CONSULTATIONS UNDER ARTICLE XIV:1(g)

Results of I.F.'s 1955 Consultation with the United Kingdom

In connexion with the CONSULTING ARTIES' consultation under Article XIV:1(g) with the United Kingdom, the International Monetary Fund have transmitted the following text of a decision taken by its Executive Board on 21 March 1956:

"1. The Government of the United Kingdom has consulted the Fund under Articles XIV, Section 4, of the Fund Agreement concerning the further retention of its transitional arrangements.

"2. United Kingdom production continued to rise in 1955 in all sectors except coal and textiles. A rise in fixed investment, public and private, together with a continued moderate increase in consumption and a rise in stocks accompanying the expansion of production, led to pressure on resources. There was some further advance in wages and prices. Exports rose but there was a larger increase in imports, e.g., of coal and other raw materials, and a decline in net invisible receipts. The payments deficit with non-sterling areas increased and there was a substantial fall in the gold and dollar reserves.

"3. During 1955 and 1956 credit policy has been tightened and budgetary and other measures have been taken to restrain consumption and moderate the rise in public and private investment. The Fund welcomes these steps and the intention of the United Kingdom authorities to take, if necessary, further measures to reduce the strain on resources and, thereby, strengthen the payments position.

"4. The Fund also welcomes the United Kingdom's policy of meeting its difficulties through other measures than by reimposing restrictions on trade and payments. Some progress was made in removing restrictions and reducing discrimination, although the pace of relaxation was slower in 1955 than in 1954. The Fund believes that the United Kingdom should continue to follow policies designed to make possible further advances toward freer trade and payments, particularly in view of the key rôle of sterling in the general approach to convertibility.

"5. The United Kingdom has made considerable progress in widening the transferability of sterling and in reducing reliance on bilateral arrangements. The financial reasons for the use of Spec/158/56
bilateral arrangements by other countries have thus been reduced. The Fund attaches especial importance to the efforts made by the United Kingdom to reduce bilateral practices.

"6. In concluding the 1955 consultations, the Fund has no other comments to make on the transitional arrangements maintained by the United Kingdom."