

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

L/79

4 March 1953

Limited Distribution

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## CONSULTATIONS UNDER ARTICLES XII:4(b) AND XIV:1(g)

### Results of International Monetary Fund's Consultations with Finland, Sweden and Southern Rhodesia

1. At the Seventh Session the CONTRACTING PARTIES decided to defer the consultations with, inter alia, Finland and Sweden under Article XII:4(b), which had been initiated during that session, and with Southern Rhodesia under Article XIV:1(g) which had been initiated in March 1952. The International Monetary Fund was invited to consult with the CONTRACTING PARTIES in respect of these consultations. (See L/51)
2. By letters dated 11 and 24 February 1953 the Fund has advised that it has concluded its 1952 consultations under Article XIV of the Fund Agreement with Finland and Sweden and with the United Kingdom in respect of Southern Rhodesia. As relevant for the CONTRACTING PARTIES in connection with their consultations with Finland and Sweden the Fund has supplied the following information on the results of its consultations with these two Governments:

#### F i n l a n d

"The Government of Finland has consulted the Fund under Art. XIV, Sec. 4 of the Fund Agreement concerning the further retention of its transitional arrangements.

"The Fund notes that Finland as a consequence of the reduced demand for its export products has suffered a serious decline in its foreign exchange reserves in the course of 1952. The Fund welcomes the various measures adopted by the Finnish authorities to achieve domestic stability and thus strengthen the balance of payments position.

"The Fund welcomes the endeavors of the Finnish authorities further to reduce the volume of trade transactions taking place on a compensation basis.

"The Fund also takes note of the recent decision by the Bank of Finland to discontinue on December 31, 1952, the retention of foreign exchange on account of exporters' receipts and agents' commissions.

"In concluding the 1952 consultations, the Fund has no other comments to make on the transitional arrangements maintained by Finland."

S w e d e n

"The Government of Sweden has consulted with the Fund under Art. XIV, Sec. 4 of the Articles of Agreement concerning the further retention of its transitional arrangements.

"Sweden is experiencing in 1952 a small deficit in its over-all balance of payments. Sweden has eliminated almost all of its restrictions on trade and invisibles with the OEEC countries, while maintaining tight restrictions on imports from the dollar area. The present level of gold and hard currency reserves and earnings does not permit substantial relaxation on dollar payments. However, because of the need for dollar imports, Sweden's present policy is to use increases in dollar receipts for increases in payments on dollar imports.

"The Fund notes that Sweden has taken measures to achieve domestic stability, including the planning for an over-all budgetary surplus, other fiscal measures designed to discourage private investment, and a tighter credit policy. The Fund feels that in the present circumstances anti-inflationary measures should be continued and, if necessary, strengthened.

"The Fund notes that Sweden is engaging in certain foreign exchange transactions some of which involve multiple currency practices, others of which may involve multiple currency practices. The Fund also notes the reasons given by Sweden for the maintenance of these practices. The Fund is informed that Sweden has abolished its retention quota practices related to exports of certain Swedish dairy products. In view of the study now being undertaken by the Fund on dollar retention quotas and other similar practices in member countries, the Fund's conclusions as to these Swedish measures are being deferred.

"In concluding the 1952 consultations, the Fund has no other comments to make on the transitional arrangements maintained by Sweden."

3. The Fund has also advised that it has not, as a result of its discussions with respect to Southern Rhodesia, made any addition to its decision in respect to the United Kingdom. The Fund therefore invites the attention of the CONTRACTING PARTIES to the results of the Fund's consultation with the United Kingdom transmitted to the CONTRACTING PARTIES on 2 October 1952. These results, which were reproduced in I/23/Add.1, are as follows:

U n i t e d   K i n g d o m

"The Government of the United Kingdom 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 the 1952 consultations with the United Kingdom, the Fund was informed of the efforts being made by the United Kingdom to strengthen the position of sterling. The Fund records its view that the interest of all members of the Fund will be much advanced by the convertibility of sterling on a firm basis and the relaxation of restrictions, and welcomes the efforts being made by the United Kingdom Government to progress toward those declared objectives. However, the Fund has also had to take note of the present low level of the United Kingdom reserves and the serious disequilibrium in the United Kingdom balance of payments.

"In concluding the 1952 consultations, the Fund has no other comments to make on the transitional arrangements maintained by the United Kingdom."

4. The Fund has supplied, for the information and use of the CONTRACTING PARTIES, copies of the background material prepared by its staff in connection with these consultations. A copy of each of these papers, under the following titles, has been sent to each contracting party:

Finland:	Economic Position and Restrictive System
Sweden:	Economic Position
Sweden:	Restrictive System
Southern Rhodesia:	Economic Position
Southern Rhodesia:	Restrictive System.