



## ECONOMIC AND SOCIAL COUNCIL

Twenty-ninth Session  
OFFICIAL RECORDS

Friday, 8 April 1960,  
at 10.50 a.m.

NEW YORK

## CONTENTS

	Page
Agenda item 3: <i>Report of the International Monetary Fund. . .</i>	27

President: Mr. C. W. A. SCHURMANN  
(Netherlands).

*Present:*

Representatives of the following States: Afghanistan, Brazil, Bulgaria, Chile, China, Costa Rica, Denmark, France, Japan, Netherlands, New Zealand, Poland, Spain, Sudan, Union of Soviet Socialist Republics, United Kingdom of Great Britain and Northern Ireland, United States of America, Venezuela.

Observers for the following Member States: Argentina, Australia, Canada, Greece, Haiti, India, Indonesia, Ireland, Israel, Italy, Mexico, Philippines, Tunisia.

Representatives of the following specialized agencies: International Labour Organisation; Food and Agriculture Organization of the United Nations; United Nations Educational, Scientific and Cultural Organization; International Monetary Fund; World Health Organization.

The representative of the International Atomic Energy Agency.

## AGENDA ITEM 3

## Report of the International Monetary Fund (E/3313 and Add.1)

1. Mr. JACOBSSON (Managing Director of the International Monetary Fund), presenting the Fund's report,<sup>1/</sup> wished in the first place to point out that the steps taken by fourteen European countries at the end of 1958 to restore the external convertibility of their currency had produced good results: the monetary reserves of those countries had been substantially increased and they had very much reduced their reliance on discrimination in payments and trade. Economic activity had continued at a high level in those and other industrialized countries. Although that had not led to any appreciable increase in the average level of raw material prices, the volume of international trade seemed to be rising. Moreover, in quite a number of countries the increase in the cost of living had been moderate for well over a year, which had helped to strengthen the confidence of the general public in the value of their currencies. In other countries, the public had begun to feel that it had had enough of inflation and the authorities in those countries could now count

<sup>1/</sup> International Monetary Fund, *Annual Report of the Executive Directors for the fiscal year ended April 30, 1959* (Washington, D.C.), transmitted to the Council by a note of the Secretary-General (E/3313); and "Summary of activities from May 1, 1959, to December 31, 1959", transmitted to the Council by a note of the Secretary-General (E/3313/Add.1).

on much greater popular support for their efforts to resist inflationary pressures. There was a growing conviction throughout the world that monetary stability was the only reliable basis for sustained growth.

2. The improvements which had taken place had been primarily due to the determined actions of individual countries, but the Fund had been able to make a considerable contribution: the financial assistance granted by it since the difficulties had become acute at the end of 1956 amounted to the equivalent of over \$2,000 million, not to mention the technical assistance it had extended and the help it had given Governments in the preparation of stabilization programmes.

3. At its last annual meeting, the Board of Governors of the Fund had adopted resolutions stating the terms upon which Portugal and Laos could be admitted to membership in the Fund and the necessary domestic measures were now being taken in those two countries. Moreover, in view of developments in Africa the Fund was expecting an appreciable increase in membership before long.

4. In the field of technical assistance, where the Fund sometimes provided assistance before countries became members, its activities had steadily increased. He would mention in particular the consultations which had been held with fifty-six of the Fund's members, nearly always in the country concerned. Those consultations provided an occasion for personal contact of great value in promoting monetary co-operation and they had proved particularly useful whenever it had been necessary to act promptly in connexion with the various matters that required the Fund's approval and in response to requests for financial assistance. As restrictions had gradually been reduced, the emphasis in the consultations had shifted more decisively to a consideration of the general economic and financial situation and the consultations had enabled the Fund to contribute advice with a minimum of publicity and to give full consideration to the views of each Government.

5. In connexion with stabilization programmes, he pointed out that appreciable progress had been achieved, more particularly in France but also in Argentina, Bolivia, Chile, Colombia, Haiti, Honduras, Mexico, Paraguay, Peru and Turkey. The progress made in Latin America was all the more remarkable in view of the fact that on the whole the world prices of raw materials produced by those countries had not improved. The Fund had also given financial assistance to the Dominican Republic, where a stabilization programme had been introduced in December 1959. In October 1959 a stand-by arrangement for \$25 million had been concluded with Morocco.

6. It was in South America that efforts towards the achievement of stability had been most difficult, as a result of structural problems and a long history of inflation. Six countries of Latin America, namely Argentina, Bolivia, Chile, Colombia, Paraguay and Peru, had stand-by arrangements with the Fund. The

payments position had improved considerably in most of those countries: their reserves had increased as a result of the adoption of proper domestic financial policies; the rise in domestic prices had been virtually halted and the rate of exchange had been stable. A better climate for sound development had thus been created. Two days previously a further stand-by arrangement for the sum of \$100 million had been concluded with Venezuela, which had just adopted a stabilization programme.

7. In Europe, two more countries had put stabilization programmes into effect. In July 1959 the Government of Spain had presented to the Fund and to the Organization for European Economic Co-operation (OEEC) a comprehensive stabilization programme which included budgetary reform, credit restraint, the establishment of a realistic rate of exchange and measures for the liberalization of trade. In support of that programme Spain had drawn the equivalent of \$50 million and had entered into a stand-by arrangement for a further \$25 million, while the European Fund had granted it a credit of \$100 million, and an additional \$200 million had been obtained from various United States sources. Those steps had already had considerable effect: inflationary pressures had been virtually eliminated and the greater freedom of trade and payments, together with the reduction in discrimination, had created the conditions for the realignment of the Spanish economy with that of the other countries of Western Europe. The exchange quotation for the peseta had remained stable and Spain's reserves had been increased by \$200 million since the introduction of the programme.

8. In February 1960 the Government of Iceland had presented to the Fund and to OEEC a comprehensive stabilization programme directed towards the achievement of internal stability and external balance in Iceland's economy. It had included the elimination of multiple exchange practices and the introduction of a new par value for the Icelandic krona. Iceland had drawn \$2.8 million from the Fund and had entered into a one-year stand-by arrangement for a further \$5.6 million; it had also been granted a credit of \$12 million from the European Fund.

9. The resources of the International Monetary Fund had been used not only in connexion with stabilization programmes but also to assist countries which had large seasonal fluctuations in their balance of payments. In such cases repurchases were usually made when the seasonal pressure had passed. In the past that type of assistance had been given to a considerable number of countries, particularly in Central America, but many of the countries availing themselves of that temporary assistance had in recent years adopted more general stabilization programmes and had applied to the Fund for longer-term assistance under stand-by arrangements. Even when stand-by arrangements were not fully used, they invariably helped to sustain confidence in the members' currencies. In many ways stand-by arrangements helped to create credit, for they strengthened reserve positions without any money being drawn.

10. When at the end of 1958 fourteen European countries had restored the external convertibility of their currencies, it had been thought by many that in so doing they had merely recognized what had already been achieved. The decision, however, had created a feeling, which had soon spread, that the steps taken

would not be reversed; in that way confidence in the international monetary structure had been greatly strengthened. When in 1959 the monetary reserves of most industrialized countries had shown substantial increases, the fears about balance of payments difficulties had begun to disappear. It had then become clear that many of the practices to which those fears had given rise in the post-war era would also have to disappear, and in October 1959 the Executive Board of the Fund had unanimously approved a statement in which it had expressed the view that there was no longer any balance of payments justification for discrimination by countries whose current receipts were largely in externally convertible currencies. That decision had been communicated to the representatives of the Contracting Parties to GATT, who had been meeting at Tokyo at the time, and they had issued a statement expressing similar views.

11. The improvement in the reserve situation in so many countries had made it possible to reduce discrimination against imports from the dollar area. Over a wide area of the world the restrictions that still remained were nothing more than protectionist devices or were considered necessary in relations with State-trading nations. The disappearance of restrictions was not confined to European countries and could not but provide an impetus to the balanced expansion of world trade and to the removal of distortions, while at the same time eliminating a cause of tension.

12. The improvement in the monetary situation had been reflected also in the Fund's operations. During the twelve months which had ended on 31 March total repayments to the Fund had amounted to \$482 million, while actual drawings had amounted to the equivalent of \$155 million and a further \$200 million had been available under stand-by arrangements on 31 March.

13. The increase in the Fund's resources had now come into effect. By September 1959, countries having 75 per cent of the total quotas had consented to it. That percentage had now risen to 90 per cent. In the parliaments there had been practically no opposition from any party to the increase, which signified that there was a general understanding of the usefulness of monetary co-operation. In round figures quotas now totalled \$14,000 million, having been increased by nearly \$5,000 million; the Fund's holdings were \$3,000 million in gold and \$10,500 million in currencies.

14. The increase in the Fund's resources had strengthened the "second line of reserves" of member States at a time when the world's liquidity position had been improving rapidly. The official reserves of the Western European countries and Japan had increased by the equivalent of \$3,500 million between the end of June 1958 and the end of December 1959, although those countries had paid about \$1,000 million to the Fund in respect of repurchases and gold subscriptions on their increased quotas. At the same time the foreign exchange holdings of commercial banks had increased considerably and, in the case of Western Europe, to an even greater extent than official reserves. That would not have been possible had it not been for the deficits in the United States balance of payments, whereby \$3,400 million in 1958 and \$3,700 million in 1959 had been made available to other countries. Since the United States still held over one-half of the Western world's gold reserves, the outflow had caused no particular strain on its liquidity position but had brought about a useful redistribution of international

monetary reserves. The European countries had therefore been able to rebuild their reserves without the upheavals which had accompanied the process after the First World War and which had been one of the causes of the subsequent economic crisis. Nevertheless the United States could not allow the outflow of foreign exchange to continue indefinitely.

15. As other countries had done in similar situations, the United States had limited the expansion of credit and had aimed at a budget surplus when the situation had started to improve, in 1959. Under the impact of such measures there had been a widening resistance to wholesale and retail price increases and increased attention had been paid to costs. With the upsurge in business activity more pronounced in Europe than in the United States, there were now signs of an increase in United States exports together with a reduction in the deficit in the United States balance of payments.

16. After the upheaval of a world war, it necessarily took time before the relations between costs, prices and liquidity were properly adjusted at the national and international levels. Marked and persistent disequilibria, when they occurred, might have to be corrected by alterations in exchange rates, but as such alterations could have unexpected repercussions they should only be made when all other measures had proved unsuccessful. The fact that Western Europe had rebuilt its productive capacity and had now become a strong competitor had introduced a new element affecting the balance of the world economy, but when it was stated that what had been called "the dollar shortage" had been replaced by "the dollar surplus" it should not be forgotten that the United States still had a surplus of exports over imports and that there was a tendency for that surplus to increase. In general, movements of gold and exchange balances which took place as monetary reserves were being increased or decreased set in motion corrective forces which tended to establish equilibrium. Much progress had already been made and it seemed that the present structure of exchange rates would prove durable and that the par values already agreed with the Fund would be maintained. As a result of those improvements member countries might be expected to find less and less need to invoke the provisions of article XIV of the Articles of Agreement of the Fund relating to transitional periods, and a number of countries whose currencies were important for international trade and payments might find it possible to make a formal undertaking to implement the full obligations of article VIII of the Articles of Agreement.

17. The general public was, however, more interested in increasing the purchasing power of money than in strengthening the monetary structure. Many prices were at present declining. The greater degree of price stability in many countries had produced more confidence in money. He had no hesitation in repeating what he had said in September 1959 at the annual meeting of the Board of Governors, namely that in all likelihood the period of inflation was over. Even in the recent period of upturn in business, the index of prices of raw materials had shown little increase and that of the prices of food-stuffs had fallen. There was a plentiful supply of power, freight rates were still relatively low and there was greater competition for manufactured goods, particularly exports. As efforts were rightly being made in many countries to reduce budget deficits and to adopt more cautious credit policies, it was hard to see how there could be a change in demand and

supply conditions that would cause prices on world markets to rise. The impact of excessive liquidity and certain other influences emanating from the war had spent their force. The expanding production of goods could be counted on to prevent appreciable increases in world market prices, at least over the next few years. If international prices became steady, any country which embarked on inflation would do so at much greater risk, for it could no longer rely on inflation occurring in other countries. It would be exposed to balance of payments difficulties and before long, as its competitive power declined, to a deterioration in its employment situation. There seemed to be a growing realization of those dangers.

18. The fact that the recent upturn in business activities in the industrialized countries had not caused an increase in the prices of primary products or even in those of food-stuffs had been a disappointment to the primary producers, who found themselves obliged to make an effort to rationalize their production and diversify their economies. They would naturally have to rely to a large extent on their own efforts and it was in their own interests to pursue policies which would enable them to mobilize all their available resources and to use those resources, and any that could be obtained from abroad, in the most effective way. For that reason, it was particularly important that they should avoid inflationary financing which discouraged savings and led to the dissipation of resources. They would then be better able to attract capital from abroad, from both official and private sources.

19. There was a growing awareness in the industrialized countries of the vital importance of assisting the less developed countries, but such assistance, which would always be limited in relation to the requirements, could be used effectively only if the earning potential of the developing countries was safeguarded. Since there was little likelihood of an increase in the prices of primary products, it was important to facilitate the marketing of those products and any other commodities which the under-developed countries might be able to export as a result of the diversification of their economies. Some reduction in the tariffs of the industrialized countries had been observed, but it seemed to be largely to the benefit of trade in manufactured articles; similar efforts must be made with respect to primary products. All the countries that were considering the conclusion of trade agreements in Europe and in other parts of the world had a special responsibility in that connexion. There was no doubt that trade was more important than aid, particularly for the development of the primary producing countries; and if aid was to be effective, trade must be given its proper chance.

20. Careful attention had been given in recent months to the problems caused by the instability of export earnings arising from variations in world prices of primary products or in the volume of production and sales. In that connexion the Fund would transmit to the Commission on International Commodity Trade a study of its policies and procedures in relation to the compensatory financing of commodity fluctuations. It could be confidently assumed that Fund assistance, in conjunction with a reasonable use of national reserves, would enable the member States to overcome their temporary payments difficulties. It would, however, be neither practicable nor desirable to make the amount of Fund assistance dependent on the extent of fluctua-

tions in the proceeds of exports, or to provide special Fund assistance to deal with export fluctuations alone.

21. The industrialized countries also had a part to play in keeping world markets relatively steady. They should attempt to reduce the fluctuations in their demand for primary products arising from successive periods of boom and recession and, in particular, to avoid any deep economic depression; they should ensure that their arrangements for the protection of domestic agriculture did not exercise a depressing or disturbing effect on world trade in primary products; they should increase their efforts to provide an adequate and stable flow of long-term capital to the underdeveloped countries; and finally, they should not create additional obstacles to world trade in primary products.

22. The general public, which had become accustomed to a steady increase in world prices from 1939 to 1957-1958, was now wondering whether a high rate of growth was henceforth possible. In the past there had been growth not only when prices had risen (1900 to 1914) or had remained more or less stable (in the 1920's) but also when prices had declined (from 1873 to 1895). There was no proof that increasing prices were essential for growth, or even that they favoured growth. The only factor that limited the demand for capital in periods of technical progress was the availability of savings. As confidence in the currency led to a higher rate of savings, it could be said that the maintenance of a relatively stable price level provided the most reliable basis for sustained growth, provided that economic practices were adjusted to the price trend. Since the period of inflation seemed to have come to an end, it was necessary to learn to live without it. Those countries which could make the adjustment most rapidly would best profit from modern techniques of production and marketing and would achieve a higher level of living. Businessmen and labour leaders would have to readjust their attitudes and behaviour; certainly that readjustment would not always be easy.

23. Mr. HESSELLUND-JENSEN (Denmark) complimented Mr. Jacobsson on his excellent introduction of the fine report of the International Monetary Fund. He was pleased to observe that over the past year the long-range functions of the Fund had gained increasing importance and that the Fund had made further progress in realizing its fundamental purposes, namely to stimulate international monetary co-operation and the balanced growth of international trade through the promotion of exchange stability and the establishment of a multilateral system of payments. Naturally, to accomplish those purposes the Fund must be able to provide its members with resources to correct temporary maladjustments in their balance of payments. In extending loans for that purpose over the past years, the Fund had contributed greatly to strengthening the financial structure of the world economy. Moreover, steps had been taken toward the establishment of a truly multilateral system of payments, particularly through the decision taken by fourteen Western European countries in the closing days of 1958 to establish non-resident convertibility.

24. By its study of discriminatory restrictions in foreign trade, by its provision of technical assistance to underdeveloped countries and by the pressure it brought to bear on the borrowing countries to eliminate inflationary practices and to adopt sound monetary

measures, the Fund played a role in the world economy which private financial institutions never could have assumed.

25. Denmark's foreign exchange reserve, which had been only 300 million kroner during the summer of 1957, was at present about 2,500 million kroner. The drawings that Denmark had made on the resources of the Fund in 1957 had been fully repaid. Moreover, as a result of the increase of its quota in September 1959 from 470 million kroner to 900 million kroner, Denmark had paid the Fund an additional subscription of 112 million kroner.

26. Denmark's economic situation in 1960 was likely to be different in many respects from its position in 1958 and 1959. Denmark might still expect a rising tendency for production and trade, but the limits to further expansion had become considerably narrower and the terms of trade were likely to be less favourable. In the evaluation of Denmark's economic outlook for 1960, consideration should also be given to the changing conditions which would govern the country's foreign trade as a result of an alteration in Danish import policy and the elimination of customs duties and other restrictions as a consequence of Denmark's membership in the European Free Trade Association.

27. The preceding remarks should not in any way be construed as an indication that his country planned to apply for aid from the Fund. As Mr. Jacobsson had said, each country was primarily responsible for its own economic fortunes; his delegation was perfectly aware of that fact. None the less it appreciated the extreme importance of the Fund as a centre for international monetary co-operation, not only in times of crisis but also in periods of stability. In that connexion his delegation agreed fully with the view expressed by the Managing Director of the Fund regarding the necessity for maintaining close contact between the Fund and member countries.

28. Mr. DE LEQUERICA (Spain) said that the report of the International Monetary Fund was of very special interest to his country, which had become a member of the Fund on 15 September 1958, during the period covered by the report. Although it had been a member for only a year and a half, Spain was already benefiting from its close collaboration with the Fund; it had been consistently aided in the reorientation and stabilization of its economy by the advice, technical assistance and economic support of the Fund.

29. The present report of the Fund, like the preceding annual reports, made a valuable contribution to the analysis of the world economic situation. During the past year, a very large number of measures for strengthening the financial structure of the world economy had been adopted. Through the activities of the Fund and other international organizations, countries could henceforth develop their economies without fear of the depressions and inflation which had characterized the pre-war period. His own Government had recently put into operation a stabilization plan which, in its general outlines as described in document E/3313/Add.1, was in conformity with the principles set forth in the International Monetary Fund's Articles of Agreement. In addition to fixing the rate of exchange for the peseta at 60 to the dollar, Spain had adopted a new policy of liberalizing trade and payments. The value of the goods covered by the liberalization measures accounted for approximately 50 per cent of



Spain's total imports and was likely to amount to \$400 million to \$500 million in 1959-1960.

30. At home the results of the stabilization plan had been fully satisfactory from the point of view of budgetary equilibrium. Ordinary revenue had amounted to 63,200 million pesetas in the 1959 fiscal year. The difference between that figure and the total expenditure of 77,100 million pesetas had been easily covered out of other public revenues. Estimated public expenditure in 1960 amounted to 83,000 million pesetas or 4 per cent more than in 1959, which was perfectly compatible with the exigencies of a balanced economic expansion. With regard to monetary policy, the first stabilization measures taken in 1957 had been complemented since July 1959 by others consisting in: the limitation of the total bank advances to the private sector to 11,000 million pesetas, as against 21,000 million in 1958; a ban on new public issues automatically discountable by the Bank of Spain; and the raising of the discount and interest rates charged by the Bank of Spain. Lastly, the Spanish Government had decided gradually to abolish control organs with a view to making the economy more flexible and to allowing the free play of supply and demand.

31. As regards its foreign economic policy, the Spanish Government had embarked upon a liberalization of foreign trade that would allow the Spanish economy to become integrated into a multilateral trade and payments system consistent with the principles of the Fund and of OEEC. Within the framework of the new imports regime, free imports accounted at present for approximately 50 per cent of the total imports of the private sector; for 1960 their value was estimated at \$500 million. Imports under global quotas would amount to \$225 million in 1960. That figure added to the amount of free imports gave a total of \$725 million, or nearly three-quarters of the imports of the private sector for 1960. Thus only a small percentage of the imports would remain subject to the system of bilateral quotas or to State trading. Thanks to those liberalization measures, Spain's balance of payments, which had been adverse in previous years, showed a surplus of \$172 million at the end of February 1960. Exports had considerably increased in value and had attained a monthly level of \$100 million in January and February.

32. One of the principal measures adopted within the framework of the stabilization plan concerned the preparation of a new customs tariff conforming to the Brussels Nomenclature, which would come into force in the very near future and might allow Spain to join GATT.

33. So as to remedy the inadequacy of foreign investment in Spain, the Spanish Government had published a decree on 27 July 1959, giving very wide safeguards to prospective investors with regard to the transfer of profits and dividends as well as of invested capital. Under that decree up to 50 per cent of the registered capital of Spanish enterprises could be held by foreigners, and the proportion could even amount to 100 per cent in the case of oil prospecting enterprises.

34. Thus, important results had been achieved within a mere eight months after the entry into force of the stabilization plan; they should clear the way for a new stage in the balanced development of the Spanish economy. The initial success was due to the spirit of sacrifice with which the Spanish people had accepted the new measures, the policy of firmness and austerity

pursued by the Spanish Government and the generous financial support given to Spain by international organizations of which it was a member and particularly by the International Monetary Fund.

35. Mr. AUBOIN (France), after congratulating Mr. Jacobsson on his excellent statement, said that among the outstanding features of 1959 had been the confirmation of the success of the currency convertibility measures taken by the principal countries in Western Europe at the end of the previous year, and the beginning of a new phase of economic expansion in a climate of relative price stability. The programme of currency stabilization and of financial rehabilitation had created an entirely new situation in France. Once again it had been shown in practice that a comprehensive programme in which effective measures for setting finances in order and providing a realistic rate of exchange were combined with the freeing of international trade on a large scale was the best way to avoid both the danger of rising prices in a closed economy and that of prolonged period of stagnation.

36. The consistent tendency of the foreign exchange market to favour the franc had allowed the French authorities to purchase a net amount of approximately \$1,700 million, and to anticipate the repayment of a portion of the short-term funds borrowed from the European Payments Union and the Fund in particular. Although sustained efforts would be required for a long time to come in order to maintain a lasting surplus in the current balance of payments and to rebuild the reserves which were still inadequate, France was now in a position to participate fully in measures aimed at liberalizing international trade. It intended to eliminate completely and as soon as possible all means of discrimination and all quantitative restrictions, at least with regard to the import of industrial goods. Above all it had averted the danger of being prevented by difficulties at home from pursuing the action which it had undertaken with a view to promoting the development of countries in the franc area and participating in international assistance to under-developed countries.

37. The development of under-developed countries and the systematic and full employment of all resources were an immense and long-term task which could no longer be dealt with by artificial or inflationary measures for temporarily stimulating economic expansion. As Mr. Jacobsson had rightly pointed out, no country could rely any longer on its mistakes of economic and monetary management being covered up by the errors of others and compensated by a general rise in prices. The factors which would count from now on would be those capable of developing real resources, the chief of which were the speeding up of technical progress and the expansion of real savings.

38. The relative price stability which had been established would not, however, eliminate all fluctuations. Some of them were all the more regrettable since the income of some countries depended essentially on the exploitation of a limited number of commodities. His Government attached the greatest importance to that problem, which, as Mr. Jacobsson had assured them, would be constantly borne in mind by the Fund. Above all, industrial countries should orient their economic policy towards the maintenance of a high level of activity, which alone could provide the less developed countries with stable outlets for their primary products. The French Government was awaiting with

great interest the report on that subject which the Fund would present at the forthcoming session of the Commission on International Commodity Trade, and was ready to give unreserved support to a realistic policy of economic development which would be the result of joint efforts based on a discipline accepted by all.

39. Mr. MATSUDAIRA (Japan) noted that the re-establishment of external convertibility for the currencies of fourteen countries of Western Europe at the end of 1958 had enabled great progress to be made in the world economy during the year which had just ended. There had been a regular expansion in the economy of the industrial countries in particular and their balance of payments had been favourable. There was therefore less and less justification for discriminatory exchange restrictions. The Japanese Government endorsed the decision taken on 23 October 1959 by the Board of Governors of the Fund concerning the elimination of discriminatory measures intended to protect balances of payments. Nevertheless, the restrictions imposed on exchanges in general should not be ignored, and Mr. Jacobsson had rightly emphasized that for the development of under-developed countries trade was more important than aid.

40. The recent increase in the quotas of its members had enlarged the resources of the Fund by over 50 per cent. Furthermore, as a result of the re-establishment of external convertibility in Western Europe, withdrawals in currency other than the dollar had increased and represented about one-third of drawings made between 1 May and 31 December 1959. Those two factors had greatly strengthened the second line of reserves available to member States which were undergoing temporary difficulties, a fact which it was to be hoped would contribute to an increase in international trade.

41. In conclusion he expressed his country's gratitude for the assistance it had received from the International Monetary Fund, particularly in 1952 and 1957; that, combined with a sound monetary policy at the national level, had enabled Japan to overcome the very serious difficulties it had faced at the time. Since then its economy had developed continuously and steadily and inflation had been avoided. The fears aroused at the end of 1958 by an over-expansion of the economy had been dissipated and the present monetary situation was remarkably sound and stable.

42. Mr. PHILLIPS (United States of America) congratulated the Managing Director of the Fund on his admirable statement concerning the international monetary situation. In his opinion the period under review was perhaps the most encouraging there had been since the establishment of the Fund.

43. Following the decision taken by fourteen European countries to introduce non-resident convertibility of their currencies, international trade was now financed for the most part in currencies which were generally convertible at official rates of exchange. Hence the Board of Governors of the Fund, while recognizing the existence of special circumstances in some cases, had rightly stated on 23 October 1959 that the member States whose current receipts consisted largely of currencies which were convertible abroad could no longer justify discrimination on the grounds of their balance of payments situation. As Mr. Jacobsson had pointed out, those convertibility measures had been

followed by remarkable progress towards the eradication of discriminatory measures which hampered the balanced expansion of world trade.

44. The quotas of the member States had been increased by 50 per cent, but the increase had been greater in the case of countries whose quotas had been small and which could therefore draw on a larger scale, and for certain industrial States whose currencies were in great demand. All those steps would contribute largely to the stability and development of international trade and payments. The repurchase of their currency by member States had reached a record level during the twelve months ending 30 April 1959 and had greatly exceeded drawings. That reflected a general improvement in the situation, while the returned resources again became available to the Fund for assisting its members to overcome temporary difficulties. The consultations held every year in accordance with article XIV of the Articles of Agreement of the Fund afforded unequalled opportunities for the consideration of members' problems. It was also gratifying that the member States continued to call upon the always prompt and impartial services of the Fund's experts in connexion with financial and economic questions.

45. Mr. Jacobsson had stressed the vital role the Fund could play in connexion with the under-developed countries; it could therefore be assumed that the Fund was examining the possibilities of accelerating technical assistance in the fields within its special competence to the States in Africa and elsewhere which had recently achieved independence. The progress of those States was a matter of particular interest to the Council at its current session.

46. Mr. KAUFMANN (Netherlands) emphasized how greatly the world had changed since 1947, the year in which the United Kingdom's first attempt at convertibility had failed. Today it was no longer correct to speak of hard currencies like the dollar as opposed to soft currencies like those of Western Europe. Since the introduction of complete external convertibility in the countries of Western Europe, the foreign currencies obtained by other countries in return for their exports to Western Europe were no less usable than those acquired for exports to the dollar area. Similarly, imports had returned to normal; once again countries would decide where to buy and sell in accordance with prices and conditions of delivery. That was a healthy development which should be borne in mind in evaluating the repercussions of those decisions on the balance of payments of the United States and Western Europe. It would be unfortunate if the freedom which had been regained on the exchange market were to be restricted by fresh protectionist measures. Countries whose currency was now convertible should as far as possible eliminate the last traces of discriminatory measures regarding the dollar area. The Netherlands had abolished all discrimination in its current transactions with the dollar area.

47. He had listened with the greatest interest to the details given by the Managing Director of the Fund about the manner in which the Fund rendered assistance to under-developed countries. There was no doubt that the addition of foreign currency to the assets of a developing country was bound to assist its expansion.

The meeting rose at 1 p.m.