SPECIAL EXCHANGE AGREEMENTS

Report to the Seventh Session

(a) Report on the Operation of the Agreements in Force

1. Pursuant to the procedural arrangements made at the Fifth Session, as set out in paragraph 9 of GATT/CP.5/44, the Chairman of the CONTRACTING PARTIES has taken certain administrative action during the interval between the Sixth and Seventh Sessions for the implementation of the provisions of the special exchange agreements with the Governments of Haiti, Indonesia and Germany. A report by the Chairman on the action taken in the intersessional period is attached (Annex A).

(b) Reports and Consultations under Article XI of the Agreements

2. At the Sixth Session the CONTRACTING PARTIES made arrangements for the preparation of their 1952 report as required by Article XI:3 of the special exchange agreements, on the restrictions still in force under Article XI:1, and requested the International Monetary Fund to supply the same assistance as it had supplied for the 1951 reports. The Fund agreed to submit to the CONTRACTING PARTIES in March 1952, or as soon thereafter as possible, statements on restrictions on payments and transfers maintained by Haiti and Indonesia, for their assistance in the preparation of their reports.

3. These statements by the Fund, which have been transmitted by the Fund delegation by letter dated 13 October 1952, are attached (Annexes B and C), and the CONTRACTING PARTIES may wish to adopt them as their reports required by Article XI:3 of the special exchange agreements.

4. The CONTRACTING PARTIES at the Sixth Session also made arrangements for the conduct of consultations which might be initiated by a signatory to a special exchange agreement under Article XI:3 on the further retention of exchange restrictions beyond 1 March 1952, and authorized the Chairman to seek an understanding with the Fund on direct consultation by a contracting party with the Fund as provided for in Article XIII:5. The Fund advised that in the event that such a consultation is initiated by a contracting party, it would afford an opportunity to any government concerned to present its case directly to the Fund, and that if a contracting party chooses the alternative procedure of initiating direct consultation with the Fund, the latter is prepared to be so consulted. In both types of consultation the Fund agreed to submit a report and, where appropriate, any determinations to the CONTRACTING PARTIES. It was envisaged that consultations initiated by contracting parties under Article XI:3 of the special exchange agreements would be concluded by the CONTRACTING PARTIES at the Seventh Session.
5. In accordance with this procedure Indonesia initiated a consultation with the CONTRACTING PARTIES and the facts relating to this consultation are given in the Chairman's report (Annex A, paragraph 2).

(c) Implementation of Article XV-6 of the General Agreement

6. Since the close of the Sixth Session, the Governments of Burma and the German Federal Republic have become members of the International Monetary Fund, the dates of their accession to the Fund Agreement being 3 January and 14 August, 1952, respectively. The special exchange agreement between the CONTRACTING PARTIES and the Government of Germany, which entered into force on 24 July, 1952, therefore terminated on 14 August 1952.

7. The special exchange agreements now in force are those with Haiti and Indonesia. In this connection it might be recalled that at its recent Annual Meeting the Fund approved the terms and conditions of membership in the Fund for Haiti, as well as for Indonesia, and that these Governments have until 16 March 1953 to accept membership in the Fund under the terms specified.
1. The procedural arrangements made at the Fifth Session provide that if a question should arise 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 and he will undertake consultation with, and seek necessary determinations by, the International Monetary Fund (GATT/CP.5/44, paragraph 9). The present report deals with the action taken in accordance with this arrangement between the Sixth and Seventh Sessions with respect to the special exchange agreements with the Governments of Indonesia, Haiti and Germany.

Indonesia

2. As the Government of Indonesia was availing itself of the transitional arrangements under Article XI of the Special Exchange Agreement, a letter was written to that Government on 25 January 1952 drawing attention to the provision in Article XI:3 that if it still retained any restrictions on current payments and transfers inconsistent with Article VII or X it should consult the CONTRACTING PARTIES by 1 March 1952 as to their further retention. The Indonesian Government was also informed of the procedural arrangements which had been made for this purpose. By telegram dated 26 March 1952 the Indonesian Government advised that it wished to consult the CONTRACTING PARTIES and to initiate direct consultation with the International Monetary Fund under Article XIII:5(b) of the Special Exchange Agreement. The Fund was advised of this by cable on 27 March. In a letter of 7 April the Fund stated that as soon as it received the details from the Indonesian Government, arrangements for the consultation would be made with that Government.

By letter dated 2 October 1952, the Fund advised as follows:

"In accordance with the procedure set forth in paragraph 5 of GATT/CP.6/18/Add.2, Indonesia entered into direct consultation with the Fund on March 26, 1952, with respect to the further retention of the transitional arrangements maintained under Article XI of its Special Exchange Agreement. Under date of June 16, 1952, the Fund proposed to the Government of Indonesia that this consultation take place in Washington beginning July 28, 1952. It proved to be impossible, however, to arrange a time and place for this consultation satisfactory both to the Fund and the Government of Indonesia. In the meantime, the application of the Government of Indonesia for membership in the Fund was actively processed through the
Executive Board and . . . the Executive Directors approved the terms of a resolution on the admission of Indonesia on that date. The recommendation of the Executive Directors in this regard was submitted to the Board of Governors at their recent Annual Meeting in Mexico City. On September 10, 1952, the Board of Governors approved membership in the Fund for the Republic of Indonesia under specified terms and conditions which the Government of Indonesia may accept at any time up to March 16, 1953.

"In these circumstances, it is the Fund's opinion that it would be preferable to postpone for the time being a consultation with Indonesia under Article XI:3 of its Special Exchange Agreement."

**Haiti**

3. At the Sixth Session the Fund reported that the Government of Haiti did not maintain any restrictions on the making of payments and transfers (GATT/CP.6/18/Add.1). Therefore, no reminder was sent to that Government regarding the initiation of a consultation under Article XI of the Special Exchange Agreement. On 12 March 1952, however, at the suggestion of the Fund, copies of an "Enquiry on Exchange Systems and Related Matters", together with tentative answers to the questions therein with respect to the system in Haiti, both prepared by the Fund staff, were transmitted to the Haitian Government with the request that the answers be confirmed or amended where necessary, and with the suggestion that the reply be sent direct to the Fund. The Haitian Government's reply, addressed to the secretariat of the CONTRACTING PARTIES, was, upon receipt, forwarded to the Fund delegation on 7 October 1952.

**German Federal Republic**

4. The Government of the Federal Republic of Germany accepted a special exchange agreement on 24 June 1952 and notified on 18 July that it intended to avail itself of the transitional arrangements provided in Article XI:1 and that it was not yet prepared to accept the obligations of Articles VII and X. This information was reported to the contracting parties and also to the International Monetary Fund.

5. The Fund was consulted on the steps to be taken by the CONTRACTING PARTIES for the implementation of this Agreement upon its entering into force on 24 July. The Fund proposed that the CONTRACTING PARTIES defer the transmission of a request to the German Government to communicate the par value of its currency until such time as the Fund might so advise. In accordance with Article III:2 of the Special Exchange Agreement, the Chairman sent to the German Government a copy of the Regulation of the Fund relating to the margins permissible for transactions in gold by members of the Fund. In accordance with Article III:3, a copy of the Schedule of Par Values published by the Fund, together with a document setting forth the par value of the Haitian currency, were sent to the German Government for information."
6. The German Government signed the Articles of Agreement of the International Monetary Fund and became a member of the Fund on 14 August 1952. The Special Exchange Agreement accordingly terminated on that date.
ANNEX B

RESTRICTIONS ON PAYMENTS AND TRANSFERS IN HAITI

Report by the International Monetary Fund

September 18, 1952

The Government of Haiti accepted a Special Exchange Agreement with the Contracting Parties to the General Agreement on Tariffs and Trade on 24 January, 1951, and subsequently notified the Contracting Parties that it intended to avail itself of the transitional arrangements in paragraph 1 of Article XI of that Agreement. Paragraph 3 of Article XI of the Special Exchange Agreement requires the Contracting Parties to report, not later than 1 March, 1950 and in each year thereafter, on the restrictions still in force under paragraph 1.

In order to assist the Contracting Parties, the International Monetary Fund has prepared the following brief statement on the position of Haiti as of 31 August, 1952, in the matter of restrictions on the making of payments and transfers for current international transactions.

Exchange Rates

The local currency, the Gourde, is by law and in fact exchangeable on demand for U.S. dollars at a fixed rate of G5 to US$ 1, and this rate has not varied since it was stabilized on 2 May, 1919. This is a uniform rate applicable to all transactions and there are no exchange taxes. United States currency circulates freely throughout the Republic of Haiti and may be freely brought in and taken out.

Exchange Payments

There is no exchange control in Haiti and payments and transfers abroad may be freely made. With the exception of arms and ammunition, which are controlled by the army, and tobacco and sugar, the distribution of which is state monopoly, there are no regulations or restrictions on imports other than import Customs duties.

Exchange Receipts

There is no obligation to repatriate export receipts and exporters may retain them or sell them to any Haitian bank. The export of monetary gold is a monopoly of the National Bank. Export licences are required for

1/ Formerly there was wartime legislation requiring all exchange operations to be made through banks, but this was abrogated by Decree Law No. 567 of 30 October, 1945.
certain domestic food plants, the export volume of which depends on the size of the crops and available supplies. The re-exportation of machinery is also subject to the licensing system. The export of mahogany wood is prohibited. The export of pita plants and bulbils is prohibited. Exports of Haitian products to the Russian zones of influence are also prohibited. Otherwise, there are no export restrictions or regulations in Haiti except export Customs duties.

Other Items

No distinction is made between accounts of residents and non-residents and there are no restrictions on payments to non-residents. There exists, however, a regulation, which is said to be seldom applied, prohibiting the export and import of United States banknotes in denominations of over twenty dollars. Haiti has not concluded any payments agreements.

Summary

There continue to be no exchange restrictions in Haiti, as was confirmed in a letter of 29 August, 1951 from Haiti to the Executive Secretary of ICITO. There are no exchange regulations and foreign exchange payments and receipts are free. Apart from arms, ammunition, sugar and tobacco, there is no import licensing. The export of certain rare products is subject to licensing for reasons other than the protection of the balance of payments.

Although it has not informed the CONTRACTING PARTIES that it is prepared to accept the obligations of Articles VII and X of its Special Exchange Agreement, Haiti does not apply restrictions on payments and transfers under paragraph 1 of Article XI of that Agreement.
RESTRICTIONS ON PAYMENTS AND TRANSFERS IN INDONESIA

Report by the International Monetary Fund

September 13, 1952

The Government of Indonesia accepted a Special Exchange Agreement with the CONTRACTING PARTIES to the General Agreement on Tariffs and Trade on January 26, 1951, and subsequently notified the CONTRACTING PARTIES that it intended to avail itself of the transitional arrangements in paragraph 1 of Article XI of that Agreement. Paragraph 3 of Article XI of the Special Exchange Agreement requires the CONTRACTING PARTIES to report, not later than March 1, 1950 and in each year thereafter, on the restrictions still in force under paragraph 1.

In order to assist the CONTRACTING PARTIES, the International Monetary Fund has prepared the following brief statement on the position of Indonesia as of August 31, 1952 in the matter of restrictions on the making of payments and transfers for current international transactions.

Indonesia continues to maintain restrictions on the making of payments and transfers for current international transactions and to operate a multiple exchange rate system, and a number of changes have taken place in these since the Fund's Statement of September 18, 1951. A brief outline of the exchange system operating in Indonesia as at August 31, 1952 is given below.

RATES OF EXCHANGE

The official rate of exchange in Indonesia is (since February 4, 1952) Rupiah 11.40 per US $1. The official buying and selling rates are respectively Rp 11.37 and Rp 11.43. On the buying side these rates apply to nondollar exports and connected expenses, and all other invisibles and capital items, and on the selling side to essential non-dollar imports and connected expenses and other authorized invisible capital items (a few essential dollar imports are also included at this rate). Dollar exports and connected expenses benefit from a small premium by a system of "dollar export certificates" (see below), so that the effective buying rate for dollar exports and connected expenses is now (September 16, 1952) Rp 11.545. This premium on dollar receipts is reflected on the selling side by a slightly larger surcharge payable on payments for dollar imports and connected expenses, so that the effective selling rate of exchange in payment of such items is Rp 11.68. There are other disadvantageous rates of Rp 22.86 and Rp 54.29 which are applied to non-essential imports and semi-luxury items by a

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1 This paper is largely based on information provided by the Indonesian authorities giving the position as of June 6, 1952. For information on subsequent changes, other sources were utilized.

2 All rates in this paper are in terms of Rupiah per United States dollar.
system of so-called "inducement" certificates (see below). However, if payment is to be made in dollars the additional surcharge on dollar payments must be paid, making the effective rates for non-essential dollar imports and semi-luxury dollar items Rp 23.11 and Rp 34.54, respectively. This situation is shown in the following table, which does not take account of a fee of 1/4 per cent assessed by the Foreign Exchange Institute on all exports and imports and collected by the Customs, which also collects a statistical duty of 1/4 per cent.

Table of Exchange Rates  
(as at August 31, 1952)

<table>
<thead>
<tr>
<th>Buying</th>
<th>Selling</th>
</tr>
</thead>
<tbody>
<tr>
<td>11.37 (Official rate)</td>
<td>11.43 (Official rate)</td>
</tr>
<tr>
<td>All other invisibles and capital.</td>
<td></td>
</tr>
</tbody>
</table>

| 11.545 (Official rate plus 70% at Dollar Export Certificate Rate) | 11.68 (Official rate plus Dollar Export Certificate Rate) |
| Dollar exports and connected expenses. | Other essential imports and connected expenses. |

| 22.86 (Official rate dollar imports and plus 100% "Inducement" Certificate) | 23.11 (Official rate dollar imports and plus 100% "Inducement" Certificate plus Dollar Export Certificate Rate) |
| 34.29 (Official rate dollar imports and plus 200% "Inducement" Certificate) | |

1 This fee was reduced from 3/4 to 1/4 per cent in June 1952.  
2 Dollar Export Certificate rate for week commencing August 25, 1952 was Rp 0.25
Buying

<table>
<thead>
<tr>
<th>34.54</th>
<th>Selling</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Official rate plus 200% &quot;Inducement&quot; Certificate plus Dollar Export Certificate Rate)</td>
<td>Semi-luxury dollar imports and connected expenses.</td>
</tr>
</tbody>
</table>

"Inducement" Certificates and Dollar Export Certificates

It has been noted that the different rates are achieved by the use of "inducement" certificates and dollar export certificates. These are not negotiable and the actual certificates are no longer issued since their sole use is related to exchange transactions which must be immediately effected through authorized banks at fixed rates.

The "inducement" certificates — so-called because once they were given as inducements to exporters of certain marginal exports — are required 100 per cent for payments for goods listed as less essential, and 200 per cent for goods listed as semi-luxuries so that in effect such payments are effected at, respectively, double and treble the official selling rate. These certificates are individually expressed in rupiah for the rupiah value of the official selling price of the exchange required.

The local currency equivalent of the dollar export certificate is paid to sellers of dollars (both Canadian and United States) to the extent of 70 per cent of the proceeds at the applicable rate currently at Rp 0.25. This rate is fixed weekly by the Javasche Bank in agreement with the Foreign Exchange Institute. The equivalent of 100 per cent at this rate is required to be paid to an authorized bank by those authorized to make dollar remittances. Exceptions are made for imports of a special nature; e.g., rice and flour, those made under MSA arrangements or when the exchange transaction is in the nature of a reversal of a previous transaction; e.g., a refund, in which case the original rate applies. These certificates are nominally expressed in United States dollars. Should the demand for these certificates exceed the supply, they are freely supplied against payment by the Foreign Exchange Institute to the authorized banks.

Exchange Payments

In Indonesia, separate import licenses are not issued, but combined import and exchange licenses issued by the Central Bureau of Imports on behalf of the Foreign Exchange Institute entitle the importer (provided certain advance deposit requirements are fulfilled) to import the relative goods and obtain from an authorized exchange bank (provided further conditions are fulfilled) the necessary foreign exchange either spot or forward in payment of the goods to be imported. The import license issuing authority exercises an examination of intended purchases abroad, as regard

1 This rate when first fixed on May 12, 1952, was Rp 1.20, but has since steadily declined to the present rate.
to price, quantity and terms of delivery in order to prevent irregular capital movements and as an administrative measure.

As from August 12, 1952, new import regulations were introduced. Four lists of articles classified under four groups of imports were issued.

Group A contains some 229 articles which may be imported without restriction as to amount. It consists of essential goods.

Group B contains some 72 items of a less essential character which may be imported without limitation as to amount, but "inducement" certificates must be provided 100 per cent.

Group C contains only 9 items of a semi-luxury nature which may also be imported without limitation as to amount but "inducement" certificates must be provided 200 per cent.

Group D contains items for which no official exchange will be provided, so that their import will presumably be confined to a few items imported by those resident foreign nationals permitted to retain non-trade exchange holdings in their own currency. For such items it is, however, necessary to provide "inducement" certificates 200 per cent.

The import of all items not listed is prohibited.

In practice, a provisional import-exchange licence is first issued by the Central Import Regulation Office on behalf of the Foreign Exchange Institute. Before the provisional document can be transformed into a final import-exchange licence, it is necessary for the importer to obtain a certificate issued by an authorized bank showing that an advance payment of 40 per cent of the rupiah equivalent at the official selling rate of the foreign exchange indicated on the licence has been paid to the Foreign Exchange Fund; and where the import of less essential and semi-luxury goods is concerned, i.e., where "inducement" certificates are required, an additional certificate issued by an authorized bank to the effect that the importer has deposited rupiah equivalent to the value of the "inducement" certificates which he is required to provide in accordance with the regulations.

Most payments for invisibles are subject to a special licence from the Foreign Exchange Institute, although for items which represent the current income of individuals abroad, for such items as rents, dividends, etc., foreign exchange is freely granted up to certain limits in accordance with the general licence issued by the Foreign Exchange Institute to the authorized banks. Foreign exchange is also supplied up to certain limits to foreign nationals resident in Indonesia for private remittances such as the maintenance of families abroad, children's educational expenses, the remittance of savings and the transfer of capital after repatriation. For remittances in respect of profits, dividends on direct investments, insurance, etc., general regulations have been issued by the Foreign Exchange Institute. For such items as advertising, film rentals, charitable remittances, legacies, etc., exchange is granted at the discretion of the Foreign Exchange Institute on individual application. Authorized payments in respect of non-trade invisibles are effected at the official rate.
Exchange Receipts

All exports require export licences. Exporters (with the exception of the oil companies to which special arrangements apply) and other residents are required to surrender all foreign exchange to which they become entitled to an authorized bank in Indonesia. So far as export proceeds are concerned, this requirement is facilitated by the fact that exports must, as a rule, be financed by means of irrevocable bank credits and the drafts drawn on such credits must be sight drafts or short-term drafts. Exports may not be invoiced in rupiah and must be invoiced in a currency acceptable to the Bureau for Exports. Immediately after the sale of the produce has been effected and the necessary export licence obtained, the exporter must conclude a forward exchange contract with one of the authorized banks covering the period up to the time of the delivery of a bill of exchange drawn on the letter of credit of the foreign bank. When the shipment is completed, the exporter presents his documentary bill to the authorized bank with which he concluded the forward exchange contract and the bank, as a rule, negotiates this bill and credits the account of the exporter in local currency at the official rate. No restrictions exist as to the destination of the exports, although in certain cases the Bureau for Exports may withhold export licences if, for example, the destination concerned is considered not to be in the interest of Indonesia or not in conformity with the existing trade agreements. Those surrendering U.S. dollars benefit to the extent of 70 per cent at the dollar export certificate rate, although, as mentioned above, this is now only Rp 0.25, 70 per cent of which added to the official buying rate of Rp 11.37 makes Rp 11.545. Foreign nationals resident in Indonesia may retain any income in the currency of the country of their nationality provided this income does not arise either directly or indirectly from foreign trade.

Changes during 1952

In order to show the numerous developments which have taken place in recent months in the Indonesian trade and exchange system, a list of changes during 1952 is given below:

1952

February 4 - The official rate was changed from Rp 3.80 to Rp 11.40. Export certificates were applicable only to dollar transactions. The export certificates were negotiable, the market rate being Rp 1.50. Imports of less essential goods required an "inducement" certificate to be purchased at a price fixed at 70 per cent of the official selling price of the exchange required. To counteract windfall profits accruing to exporters under the new arrangements, additional export duties of 25 per cent were imposed on rubber and copra and of 15 per cent on palm oil, tea, oil, palm kernels, pepper and coffee.
May 12 - The export certificates ceased to be negotiable in a fluctuating market and their price was fixed weekly by the authorities.

June 1 - The additional export duty on rubber was reduced from 25 per cent to 15 per cent until September 30, 1952.

June 3 - The fee charged by the Foreign Exchange Institute on all imports and exports was reduced from 3/4 per cent to 1/4 per cent.

June 3 - A list of luxury goods was published in respect of which no more foreign exchange would be made available for their importation.

June 3 - The price of dollar export certificates was lowered to Rp 1.00.

June 14 - The price of dollar export certificates was lowered to Rp 0.80.

June 25 - The price of dollar export certificates was lowered to Rp 0.70.

July 14 - The price of dollar export certificates was lowered to Rp 0.60.

August 1 - The additional export duties (see February 4 above) were reduced as follows: Rubber 15 per cent to 10 per cent; copra 25 per cent to 15 per cent; on palm oil and kernels 15 per cent to 5 per cent.

August 12 - The import regulations were revised and another exchange rate was added to the multiple exchange rate structure. Goods were listed in four categories: essential, less essential, semi-luxury and luxury. The rate for essential imports remained unchanged, that for less essential was increased by raising the additional premium ("inducement" certificate requirement) from 70 per cent to 100 per cent. A new rate for semi-luxuries was introduced representing a 200 per cent premium over the rate for essential imports. No official exchange would be provided for the listed luxury goods. The import of goods not listed remained prohibited.

August 26 - The dollar export certificate rate was reduced to Rp 0.25.

August 29 - Advance deposits were required from all potential importers before a final import-exchange licence would be issued — 40 per cent of the rupiah equivalent of the exchange required plus the total value of any "inducement" certificates required, i.e., for less essential and semi-luxury items.