Terms of Reference:

(a) To consider the position of those contracting parties which are not members of the International Monetary Fund and have not yet complied with the resolution adopted at the Fourth Session of the Contracting Parties requiring such countries to enter into a Special Exchange Agreement not later than 2 November 1950.

(b) To examine, in the light of this consideration, the need for the adoption of procedure for the administration of Special Exchange Agreements, and, if such procedures are, in the circumstances necessary, to make recommendations concerning such procedures.

Membership:

Chairman : Mr. G. JANSON (Belgium)

Members : Belgium Haiti Sweden
Belgium Haiti Sweden
Burma Indonesia United Kingdom
France New Zealand United States

PARTIES CONTRACTANTES
Cinquième Session

GROUPE DE TRAVAIL "J" DES ACCORDS SPECIAUX DE CHANGE

Mandat:

(a) Examiner la situation des parties contractantes qui ne sont pas membres du Fonds monétaire international et qui n'ont pas encore donné effet à la résolution de la quatrième session des Parties Contractantes, invitant ces parties à conclure le 2 novembre 1950, au plus tard, des accords spéciaux de change.

(b) Déterminer, à la lumière des résultats de cet examen, s'il est nécessaire d'adopter des procédures pour l'application des accords spéciaux de change et, si les circonstances rendent ces procédures nécessaires, formuler des recommandations en ce qui les concerne.

Composition:

Président : M. G. JANSON (Belgique)

Membres : Belgique France Nouvelle-Zélande
Belgique Haïti Royaume-Uni
Birmanie Haïti Suède
Etats-Unis Indonésie
1. The Working Party, addressing itself to Section (a) of its terms of reference, first considered the position of those contracting parties which were not members of the International Monetary Fund and had not yet complied with the Resolution adopted at the Fourth Session of the Contracting Parties requiring such countries to enter into a special exchange agreement not later than November 2, 1950. The position of Sweden, which became a contracting party on April 30, 1950 and which was therefore required by the First Resolution of the Third Session to take such action before August 31, 1950, was also considered. In considering these the Working Party had the benefit of the assistance of the representative of the Fund.

2. The position of the five countries, as noted by the Working Party, is set out below:

(a) Burma: The Government of Burma made an application for membership in the Fund on October 9, 1950, which is under consideration by the Fund. Burma, in the opinion of the representative of the Fund, is likely to become a member of the Fund before the opening of the Sixth Session of the Contracting Parties. The representative of Burma therefore requested that additional time be allowed for action under Article XV, paragraph 6.

(b) Sweden: The Government of Sweden made an application for membership in the Fund on June 16, 1950, which is under consideration by the Fund. In the opinion of the representative of the Fund, Sweden is likely to become a member of the Fund before the opening of the Sixth Session of the Contracting Parties. The representative of Sweden therefore requested that additional time be allowed for action under Article XV, paragraph 6.
It was also noted that the Government of Sweden has secured from its legislature authority to enter into a special exchange agreement with the Contracting Parties in the event of failure to become a member of the Fund.

(c) Haiti: The Government of Haiti made an application for membership in the Fund on July 14, 1950 which was approved by the Fund. Although Haiti was not able to give effect to the application within the time limit set by the Fund, the Haitian Government considers the question still open. Furthermore, it has accepted the principle of the special exchange agreement but is unable to effect the acceptance owing to constitutional changes in the country at the moment. For these reasons, the representative of Haiti requested that more time be allowed for action. The representative of the Fund felt that in the circumstances an extension of time would be justifiable.

(d) Indonesia: The Government of Indonesia made an application for membership in the Fund on July 24, 1950 and terms of membership have been agreed upon between the Fund and that Government. In the opinion of the representative of the Fund, Indonesia therefore is likely to become a member of the Fund before the opening of the Sixth Session. On the other hand, the Government of Indonesia informed the Contracting Parties on October 27, 1950, that it would enter into a special exchange agreement with the Contracting Parties and that arrangements have been made by that Government for the requisite instrument of acceptance to be deposited with the Secretary-General of the United Nations. The delay in actually depositing such an instrument has been for purely mechanical reasons. The Government of Indonesia is intending, when the special exchange agreement comes into force, to avail itself of the transitional arrangements referred to in paragraph 1 of Article XI of the Special Exchange Agreement.
(e) New Zealand: The Government of New Zealand has not applied for Fund membership. For reasons given at the plenary meeting on November 10, 1950 it has not felt able to accept a special exchange agreement.

3. Taking account of these facts the Working Party considered that the Contracting Parties would be justified in granting an extension of time to Burma and Sweden for action under Article XV, paragraph 6, having regard to the prospect of their becoming members of the Fund within a short time. In the case of Haiti the Working Party agreed that a similar extension would be justifiable on the grounds of the assurance given by the representative of Haiti. After consultation with the representative of the Fund the Working Party recommends that the time limit for the acceptance of special exchange agreements by Burma, Haiti and Sweden, failing their becoming members of the Fund in the meantime, be extended to the opening date of the Sixth Session. A draft Resolution for this purpose is annexed to the Report for adoption by the Contracting Parties.

4. With regard to Indonesia, since arrangements have already been made by that Government for depositing an instrument of acceptance the Working Party considers that no action need be taken by the Contracting Parties. It recommends, however, that the Contracting Parties consider any instrument of acceptance of the special exchange agreement, if lodged by the Government of Indonesia, to be valid for the purposes of the Resolution of April 3, 1950.

5. With regard to New Zealand the Working Party noted that that Government has not complied with the Resolution of the Contracting Parties of April 3, 1950 with the provisions of paragraph 6 of Article XV within the time limit fixed by the Resolution of April 3, 1950.

6. Arising from the discussion of New Zealand's position, the United Kingdom representative drew attention to the difficulties created by the fact that a special exchange agreement required the Contracting Parties to exercise authority in exchange matters and suggested that for
the reasons given by the United Kingdom representative in the plenary session on November 10, 1950, consideration should be given at some appropriate time in the future to overcoming these difficulties. The representative of Belgium thought that the appropriate time to consider this would be the Sixth Session of the Contracting Parties. The Working Party took note of this view but did not feel that its terms of reference permitted it to go into the question or to make any recommendations.

(B) Procedure for the Administration of Special Exchange Agreements

7. With respect to Section (b) of its terms of reference, the Working Party examined the need for the adoption of procedures for the administration of special exchange agreements. It reviewed the difficulties encountered by a similar working party at the Fourth Session and was generally in agreement that the principal difficulty in formulating rules of procedure which would be generally acceptable arose with respect to the periods of time which elapse between sessions of the Contracting Parties.\(^1\)

8. The attention of the Working Party was directed to the fact that more general proposals have been placed before the Contracting Parties for procedural arrangements to handle matters of all kinds under the General Agreement which may arise between sessions and to the possibility that action upon such proposals may result in obviating many of the difficulties which the Working Party found in formulating detailed rules for special exchange agreement administration which would meet with general approval.\(^2\)

It was felt that a simple and provisional procedure would be adequate to

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(1) The Belgian representative proposes to add here:

"It was generally felt in the Working Party that any procedure adopted should be applicable to all signatories of special exchange agreements."

(2) The Belgian representative proposes to substitute:

"which working parties have encountered in the Fourth and Fifth Sessions in trying to obtain general approval for a detailed procedure."
take care of the situations likely to arise, \( ^{(3)} \) pending consideration by the Contracting Parties of the more general proposal. From the discussions in the Working Party, it appeared likely that Haiti and Indonesia would be obligated by the terms of special exchange agreements for at least a brief period of time, and it was recognised that other contracting parties might accept the special exchange agreement. It was, therefore, agreed that the following simple procedure would be adequate to take care of the most urgent situations which might arise, and that this arrangement could be re-examined at a future session if it proved inadequate or if it was not replaced by more general inter-sessional procedures.

**Procedural Arrangement**

If a question should arise under a special exchange agreement requiring action by the Contracting Parties, at a time when they are not in session, the matter may be referred to the Chairman, and he shall undertake consultation with, and seek necessary determinations thereon, by the International Monetary Fund, pursuant to Article XV, paragraph 2, of the General Agreement. A signatory of a special exchange agreement may initiate direct consultation with the Fund pursuant to Article XIII, paragraph 5 (a) of its Special Exchange Agreement. Pending an opportunity for consideration of the matter at the next session of the Contracting Parties, the contracting party involved may act upon the determinations of the Fund.

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(3) The Belgian representative proposes to change this to read:

"... would be even more suitable for meeting all possible situations likely to arise, pending ...."
ANNEX

RESOLUTION CONCERNING THE GOVERNMENTS OF BURMA, HAITI & SWEDEN WITH RESPECT TO THE PROVISIONS OF ARTICLE XV, PARAGRAPH 6.

The CONTRACTING PARTIES,

CONSIDERING that it was resolved on June 20, 1949 that each contracting party should, pursuant to the provisions of Paragraph 6 of Article XV, enter into a special exchange agreement with the Contracting Parties in the terms of a text adopted on or before a certain date if it were not then a member of the Fund,

CONSIDERING that by the terms of the Resolutions of June 20, 1949 and April 3, 1950 the Governments of Burma and Haiti were required to enter into such special exchange agreements with the Contracting Parties by depositing an instrument of acceptance with the Secretary-General of the United Nations on or before November 2, 1950 if they were not then members of the Fund, and that by the terms of the Resolution of June 20, 1949 the Government of Sweden was required to enter into a special exchange agreement by depositing an instrument of acceptance on or before August 31, 1950 if it were not then a member of the Fund,

CONSIDERING that the Governments of Burma and Sweden, whose applications for membership in the Fund are under consideration by the Fund, are likely to become members of the Fund in the near future,

CONSIDERING that the Government of Haiti, having carried out negotiations with the Fund, is considering renewing its application for Fund membership and is prepared to enter into a special exchange agreement by depositing an instrument of acceptance as soon as possible, and

HAVING consulted with the International Monetary Fund in accordance with the provisions of Paragraph 6 of Article XV of the General Agreement,

RESOLVE that notwithstanding the provisions of the said Resolutions of June 20, 1949 and April 3, 1950, the Governments of Burma, Haiti and Sweden shall be deemed to have complied with the terms of these Resolutions if on or before __________, they have either become members of the International Monetary Fund or have deposited with the Secretary-General of the United Nations instruments of acceptance of special exchange agreements.
Paragraph 6 - delete first sentence and substitute "In the course of the discussion of New Zealand's position the United Kingdom representative stated that his Delegation also attached importance to the difficulties created by the fact that a Special Exchange Agreement required the Contracting Parties to exercise authority in exchange matters and suggested that for the reasons given by the United Kingdom representative in the plenary session of 10 November 1950 consideration should be given at some appropriate time in the future to the possibility of amending the General Agreement so as to overcome these difficulties".

Paragraph 6 - delete "The Working Party took note of this view but did not feel that its terms of reference permitted it to go into the question or to make any recommendations", and substitute "The representative of the United Kingdom did not agree that the terms of reference of the Working Party precluded consideration of this possibility by the Working Party but indicated that the United Kingdom did not wish to press its suggestion at the present Session".

Section (B) - delete, and substitute:

"7. With respect to Section (A) of its terms of reference, the Working Party examined the need for the adoption of procedures for the administration of Special Exchange Agreements. It reviewed the difficulties encountered by a similar Working Party at the Fourth Session and was generally in agreement that one of the major difficulties in formulating rules of procedure which would be generally acceptable arose with respect to the periods of time which elapse between sessions of the Contracting Parties. In this connection the attention of the Working Party was directed to the fact that very general proposals for handling matters which arose between sessions had been placed before the Contracting Parties and to the possibility that action upon such proposals might result in obviating certain difficulties which the Working Party found in formulating detailed rules which would meet with general approval. At the same time the United Kingdom representative pointed out that there would still remain the difficulty that in administering Special Exchange Agreements the Contracting Parties would retain responsibility on exchange matters which were more appropriate to the International Monetary Fund.

"8. In view of the difficulty in evolving satisfactory procedures and the fact that Haiti and Indonesia seemed likely to be parties to Special Exchange Agreements only for a brief period, some members of the Working Party felt that it was unnecessary to attempt to devise procedures pending consideration of the more general proposals referred to above. Since it appeared likely, however, from discussions in the Working Party, that Haiti and Indonesia would be obligated under a Special Exchange Agreement for at least a brief period of time, and in view of the possibility that other contracting parties might accept Special Exchange Agreements, it was agreed that there might be advantage in a simple and provisional procedure to take care of emergency situations which might arise, on the understanding that this procedure could be re-examined at a
future session if it proved unsatisfactory, or if either of the more general proposals referred to above should be adopted by the Contracting Parties. For this purpose the procedure described in the following paragraph, which is understood to be acceptable to the Governments of Haiti and Indonesia, has been agreed.

"9. If a question should arise under a Special Exchange Agreement requiring action by the Contracting Parties at a time when they are not in session, the contracting party signatory to a Special Exchange Agreement may initiate direct consultation with the Fund pursuant to Article XIII paragraph 5 (a) of its Special Exchange Agreement. Pending an opportunity for consideration of the matter at the next session of the Contracting Parties the contracting party involved may act in accordance with the determinations of the Fund."