CONTRACTING PARTIES

WORKING PARTY "K" ON CONSULTATIONS UNDER
ARTICLE XII: 4 (b)

ORAL REMARKS OF THE HEAD OF THE DELEGATION OF THE INTERNATIONAL
MONETARY FUND AT THE SEVENTH MEETING OF WORKING PARTY "K"
(20th November 1950, 3:00 P.M.)

Mr. Chairman:

I would like to clarify a few of the points which have been raised in
the course of the Working Party's discussion of the Australian import res­
trictions.

First, I believe I should comment briefly on the statement of the Aus­
tralian representative that his Government was willing to be consulted at
Torquay on the basis of its present financial situation, provided this
would not be regarded as a precedent for future consultations. I do not
quite understand the implication of this proviso. Therefore I should like
to submit the following statement to the Working Party for its information.

The question of the scope of these consultations was raised in the Fund
by Australia and the United Kingdom. Insofar as the Fund's role in the con­
sultations is concerned it was decided by an overwhelming majority of the
Fund's Executive Board that "if they (the consultations) were to serve any
useful purpose, the Fund had to examine the current balances of payments
and the reserves positions of the countries involved and express its opi­
ion on the import restrictions imposed, in the light of the actual finan­
cial conditions and not in the light of those which no longer existed." I am
therefore happy to note that we are proceeding in these consultations
on this basis.

The second point on which I would like to comment is the statement of
the Australian representative, supported by the United Kingdom delegation,
that it was inappropriate for the Fund to submit to the Contracting Parties its
conclusions on the import restrictions of the countries being consulted here
at Torquay. Mr. Chairman, the Fund in accordance with an invitation from the
Contracting Parties has accepted the responsibility of advising the Contract­
ing Parties. This responsibility that the Fund was asked to accept by the
Contracting Parties means that the Fund must express its views freely and
fully. To express its views adequately and usefully on the balance of
payments of the contracting parties it must also study the trade restrictions
of the country since no analysis of the balance of payments position can be
made without this. Furthermore, the Fund's responsibilities are not limited
to supplying statistical data to the Contracting Parties; the Fund has a duty
to express its opinion on several highly important matters relating to balance
of payments, reserves, the general level of restrictions, etc. With this
understanding the Fund prepares its reports for its consultations with the
Contracting Parties.

Mr. Chairman, as you have ruled before, the question of the Fund's sub­
mitting conclusions to the Contracting Parties should properly be raised in
the Fund. In fact, both the United Kingdom and Australia already have raised
the question before the Executive Board of the Fund. And, again, by a large
majority the Board decided that the reports which the Fund should be prepared
to submit to the Contracting Parties in the course of these consultations at
Torquay should contain conclusions of the type and scope of those in the re­
ports which I have presented to the Contracting Parties. Moreover, these re­
ports were approved in their entirety by the Executive Board. The decisions
of the Executive Directors can only be reversed by them or by their Board of Governors. I therefore cannot see any useful purpose in bringing this matter to the forum of the Contracting Parties. Except in cases where the Contracting Parties are required by the GATT to accept the findings and determinations of the Fund, it is, of course, for them to decide whether they agree or disagree with the Fund's views and opinions.

As for the statements made by the Representatives of Australia and the United Kingdom that the Fund's studies and reports have not given due regard to the special problems and circumstances of the sterling area as a whole, I would like to endorse the earlier remarks of Mr. Friedman, Acting Director of the Exchange Restrictions Department of the Fund. In my view, there is no one who could deny the existence of the sterling area. It is a fact which everyone can see for himself. We are not here, as the United Kingdom delegate said, to enter into argument as to the merits and demerits of the sterling area. Indeed, I think you will agree that the fact of its existence has been given due regard in our reports. As to why, as has been suggested by some, the Fund did not consider the sterling area as a unit, and, indeed, treated each country separately and came to different conclusions with regard to their restrictions, I wish to draw your attention to the fact that we were consulted on individual countries and that membership in the Fund is on an individual basis and not on a regional basis. Exchange arrangements between two or more members of the Fund cannot affect their individual obligations under the Fund Articles of Agreement. Thus, the Fund cannot treat the sterling area for the purpose of these consultations as a unit; it must examine the external financial position of each member separately.