Summary Note on the Consultations

New Zealand Statement

1. The representative of New Zealand referred to the background paper prepared by the International Monetary Fund on the economic position of New Zealand and on the restrictive system employed, and called attention to the fact that the consultation initiated by New Zealand with the CONTRACTING PARTIES was on the subject of discrimination in terms of Article XIV:1(g). Just as it was New Zealand's policy to go as fast and as far as possible in removing quantitative controls generally, so also had their objective been to eliminate the element of discrimination in the application of these controls as circumstances permitted. New Zealand clearly recognized the validity of the statements which had been made regarding the undesirable effects of discrimination. The New Zealand Government particularly deplored the restriction of the consumers' freedom of selection.

2. For these reasons New Zealand had been moving steadily towards eliminating discrimination. If progress made seemed to have been slow, it should be noted that experience had shown the danger of moving so fast that a worse situation arose than existed before, so as to require a drastic re-application of discriminatory measures.

3. The relaxation of discriminatory control had been effected in two ways. Firstly, the number of "global exemptions" had been progressively increased. Goods covered by such exemptions could be freely imported from any country, as distinct from those covered by ordinary exemptions which still required a licence for importation from scheduled countries. Ninety-eight items were now the subject of global exemption, and the list had been repeatedly added to over the past year. It remained the hope of the New Zealand Government that this process would continue. The wide range of commodities already covered included many items of major importance in New Zealand's import trade, for example:

- Canned fish
- Dried prunes
- Sulphur
- Surgical materials
- Automobile tyres of certain sizes
- Ball bearings
- Chain belting
- Computing, accounting and book-keeping machines and cash registers
- Engines for motor vehicles, tractors and aeroplanes
- Electro-chemical and electro-metallurgical appliances
- X-ray tubes
- Crawler tractors
- Sewing machines
- Knitting machines
- Artificers' tools
- Various metals
- Aeroplanes
- Automobile spares
- Lubricating oil
- Timber
- Plastic moulding powder

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4. The second method was by administrative action within the existing control. Under this method items remained subject to control, but licences were issued on a more liberal basis, in some cases virtually without limitation. During 1954 announcements were made regarding items for which such increased provision would be made; and also concerning items for which hitherto little or no licensing provision had been made for imports from scheduled countries, but for which licences would now be issued. Consideration was at present being given to the announcement of a further list of items in this category.

5. New Zealand's balance of trade and payments vis-à-vis the dollar area was extremely sensitive, and a very minor change in the extent, for example, to which New Zealand wool was purchased in the United States, or a slight fluctuation in prices, could completely change the situation. This might clearly be seen in the movements in the balance of payments on current account with the dollar area in the last few years. In the year ending 31 March 1952 the credit deriving from exports to the dollar area was (NZ)$43.4 millions and the surplus on current account was over £9 millions. For the year ending 31 March 1953 exports to the dollar area represented £29.4 millions and there was a deficit of £0.3 millions on current account. In 1953/54 exports fell further to a little over £21 million and there was an almost exact balance on current account. The effect of the considerable lessening of discrimination during 1954 had scarcely yet appeared in the trade and payments statistics but even without further liberalization a deficit was expected in exchange transactions with the dollar area for some time to come, unless a significant increase took place in the area's imports from New Zealand.

6. The New Zealand representative concluded that, dependent as New Zealand was on a narrow range of exports, and with the possibility of expanding trade with the principal dollar markets in some of the most important of these commodities limited by restrictive import measures, it was apparent that there were limits to the speed with which New Zealand could feel justified in dismantling its discriminatory controls.

Consultation with International Monetary Fund

7. The representative of the International Monetary Fund pointed out that the Fund had not held a consultation on exchange restrictions with New Zealand and that consequently the procedure for the conduct of the 1954 consultations under Article XIV: 1(g) of the General Agreement, as it applies to the submission of material by the Fund, was not fully applicable in this case; the Fund did not have available the results of a consultation with New Zealand as was submitted to the CONTRACTING PARTIES in connection with their consultation with Australia. The Fund had, however, prepared certain factual material on the restrictive system and the economic position of New Zealand. After it was drafted, this material had been submitted informally to the New Zealand authorities, and was revised in the light of certain suggestions made by the New Zealand authorities and taking account of later information. The revised material, dated 13 December 1954, had been made available to the CONTRACTING PARTIES.
The Fund representative added that the Fund was very grateful to the New Zealand authorities for their assistance in the preparation of this paper.

Discussion of various problems

8. The Canadian representative observed that the market improvement in the balance-of-payments position of New Zealand, as revealed in the statement made by the New Zealand representative and in the background paper prepared by the Fund, was a cause of congratulation, and that the action taken by the New Zealand Government in the past year to relax its restrictions as the payments position improved was sincerely appreciated. The resulting expansion of Canada's trade with New Zealand was welcomed by his Government. The increases, however, had started from a low level, and even at its present level, Canadian exports to New Zealand remained considerably below prewar levels in value, and particularly so in volume. It was gratifying to be assured that it was the New Zealand Government's policy to take advantage of any further improvements in the country's payments position to increase imports from the dollar area. Whilst the New Zealand delegation had indicated that further relaxations might take the form of easing administrative controls and of freer issue of licences, the Canadian delegation would hope that the global exemption list could be substantially further enlarged to enable more diversified imports from the dollar area.

9. The United States representative said that his delegation shared the views of the Canadian delegation both with regard to the gratifying improvement in New Zealand's balance of payments and on the desirability of further reductions in the discrimination against imports from the dollar area. It was sincerely hoped that it would soon be possible for New Zealand to relax further its control on dollar imports. The United States delegation would be glad to explore with the New Zealand delegation the possibility of admitting certain token imports as provided for in paragraph 3(c) (ii) of article XII, and of allowing additional imports, among other things, of motor vehicles, radio tubes, tobacco and raisins.

10. In reply, the New Zealand representative stated that his delegation shared the hope of the Canadian and United States representatives that the area of controlled imports would further be reduced and that discrimination would wither away. But to this end the New Zealand delegation would hope that circumstances including the market conditions and commercial policies in certain dollar countries in so far as they affected New Zealand's staple exports, would turn out to be such as to make it possible for New Zealand to purchase increased amounts of dollar goods. As regards token imports, even in the most strictly restricted category of goods, imports were permitted in exceptional circumstances, and as for other goods, in varying degrees, the objective was to permit imports in at least minimum commercial quantities as circumstances permit. The New Zealand delegation welcomed the proposals regarding particular commodities, and would be glad to discuss them if advance notice had been given, so that the delegation could be properly briefed and staffed with commodity experts for that purpose. In general, the New Zealand
Government would be glad to consider proposals relating to particular commodities, and his delegation would be prepared to discuss with any other delegations arrangements to this end; and interested contracting parties could always approach the New Zealand Government through the normal diplomatic channels.

11. The United States representative indicated that in the circumstances his delegation would like to consult with the New Zealand delegation further to explore the ways and means of discussing those particular commodities. The Canadian representative said that he would have welcomed more detailed commodity discussions as part of the consultations under Article XIV. In the view of the Canadian delegation, in spite of the steps that had been taken in the past year the discriminatory element in New Zealand's import restrictions was still substantial. A large part of Canada's traditional exports to New Zealand, especially in the field of manufactured goods, remained under severe restriction or wholly excluded. Exports of many products to New Zealand had been reduced or eliminated and it remained very difficult for new products to be introduced or for established exports to be expanded in the New Zealand market. It was hoped that the continued improvement in New Zealand's terms of trade and the dollar saving resulting from increased industrial production, particularly in pulp and paper, would lead to further early relaxations on products of interest to Canada.

12. In the course of the consultation questions were asked by certain representatives on New Zealand's balance-of-payments position and the administration of its quantitative restrictions. In reply to the representative of Canada, the New Zealand representative said that the subsequent decline in the country's international reserves from the peak reached in June 1954 was partly due to seasonal changes in international payments, but it also reflected a noticeable worsening trend in the balance of payments; there was a deficit on current account amounting to £30.5 million in the first ten months of 1954, whereas the corresponding period of 1953 had produced a surplus of £25 million.

13. In answer to a question by the representative of Cuba, the New Zealand representative pointed out that as a member of the sterling area participating in the dollar pool, New Zealand maintained no independent gold or dollar reserves, and that the arrangements inside the sterling area involved no specified drawing rights such as to show in a definite way the availability of foreign exchange for payments in a given period. The commercial policy of the New Zealand Government had to be reviewed in the light of the estimated receipts and payments with the different currency areas. Upon this the Cuban representative drew attention to the desirability of avoiding bilateral balancing as a principle in conducting international trade.

14. In clarifying an ambiguity pointed out by the Canadian representative in the available data, the New Zealand representative informed the Working Party that the EE category list of imports free from licence from all sources was increased from 45 to 98 items on 30 July 1954 with immediate effect; the increase was not announced then for application in 1955 as might be inferred from some unofficial reports. No new items had been added in the global list since that time.
15. The Norwegian representative, referring to the data supplied by the Fund showing a fall of New Zealand's exports to the United States and Canada from £32.5 million in 1952 to £21.3 million in 1953, enquired as to the corresponding figures for 1954 and prospects for 1955. The New Zealand representative replied that generally speaking New Zealand's balance of payments with the dollar area was always sensitive and precarious, depending as the country was, on two or three commodities which were subject to marked fluctuations in price and demand. Even minor variations in the demand for wool could have severe repercussions on the volume or price of this major item of New Zealand's exports. The same applied to hides and skins, and as regards dairy products, expansion of exports would depend on changes in commercial policy in certain other countries which were not yet in sight. The economic resources of the country were not such that its exports could be diversified. The decline in the value of New Zealand's exports to the United States and Canada in 1952-53 reflected the fall in wool prices as well as the limited fall in United States purchases. As for 1954, New Zealand's current account with the dollar area was in precise balance, but this was partly based on estimates, as the figures were not yet available for the last months.

16. The Norwegian representative called attention to the expansive features of the New Zealand economy. The high level of employment, the establishment of new industries such as paper manufacturing and the rapid expansion in general, coupled with a general shortage of labour had inevitably exerted pressure on prices. In the circumstances New Zealand should be congratulated for its success in combating inflation and in maintaining internal stability. In the view of the Norwegian representative the internal stability that had been achieved in New Zealand gave assurance to further improvement in its external financial position and to the possibility of further reductions and elimination of the quantitative controls and restrictions that were being maintained at present.

17. The Cuban representative expressed the hope that the Fund would be able to include in any documentation which it might supply in future such detailed information on the internal economic situation in New Zealand and on any measures of relaxation as to facilitate judgment on the progress made.