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REPORT OF THE COMMITTEE ON BALANCE-OF-PAYMENTS
RESTRICTIONS ON THE CONSULTATION WITH NORWAY

1. In accordance with its terms of reference the Committee has conducted the consultation with Norway under Article XII:4(b). The Committee had before it: (a) a basic document prepared by the secretariat; and (b) documents supplied by the International Monetary Fund. In conducting the consultation the Committee followed the "plan" recommended by the CONTRACTING PARTIES. The consultation was completed on 23 October 1959. The present report summarizes the main points discussed during the consultation.

Consultation with the International Monetary Fund

2. Pursuant to the provisions of Article XV of the General Agreement, the CONTRACTING PARTIES had invited the International Monetary Fund to consult with them in connexion with the consultation with Norway. As a part of the consultation between the CONTRACTING PARTIES and the Fund, the latter transmitted the results and background material from its last consultation with Norway. In accordance with the agreed procedure, the representative of the Fund was invited to make a statement supplementing the Fund's documentation concerning the position of Norway. This statement was as follows:

"The International Monetary Fund has transmitted to the CONTRACTING PARTIES the results and background material from the last consultation with Norway under Article XIV of the Fund Agreement, which consultation was concluded on September 21 1959.

"With respect to Part I of the Plan for Consultations relating to balance-of-payments position and prospects, and also with respect to Part III, relating to system and methods of the restrictions, the Fund draws the attention of the CONTRACTING PARTIES to the results of its recent consultation with Norway under Article XIV of the Fund Agreement, and particularly to paragraph 4 which reads as follows:

'The Fund welcomes the establishment of external convertibility for the Norwegian krone and the further advance in relaxing restrictions, which includes the elimination of nearly all discrimination against the dollar area in respect of both imports and invisibles. It notes the intention of the Norwegian authorities to speed up the process of liberalization when the balance of payments improves. The Fund hopes that further consideration will be given to the possibility of extending free-list facilities and to making further progress in reducing reliance on bilateral payments agreements.¹

"With respect to Part II of the Plan for Consultations, relating to alternative measures to restore equilibrium, the Fund draws attention to the results of its last consultation with Norway. The Fund has no additional alternative measures to suggest at this time."

Opening Statement by the Representative of Norway

3. The full text of the opening statement of the representative of Norway is attached to this report as Annex I. The following is a brief summary of the statement:

4. Norway being very dependent for export income on a small number of commodities and services which were highly sensitive to economic fluctuations, had been affected more adversely than most countries by the recent international recession. Norway had pursued an active counter-deflationary policy in an endeavour to counteract the effects of the recession and it was felt that this action, together with the general improvement in the world economic position, has brought about an improvement in domestic economy activity.

5. The pursuance of a sound internal policy of increased production and full employment followed by Norway was most important for the exports of other countries to Norway, especially since Norwegian imports of goods and services normally amounted to approximately 40 per cent of the gross national product. On the other hand, the pursuance of a liberal trade policy by Norway's trading partners was essential to the Norwegian economy since Norway's exports of goods and services had steadily expanded from the pre-war figure of 30 per cent to the present figure of approximately 40 per cent of Gross National Product.

6. The quantitative restrictions remaining in force in Norway were of minor importance in the total picture. Commodities which could not be imported in sufficient quantities to fully meet domestic demand amounted to only 5 per cent of total commodity imports and, in the case of these commodities, it was the intention of the Norwegian Government to proceed with liberalization as the balance-of-payments and international economic developments permitted.

7. Bilateral agreements, although important to Norway in that they permitted the sale of certain commodities which otherwise could not be sold, covered a minor part of Norway's trade. Few countries had less of their trade tied to bilateral agreements than did Norway. Norway's choice of bilateralism was not in preference to multilateralism; the existence of restrictions in many countries on the import of fish and fat offered little alternative.

8. The liberalizations undertaken by Norway had been to the largest extent possible extended to all contracting parties. Any failure in Norway's efforts to achieve the complete removal of discrimination could be attributed not so much to Norwegian policy, as to external factors which were beyond the control of the Norwegian Government.

Balance-of-Payments Situation and Prospects

9. Members of the Committee complimented the Government of Norway on the major steps taken to remove discrimination and on the promptness with which those steps were taken following the introduction of external convertibility. The hope was expressed that Norway would continue to make progress towards the removal of quantitative restrictions generally and that remaining discrimination would rapidly be eliminated.

10. A member of the Committee noted that in 1958 Norway experienced a large deficit on current account but at the same time showed an increase in international reserves. He felt that an expanding economy might indeed welcome a deficit when it could be financed from capital inflow. He asked the representative for Norway for an indication of the trend the balance of payments and reserves could be expected to follow in the coming months. The representative for Norway provided the Committee with more recent statistics on the balance of payments than those appearing in the documentation before the Committee. For the first half of 1959, the deficit on current account was Kr.470 million compared with Kr.629 million for the same period in 1958. The inflow of capital in connexion with imports of ships increased to Kr.595 million during the first half of 1959 compared with Kr.416 million during the same period of 1958. During the first half of 1959 Norway's international reserves increased by Kr.166 million as compared to an increase of Kr.172 million during the first half of 1958.

11. The representative for Norway also presented details on import and export prices. Using 1955 as a base year, the import price index had fallen from a high of 111 in 1957 to 99 in the second quarter of 1959. For export prices, the index had fallen from 107 in 1957 to 97 in the second quarter of 1959. The Norwegian representative informed the Committee that the terms of trade had remained fairly stable during the entire period for commodities but had worsened considerably when shipping was taken into consideration.

12. In reviewing prospects for export earnings, the representative for Norway explained that earnings from the shipping industry amounted to approximately one third of Norway's export income from goods and services. A serious depression existed in the industry with one million tons of Norwegian shipping lying idle. Except for some small signs of improvement, immediate prospects for any important increase in ship earnings were not encouraging. The shipping industry more than any other was confronted with adverse regulations and restrictions in other countries and unlike most other industries was not governed by real regulatory international rules. The representative for Norway emphasized that the deficit on current account was to an important degree influenced by the discriminatory and restrictive shipping policies pursued by many countries.

13. The representative of Norway explained to the Committee that in addition to the great dependence on the shipping industry, Norway relied on three main sources for export income - forest products, electro-metallurgical and electro-chemical products and fish.

14. In the case of forest products the Committee was informed that although Norwegian exports were confronted with restrictions in other countries, the main long-term restrictive factors facing the industry were the limited forest resources in Norway which confined cutting for industrial use to some seven million cubic metres per year.

15. In spite of their favourable competitive position, the electro-metallurgical and electro-chemical industries had been running below capacity because of the recession in world trade. Moreover, during the past six months rainfall had been one tenth that of normal seasons; water resources, accumulated before winter, on which the industries were so dependent, were 60 per cent of normal. The electro-metallurgical and electro-chemical industries were facing a very serious situation in the coming months.

16. The fishing industry had suffered from abnormally low herring catches during recent seasons but showed some signs of improvement. Like agricultural products, fish and fats were confronted with severe trade barriers in most markets. Norway was compelled to rely on bilateral agreements to secure markets for these products. It was emphasized that Norway's difficulties in marketing fish were in no way due to the lack of competitiveness of the Norwegian industry.

17. Despite the many problems and difficulties faced by most of Norway's important export industries, the representative for Norway assured the Committee that Norway's import policy would continue to be directed towards further liberalization.

18. The Committee expressed considerable interest in Norway's shipping industry. One member requested an indication of the portion of Norway's expenditure on ships which was directed to replacements and of the portion which actually contributed to an increase in global tonnage. He felt that if expenditure was directed towards an increase in tonnage, such decisions should be taken when looking at the world shipping situation as a whole. The representative for Norway informed the Committee that the shipping industry in Norway was entirely in private hands; shipping being an industry which did not lend itself easily to government planning. Of total global tonnage Norway possessed 8 per cent which represented a slight percentage increase since pre-war years. The representative of Norway called the attention of the Committee to Table X in the Fund's document which showed an increase in total tonnage of from 5.3 million gross tons in 1949 to 10.5 million in 1959. As far as the question of average age of shipping was concerned, the representative for Norway advised the Committee that the only information readily available which would give any further indication was in the following table:

<u>Motor and Steam Vessels</u>							
	<u>Under 5 yrs</u>	<u>5-9 yrs</u>	<u>10-14 yrs</u>	<u>15-19 yrs</u>	<u>20-29 yrs</u>	<u>30 yrs & over</u>	<u>Total</u>
	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>
	<u>Gross</u>	<u>Gross</u>	<u>Gross</u>	<u>Gross</u>	<u>Gross</u>	<u>Gross</u>	<u>Gross</u>
	<u>tons</u>	<u>tons</u>	<u>tons</u>	<u>tons</u>	<u>tons</u>	<u>tons</u>	<u>tons</u>
1938	1,020	1,120	790	773	632	357	4,752
1957	3,760	2,575	860	533	557	278	8,563

19. A member of the Committee observed that for Norway, a very high percentage of export earnings was outside the control of government. He referred particularly to freight and other earnings of the shipping industry which played such an important part in Norway's balance of payments. He felt that attempts must be made to establish greater stability in shipping. The representative for Norway stressed once again the dependence of Norway's shipping industry on the shipping policies of other countries. He pointed out that policies such as the recent United States restrictions on oil imports indirectly had adverse effects on Norway's income derived from shipping. Another member of the Committee shared Norway's concern for direct and indirect policies which adversely affected shipping.

20. A member of the Committee congratulated Norway on the achievement of external convertibility in its currency and on the removal of a large portion of dollar discrimination in its licensing system. He pointed out, however, that all imports into Norway from Japan were subject to discretionary licensing. Both Japan and Norway were contracting parties to the General Agreement and he could see no justifiable reason for such discriminatory treatment. Other members supported this plea for the removal of balance-of-payments discrimination and expressed their preference for de jure liberalization.

21. The representative for Norway informed the Committee that his country pursued a liberal policy regarding imports from Japan. He had observed from the Japanese White Paper on International Trade for 1959 that important trade circles in Japan considered the Norwegian import system to be very liberal in so far as imports from Japan were concerned. The representative for Norway agreed that under the General Agreement Norway was under a general obligation to practice non-discrimination with regard to Japan and reassured the Committee that imports from Japan were in actual practice accorded the same liberal treatment which was accorded to other contracting parties. He stated, however, that in view of certain arrangements which existed between Japan and certain other countries, Norway had retained a freedom of action without practising discrimination against imports from Japan.

22. A member of the Committee stressed that the pursuance of a liberal licensing policy under discretionary licensing was not in itself liberalization. He expressed the view that any arrangements which existed between Japan and other countries were outside the scope of the Committee when consulting with Norway and had no bearing upon the fact that no commodity from Japan could be imported into Norway under the liberalized or global quota system. He urged Norway to reconsider the matter of non-discrimination even if it only existed from the procedural point of view. He expressed the hope that his comments would be referred to the Norwegian Government with the request that the present situation be rectified. The representative of Norway took note of the comments and advised that they would be conveyed to the attention of his Government.

23. A member of the Committee noted the statement of the representative for Norway that effective restrictions by now applied to approximately 5 per cent of total commodity imports. Members questioned whether the effect on the balance of payments of finally removing restrictions amounting to so small a proportion of total commodity imports would be serious. While they appreciated that incidental protection was often unavoidable they stressed the importance of pursuing a principle of never imposing restrictions for protective reasons. The representative for Norway emphasized the importance of the remaining restrictions on the Norwegian balance of payments. Products remaining under restrictions included items of which considerable imports would result if complete liberalization was immediately introduced. As pointed out previously by the representative of Norway, in view of the present situation in the shipping, forestry, fishing and electro-metallurgical and electro-chemical industries, the immediate removal of the remaining restrictions could make the balance-of-payments position of Norway vulnerable to serious fluctuations.

24. A member of the Committee expressed interest in the effect on the balance of payments of bilateral agreements entered into by Norway aimed at ensuring the disposal of certain export products. He requested an indication of the effect on the balance of payments if Norway were to conduct transactions with certain countries in convertible currencies. The representative for Norway emphasized the minor role played by bilateral agreements in Norway's trade. With the exception of the agreements with Eastern European countries which were maintained for other than balance-of-payments reasons, Norway had arrangements aimed at bilateral balancing of trade only with Brazil and Israel.

Alternative Measures to Restore Equilibrium

25. A member of the Committee recalled that the Governor of the Bank of Norway had stated in February 1959 that considerable doubt arose as to whether the relaxations of credit and fiscal policies might not have too expansive an effect, taking into consideration the price problem and the external situation, and especially assuming a general international economic upturn. The Governor had pointed out that the credit agreement could be revised in the course of the year in case of a significant change in conditions. The member of the Committee asked the representative for Norway whether there had been any such revision. The representative of Norway replied that so far it had not been considered necessary to proceed with a revision. He referred the Committee to background material supplied by the International Monetary Fund which stated that "the Norwegian Government has relied heavily on fiscal policy to control the level of domestic expenditure in the post-war period and the 1958/59 budget showed a surplus on current and capital account combined of NKr.424 million. The budget for 1959/60 includes the effects of some relaxation of this restrictive policy: expenditure, both current and capital, will show a modest increase and the overall surplus is expected to fall to NKr.285 million. Some increase in the lending of the State banks, which is financed largely by borrowing from the Treasury, is also foreseen for 1959."

System and Methods of the Restriction

26. A member of the Committee asked about the existence of bilateral agreements which might hamper the elimination of discrimination. The representative for Norway emphasized that the discriminatory effect of Norway's bilateral agreements was small and did not create injury to any significant degree to any contracting party. Contracting parties had access to Norway's market for all commodities imported under bilateral arrangements. He considered it relevant to point out that if Norway terminated existing bilateral arrangements, the situation regarding exports to these markets might become considerably worse.

27. Another member of the Committee stated that his country had similar problems as did Norway regarding the marketing of fish but had not resorted to bilateral agreements as a means of overcoming these difficulties. He considered that bilateral agreements could not be of assistance in expanding exports without in some way discriminating against other trading partners. He shared the hope expressed by the International Monetary Fund that further consideration should be given by Norway to "reducing reliances on bilateral payments agreement". In this connexion other members of the Committee also expressed concern about the effects of bilateral agreements in so far as they involved discrimination in international trade, and thus be against the spirit of the General Agreement. They noted, however, from the Norwegian statement that trade under bilateral agreements involved only a small proportion of Norway's total trade and were pleased to learn that reliance on bilateral and especially barter arrangements was being reduced.

28. A member of the Committee noted with satisfaction the development in the Norwegian import licensing system of an import exemption list and of a negative import list. He felt that the establishment of a negative list was a desirable move in so far as it directed attention to remaining restricted items. He noted, however, that seasonal restrictions existed on the importation of certain agricultural products and inquired whether such restrictions were instituted for balance-of-payments reasons. Another member of the Committee pointed out that in the case of agricultural products, the Ministry of Agriculture was responsible for any decision to permit or restrict imports. It appeared that the basis on which such decisions were reached was in no way associated with the balance-of-payments position but was dependent entirely on the domestic prices of the products concerned. The representative for Norway stressed that although in certain cases quantitative restrictions undoubtedly had protective effects, all were justified for balance-of-payments reasons. The immediate removal of the remaining quantitative restrictions in the agricultural field would present Norway with large expenditures of foreign exchange.

29. A member inquired whether commodities whose importation was now freely licensed could be placed on the free list without adverse effects upon the balance of payments. In response to this question and to a number of questions on the global quota licensing system, the representative for Norway informed the Committee that certain of the items which were presently licensed freely were candidates for the free licensing list when the balance-of-payments position improved. When the global quota list was annually established new products were continually added. No items were removed unless for the purpose of liberalization.

30. A member of the Committee observed that while licences issued under the global quota system were generally allocated among importers on the basis of previous imports, in certain cases where this method proved impracticable or inexpedient, licences were issued on the basis of an evaluation of requirements. Where the right to share in quotas was restricted by reference to an evaluation of requirements there was an element of uncertainty for the exporter and the possibility for protection for domestic producers. Where quotas were issued on the basis of an evaluation of requirements, there was an element of uncertainty. The representative for Norway informed the Committee that it was the policy of the Norwegian Government to keep the licensing system as flexible as possible. It was felt that an evaluation of requirements provided more flexibility and increased competition. Participation by newcomers was facilitated by such a system. A member of the Committee enquired whether the country of origin was taken into account in so far as discretionary licensing and State-trading were concerned. The representative for Norway assured the Committee that imports under both these categories were carried out on a non-discriminatory basis.

31. It was the understanding of one member of the Committee that the policy of the Norwegian authorities was first to seek to supply any domestic demand for products such as clover seed and timothy from domestic sources or from Scandinavian sources before imports from other countries were to be considered. The member of the Committee felt that in view of the stated policy of non-discrimination in discretionary licensing, the importers rather than the authorities should be permitted to choose the source of any importations. The representative for Norway pointed out that any priority accorded seeds of Scandinavian origin was because such seeds best suited the climatic conditions of Norway. A member of the Committee pointed out that other seed exporting countries, such as Canada, had climatic conditions not unlike those of Scandinavian.

32. In expressing his strong hope that all remaining balance-of-payments discriminations would be eliminated, a member stated that automobiles from the dollar area remained subject to discriminatory treatment. The representative of Norway took note of these remarks for transmission to his Government.

Effects of the Restriction

33. In reply to a number of questions on the restrictive operations of the State Grain Corporation and the State Corporation for the Import of Fishing Tackle, the representative for Norway explained that the State Grain Corporation was established in 1928 and had the exclusive right to import grains in order to ensure adequate supplies of these essential foodstuffs. In carrying out its purpose, the Corporation took only commercial considerations into account and did not discriminate as to the source of supply. The State Corporation for the Import of Fishing Tackle had the exclusive right to import raw materials for the production of fishing

equipment. The institution of these monopolies was based on the social and economic importance which the Government attached to ensuring that sufficient supplies were always available for the fishermen at the most uniform and reasonable prices. The policy of the Norwegian Government was not to use the monopoly to restrict imports or to protect the home production of fishing equipment.

34. A member of the Committee observed that amongst the items appearing in the global quota list for 1959 were various items which could be considered of an essential kind such as synthetic resins, farm tractors, and various machinery. He asked if domestic production had any bearing on whether such products were placed on the global quota list rather than on the free licensing list. The representative of Norway informed the Committee that many items considered to be essential and not produced in Norway remained on the global quota list. He stressed once again that only balance-of-payments reasons existed for the retention of this category. On items where incidental protective effects were evident, it was the firm policy of the Government that domestic producers were to be continually reminded that import restrictions were to be removed as soon as balance-of-payments conditions permitted. If protection was considered necessary for such industries, such protection would have to be on a customs duty basis.

General

35. Summing up the discussion, the Chairman recorded the thanks of the Committee to the representative for Norway for the open manner in which he discussed his country's problems; the discussion had greatly enhanced understanding of the difficulties Norway was experiencing. The Committee had expressed their appreciation of Norway's import policies in general; it being pointed out in particular that Norway had been amongst the first countries to reduce its discriminatory restrictions following the introduction of external convertibility.

36. The Committee had been impressed by the fact that Norway was to a large extent dependent for its earnings of foreign currency on the export of a few commodities and on shipping. Notwithstanding difficulties confronting Norway's major export industries, the Norwegian representative had stressed his Government's intention not to go back on the present level of liberalization but to continue a policy directed towards the complete removal of quantitative restrictions. This was noted with great satisfaction by many members of the Committee. One member had asked if Norway's present import restrictions could still be regarded as essential for protecting her balance of payments considering that only 5 per cent of Norway's imports was effectively restricted. The Norwegian delegate had, however, made it clear that although the area of effective restriction was small, liberalization of the items concerned would result in a considerable increase in imports thus having an adverse effect on the balance of payments. Some members had pointed out that a certain amount of discrimination still existed in Norway both against the dollar area and against one other contracting party. Some concern had also been expressed about Norway's bilateral arrangements and State-trading arrangements and about import regulations administered by the Ministry of Agriculture.

ANNEX I: Opening Statement by the Representative of Norway

I would first like to express appreciation to the expert staff of the Secretariat and of the Monetary Fund for the excellent work they have done in connexion with the preparation of the background documents we have before us. On our part we will do our best to ensure that the consultations both in this Committee and in the Monetary Fund are as productive and thorough as possible.

We will undoubtedly have an opportunity during the consultations to provide the information necessary to bring up to date the material we have in front of us and to discuss the points which the Committee members consider call for further investigation. In this statement I would therefore wish to restrict myself to some remarks of a more general nature.

Norway was harder hit by the recent recession in the international economy than most other countries. This happened mainly because our exports are concentrated on only a few commodities or services which are highly sensitive to economic fluctuations. Problems have also arisen for a vital export activity like shipping which in addition to last year's recession in the world economy, do meet difficulties that should be realized also in a GATT context.

The Norwegian authorities have pursued an active counter-deflationary policy in an endeavour to counteract the effects of the international recession. Together with an improvement in the world economic position in general, this has brought about an improvement in the economic activity in Norway.

Developments in recent years have clearly shown - as so many times before - that protectionism and actions against free trade follow periods of economic decline. A policy of joint effort by all countries to ensure stable economic expansion is the positive way of reducing trade restrictions and increase international trade. The Norwegian Government on its own part has taken various actions to counteract the effects of the recent international recession, and Norway will continue to pursue the objectives of increased production and full employment. This is most important for other countries' exports to Norway. Imports of goods and services to Norway amount to around 40 per cent of the country's gross national product. In other words, a large part of the increase in the national income which results from a policy of expansion in Norway will be reflected in a higher demand for imports. Similarly, actions taken by other countries will be of the utmost importance for the economic growth and for the export of Norway.

At the same time, it should be stated that the liberalisation of trade, which has been carried out during the post-war years, has been of major importance to the Norwegian economy. In round figures Norway's exports of goods and services amount, as mentioned, to 40 per cent of the gross national product. This percentage has been steadily expanding, from some 30 per cent pre-war to a peak of some 42 per cent in 1957. These figures seem in our opinion to establish the importance for Norway of a liberal trade policy in other countries.

The documents we have before us deal to a large extent with quantitative restrictions. In this connexion I would like to draw attention to Part II of the Secretariat document. The quantitative restrictions still in force in Norway are of minor importance in the total picture. Those commodities which may not be imported to meet in full the demand for them in Norway hardly amount to more than 5 per cent of Norway's total commodity import. The Norwegian Government has, on many occasions, expressed the intention to proceed further with liberalisation at a rate commensurate with the balance of payments situation and the international economic developments.

In Part II of the Secretariat document there is a statement on the importance of bilateralism for Norway. In actual terms Norway's bilateral agreements represent a minor part in the grand total. There are few countries which have less of their trade tied to bilateral agreements in one form or another than Norway. But they are important to us in one respect. They permit us to sell certain commodities which for various reasons cannot be sold elsewhere. We don't choose bilateralism in preference for multi-lateralism, but we certainly prefer bilateralism to unilateral arrangements. In addition, the existence of restrictions in most non-state-trading countries on the import of fish and fat does not leave Norway with much choice anyway.

I would conclude by saying a few words about the problem of non-discrimination in relation to GATT. GATT's regulations are very general in nature. The European countries who are members of OEEC have, through this Organization, been able to achieve increased liberalisation of commodity trade and invisible transactions by give and take. Recently, non-members of OEEC have obtained benefits from this liberalisation through the progress towards non-discrimination. The liberalisation undertaken by Norway within OEEC has to the largest extent possible been extended to all the contracting parties. It would be our hope that the determined action of the Norwegian Government in this respect will win the sympathy of this Committee. Should this effort towards non-discrimination by Norway not actually have resulted in 100 per cent success yet, I hope you will understand that certain factors beyond the control of the Government of Norway may also be to blame for this.

I thank you, Gentlemen, for your attention.

ANNEX II: Results of Consultations between the International
Monetary Fund and the Government of Norway concluded
on 21 September 1959

1. The Government of Norway has consulted the Fund under Article XIV, Section 4, of the Fund Agreement concerning the further retention of its transitional arrangements.
2. The real gross national product of Norway declined slightly in 1958 for the first time since the end of the war: the failure of the herring catch and the weaker demand for certain important export products coincided with some reduction in the pressure of domestic demand. With a revival of exports, a moderate expansion is now under way. As a result of reduced subsidies and higher farm prices, the cost of living index rose by 6 per cent in 1958; it has remained stable in 1959 because of an increase in subsidies, which increase is due to be withdrawn in 1960. Fiscal policy has been relaxed somewhat, but the budget on current and capital account is again expected to show a surplus in 1959/60. The ceiling on bank credit has been removed; the banks' cash reserves are, however, not much above the legal requirements, and credit to the private sector has risen only moderately in 1959. The Fund notes the intention of the Norwegian authorities to revise, if necessary, the fiscal and monetary policies, in order to maintain price stability and to limit the pressure on foreign exchange reserves.
3. Largely as a result of a sharp increase in imports of ships and a sharp fall in net freight earnings, the current account of the balance of payments showed a large deficit in 1958; this deficit was financed by foreign loans, and foreign exchange reserves rose. In the first four months of 1959 the reserve position showed little change. The Norwegian authorities expect a current account deficit of about the same size in 1959 as in 1958, and plan to finance a substantial part of it through foreign borrowing.
4. The Fund welcomes the establishment of external convertibility for the Norwegian krone and the further advance in relaxing restrictions, which includes the elimination of nearly all discrimination against the dollar area in respect of both imports and invisibles. It notes the intention of the Norwegian authorities to speed up the process of liberalization when the balance of payments improves. The Fund hopes that further consideration will be given to the possibility of extending free-list facilities and to making further progress in reducing reliance on bilateral payments agreements.
5. In concluding the 1959 consultations, the Fund has no other comments to make on the transitional arrangements maintained by Norway.