

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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ROLE OF THE FUND

Statement by the AUSTRALIAN Representative
at a meeting on 30 November 1954

It would be a great mistake to send this matter to committee before there is a clear understanding of what is involved and also a clear understanding of what Australia means in accepting Article XII as it stands.

The real issue is whether Article XII:2 should be administered by the CONTRACTING PARTIES or by the Fund. The issue is not usually put as clearly as this. It is disguised by saying that the Fund should determine the financial aspects of import restrictions. But, as the level of a country's import restrictions depends so much on trends in the balance of payments and in its reserves, the issue is no less than I have said - whether the CONTRACTING PARTIES or the Fund should play the decisive rôle.

This is a matter of great importance to Australia, and to all countries. In the first place, no Government can really hand over to an international body its responsibility for deciding how far it should curtail its people's liberties by imposing import restrictions on them. We know only too well how difficult it is for our own Government to decide what level of reserves we need and what level of restrictions is required to achieve a reasonable rate of increase. As I have said before, these are not questions of fact, but of judgement, and many factors have to be taken into account, which are often not subject to economic measurement. Such judgements can be made by one authority only - the Government, in fulfilment of its responsibilities to its own people. By way of illustration, decisions on the general level of import restrictions are based on estimates of future trends in the balance of payments, which in Australia's case include forecasts of receipts from exports of wool, wheat, dairy products, metals and other commodities. We do not believe that the Fund can make these forecasts better than we can. It is also necessary to make a judgement of the level of reserves that is needed. This cannot be done by rule of thumb. It may be £x million in one set of circumstances or £y million in another - and there may be several views at any time on what level of reserves is required. The Government has to make a decision and stand by its judgement.

As to the relative parts to be played by the CONTRACTING PARTIES and by the Fund in these matters, Australia's general approach is as follows.

Australia has a great deal of respect for the Fund and for the competence of the Fund Staff. The Fund is doing notable work in the field laid down for it in its Articles of Agreement and we believe it will play a still more important part in the future.

But the Fund is primarily a financial institution. It has as a first task the duty of administering the substantial sums entrusted to it by member governments. Its constitution and voting rules rightly reflect the need for giving special weight to the views of the major contributors.

It would be quite inappropriate to carry over the same form of organization to any international body dealing with trade as distinct from financial matters.

Australia agrees that the CONTRACTING PARTIES should look to the Fund for information about the ascertainable facts of the financial position of countries invoking the balance of payments escape clause.

But we could not accept any proposals which would hand over the substance of decision in matters vitally affecting international trade to another organization set up for very different purposes and with a constitution which, quite understandably in its own context, gives special weight to the views of countries possessing the greatest financial resources.

This is not a peculiarly Australian attitude. It is, in our experience, an attitude common to all of the smaller countries, whether they are developed or under-developed. Only a few financially strong countries would want to see a situation in which (to quote the words used in document W.9/18) "the Fund should make all financial determinations, including a determination of the general level or 'quantum' of restrictions that are justified".

In addition, we are concerned at the implication of the attitude of certain delegations that the CONTRACTING PARTIES cannot manage some of their own affairs. Who is going to administer the General Agreement? The CONTRACTING PARTIES or some other international body. If financial aspects are to be judged by the Fund, why should not agricultural aspects be judged by the Food and Agriculture Organization, European aspects by the Organization for European Economic Cooperation and so on? The term "financial aspects" is quite misleading. The truth is, of course, that all rights and obligations in the General Agreement are GATT matters, to be administered by the CONTRACTING PARTIES and not to be decided upon by other bodies. By all means let the CONTRACTING PARTIES seek advice and information from other organizations, but do not let us be led by specious arguments into handing over responsibility, in form or in substance, to others.

During the forthcoming studies of Article XV, the smaller countries will in all probability be told by the larger countries that it is too late to argue, the CONTRACTING PARTIES are already obliged to accept the Fund's decision on the level of reserves and on other financial aspects of matters covered in consultations. There will be much studying of Article XV:2 and many views on its meaning. We ourselves have always realised that this paragraph was loosely drafted

and could be interpreted in several ways. But we thought that the position of the CONTRACTING PARTIES could be protected by interpretation and understandings. At Havana it was agreed that (I quote) "the final decision as to whether restrictions would be instituted or maintained rested with the International Trade Organization notwithstanding determinations made by the International Monetary Fund."

But even those understandings will probably be disputed, by those who have forgotten their context, or have since shifted their ground. It may be that it will become necessary to resolve the problem once and for all - by a clear decision of the CONTRACTING PARTIES that they alone must administer the General Agreement, that other international bodies cannot be more than advisers and that the trading policies of contracting parties should not in the last resort be subject to the judgement of a few financially strong countries.

We had hoped that these old battles would not have to be fought over again. The point of view I have been expounding has always prevailed in the past and I believe will undoubtedly prevail again. We hope that countries who would like to reduce the authority of the CONTRACTING PARTIES will seriously reconsider their positions. That would enable us all to get on with more constructive tasks, such as studying the problems raised by the Deputy Executive Secretary and seeing how we can make better use of Fund information and advice. For this better use we have already said that there is considerable scope.