

RESTRICTED

# GENERAL AGREEMENT ON TARIFFS AND TRADE

L/138

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Limited Distribution

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## SPECIAL EXCHANGE AGREEMENTS

### Report by the Chairman

1. The procedural arrangements for the implementation of special exchange agreements (see page 10 of Basic Instruments and Selected Documents, First Supplement) provide that when a question arises under an agreement requiring action by the CONTRACTING PARTIES at a time when they are not in session, the matter will be referred to the Chairman who will undertake consultation with, and seek necessary determinations by, the International Monetary Fund. In accordance with this procedure the Chairman has taken certain action during the interval between the Seventh and Eighth Sessions to implement the provisions of the special exchange agreements with Haiti and Indonesia.

### Reports under Article XI of the Agreements

2. At the Seventh Session, the CONTRACTING PARTIES made arrangements for the preparation of their 1953 reports, as required by Article XI:3 of the special exchange agreements, on the restrictions still in force under Article XI:1; the International Monetary Fund was requested to furnish for this purpose the same assistance as it had supplied for the 1952 reports. The Fund confirmed that it would undertake to furnish to the CONTRACTING PARTIES in March 1953, or as soon as possible thereafter, reports on such restrictions maintained by governments signatories to special exchange agreements. The statements prepared by the Fund on the restrictions maintained by Haiti and Indonesia will be distributed to the contracting parties as soon as they are received.

### Consultations under Article XI of the Agreements

3. It will be recalled that a consultation under Article XI:3 was initiated by Indonesia in March 1952. Upon the advice of the Fund this consultation was deferred at the Seventh Session.

4. The CONTRACTING PARTIES at the Seventh Session adopted a procedure and made arrangements with the IMF for the conduct of consultations which might be initiated by a signatory to a special exchange agreement under Article XI:3 of the further retention of exchange restrictions beyond 1 March 1953. These arrangements provided that if such a consultation is initiated by a contracting party, the Fund would afford an opportunity to the government concerned to.

present its case directly to the Fund, and that if the government should choose the alternative procedure of initiating direct consultation with the Fund, the latter would be prepared to be so consulted.

5. The Government of Indonesia was informed of these arrangements by letter dated 25 November 1952, and was invited to initiate not later than 1 March 1953 a consultation if it intended to retain beyond that date restrictions on payments and transfers inconsistent with Article VII or X of its Special Exchange Agreement. In view of its imminent accession to the Fund Agreement the Indonesian Government requested by telegram dated 6 March 1953, that the time limit for the initiation of the consultation be extended to May 1953. The Chairman, after securing the agreement of the Fund, informed the Indonesian Government that it would be in order for it to defer until May 1953 the initiation of a consultation. On 17 August the Indonesian Government indicated by telegram that a bill for the acceptance of membership in the Fund had been introduced by the Government in May 1953 but that the discussion had been postponed as a result of the present political situation; as the question of joining the Fund was expected to be settled by the end of 1953, the Indonesian Government requested an extension of the time limit for consultations under Article XI until that time. After consultation with the Fund, the Chairman advised the Indonesian Government that it would be in order for it to postpone the consultations until the CONTRACTING PARTIES had an opportunity of examining the request, and that this matter would be put on the agenda for the Eighth Session.

6. In view of all the circumstances the Chairman now proposes, for consideration by the CONTRACTING PARTIES, that they waive the obligation of the Indonesian Government to consult with the CONTRACTING PARTIES until March 1954.

#### Reports and Consultations under Article XI:3 in 1954

7. In making preparations for their 1954 reports pursuant to Article XI:3 the CONTRACTING PARTIES may wish to adopt the same arrangements as for 1953 and to request the Fund to furnish the same assistance by submitting to the CONTRACTING PARTIES in March 1954, or as soon thereafter as possible, statements on restrictions on payments and transfers maintained by governments remaining signatories to special exchange agreements and resorting to Article XI thereof.

8. As for the conduct of any consultations which may be initiated by a signatory to a special exchange agreement on the further retention of exchange restrictions beyond 1 March 1954, the CONTRACTING PARTIES may wish to adopt the same procedure and make the same arrangements with the Fund as in 1953.

#### Membership in the Fund

9. The Government of Haiti signed the Fund Agreement and became a member on 8 September 1953. The Special Exchange Agreement with Haiti therefore terminated on the same day as provided for in Article XIV:5 thereof.

10. Terms and conditions of membership have been approved by the Fund for the Government of Indonesia, and the period in which it may accept membership has recently been extended by the Fund's Board of Governors until 16 March 1954, with the proviso that if extraordinary circumstances are deemed by the Executive Directors to warrant such action the Directors may extend it until such later date as they may determine.