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STATEMENT MADE BY THE REPRESENTATIVE OF THE
UNITED KINGDOM AT THE FIFTH MEETING
OF WORKING PARTY "K".
(17th November 1950, 10.30 a. m.)

Mr. Chairman

I can say with real sincerity, although I know the expression is used frequently in a merely conventional way, that we have listened with very real interest to the remarks made by other members of the Working Party on the position of the United Kingdom in the matter before us. I can assure our colleagues that the statements they have made will be very carefully noted and all due weight given to them.

I should also like to thank the other representatives for their kindly references to the United Kingdom and particularly to the remarks made by the representative of the United States, Mr. Brown. It is pleasant when one is able at meetings such as these to express one's agreement with what other speakers have said rather than one's disagreement. I cannot say that I agree with everything which even Mr. Brown has said, but there is one passage to which I would like to call particular attention. It is this:

"This is indeed a magnificent effort by the United Kingdom Government and people. They are to be congratulated on having accomplished such results in face of the many difficulties which we all know had to be met and overcome."

Mr. Chairman, I agree.

I agree also with Mr. Reisman of Canada when he stressed the value of a Consultation such as this with a free and frank expression of views on the part of those engaged in it. That, as we see it, is the object of the Consultation and it is for that reason that I was not quite so happy about the use of the word "conclusion" both by him and by other speakers. I know that this word can be used in different senses but the point in this context is particularly important. The representatives of other countries here have pointed to the factual statements which have been put before us as a Working Party on the past and present level of our gold and dollar resources. Some weight also has been attached to recent apparent trends in the progress of our financial recovery. Among the documents there has been of course the report of the International Monetary Fund. This contains a number of very useful factual statements but it also contains a "conclusion". One representative of the Working Party at least, in referring to the report, has referred also to its conclusion and given us to understand that his Delegation is in agreement with that conclusion. Other statements have shown that the conclusion in the Fund's report has been taken note of and has been regarded as a contribution to the views expressed by members of the Working Party.

To the remarks on the general position of the United Kingdom which we have heard I shall address myself briefly at a later stage. But I do not need to remind the Working Party that at, I believe, its second meeting we of the United Kingdom felt bound to raise some precedural objections to the treatment of the Fund's report. I wish to make it clear that I have no desire to revert to this question at this stage but merely to refer to the fact that we entered a strong protest when accepting your ruling as Chairman at the appearance in a document for members of the General Agreement of the conclusion in the Fund's report. I think that it may be desirable if, with your permission, I explain in rather greater detail why we felt bound to take that line. The concluding paragraph to which I refer expresses views as to the action in respect of import restrictions which the United Kingdom might be expected to take.

We regard the Fund as an essential consultant in the terms of the General Agreement when the Contracting Parties have the tasks of themselves entering into a consultation in respect of import restrictions for balance of payments reasons by one of their number. To this extent the summary of the information which the Fund have made available has already proved of great help to us in our consultation, since it has provided factual material of the quality we should expect from that institution, of a nature essential to the examination of the case of a Contracting Party, which happens at the moment to be ourselves, whose import restrictions are the subject of a consultation with other Contracting Parties. In this respect the Fund or its staff have produced material of great assistance as I believe we have ourselves noted in the statement made by us at the beginning of this consultation. Had the report of the Fund stopped at that point we should have had no objection to its being produced as a Working Party paper or indeed as a paper for the Contracting Parties as such. But it does not stop there. It enters into conclusions - tentative and provisional, but nevertheless conclusions - in respect of trade matters. This, in our view, is inappropriate and undesirable, because the Fund is thereby entering into a field which is essentially the concern of the Contracting Parties. It is also inappropriate, in our view as I have indicated, that in the context of a consultation under Article XII(4)(b) of the Agreement the Contracting Parties in their collective capacity should seek to reach any form of agreed conclusion or that the Fund should seek to influence them to do so. Members of the Working Party will, I am sure, remember that considerable stress was laid on this point at the Havana Conference. There is a clear distinction between, on the one hand, a consultation under Article XII(4)(b) which is intended to be a full and frank exchange of views on the situation of the country or countries concerned, and on the other hand the procedures under other provisions of the Agreement whereby the Contracting Parties may, as a result of a complaint to them, examine the compatibility of a country's actions with the provisions of the Agreement. The expression by the Fund in a consultation such as the one in which we are engaged of conclusions, and indeed, conclusions on trade matters is therefore, in our view, inappropriate. We believe that the future of the G.A.T.T. may be seriously affected by duplication of work or opinion on trade questions and that the full and frank consultation into which we agreed to enter on this question can itself be in some way or some degree prejudiced by the appearance of an opinion on the matter in a document derived from a body whose function is a financial function. I might point out that our willingness to consult with our colleagues here and now on matters deriving from intensifications which we imposed nearly a year and a half ago was itself a token of our respect for the G.A.T.T. and of our wish for intimate co-operation with our fellow Contracting Parties in the proper field of the Agreement which has brought us here.

It may be said Mr. Chairman that our criticism of the Fund's intervention in the trade field is a matter which should be taken up within the Fund itself by our representatives there. It is common knowledge that this was done on the occasion of the acceptance by the Fund, by a majority, of the report with which I am now concerned. We have indicated in at least one answer to questions put to us in this Working Party that we have no desire whatever to question the Fund's competence in financial matters. But the functions of the two bodies, the Fund and the Contracting Parties, both of highest importance in international co-operation, must in our view be different functions, a serious overlap between them makes, we believe, for the good of neither institution, and we believe also that the whole future of these institutions may be gravely affected if this is not clearly understood and accepted.

As regards the expressions of view about the action which, in the circumstances, the United Kingdom might or might not be expected to take I have already said that we shall carefully note what has been said. We believe that insufficient attention has been given in the consideration

of this question to certain new responsibilities which the United Kingdom is undertaking and that, on the other hand, undue attention is being directed to the recent improvement in our balance of payments and our gold and dollar resources. On certain technical points which have arisen in the course of the discussion I hope that I may hand over the task of replying to one of my colleagues. I refer to such points as those that were raised by the Cuban representative and we shall be prepared to reply generally to the Belgian representative though I noted with regret that his statement seemed to contain more blame than praise for my country. But I would like to say that I welcomed the view expressed by the Canadian representative that time is not ripe for the wholesale dismantlement of our import restrictions. I agree with that view and I noted that he emphasised it himself when he said that he did not feel the situation called for more than a few small steps towards the relaxation of those restrictions. In this connection, Mr. Chairman, I would like to refer to the lessons of history. It will be well-known that in 1947 the United Kingdom had to take steps in relation to a policy which it had adopted, steps of interest to many other countries of the world. We should all be wrong if we failed to take into full account the facts of recent history, or fail to make sure of our ground.

I should like to turn now to a particular feature of some of the information supplied to us, information which, as I have said, deriving largely from the Fund, is generally of a very valuable nature. I have said that so far as the figures in the report of the International Monetary Fund are concerned we can have no quarrel that the statements made by certain members of the Working Party in relation to our maintenance of import restrictions should have been based on that report. Indeed, as has already been brought out, many of the statistics in the background material of which the report is itself largely a summary have been made available by the appropriate authorities in the United Kingdom itself. But though the discussion has naturally turned on the position of the United Kingdom, since it is on our own statement and on that part of the Fund's report which deals with the United Kingdom that the discussion has been based, we feel that the question has been treated without adequate regard to an underlying concept which is of the highest importance. I refer to the existence of the sterling area of which the United Kingdom, whether considered by itself or with its dependent overseas territories, forms a not insignificant part. Discussion of the dollar balance of payments or of gold and dollar reserves in relation to a single member of the sterling area is bound to be subject to, or to create, misunderstanding since the sterling area is a whole. The position has been clearly stated in a memorandum submitted to the Contracting Parties by the United Kingdom Delegation on behalf of all those separate members of it which are involved in these consultations. I would add, Mr. Chairman, that the position has also been well stated on other occasions in reports by the staff of the International Monetary Fund itself. It is not in the circumstances necessary for me to elaborate on the nature and practice of the sterling area but I must emphasise that any treatment of this difficult, important and complex subject on which we are engaged can only be misleading and incomplete if an attempt is made to consider the position of individual components of the area as though they had completely separate currency systems and reserves, and as though, in consequence, their individual balance of payments with the dollar area were a matter to be considered entirely in isolation.

It is not of course my intention to enter here into any argument as to the merits, or still less the demerits, of the sterling area. But I feel very strongly that as a fact its existence and its relevance, I would stress that word, must be recognised when a consultation of this kind is taking place on the basis of the financial position of a number of countries which form part of the area. It would be inappropriate for the Contracting Parties to the G.A.T.T. to have to study the matter in detail. It would be contrary, as we see it, to the essential functions

of the G.A.T.T. as a body which is concerned with trade matters. But in so far as the financial position of Contracting Parties is relevant to the action which they are, or are not, justified in taking in the trade field, and this forms part of the matters properly discussed by the Contracting Parties as in this present Working Party, it would have been wrong for me not to call attention to the danger of misunderstanding which exists as we see it in the unrealistic treatment of this subject in the Fund's report.

In the course of further discussion which developed on this subject Sir Stephen Holmes said that he had been glad to note the Chairman's own view as he had understood it, in regard to the purpose and "end-result" of the consultation, that there was no question of conclusions, recommendations or resolutions. He emphasized the point that he did not dispute the fact that the report was in the hands of several Governments represented among the Contracting Parties before the Working Party met, as a result of their membership of the Fund. Indeed, details of the report had appeared in the press. But that did not mean that its conclusion was not in the United Kingdom Delegation's view prejudicial. The greater the availability the greater the prejudice. He agreed with the representative of Australia that the issue of the Fund's competence in relation to import restrictions and trade matters should be settled. It was very desirable to avoid the necessity of further discussions of this character at later sessions of the Contracting Parties when the position of other countries might be under review. If consultations inside the G.A.T.T. on such trade questions were not designed to produce conclusions, it was particularly out of place that consultations with the Fund (and these two sets of consultations were strictly speaking separate) should do so. He expressed the hope that since consultation implied a two-way traffic the presence of a representative of the Fund would ensure that the views of the members of the Working Party who had commented adversely on the appearance of a conclusion on trade questions in the Fund's report would reach members of that body.