DRAFT REPORT ON THE CONSULTATIONS WITH ITALY

Modifications to Spec/66/57

Delete the last eleven lines on page 12 and the first twenty-six lines on page 13, and substitute the following:

One representative pointed out that while there had been great progress towards the convertibility of major currencies, distinctions between regional balances of payments were still important and could not be ignored. This helped to explain that certain trade agreements were maintained to keep bilateral balances of payments in equilibrium, although they admittedly sometimes resulted in diversion of trade. Regional balances affected the over-all position of international payments which in turn were having effect on the regional balances. Could the representative of the International Monetary Fund give some indication as to how the Fund felt that over-all versus regional aspects of the balance of payments should be interpreted?

The representative of the Fund said that how a balance-of-payments problem should be considered depended upon the circumstances of the particular case under examination. During the first years after the war balance-of-payments difficulties had mostly shown themselves in the differential ability to balance payments with various currencies or currency areas. But such need not always be the case, and in fact, when convertibility had been the rule, payments difficulties which had been encountered had been characterized by the fact that payments in one currency were as easy or as hard to make as in any other. Decisions taken by the Fund - such as those in consultations under Article XIV of the Fund Agreement - in the case of any country represented judgments passed by the countries composing the Fund and it was not for him to analyse such decisions. In the case of Italy, to which the member of the Committee had referred, he could do no more than to repeat the statement which he had provided at the beginning of the consultation. Some members of the Committee then indicated that, since the Fund entered into a detailed analysis of the balance-of-payments position during its consultations, it might be useful for the future work of the CONTRACTING PARTIES to invite the Fund to explain the grounds and criteria lying behind the results of its consultations. The representatives of Canada and the United States indicated that the results of Fund consultations were transmitted to the CONTRACTING PARTIES as representing an objective judgment on the balance-of-payments position of the various
countries concerned. As a request to the Fund to furnish information concerning the grounds and motives which led to these results might give rise to certain legal problems, they wished to reserve the positions of their Governments. The Chairman stated that the question of the Fund-GATT relations was not within the province of the Consultations Committee which had to operate within the framework of the Fund findings supplied in connexion with Article XV:2.

In response to a question by a member of the Committee the representative of the International Monetary Fund explained that as part of the collaboration with the CONTRACTING PARTIES, the Fund made available to them the results of its consultations under Article XIV of the Fund Agreement. The results in the case of Italy represented one of a series of annual decisions on consultations, each of which took into account the developing situation of the country. Each case was looked at on its merits as the situation obtained at the time of the consultation. He cited that part of paragraph 5 of the Fund results which read: "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." He would not go as far as the member of the Committee had suggested, and conclude that the Fund results indicate that the Fund had concluded that Italy had no longer any balance-of-payments reasons to maintain restrictions.