I. Consultations on Import Restrictions

1. In accordance with its terms of reference, the Working Party has conducted the consultations with New Zealand under paragraph 4(b) of Article XII and paragraph 1(g) of Article XIV.

2. The Working Party had before it:

(a) a basic document prepared by the New Zealand authorities on behalf of the secretariat describing the system and methods of the balance-of-payments import restrictions in force in New Zealand. The document also contains a statement on "the effects of the restrictions on trade" embodying the views of the New Zealand authorities;

(b) a document provided by the International Monetary Fund; and

(c) a reply prepared by the New Zealand Authorities to a questionnaire concerning the consultations under Article XIV:1(g).

These documents should be deemed to be supplementary material annexed to this report.

3. In conducting the consultations the Working Party followed the "Plans" recommended by the CONTRACTING PARTIES for consultations. The present report summarizes the main points of the discussion during the consultations.

Consultation with the International Monetary Fund

4. 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 these consultations with New Zealand. As a part of the consultation between the CONTRACTING PARTIES and the Fund the latter supplied a paper on economic developments and changes in the restrictive system of New Zealand. In accordance with the agreed procedure, the representative of the
Fund was invited to make a statement supplementing the Fund's documentation concerning New Zealand's position. The statement made was as follows:

"The International Monetary Fund has transmitted to the CONTRACTING PARTIES a background paper on economic developments and changes in the restrictive system of New Zealand, dated September 11, 1957. In preparing this paper, the Fund has had available a considerable amount of factual data on the current situation of New Zealand and has received the cooperation of officials of New Zealand in ensuring the accuracy of the data used and in supplying the latest available information. I should like to take this opportunity to express the Fund's appreciation for this assistance.

"With respect to Section I of the Plan for Consultations, relating to balance-of-payments position and prospects, the general level of restrictions of New Zealand which are under reference does not go beyond the extent necessary at the present time to stop a serious decline in its monetary reserves".

5. In opening the consultation the representative of New Zealand made a general statement on economic conditions and policies in New Zealand. The full text of the statement is given in Annex 1 and is summarized in the following paragraphs.

6. The New Zealand representative stressed the vital importance of external trade to New Zealand's economy, and its dependence for export income on the sale of a limited range of agricultural products. It was therefore essential for New Zealand to have freer access for those commodities, particularly dairy products and meat, to the markets of many countries which were now restricted, if New Zealand was to find economic employment for its rapidly rising population. The high rate of population increase in New Zealand called for a very high level of capital investment, and such investment involved many long-term projects on which expenditure could not be reduced in response to short-term fluctuations in other sectors of the economy. Furthermore, the rapid growth in population necessitated provision being made for increased expenditure on capital investment each year, and to finance such increased expenditures without inflation a continuous expansion in New Zealand's external trade was required.

7. The representative of New Zealand then drew attention to the need for New Zealand to increase its external exchange reserves, which had been inadequate for many years. Reference was made to the position in December 1955 when New Zealand's reserves fell to £65 million, an amount equivalent to less than four months overseas payments in 1955. This had been a serious situation requiring immediate and strong action. Although it would have been open to the New Zealand Government to intensify restrictions on imports, it has so far relied on monetary and fiscal measures to curb the rising internal demand in New Zealand. Whilst those internal measures, which the New Zealand representative described in detail, had led to some improvement in the balance of payments, it was considered that they could not by themselves be relied upon
to maintain a balanced economy. New Zealand's reserves in September 1957 stood at £93 million only, and this was considered to be an inadequate level, having regard to the heavy demand for imports and to the possibility of a sudden drop in export receipts because prices for New Zealand's main export products were so susceptible to fluctuations.

8. The representative of New Zealand re-emphasized the need for New Zealand to have freer access to expanding markets for its increased output of farm products. In recent years, however, New Zealand had been faced with grave difficulties in expanding its exports at remunerative prices because agricultural production has been expanded in many countries under the stimulation of artificial support schemes, and this had resulted in restrictions on imports, disposals of surpluses at prices less than production costs, and in depressed prices in world markets. Because of this situation New Zealand's overall terms of trade had deteriorated, and for some of New Zealand's main export commodities, notably dairy products, the terms of trade had declined substantially.

9. In spite of those difficulties, New Zealand had so far been able to continue the policy of liberalization of imports followed during the last few years. Liberalization had been directed not only to reducing the number of items subject to control from non-dollar sources, but also to eliminating discrimination against the dollar area as quickly as possible. During the last five years the overall percentage of liberalized private imports had risen from 74 to 86 per cent, while over the same period liberalization of imports from the dollar area had increased from 9 per cent to 65 per cent.

Balance-of-Payments position and prospects

10. The representative of New Zealand referred to the background paper supplied by the International Monetary Fund and supplied additional statistics (see Annex II). In the view of the New Zealand representative, the recent downward trend of wool prices and the persistent tendency for import payments to increase indicated that an improvement in New Zealand's balance of payments in the foreseeable future could not be expected. It was not unlikely that the overall surplus of £9 million in 1956 would be converted into a significant deficit in 1957.

11. Members of the Working Party welcomed the statement by the New Zealand representative which showed that the policy of his Government had been to rely principally on fiscal and monetary measures for restraining internal demand and to continue with the removal of import restrictions wherever practicable. Having regard to the progressive expansion of liberalization measures to imports from the dollar area, a member of the Working Party enquired as to the reasons for the decrease of imports into New Zealand from that source in the past two years as shown in Annex II. The representative of New Zealand pointed out that the figures in Annex II related to the last three years ended June and although they showed a continuous decline this did not represent any secular trend. For example, in the three years ended March 1955, 1956 and 1957 imports from the dollar area amounted to £28.6 million, £31 million and £27 million respectively.
An analysis of the statistics of imports from the dollar area in the calendar years 1955 and 1956 showed that there had been a decline in imports from that source of several important commodities which were on the world exemption list, e.g.

<table>
<thead>
<tr>
<th></th>
<th>1955 (£ million)</th>
<th>1956 (£ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tobacco</td>
<td>2.0</td>
<td>1.7</td>
</tr>
<tr>
<td>Sulphur</td>
<td>1.4</td>
<td>1.0</td>
</tr>
<tr>
<td>Timber</td>
<td>0.25</td>
<td>0.13</td>
</tr>
</tbody>
</table>

Imports from Canada

<table>
<thead>
<tr>
<th></th>
<th>1955 (£ million)</th>
<th>1956 (£ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canned Fish</td>
<td>0.8</td>
<td>0.5</td>
</tr>
<tr>
<td>Timber</td>
<td>0.7</td>
<td>0.5</td>
</tr>
<tr>
<td>Metals</td>
<td>0.9</td>
<td>0.6</td>
</tr>
</tbody>
</table>

As those items could be imported into New Zealand without restriction from any source, it could only be assumed that the decline in imports from the dollar area was due to commercial considerations. With regard to goods still subject to control, there was a decline in imports from the dollar area of certain major items, e.g. machinery and transport equipment because of an improvement in availability and prices from non-dollar sources. The New Zealand representative brought to the attention of the Working Party that in a press statement dated 2 August 1957 regarding the 1958 licensing period the responsible New Zealand Minister had announced, inter alia, the addition of further items to the world exemption list and that the allocation for imports from the dollar area in 1958, of items still subject to control, had been increased to £11 million, compared with £8.8 million for 1957.

12. The representative of a dollar area country welcomed the additional liberalization measures announced by New Zealand and expressed the hope that the New Zealand Government would give consideration to extending dollar liberalization beyond the area of essential raw materials and capital equipment to include some consumer goods. The representative of New Zealand pointed out that dollar liberalization had not been limited entirely to those classes of goods and drew attention to the inclusion in the world exemption list of a number of types of consumer goods, e.g. canned fish, prunes and tobacco. The representative of New Zealand stated, however, that the views that had been expressed in the Working Party on the matter would be conveyed to his Government.

13. In reply to a question from the representative of a dollar area country concerning the effect on New Zealand's balance of payments of the import restrictions it maintained, the representative of New Zealand stated that New Zealand endeavoured to apply as liberal a policy as possible with regard to imports.
Constant attention was given to the possibility of extending liberalization but in present circumstances it was necessary for New Zealand to proceed with some caution because of the risk of running into overall balance-of-payments difficulties. If, for example, imports of motor vehicles were freed New Zealand could get quickly into balance-of-payments difficulties, particularly with the dollar area.

14. A member of the Working Party called attention to New Zealand's large trade surplus with non-sterling EPU countries and enquired as to the reasons for that situation. In reply the representative of New Zealand stressed that in the application of its import licensing controls New Zealand did not discriminate in any way against the non-sterling EPU countries; such countries received exactly the same licensing treatment as the United Kingdom and other members of the Sterling Area. The principal reason for New Zealand's export surplus with the non-sterling EPU area was the large volume of wool and other international raw materials such as hides and skins which New Zealand sold to European countries. A member of the Working Party suggested that the incidence of tariff preferences accorded by New Zealand might also have some bearing on the trade balances with certain countries but it was recognized that this was a subject outside the scope of the consultation.

15. Members of the Working Party representing countries in the dollar area pointed out that with currencies becoming in effect more convertible there was a general realization that countries should consider their payments position on the overall balance rather than on the regional balances. They submitted that a country applying restrictions on balance-of-payments grounds should give its importers as much freedom as possible in the choice of sources of supply as this would assist in keeping down internal prices and costs of production. In the case of New Zealand they suggested there were certain sectors in which further liberalization of dollar imports might not involve any additional risk for the balance of payments. The representative of New Zealand replied that in the view of his delegation his Government had liberalized imports to the fullest extent justified by the existing position of New Zealand's monetary reserves. Observing that the effects on the balance of payments of further liberalization of imports was a matter of judgment, the New Zealand representative stated that the views expressed by the other delegations on this point would be conveyed to his Government.

16. At the request of members of the Working Party, the representative of New Zealand described his Government's policy regarding foreign capital investment. It was noted that the basic policy of the New Zealand Government was to encourage investment from any source, and that foreign investors received the same treatment as that accorded to New Zealand investors. The remittance abroad of dividends and profits from foreign capital investments was completely free and a liberal policy was followed in regard to repatriation of foreign capital. Under a decision recently taken by the Government, capital which had come into New Zealand for investment in any approved project could be freely repatriated at any time.
Alternative Measures to restore Equilibrium

17. A member of the Working Party, referring to the present difficulties in exporting agricultural products, enquired whether there were any possibilities for New Zealand to develop exports of other products. Reference was made to New Zealand’s production of pulp and paper which, according to the IMF background paper, was expanding. The representative of New Zealand stated that timber was one of the important natural resources of New Zealand but development costs were exceedingly high. One project costing some £30 million had only recently come into production. Sawn timber and pulp were already being exported to Australia, and steps had been taken to explore export possibilities in other markets. Generally speaking, it was an industry which, given the necessary capital, could be expanded substantially in the foreseeable future.

18. Members of the Working Party commented favourably on the remarkable degree of internal stability achieved in New Zealand and considered that the statement made by the New Zealand representative also showed that his Government was clearly aware of the need to check any inflationary tendencies and to take effective measures to combat them whenever they appeared. As noted in the IMF background paper, the New Zealand Government had stated that, with a rapidly expanding population, a rising public expenditure should be accepted but this must be provided by taxation and by borrowing from saved money. In reply to a question concerning the financing of any budgetary deficits the representative of New Zealand stated that it was the general policy of his Government not to resort to borrowing from the Reserve Bank. The principal sources of finance were revenue, internal loans and overseas borrowing and it was only in the last resort that loans from the Reserve Bank were requested. Over the past eight years the Government’s policy had been successful and there had been no net increase in indebtedness to the Reserve Bank.

19. In reply to a question put by a member of the Working Party as to whether the New Zealand authorities considered internal fiscal and monetary measures would be sufficient to restore balance-of-payments equilibrium, especially in the case of a rapidly developing economy based predominantly on agriculture, the representative of New Zealand referred to his opening statement wherein he had said that internal measures had led to some improvement in the balance-of-payments position, but could not by themselves be expected to solve the total problem. As a country which depended heavily on exports it was essential for New Zealand to have access to expanding markets for its main export commodities. New Zealand was very concerned about the present trends in external markets for agricultural products. If those trends continued New Zealand’s balance-of-payments situation might become such that it would not be possible to remove restrictions on imports.

20. The representative of New Zealand was invited to comment on a suggestion that GATT had not helped agricultural exporting countries to solve their problem because it had been weakened by the practice of granting of waivers to industrial countries enabling them to maintain restrictions on imports of agricultural products. The representative of New Zealand said that while his Government were unhappy about the position, and at times doubted whether membership of GATT
was of any value to them, his delegation was of the opinion that, on balance, the existence of GATT had led governments to adopt less restrictive policies as far as this was possible within the limits of their economic, social and political problems.

Systems of Methods of Restriction

21. The representative of a country in the dollar area pointed out that the system of basic allocations had been applied in New Zealand for a number of years to imports from non-dollar countries only and enquired whether it would be possible for New Zealand to extend the system to imports from the dollar area also. The representative of New Zealand explained that in licensing imports from the dollar area the New Zealand authorities observed certain criteria including the essentiality of the goods and the availability of similar products from non-dollar sources, a factor which varies from time to time. If, therefore, the basic allocation were provided throughout the field of commodities subject to licensing when imported from the dollar area, the New Zealand authorities would be unable to apply the criteria regarding availability from non-dollar sources. There were, however, certain items for which basic allocations for imports from the dollar area have been established and lists of such items were made known to the commercial community in New Zealand.

22. The representative of a dollar area country expressed satisfaction that the New Zealand global exemption list applied globally in the true sense of the word, and enquired as to the rate of progress in adding items to that list. The New Zealand representative stated that the list had been introduced in 1953 with twenty-one items and had been added to each year; the number of items had risen to 159 in 1957 and would be extended to 170 in 1958.

Effects of the Restrictions

23. A member of the Working Party called attention to the description in the basic document of the Import Control Regulations 1938 which provided the legal basis for the use of import restrictions in New Zealand. He referred to the provision in the Regulations that restrictions could be applied, inter alia, "to assist in promoting and maintaining the economic and social welfare", and suggested that this did not correspond with the criteria in Article XII of the General Agreement permitting the application of import restrictions for balance-of-payments reasons. He also drew attention to certain passages in the annual report for 1956-57 of the New Zealand Department of Industries and Commerce which indicated that further substantial relaxation of import restrictions could not be proceeded with because New Zealand industries receiving incidental protection through the operation of import licensing controls would have difficulty in meeting competition from imports under the existing New Zealand tariffs.

24. The representative of New Zealand explained that when the Regulations in question were introduced in 1938, New Zealand faced a serious crisis in its balance of payments and the Government decided to introduce import controls to deal with the problem. He submitted that it would be generally recognized that
a serious deficit in a country's balance of payments or a substantial decline in the level of its external monetary reserves constituted a threat to the economic and social welfare of that country. Such recognition was in fact implicit in Article XII of the General Agreement. As it was still necessary for New Zealand to maintain restrictions on imports for balance-of-payments reasons the restrictions were operated under the authority of the 1938 Regulations. Over the years, however, the import control policy of New Zealand had undergone some change. Consistently with the improvement in the balance-of-payments position and with New Zealand's obligations under the General Agreement, the use of quantitative restrictions had been reduced.

25. With regard to the departmental report referred to above, the New Zealand representative pointed out that it was made by officials and did not necessarily represent the views of the Government and in any case it should be read in the light of the Government's declared policy which was to replace import controls by tariffs as soon as that was practicable. Quantitative restrictions had been in force in New Zealand since 1938 and during the war years New Zealand had to develop industries to supply its requirements of many goods which could not be secured from other countries and some of the shortages had continued for several years in the post-war period. Even if it were accepted that the establishment of some of these industries would not in normal circumstances have been economic, they could not be closed down suddenly. It was the policy of the Government to deal with the problem gradually. In 1949 the Government had set up a Board of Trade to carry out tariff reviews and to advise it on the application of import licensing controls. The Board has undertaken a complete review of the New Zealand customs tariff which has been substantially unaltered since 1934, and is unsuited to present-day conditions. It was expected that a completely revised tariff would shortly be submitted to the Government and with the introduction of the new tariff some further items might be removed from import licensing control, but there could be no certainty of this in view of present trends in the balance-of-payments position.

26. The New Zealand representative said that the departmental report referred to indicated that New Zealand might eventually have a "hard core" problem but that it was a rather hypothetical point at this stage because the balance-of-payments prospects were not such as to give any hope that New Zealand would cease to have recourse to Article XII in the near future. He pointed out that any "hard core" problem New Zealand might have would be very small in terms of the total volume of trade. New Zealand had liberalized 89 per cent of its trade with non-dollar sources and the remaining 11 per cent contained very little potential "hard core" element.

27. The representative of Canada, while expressing appreciation of the steps taken by New Zealand to liberalize imports from the dollar area, noted that the existing restrictions precluded the access of certain Canadian products to the New Zealand market, and he hoped that the New Zealand authorities would give sympathetic consideration to making some provisions for imports of those products. The representative of New Zealand confirmed that it was the policy of his Government that such requests should be given due attention.
II. Consultation under the Waiver on Article XV:6

28. The Working Party also conducted the consultation with New Zealand under the Decision of 20 January 1955. Pursuant to Article XV:2 the CONTRACTING PARTIES had invited the International Monetary Fund to consult with them in connexion with this consultation. During the discussion the representative of the Fund stated that the Fund had had available for this purpose a considerable amount of factual data on the current situation of New Zealand and that the authorities of New Zealand had co-operated in making information available and ensuring its accuracy.

29. The Working Party also took note of a statement by the representative of the Fund that the Fund, after examining the information, had found nothing to cause it to comment on the question as to whether New Zealand's action in exchange matters was consistent with the Fund's principles.
ANNEX I

INTRODUCTORY STATEMENT BY NEW ZEALAND REPRESENTATIVE

Preliminary

The information contained in the three documents described by the Chairman is, we hope, adequate to carry out our consultations under Articles XII:4(b) and XIV:1(g). Therefore, I propose to confine my introductory remarks to two matters. Firstly, it may be of interest to the members of the Working Party to get a thumbnail sketch of economic conditions, prospects and policies in New Zealand. Secondly, I would like to give the Working Party some recent information on balance-of-payments developments and prospects which has come to hand since the various background papers were prepared.

New Zealand Economic Conditions

New Zealand's economy is vitally dependent upon overseas trade. Our external trade per head of population is among the highest in the world, and the value of our exports represents about one-third of our national income. A corresponding proportion of national expenditure is devoted to goods and services imported from other countries. For its export income New Zealand is dependent on the sale of a very limited range of agricultural products. In 1956 the four major products – butter, cheese, meat and wool accounted for 85 per cent of our total export receipts. We are able to produce these commodities efficiently and competitively and in increasing quantities.

I hope to show that it is essential for us to be given freer access for these commodities, particularly dairy products and meat, to the markets of many countries which are now restricted if we are to find the most economic employment for our rapidly rising population.

Between the 1951 and 1956 censuses the average increase in population was at the very high rate of 2.3 per cent a year. Our present population is about 2½ million. Immigration has contributed substantially to the increase in population. In the past ten years the country has absorbed more than 100,000 immigrants. To maintain this rate of population increase demands a very high level of investment. Between 1951 and 1956 the average level of gross capital formation (excluding changes in the value of stocks) was about 22 per cent of gross national product. In other words, we have devoted nearly one-quarter of our gross national product to the creation of new capital assets. Over 40 per cent of this large amount of capital investment has been in the public sector on such projects as hydro-electric schemes, land settlement, schools, railways, harbours, roads and telecommunications needed to provide a firm foundation on which the private sector can expand. Such projects require long-term planning and it is difficult to reduce expenditure on them in response to short-term fluctuations in other sectors of the economy. Moreover, in view of our rising population, our long-term plans have to make allowances for a fairly substantial increase in expenditure each year. To finance such increased expenditures without inflation, continuous expansion in our overseas trade is necessary.
We also need to build up our reserves of overseas exchange. They stood at only £93 million in September 1957, and have not been adequate for many years and at times have been dangerously low. In 1953 our reserves had fallen to such an extent that we found it necessary to introduce a system of exchange allocations for all imports. This contributed to a temporary fall in imports and a consequent rise in overseas reserves, but when the scheme was abandoned imports again began to increase. Despite relatively high export receipts and some overseas borrowing, substantial deficits in the balance of payments occurred.

By December 1955 our overseas reserves had fallen to £65 million, an amount equivalent to less than four months' overseas payments in 1955. This was a serious situation and could not continue without gravely endangering our ability to safeguard ourselves against the worst effects of any possible recession in trade. It may appear on the face of it that a level of reserves equivalent to four months' imports would not be unreasonable. However, such a judgment would ignore completely our distance from the markets of many supplying countries, and our dependence on export earnings from commodities whose prices are liable to fluctuate violently. Because of the long shipping haul to New Zealand, importers have to order many months ahead and we have found by experience that even drastic restrictions of imports do not lead to a reduction in payments for about six months. In other words, if we were, for example, to intensify our restrictions now we could not expect any effect until about May of next year. Yet our earnings of overseas exchange can fall extremely rapidly. On two occasions our receipts from wool have been more than halved from one year to the next. In the last three years our wool income has been between £90 million and £100 million. We cannot rule out the possibility of a drop in prices which would reduce our wool receipts by, say, £40 million to £50 million, and this would of course be reflected in our overseas reserves. We have found that in the past dairy produce and meat prices have usually fallen at the same time as wool prices. A simple piece of arithmetic would therefore show that the reserve level of £65 million required immediate and strong action.

Basically, we had two ways of meeting the problem. We could have intensified our control of imports - and such an intensification would have been consistent with Article XII of GATT - or we could have taken monetary and fiscal measures to curb our rising internal demand. In the event we have so far relied entirely on the latter measures.

In the field of monetary policy, the first step was to put pressure on the rising volume of trading bank advances. This was done by increasing the minimum cash deposits which the trading banks are required to hold at the Reserve Bank and by increasing the rate of interest at which the Reserve Bank lent to the trading banks. Then early in 1956 control over the maximum and minimum rates of interest chargeable on bank overdrafts was abolished and the banks were given greater freedom to use higher interest rates to discourage marginal borrowing. However, the average rate of interest charged on trading bank advances may still not exceed 5 per cent. Later in 1956 a new reserve ratio system was introduced under which the trading banks may be obliged to borrow from the Reserve Bank, at 7 per cent interest, an amount which is related to the extent to which their
advances exceed the level considered desirable by the Reserve Bank. In other words, it was made unprofitable for the trading banks to lend in excess of what the Reserve Bank regarded as a desirable total level of advances. The trading banks responded well to this new form of control.

Interest rates generally were also allowed to move up, including those on small savings, in Post Office Savings banks and National Savings, and the Trustee Savings banks. This led to a substantial increase in the amount of small savings.

In the field of fiscal policy, the Government so arranged taxation that there was an increase each year in the total yield. In addition, both current and capital expenditure by the Government were strictly limited and increases were only approved in the most exceptional circumstances.

The policy of monetary and fiscal restraint was reinforced by some reliance on direct controls. Hire purchase regulations were introduced for the first time in 1955 and existing controls over capital issues and building construction were tightened. This year, however, it has been possible to remove building control and to relax somewhat the controls on capital issues and hire purchase.

Although the measures described above have been successful and have led to some improvement in the balance of payments, they cannot by themselves be relied upon to maintain a balanced economy.

To support its growing population and to achieve greater stability in its balance of payments, New Zealand must seek access to expanding markets for its increasing output of farm products. Under normal conditions of trading New Zealand could meet competition on the basis of comparative costs of production. In recent years, however, we have been faced with increasing difficulties in securing access to satisfactory markets and even in retaining those we have because of the high level of agricultural protectionism throughout the world. The stimulation of farm production by various support measures has resulted in:

(a) restriction on imports of agricultural products as in North America and Europe,

(b) an expanded output in countries which are our main markets, resulting in price falls sometimes to uneconomic levels,

(c) disposals at less than production cost and below world prices of surpluses resulting from price support schemes.

The result has been that the terms of trade for some of our main exports, notably dairy products, have declined substantially. Also, despite rising wool prices the over-all terms of trade have moved against us.

I have shown that we have taken internal action to curb demand and that we are facing difficulties in gaining access to a number of markets for our highly competitive exports. It remains for me to mention briefly our record as far as import policy is concerned. Perhaps the outstanding fact is that despite our
difficulties which I have tried to describe we have been able to continue liberalizing imports during the last few years. This liberalization has been directed not only to reducing the number of items subject to control from non-dollar sources, but also to eliminating discriminations against the dollar area as quickly as possible. A table which has been distributed this morning shows that between 1953 and 1957 - that is in the last five years - the over-all percentage of liberalized private imports has risen from 74 to 86 per cent. The change in liberalized imports from the dollar area has been even greater where there has been a rise from 9 per cent in the year ended June 1953 to 65 per cent in the year ended June 1957.

I should mention parenthetically that in two of the basic documents before the Committee our level of over-all liberalization is stated at 90 per cent. This is a round figure and the precise figure as shown in the table distributed today is 86 per cent.

I think, Mr. Chairman, that the above figures are adequate proof of the statement made repeatedly in this Working Party by the New Zealand representative that our policy is directed to the attainment of a liberal trading position and that it is our objective to remove all quantitative restrictions on imports as soon as that is practicable.

**Balance-of-payments position - recent developments**

New Zealand's position under this heading is adequately covered in the various background papers at least until March 1957, and as far as the over-all balance of payments is concerned, until June 1957. We have now obtained figures by currency areas up to June 1957, and the second table in the paper circulated this morning sets out New Zealand's exchange transactions with the dollar area for the last three June years. The Working Party will note that we still have a deficit with the dollar area which, in itself, justifies continued discrimination. In addition, we have to have regard to our obligations as a member of the sterling area.

As far as prospects are concerned, it is not easy to form an adequate judgment. However, from such indications as we can get, an improvement in our balance of payments in the foreseeable future cannot be expected. Wool prices have shown some decline in recent weeks in comparison with last year's prices. At the same time there is a tendency for our import payments to increase. In July and August of this year import payments were substantially higher than those of the same months last year. Moreover, preliminary estimates indicate a fairly substantial increase in import payments for 1957 compared with 1956. As no corresponding increase in export receipts is expected, it is not unlikely that our over-all surplus of £9 million in 1956 will be converted into a significant deficit in 1957.
ANNEX II

STATISTICS SUPPLIED BY THE NEW ZEALAND DELEGATION

1. Percentage of Liberalized Private Imports

<table>
<thead>
<tr>
<th>Years ended June</th>
<th>From All Sources</th>
<th>From Dollar Area</th>
</tr>
</thead>
<tbody>
<tr>
<td>1953</td>
<td>74</td>
<td>9</td>
</tr>
<tr>
<td>1954</td>
<td>79</td>
<td>18</td>
</tr>
<tr>
<td>1955</td>
<td>77</td>
<td>29</td>
</tr>
<tr>
<td>1956</td>
<td>84</td>
<td>59</td>
</tr>
<tr>
<td>1957</td>
<td>86</td>
<td>65</td>
</tr>
</tbody>
</table>

2. New Zealand Exchange Transactions with Dollar Area

<table>
<thead>
<tr>
<th>Years ended June</th>
<th>1955</th>
<th>1956</th>
<th>1957</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Receipts</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exports</td>
<td>19.6</td>
<td>26.6</td>
<td>23.7</td>
</tr>
<tr>
<td>Other</td>
<td>2.5</td>
<td>6.9</td>
<td>3.0</td>
</tr>
<tr>
<td><strong>Total Receipts</strong></td>
<td>22.1</td>
<td>33.5</td>
<td>26.7</td>
</tr>
<tr>
<td><strong>Payments</strong></td>
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</tr>
<tr>
<td>Imports</td>
<td>30.9</td>
<td>29.5</td>
<td>27.2</td>
</tr>
<tr>
<td>Other</td>
<td>5.0</td>
<td>6.3</td>
<td>7.4</td>
</tr>
<tr>
<td><strong>Total Payments</strong></td>
<td>35.9</td>
<td>35.8</td>
<td>34.6</td>
</tr>
<tr>
<td><strong>Balance</strong></td>
<td>-13.8</td>
<td>-2.3</td>
<td>-7.9</td>
</tr>
</tbody>
</table>