unreal domestic support prices, by widespread dumping, by export subsidies and by all the rest of the well-known apparatus and consequences of agricultural protectionism, then I think it is neither surprising nor out of order that we should say so in this working party.

Measures to restore equilibrium

The monetary and fiscal measures referred to by the New Zealand representative in November have been continued. In addition to the control of bank advances by means of increased reserve ratios, higher interest rates on these advances to trading banks, higher interest on some forms of bank overdraft etc., a direct instruction has been given to the trading banks to reduce advances to a specified amount by the end of June. Other measures are being considered, but the time available for New Zealand has been short since the present crisis developed. The effect of remedial measures is not in any case visible immediately and a very real difficulty lies in the fact that we had already in operation a wide range of those measures, which had failed to arrest the crisis and which we therefore no longer had in reserve.

The nature of the quantitative restrictions introduced on 1 January 1958 was set out in New Zealand's report to the CONTRACTING PARTIES regarding the intensification. The measure took the form of a widening of the already existing balance-of-payments restrictions so as to include virtually all imports from all sources. All previous exemptions - whether "global" or otherwise - were withdrawn, all existing 1958 licences were cancelled and except as mentioned hereafter all goods imported after 31 December 1957 required a new import licence.

New Zealand's Law requires that when an exemption is withdrawn or a licence cancelled, the withdrawal or cancellation does not prevent the entry of goods already shipped from the exporting country. In fact we went further than this, and provided that goods already on confirmed order under a valid licence or exemption on 31 December, could also be imported but, if necessary, as a charge against new licences. The only proviso is that the quantities involved should not be excessed in relation to the importer's normal pattern of trade. The decision to provide for these goods on order but not shipped will make it difficult to achieve the necessary reduction in imports this year but we think it is in the spirit of the code on standard practices for the administration of quantitative restrictions.

As regards normal licences the importers trading bank makes foreign exchange available on presentation of an import licence issued by the customs. As regards the so-called "excess" licences issued to cover goods on confirmed order prior to 1 January which exceed the new 1958 allocation, these are subject to Reserve Bank allocation. For such goods not loaded on ships by 20 February no immediate allocation of funds is necessarily made. In the light of the exchange reserve situation this is scarcely surprising.

Concerning the discriminatory aspect of the measures of intensification of the restriction I quote from a public statement by the New Zealand Minister of Customs (the Minister in charge of import control): "While I cannot stress too strongly that the state of our overseas funds continues to be a source of grave concern, our problem is one which demands an overall reduction, and

not one aimed at particular countries or groups of countries" and, further - "Over the wide range of imports from dollar sources it is the policy to so administer the issue of licences that the percentage reduction in total dollar expenditure is no greater than that applied to non-scheduled countries". These remarks formed part of an explanation by the Minister, which there is no need to quote here in detail, of the measures by which this policy was being implemented.

Conclusion

Mr. Chairman, I have endeavoured to do three things - to explain the nature of the situation which led New Zealand to intensify quantitative restrictions, to comment on the causes of that situation, and to describe the action we have taken. The Working Party has before it the opinion of the International Monetary Fund that "the general level of restrictions of New Zealand which are under reference does not go beyond the extent necessary at the present time to stop a serious decline in its monetary reserves". My concluding note must be that unless a solution can be found to the increasing disparity between the positions of agricultural and industrial countries that opinion of the Fund's will be only the first of a series referring not only to New Zealand, and not only to agricultural countries, but also to the industrial countries who cannot for long remain immune from the spread of the disease.