As relevant for the CONTRACTING PARTIES in connexion with their consultations under Article XII:4(b) to be held in June 1957, the International Monetary Fund has transmitted the results of its latest consultations under Article XIV, Section 4, of the Fund Agreement with Austria, Denmark, France, Greece, Italy, the Netherlands and Norway. These results are circulated herewith.

The Fund has advised that it hopes to conclude its consultations with the Federal Republic of Germany and Sweden in time for the results to be transmitted before the opening of the GATT consultations with these governments.

AUSTRIA

Results of 1956 Consultations under Article XIV, Section 4, of the Fund Agreement

12 October, 1956

1. The Government of Austria has consulted the Fund under Article XIV, Section 4, of the Fund Agreement concerning the further retention of its transitional arrangements.

2. In 1955, agricultural and particularly industrial production increased substantially, and the gross national product rose by some 10 per cent. A high level of employment was reached. There was a budgetary deficit. The over-all volume of credit continued to increase rapidly during the first three quarters of 1955. Prices increased to a moderate extent. A substantial deficit in the balance of payments in goods and services account was experienced, mainly toward the EPU area.

3. The balance-of-payments deficit and the uncertainties surrounding the economic consequences of the State Treaty signed in the summer of 1955 led the

1 Transmitted by the Fund on 24 May 1957.
Austrian authorities in the second half of the year to introduce savings in public expenditures and to adopt a number of restrictive measures in the credit field. As a consequence of these measures the expansion in the volume of credit has slowed down, savings have increased, the balance-of-payments position has improved and there was no further loss in reserves in the first half of 1956. The Fund welcomes these measures taken last year by the Austrian authorities. In order to maintain price stability and to strengthen further the balance of payments, there is a continued need for the maintenance of the present restrictive credit policy and for efforts to reduce the expected budget deficit.

4. The Fund welcomes the recent liberalization of restrictions on dollar transactions. It hopes that Austria will continue in its effort further to reduce restrictions and discrimination and to create conditions which would enable a reduced reliance on bilateralism.

5. The Fund notes that as a consequence of Austria's participation in multilateral payments arrangements with Argentina and Brazil, the multiple currency practices arising out of free market dealings in Argentine and Brazilian account dollars are being eliminated. The Fund will remain in consultation with Austria regarding its remaining multiple currency practices.

6. In concluding the 1956 consultations, the Fund has no other comments to make on the transitional arrangements maintained by Austria.

DENMARK

Results of 1956 Consultations under Article XIV, Section 4, of the Fund Agreement

13 March 1957

1. The Government of Denmark has consulted the Fund under Article XIV, Section 4, of the Fund Agreement concerning the further retention of its transitional arrangements.

2. Until the summer of 1956 production remained at the 1955 level, but since then has shown a rising tendency. In 1956, investment declined slightly while consumption rose in conjunction with increases in wages and other incomes. Prices increased by about 4 per cent and wages rose about 7 per cent partly as a consequence of the link to the cost of living index. In early 1957 there was a small further increase. The 1956/57 budget shows an over-all deficit including debt repayment which is expected to be reduced

1 Transmitted by the Fund on 25 March 1957
somewhat in the financial year 1957/58, partly because of a reduction in government loans for house construction. The deficits in both years are expected to be covered mainly by long-term borrowing.

3. Denmark has relied mainly on restrictive credit and fiscal policies to correct the balance-of-payments difficulties that emerged in 1954. The Fund believes that the measures taken have been helpful in improving the balance-of-payments position. It feels, however, that there is still considerable need for caution especially with regard to the amount of government expenditure, and that further measures should be taken to check consumption and lessen the burden of restraint falling on productive investment.

4. Denmark's balance of payments on goods and services account improved from late spring 1955 through the first quarter of 1956, and foreign exchange holdings increased moderately. Since then, movements in reserves have been erratic, lately with a downward trend. The gold and dollar holdings remain low. Prospects for the near future do not point to any improvement.

5. The Fund welcomes the progress that has been made in the relaxation of restrictions and the reduction of discrimination, particularly in relation to the dollar area and notes with satisfaction that it is the policy of the Government to undertake further relaxation of restrictions and discrimination as soon as practicable. Denmark has also reduced its reliance upon bilateral agreements but continues to maintain such arrangements with various countries. The Fund urges that consideration be given to further simplification of the restrictive system and reduced reliance on bilateralism.

6. The Fund welcomes the reduction in the premium on exports under the import titles scheme, although noting that in 1955/56 there was a larger volume of exports and imports under this scheme. The Fund urges that efforts be made to achieve the elimination of the scheme.

7. In concluding the 1956 consultations, the Fund has no other comments to make on the transitional arrangements maintained by Denmark.

FRANCE

Results of 1956 Consultations under Article XIV, Section 4, of the Fund Agreement

17 October 1956

1. The Government of France has consulted the Fund under Article XIV, Section 4, of the Fund Agreement concerning the further retention of its transitional arrangements.

1 Transmitted by the Fund on 24 May 1957.
2. The French economy which in the period 1953-55 had managed to achieve rapid growth without inflation, but had not yet remedied all of its structural weaknesses, has been confronted in the recent past with two serious contingencies. There were the development of a situation in Algeria which necessitated diverting considerable resources from normal use, and the occurrence of severe frosts in early 1956 which caused a large reduction in agricultural output. Under the circumstances, these adverse developments exert a heavy strain on internal stability as well as the balance of payments.

3. Industrial production and productivity rose rapidly in 1955 and in the first half of 1956 but growing pressure on resources may slow down the rate of increase. The upward pressure on prices which developed in the second half of 1955 largely under the influence of a substantial rise in wages was increased by reduced food supplies in early 1956. Wholesale prices rose by 6 per cent between June 1955 and September 1956, and there is a continuing disparity between French and foreign prices and costs.

4. Money supply, credit to business and savings continued to rise at a somewhat faster rate than in 1955. Bank credit to the Government which had been stable in 1955 increased in the first half of 1956. Despite some tax increases, the Treasury deficit is expected to be substantially larger in 1956 than in 1955.

5. The balance of payments on goods and services of the franc area (including receipts from foreign military expenditure) showed a surplus of about $400 million in 1955, as compared with some $200 million in 1954. In addition, substantial receipts of United States aid continued. Thus, France was able to reduce its foreign indebtedness by some $350 million and to add well over $550 million to its central reserves of gold and foreign exchange in 1955. A serious deterioration of the trade position due in part to temporary factors, and a substantial loss of reserves, occurred in the first eight months of 1956. The Fund considers that firm measures are required to counter growing inflationary tendencies and to restore the balance-of-payments equilibrium, and welcomes the intention of the French authorities to take such measures.

6. The Fund welcomes the steps taken by France to reduce restrictions and discrimination, to extend multilateralism of payments, and to lessen reliance on bilateral arrangements. However, restrictive and discriminatory practices remain significant. The Fund encourages France to make further progress toward elimination of discrimination, particularly dollar discrimination. It attaches importance to a further reduction of France's use of bilateral arrangements and notes that France is considering steps in that direction. Continued attention should also be given to the possibilities of reducing reliance on special measures to support the balance of payments.

7. In concluding the 1956 consultations, the Fund has no other comments to make on the transitional arrangements maintained by France.
GREECE

Results of 1956 Consultations under Article XIV, Section 4,
of the Fund Agreement

21 December 1956

1. The Government of Greece has consulted the Fund under Article XIV, Section 4, of the Fund Agreement concerning the further retention of its transitional arrangements.

2. During 1954 and 1955 production and the national income continued to rise and, despite further price and wage increases, confidence in the currency improved with favourable effects on savings and the balance of payments. However, budgetary deficits financed by the Central Bank led to relatively strong inflationary pressures late in 1955. The Government has taken credit and fiscal measures to counteract these pressures. The Fund considers that in order to strengthen the consolidation achieved during the past few years and to encourage the formation of savings necessary for the further development of the economy, it is essential that the recently adopted fiscal and credit policies should be consistently and vigorously applied.

3. Despite a substantial increase in imports, the deficit on goods and services has slightly decreased. Exports and invisible earnings have continued to rise. Total receipts, including United States aid and net private capital receipts have substantially exceeded net expenditures on goods and services account. The gold and foreign exchange reserves since the end of 1954 have somewhat improved.

4. The Fund welcomes the progress made by Greece in reducing restrictions and in eliminating discrimination. Greece no longer makes important use of restrictions on imports. However, the Fund urges Greece to re-examine the need for its present bilateral trade and payments agreements, which have somewhat increased in scope.

5. In concluding the 1956 consultations, the Fund has no other comments to make on the transitional arrangements maintained by Greece.

ITALY

Results of 1956 Consultations under Article XIV, Section 4,
of the Fund Agreement

24 April 1957

1. The Government of Italy has consulted the Fund under Article XIV, Section 4, of the Fund Agreement concerning the further retention of its transitional arrangements.

1 Transmitted by the Fund on 5 February 1957.
2 Transmitted by the Fund on 8 May 1957.
2. The Italian economy continued to expand in 1956. While unfavourable weather conditions held back further growth of agricultural output, industrial production rose by some 8 per cent, almost at the same rate as in 1955. As in previous years, the new employment opportunities created, together with net emigration, were sufficient to absorb the natural increase in the labour force but unemployment continues to cause concern.

3. A sharp rise in food prices at the beginning of 1956 entailed a substantial increase in wages which are tied to the cost of living index by a sliding-scale mechanism. In many branches of industry these wage increases were matched by a rise in productivity, and prices of industrial goods remained substantially stable. While there was a further expansion of credit and of money supply in 1956, prices other than those of food remained stable. The Government's cash budget deficit was reduced in 1956 and the Government was able to reduce its indebtedness to the Bank of Italy. The Fund welcomes the intention of the Italian Government to work towards a reduction of its budget deficit over the next few years.

4. Italian exports continued to increase in 1956, as foreign demand remained strong. The trade deficit increased somewhat due to a substantial rise in imports, particularly of raw materials. Higher requirements for coal and scrap were mainly responsible for a marked increase in dollar imports. Net income from invisibles, including military services, continued to cover a large part of the trade deficit, and there was again a considerable capital inflow. Official exchange reserves showed a further substantial increase.

5. During 1956 restrictions and discrimination against the dollar area were further reduced. A number of bilateral agreements were eliminated and Italy joined the regional payments arrangements of various European countries with Argentina and Brazil. Recently steps have been taken to extend the transferability of the lira. The Fund welcomes these measures. The Fund believes that Italy could undertake further relaxation of dollar restrictions and welcomes Italy's intention to do so as soon as practicable as well as to endeavour to eliminate bilateral arrangements.

6. In concluding the 1956 consultations, the Fund has no other comments to make on the transitional arrangements maintained by Italy.

THE NETHERLANDS

Results of 1956 Consultations under Article XIV, Section 4, of the Fund Agreement

25 July 1956

1. The Government of the Netherlands has consulted the Fund under Article XIV, Section 4, of the Fund Agreement concerning the further retention of its transitional arrangements.

1 Transmitted by the Fund on 24 May 1957.
2. The Netherlands economy continued to expand in 1955 at about the same rate as in the previous year. Unemployment declined further, while consumption and fixed investment increased substantially. Largely as a result of higher invisible earnings, the balance of payments on goods and services improved. Although total reserves remained stable, holdings of gold and convertible exchange have increased further.

3. Prices remained almost stable in 1955 and monetary expansion was kept within limits by the Netherlands authorities who took fiscal and monetary measures to check the development of inflationary forces. Increases in wage rates, authorized in March 1956, are likely to result in some price increases the extent of which the authorities are endeavouring to restrain.

4. The Fund welcomes the further progress made by the Netherlands in removing restrictions and achieving wider transferability of payments with certain countries. The Netherlands continues to make some use of restrictions and bilateral arrangements, but has indicated its intention to continue its efforts to reduce and eventually eliminate its reliance on these practices. The Fund attaches particular importance to further reduction of bilateral arrangements.

5. The Fund has reviewed the free exchange market arrangements for capital transactions and has no comment to make on the continuation of these arrangements.

6. In concluding the 1956 consultations, the Fund has no other comments to make on the transitional arrangements maintained by the Netherlands.

NORWAY

Results of 1956 Consultations under Article XIV, Section 4, of the Fund Agreement

25 July 1956

1. The Government of Norway has consulted the Fund under Article XIV, Section 4, of the Fund Agreement concerning the further retention of its transitional arrangements.

2. Production has continued to expand in Norway. Investment remains high although there has been some reduction in the rate of increase. Wages rose by about 6 per cent in 1955, and further wage increases are being negotiated. Prices which were stable in 1955 have risen, partly as a result of the reduction in subsidies. The increase in bank advances to the private

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1 Transmitted by the Fund on 24 May 1957.
sector slowed down during 1955. In 1956 bank advances have been rising. However, the banks have agreed to reduce their loans by between 150 and 200 million kroner during the autumn months. The government budget for fiscal 1955/56 is expected to show a small deficit after payment of debt amortization.

3. In early 1955 the authorities introduced various restrictive monetary and fiscal measures in order to reduce investment and slow down the expansion in bank lending. The discount and other interest rates were raised, and cash reserve requirements introduced. The Government imposed investment levies (except on housing), floated large long-term bond issues, and reduced the amount of funds available for State Bank lending to housing as well as the number of building licences to be issued. In late 1955 further monetary measures were introduced to limit the rise in bank advances. The Fund notes the intention of the authorities to take further measures should these prove necessary.

4. The goods and services deficit has declined since 1954, largely because of the increase in net freight earnings. The entire import surplus has been with the non-dollar area. In 1955 Norway's goods and services deficit was fully covered by net long-term capital inflow and there was an increase in foreign exchange reserves.

5. The authorities have pursued a more liberal import policy. The Fund welcomes the measures taken to relax restrictions and reduce discrimination, particularly the extensive liberalization measures introduced on 1 July 1956. Norway continues to utilize bilateral trade and payments agreements, particularly in transactions with Eastern European countries. The Fund notes the efforts of the Norwegian authorities to multilateralize trade and payments and encourages Norway to pursue these efforts further.

6. In concluding the 1956 consultations, the Fund has no other comments to make on the transitional arrangements maintained by Norway.